

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

November 17, 2011

The Investment Committee met on November 17, 2011 at the State Compensation Insurance Fund Headquarters, Board Room, 333 Bush Street, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting came to order at 12:05 p.m. and the following members were present: Chair Senator Michael J. Machado (Ret.); Donald E. Garcia; Scott K. Reid and Francis E. Quinlan (Alternate).

There was a quorum.

Also present: President Tom Rowe; Chief Financial Officer Dan Sevilla; Chief Investment Officer Peter Guastamachio; General Counsel and Corporate Secretary Carol Newman; Assistant Chief Counsel Vera De Martini; Treasury & Investments Program Manager and Assistant Corporate Secretary Stephanie Chan; Treasury & Investments Manager Maria Quintanilla; Staff Counsel David Freitas; General Re New England Asset Management President William Rotatori; General Re New England Asset Management Vice President Client Strategy Group Calvin Clark Jr.; and General Re New England Asset Management Client Strategist Christian Auger.

AGENDA ITEM 2: APPROVAL OF SEPTEMBER 14, 2011 OPEN MEETING MINUTES

Sen. Machado requested a motion to approve the minutes of the September 14, 2011 Open meeting of the Investment Committee as presented.

Sen. Machado requested public comment of which there was none.

MOTION: Mr. Reid SECOND: Mr. Garcia

To approve the minutes of the September 14, 2011 Open meeting of the Investment Committee as presented.

YES: 3 NO: 0 Motion carried.

AGENDA ITEM 3: APPROVAL OF INVESTMENT TRANSACTIONS

Stephanie Chan, Treasury & Investments Program Manager, recommended that the Investment Committee approve investment transactions for the period from August 1, 2011 to September 30, 2011. All investment transactions for this period were made in accordance with the Investment Policy at the time of purchase. During the months of August and September 2011, State Fund purchased 75 securities totaling approximately \$778.8M. During this same time period, State Fund sold 9 bonds for a total of \$110.5M. Year-to-date through September 30, 2011 State Fund recognized a net capital gain of

approximately \$13.6M. The book value of State Fund's portfolio as of September 30, 2011 was approximately \$18.9B.

Sen. Machado requested public comment of which there was none.

After presentation of the Bond Transactions report, the following actions were taken:

MOTION: Mr. Reid SECOND: Mr. Garcia

To approve and recommend that the Board of Directors ratify the Bond Transactions for the period of August 1, 2011 through September 30, 2011.

YES: 3 NO: 0 Motion carried.

Ms. Chan presented the Compliance Report indicating that all of State Fund's investments were in compliance with the Investment Policy and met certain minimum credit rating standards at the time of purchase. She reported that Rancho Cucamonga is no longer on the Compliance Report because it was sold in September 2011 for a gain of \$378,000. The current Compliance Report includes two out-of-compliance bonds. Those bonds are Oregon State and Oglethorpe GA Power. At the end September 2011, the total amount of the bonds listed on the report is \$40M, which represents approximately 0.2% of State Fund's investment portfolio.

Sen. Machado requested public comment of which there was none.

After presentation of the Compliance Report, the following actions were taken:

MOTION: Mr. Reid SECOND: Mr. Garcia

To approve and recommend the Board of Directors ratify the Compliance Report for the period of August 1, 2011 through September 30, 2011.

YES: 3 NO: 0 Motion carried.

AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 THROUGH 13

Senator Machado requested public comment of which there was none.

The Investment Committee immediately convened into Closed Session.

AGENDA ITEM 14: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:30 p.m. following the conclusion of the Closed Session and the following Members were present: Sen. Michael Machado (Ret.) Chair; Donald E. Garcia; and Scott K. Reid.

There was a quorum.

Also present: President Tom Rowe; Chief Financial Officer Dan Sevilla; Chief Investment Officer Peter Guastamachio; General Counsel and Corporate Secretary Carol Newman;

Treasury & Investments Program Manager and Assistant Corporate Secretary Stephanie Chan; Treasury & Investments Manager Maria Quintanilla; and Staff Counsel David Freitas.

AGENDA ITEM 15: COMMITTEE MEMBER PRESENTATIONS

Senator Machado asked if there were any presentations from the Committee members of which there were none.

AGENDA ITEM 16: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 16, 2012 AGENDA

Senator Machado asked if there were any additional suggestions from the committee for the February 2012 agenda. No additional recommendations were made.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 1:35 pm.

Respectfully submitted,

Stephanie Chan
Assistant Corporate Secretary