

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

February 18, 2016

The Investment Committee met on February 18, 2016 at the State Fund Corporate Office, 333 Bush Street, 7th floor, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:05 p.m. and the following members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; Jack L. Neureuter; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 2: ANTITRUST ADMONITION

Senator Machado called attention to and requested acknowledgment that the Investment Committee members read State Fund's Antitrust Admonition included in each Committee member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

3a. Approval of December 10, 2015 Open Meeting Minutes

3b. Approval of Investment Transactions

Sen. Machado asked whether any Board member had any comments on the items on the Consent Calendar of which there were none.

MOTION: Mr. Kropke

SECOND: Mr. Zachry

To approve the Consent Calendar as presented.

Sen. Machado requested public comment of which there was none. Sen. Machado called for the vote.

YES: 4

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: MARKET OUTLOOK AND ECONOMIC UPDATE

President Chip Clark of General-Re New England Asset Management (GR-NEAM) provided an update on the current dynamics of the economic and capital markets, with a particular focus on the implications that global issues (high debt levels, aging populations, and China) have on the U.S. outlook and Federal Reserve policy. Mr. Clark noted that U.S. economic indicators continue to highlight a moderately

expanding economy with restrained inflation readings. The real Gross Domestic Product (GDP) has averaged around 2+% for the past 5 years, and slightly over 2.5% since the end of Quantitative Easing (QE). Mr. Clark noted that this is sustainable, absent unexpected external factors. In addition, job growth continues and household formations are heading back to longer term historic averages. Business investment continues to grow albeit at a slower pace than in previous expansions. On balance, the U.S. economy is on solid footing. It is expected that 2016 should bring modestly higher interest rates and continued bouts of volatility that will pressure risk markets.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7, 9 AND 10

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 7, 9 and 10, of which there was none.

AGENDA ITEM 6: PUBLIC COMMENT

Sen. Machado requested other public comment, of which there was none. The Investment Committee immediately convened into Closed Session at 12:25 p.m.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:45 p.m. and the following members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; Jack L. Neureuter; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 12: COMMITTEE MEMBER PRESENTATIONS

Sen. Machado requested presentations from the Committee members, of which there were none.

AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR MAY 26, 2016 AGENDA

Sen. Machado requested suggestions for agenda items for the May 26, 2016 Investment Committee meeting other than the standing agenda items, of which there were none.

Sen. Machado requested public comment, of which there was none, and he noted that the next Investment Committee meeting is scheduled for May 26, 2016 at the State Fund Corporate Office, 333 Bush Street, San Francisco, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 1:50 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary