

**STATE COMPENSATION INSURANCE FUND  
INVESTMENT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**AUGUST 14, 2013**

The Investment Committee met on August 14, 2013 at the San Diego Marriott Marquis and Marina, 333 West Harbor Drive, San Diego, California.

**AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 8:00 a.m. and the following members were present: Chair Sen. Michael J. Machado (Ret.); Francis E. Quinlan and Marvin Kropke.

Absent due to prior arrangement: Scott Reid

There was a quorum.

Also present: President and CEO Thomas E. 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 K. Chan; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

**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.

Senator Machado noted that since no members of the public were present and at the discretion of the Chair, the Investment Committee would immediately convene to Closed Session.

**AGENDA ITEM 3: APPROVAL OF MAY 16, 2013 OPEN MEETING MINUTES**

Sen. Machado requested a motion to approve the minutes of the May 16, 2013 Open meeting of the Investment Committee as presented.

MOTION: Mr. Kropke

SECOND: Mr. Quinlan

To approve the minutes of the May 16, 2013 Open Meeting of the Investment Committee as presented.

YES: 3

NO: 0

Motion carried.

#### **AGENDA ITEM 4: APPROVAL OF INVESTMENT TRANSACTIONS**

Ms. Chan reported that in the 2Q 2013, there was substantial trading activity in the equity portfolio. State Fund purchased over \$200M in equity securities. State Fund's Investment strategy is to reach the approximately \$800M equity allocation target by year-end.

Sen. Machado requested discussion of which there was none.

MOTION: Mr. Kropke

SECOND: Mr. Quinlan

To approve the Bond Transactions for the period April 1, 2013 through June 30, 2013.

YES: 3

NO: 0

Motion carried.

Ms. Chan reported there were no changes to the compliance report from the May 2013 meeting.

MOTION: Mr. Kropke

SECOND: Mr. Quinlan

To approve the Compliance Report for the period April 1, 2013 through June 30, 2013.

YES: 3

NO: 0

Motion carried.

#### **AGENDA ITEM 5: MARKET OUTLOOK AND ECONOMIC UPDATE**

Chief Investment Officer Pete Guastamachio introduced BlackRock Investment Management, LLC presenters Mr. Robert Shearer, CFA, Managing Director, lead portfolio manager for the Equity Dividend Fund and the BlackRock Natural Resources Fund and Ms. Soei Shin, Director and insurance clients' relationship manager.

Mr. Shearer provided a general overview of the market outlook and economy. The economy is improving mainly from progress in repairing the excesses of the bubble era in the last decade. Housing is clearly improving and expected to continue. Employment numbers have progressed less than desired but are much improved compared to this time last year. Corporate balance sheets are healthy. The global economy as a whole is expected to grow, slightly exceeding the average of the preceding ten years. It is anticipated that the eurozone economy will bottom out by end of 2013. There is an expected increase in growth in the developing and emerging market economies, largely due to China, which accounts for approximately 30% of GDP in that sector. Equities continue to be attractively valued and dividend paying stocks represent a compelling opportunity for investors in a slow growth economy.

#### **AGENDA ITEM 6: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 9 THROUGH 11**

Since no members of the public were present, there was no discussion of this item.

### **AGENDA ITEM 7: PUBLIC COMMENT**

Since no members of the public were present, there was no discussion of this item.

### **AGENDA ITEM 12: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 9:20 a.m. and the following members were present: Sen. Michael J. Machado (Ret.) Chair; Marvin Kropke; and Francis E. Quinlan.

Absent due to prior arrangement: Scott Reid

There was a quorum.

Also present: President Thomas E. Rowe; Chief Financial Officer Dan Sevilla; Chief Investment Officer Peter Guastamachio; General Counsel and Corporate Secretary Carol R. Newman; Treasury & Investments Program Manager and Assistant Corporate Secretary Stephanie K. Chan; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

### **AGENDA ITEM 13: COMMITTEE MEMBER PRESENTATIONS**

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

### **AGENDA ITEM 14: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 14, 2013 AGENDA**

Sen. Machado requested suggestions for agenda items for the November 14, 2013 Investment Committee meeting other than the standing agenda items, of which there was none. Sen. Machado requested public comment, of which there was none.

Sen. Machado asked for any public comment, of which there was none, and he noted that the next Investment Committee meeting is scheduled for November 14, 2013 at the State Fund's corporate office, 333 Bush Street, San Francisco unless noticed for a new date and time.

### **ADJOURNMENT**

There being no further business before the Investment Committee, the meeting adjourned at 9:25 a.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary