

**STATE COMPENSATION INSURANCE FUND  
INVESTMENT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**September 14, 2011**

The Investment Committee met on September 14, 2011 at the Napa Valley Marriott Hotel, Napa Valley Ballroom, 3425 Solano Avenue, Napa, California.

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

The meeting came to order at 4:00 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; Treasury & Investments Program Manager and Assistant Corporate Secretary Stephanie Chan; Treasury & Investments Manager Maria Quintanilla; and Staff Counsel David Freitas.

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

Sen. Machado requested a motion to approve the minutes of the July 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 July 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 from June 1, 2011 to July 31, 2011. All investment transactions for this period were made in accordance with the Investment Policy at the time of purchase. During the months of June and July 2011, State Fund purchased 35 bonds totaling approximately \$368M. During this same time period, State Fund sold 11 bonds for a total of \$233M. Year-to-date through July 31, 2011, State Fund recognized a net capital gain of approximately \$12.5M. The book value of State Fund's portfolio as of July 31, 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 the Bond Transactions for the period of June 1, 2011 through July 31, 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. There are two items on the report. The two out-of-compliance bonds are Rancho Cucamonga and the State of Oregon bonds. At the end of July 2011, the total amount of the bonds listed on the report is \$38M, 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 the Compliance Report for the period of June 1, 2011 through July 31, 2011.

YES: 3                      NO: 0                      Motion carried.

**AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 THROUGH 11**

Senator Machado requested public comment of which there was none.

The Investment Committee immediately convened into Closed Session.

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

The meeting was called to order at 5:40 p.m. following the conclusion of the Closed Session and the following members were present: Sen. Michael Machado (Ret.) Chair; Donald E. Garcia; Scott K. Reid; and Francis E. Quinlan.

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 13: COMMITTEE MEMBER PRESENTATIONS**

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

**AGENDA ITEM 14: PROPOSALS AND SUGGESTIONS FOR NOVEMBER 17, 2011**  
**AGENDA**

Senator Machado asked if there were any additional recommendations from the committee for the November 17, 2011 agenda. The Chief Investment Officer Peter Guastamachio recommended the Committee review the investment benchmark; receive a status report on the Investment Accounting Request for Proposal; and consider approval of the Investment Manager recommendation from management.

**ADJOURNMENT**

There being no further business before the Investment Committee, the meeting adjourned at 5:45 pm.

Respectfully submitted,

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Stephanie Chan  
Assistant Corporate Secretary