Resolution No. 919

BOARD OF DIRECTORS

STATE COMPENSATION INSURANCE FUND

INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION

WHEREAS, the Board of Directors of the State Compensation Insurance Fund (State Fund) is required to invest and reinvest the moneys of the State Fund which are in excess of current requirements in securities authorized by law for the investment of funds of private insurance carriers, in accordance with Sections 11787 and 11797 of the Insurance Code; and

WHEREAS, the State Fund is a non-tax paying entity; and

WHEREAS, the opportunities to acquire or dispose of such securities are such that it is impracticable to obtain the advice and determination of the Board in advance of each separate transaction; and

WHEREAS, the Board deems it to be prudent policy to establish standards which can be applied administratively to the selection and purchase of securities; and

RESOLVED, by the Board of Directors of the State Compensation Insurance Fund in regular meeting assembled at San Francisco on May 21, 2010 that:

A. All purchases must meet the following criteria and any further detailed criteria for the specific mandate.

1. The preservation of State Compensation Insurance Fund's principal and surplus, while maximizing income, will be the primary and underlying criteria for the selection and retention of securities.

2. State Fund assets will be managed and controlled in a manner consistent with prudent business practices.

3. The long-term objective is to exceed established performance benchmarks.

B. The President or Chief Investment Officer, and in their absence, either the Executive Vice President or Chief Financial Officer, are hereby authorized to purchase or sell, exchange, or otherwise dispose of at the market, securities which are authorized by law for the investment of the funds of private insurance carriers provided the type of security to be acquired is described hereafter in this section and meets the conditions and standards set forth in Sections C, D, E and F as approved by the Board of Directors. Any Investment Manager approved by the Board of Directors and under contract with State Fund may purchase and sell securities on behalf of State Fund per the terms, limitations and guidelines set forth in this INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION under the primary direction of the Chief Investment Officer and, in his/her absence, the direction of the aforementioned officers in this section.

C. Long Term Fixed Income Investments:

Allowable securities include the following assets and with Board approval can include other asset classes as allowed under applicable regulations.

1. Bonds, notes, certificates of indebtedness, or other obligations for which the full faith and credit of the United States of America (US) are pledged.

2. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).

3. Obligations of the Dominion of Canada, or of any province of the Dominion of Canada, or obligations for which are pledged the faith and credit of the Dominion of Canada, or of any province or city of the dominion which are payable in U.S. dollars.

4. Mortgage-backed securities (MBS) issued by the US Government Agencies and GSEs, including pass-throughs, PAC CMOs (Planned Amortization Class Collateralized Mortgage Obligations), TAC CMOs (Targeted Amortization Class Collateralized Mortgage Obligations), VADM CMOs (Very Accurately Defined Maturity Collateralized Mortgage Obligations) and Sequential Pay CMOs, but excluding mortgage derivatives such as inverse floaters, interest only strips, principal only strips, and "support bonds." No direct sub-prime or Alt-A MBS are allowed.

5. Publicly traded fixed income securities issued by a corporation organized under the laws of the US or any State thereof including securities issued under Rule 144(a) that are held in the portfolio and were purchased prior to May 9, 2008. Effective May 9, 2008, new purchases of bonds, notes, and other interest bearing obligations issued by a corporation organized under the laws of the US or any State thereof are not permitted.

6. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.

7. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district but excluding obligations issued by public universities effective March 2, 2010. Public university bonds that are held in the portfolio and were purchased prior to March 2, 2010 are permitted to be held.

D. Cash and Cash Equivalents:

Maintain short-term funds to obtain a reasonable level of earnings by participating in the following:

1. Bonds, notes, certificates or indebtedness, or other interest bearing obligations for which the full faith and credit of the US are pledged.

2. Securities of US Government Agencies and GSEs.

3. Certificates of Deposit (CDs) issued by domestically chartered banks and savings and loans. The institution's charter is acceptable if granted by a state or national regulatory body. This includes domestically chartered branches of foreign banks, commonly referred to as Yankees.

4. Mutual Fund(s) that reflect similar criteria to those listed in D.1. through D.3.

5. State Treasurer's Pooled Money Investment Fund (PMIF).

6. Interest-bearing bank accounts.

E. Credit Rating Standards and Limitations:

1. The credit rating of the fixed income portfolio shall average at least Aa2/AA/AA, at Moody's, S&P and Fitch, respectively, at all times.

2. The investment manager will assign a credit rating to each security using the following logic: a) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used. b) If one nationally recognized statistical rating organization (NRSRO) rates the security, the rating will apply; c) If two NRSRO rate the security, the lower rating will apply; d) If all three NRSRO rate the security, the second lowest will apply.

3. There is no per issuer limit of US Treasuries, US Agencies, and Agency MBS.

4. No single corporate issuer may exceed 0.75% of the book value of the portfolio. Only those holdings in each manager's positions exceeding this threshold as of April 1, 2009 that resulted from the division of the portfolio are exempt from this limitation.

5. New purchases of municipals shall be rated no lower than A2/A/A or better, using the methodology described in E (2). No single municipal issuer may exceed 0.50% of the book value of the portfolio. Only those holdings in each manager's positions exceeding this threshold as of April 1, 2009 that resulted from the division of the portfolio are exempt from this limitation. Ultimate credit obligor will be used to define a single municipal issuer. Municipals in aggregate shall not exceed 15% of the portfolio.

6. MBS issued by the US Government Agencies and GSEs shall comprise no more than 45% of the total portfolio. No single MBS pool may exceed 1.00% of the book value of the portfolio. MBS will include all Agency MBS, CMOs and CMBS for the aforementioned limits.

7. 15% or more of the total portfolio shall be maintained in securities maturing in five years or less.

8. Securities issued and/or guaranteed by the US Government, US Agencies, and GSEs are recognized as Aaa/AAA/AAA entities if they have not been otherwise rated by the NRSRO.

9. Securities issued and/or guaranteed by the Government of Canada and political subdivisions must be rated Aa3/AA-/AA- or better, using the methodology described in E (2). No single Canadian political subdivision may exceed 0.75% of the book value of the portfolio. Canadian political subdivisions in aggregate shall not exceed 5% of the portfolio.

10. Securities issued and/or guaranteed by a State or political subdivision must be rated A3/A-/A-or better, using the methodology described in E (2).

11. Securities issued by a qualifying corporation and purchased prior to May 9, 2008 must be rated A3/A-/A- or better, using the methodology described in E (2).

12. If a security subsequently is rated below the thresholds established in E (9) through E (11), the security may continue to be held. The Investment Manager will conduct a credit analysis and present the analysis with a recommendation to the Chief Investment Officer.

13. When calculating the per issuer and sector limits, the Pooled Money Investment Fund will be included. This number shall be provided to the Investment Manager on a monthly basis.

14. The duration of the portfolio will be managed within a range based upon analyses and projections developed with management. At present, the duration of the total portfolio is not to exceed 5.0, and will be reviewed and approved by the Board annually.

15. The performance of the portfolio will be compared to the return of the benchmark noted in section F. This composition of the index will change as the corporate bond allocation is lowered through sales and/or maturities. At a minimum, the benchmark will be reviewed and reauthorized by the Board on an annual basis.

16. Shares in any one mutual fund may not exceed 3% of State Fund's total assets, or 50% of the total Cash Management Holdings, whichever is less. Total investment in all mutual funds may not exceed 7% of State Fund's total assets.

17. The terms for any CDs should never exceed a year. CDs per issuer may not exceed $50 million or 10% of the total Cash Management Holdings. CD holdings are limited to a maximum of 30% of the Total Cash Management Holdings. CD issuers must be rated A1/P1 by two nationally recognized rating services.

18. Balances maintained in the PMIF will be monitored regularly by the Cash Management Unit of Financial and Investment Services, and reported to the Cash Management and Investment Committee on a monthly basis.

F. Benchmarks:

1. The benchmarks are for individual mandates and the overall portfolio for fixed income is Barclay's U.S. Treasury Intermediate Index: 15%, Barclay's U.S. Agency Intermediate Index 15%, Barclay's Taxable Municipal Index: 10%, Barclay's U.S. Corporate A or better Intermediate Index 20%, and Barclays Fixed Rate MBS Index 40%.

RESOLVED, that this Resolution No. 919 shall replace Investment Resolution No. 871 effective May 21, 2010.

I, Carol R. Newman, Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their regular meeting held May 21, 2010 unless amended and approved by the Board of Directors at such time as minutes for the May 21, 2010 Board of Directors meeting are approved.

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Carol R. Newman, Corporate Secretary

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Date