

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

APPROVAL of November 12, 2009 OPEN MEETING MINUTES

PRESENTED BY: Michael J. Machado

January 21, 2010

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

NOVEMBER 12, 2009

The Investment Committee met on November 12, 2009 in the Milton Marks Conference Center, State Building, 455 Golden Gate Ave, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting came to order at 3:00 p.m. and the following members were present: Vincent E. Mudd, Chair; Sen. Michael J. Machado (Ret.); Francis (Frank) E. Quinlan; and Alternate Steven L. Rank.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; General Counsel and Corporate Secretary Carol R. Newman; and Chief Counsel and Assistant Corporate Secretary Suzanne Ah-Tye .

AGENDA ITEM 2: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 4, 5, and 6.

Mr. Mudd requested public comment of which there was none.

The Investment Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF SEPTEMBER 10, 2009 CLOSED MEETING MINUTES Closed Session.

AGENDA ITEM 4: INVESTMENT STRATEGY, PORTFOLIO STRATEGY AND REVIEW Closed Session.

AGENDA ITEM 5: REVIEW INVESTMENT GUIDLELINES Closed Session.

AGENDA ITEM 6: OVERVIEW OF MUNI BANKRUPTICIES, DEFAULTS, AND DELINQUENCIES AND EFFECT ON STATE FUND'S PORTFOLIO. Closed Session.

AGENDA ITEM 7: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 3:30 p.m. following the conclusion of the Closed Session and the following Members were present: Vincent E. Mudd, Chair; Francis (Frank) E. Quinlan; Sen. Michael Machado (Ret.) Alternate Steven L. Rank was not present.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; General Counsel and Corporate Secretary Carol R. Newman; Chief Counsel and Assistant Secretary Suzanne Ah-Tye.

AGENDA ITEM 8: APPROVAL OF SEPTEMBER 10, 2009 OPEN MEETING MINUTES

MOTION: Mr. Quinlan Second: Sen. Machado (Ret.)

To approve the minutes of the September 10, 2009 Open meeting of the Investment Committee as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 9: APPROVAL OF INVESTMENT TRANSACTIONS

Leslie Dawe, Fiscal and Investment Services Manager, recommended that the Investment Committee approve investment transactions from August 1 to September 30, 2009. Investment transactions in Attachment 9 a, b and c were made in conformance with Investment policy at the time of purchase. During the months of August and September 2009, State Fund purchased 56 securities consisting of 4 U.S. Government securities, 3 Agency securities, 1 Canadian Government security, 27 Mortgage Backed securities, and 21 Taxable Municipal securities. During this same time period, State Fund sold 42 securities totaling \$301 million. Year-to-date State Fund has booked a net capital gain of approximately \$162,000.00. There were no short term investments for this period. Attachment 9c sets forth the Compliance Report which shows there were 14 securities totaling approximately \$275 million whose credit ratings fell below the "A" credit rating. These securities represent approximately 1.4% of State Fund's total investment portfolio. Mr. Mudd requested public comment of which

there was none. After presentation of the compliance report the following actions were taken:

MOTION: Mr. Quinlan Second: Sen. Machado (Ret.)

To approve and recommend the Board of Directors ratify the Bond Transactions for the period of August 1, 2009 through September 30, 2009 and Compliance Report as of September 30, 2009.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 10: MARKET OUTLOOK /ECONOMIC UPDATE

Peter Guastamachio, Chief Investment Officer, presented a Market Outlook/Economic Update. GDP is on the upsurge with third quarter GDP up 3.5% due to the "cash for clunkers" program. GDP/earnings will grow due to lower inventories and cost cutting. Currently, the U.S. accounts for 25% of the global GDP. The national unemployment rate is at 10.2% as of October 2009. Unemployment levels could be close to 11% by mid 2010. California unemployment is at 12.2% and increasing. The hardest hit sector is construction. It is anticipated that federal fund interest rates will continue to be low for an extended period.

Mr. Mudd requested public comment of which there was none.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

There were no committee member presentations. Mr. Mudd requested public comment of which there was none.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR JANUARY 2010 AGENDA

There were no additions to the January 2010 agenda for the Investment Committee. There was no public comment.

AGENDA ITEM 13: PUBLIC COMMENT

Mr. Mudd requested public comment of which there was none.

The next Investment Committee meeting is scheduled for January 21, 2010 at 2:00 p.m. in San Francisco, California.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 4:15 p.m.

Respectfully submitted,

Suzanne Ah-Tye
Assistant Corporate Secretary