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Date: March 2, 2009

INVESTMENT COMMITTEE AGENDA ITEM 11

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT: STATE FUND'S INVESTMENT COMMITTEE CHARTER**
- II. PROGRAM: EXECUTIVE/OFFICE OF THE GENERAL COUNSEL**
- III. RECOMMENDATION: ADOPT THE PROPOSED INVESTMENT COMMITTEE CHARTER AND RECOMMEND BOARD APPROVAL**

IV. ANALYSIS: The methodology used in the preparation of the Investment Committee Charter began with strategic direction from the Board Chair and the General Counsel. Based on that direction, research was conducted by an attorney within State Fund's Legal Department which included a review of over 25 investment committee charters from various organizations including insurance companies. A copy of State Fund's current investment committee charter was used as a guide and the majority of the terms contained therein were incorporated into the final Investment Charter.

After the review of these documents, five common topics were identified and used as headings. These headings included (1) Mission/Purpose; (2) Organization; (3) Meetings; (4) Duties and Responsibilities; and (5) Powers, all of which appeared in almost all other investment charters. The duties/responsibilities were broken down into four major categories which included (1) oversight; (2) advice; (3) recommendation; and (4) evaluation.

V. RESULTS/COSTS: Compiling material and recommendations for the potential charter fulfills a responsibility of the General Counsel to give support for the Board and its Committees. The development of the Investment Charter was done by in-house counsel with a final review by outside counsel to ensure compliance with laws and regulations.

CAROL NEWMAN, General Counsel

Attachment

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 11

ATTACHMENT 11-I

PROPOSED INVESTMENT COMMITTEE CHARTER

PRESENTED BY: Vincent Mudd

March 12, 2009

STATE COMPENSATION INSURANCE FUND
PROPOSED Investment Committee Charter
(Adopted , 2009)

Mission/Purpose

The Investment Committee (the “Committee”) shall assist the Board of Directors (“Board”) of State Compensation Insurance Fund (“State Fund”) in fulfilling its investment oversight responsibilities by (1) overseeing State Fund’s capital and financial resources; (2) advising the Board on issues related to the State Fund’s Investment Policy Statement (“Policy Statement”) and Investment Guidelines (“Guidelines”) particularly in light of changing business, legislative, regulatory, legal or other conditions; (3) recommending, granting approval, making necessary decisions, and providing direction on items related to the investments of State Fund; and (4) monitoring, reviewing and evaluating the work of State Funds’ Chief Investment Officer and outside Investment Managers relating to the investments of the company.

Organization

The Committee is a standing committee of the Board and shall be composed of no less than three (3) members. All Committee members must possess an understanding of the detailed responsibilities of the Committee membership and of State Fund’s business, operating and investment environment. The Committee members should maintain an effective relationship with the Board, State Fund’s Chief Investment Officer, management, investment managers, and consultants.

Meetings

The Committee shall hold regular meetings, in accordance with the provisions of the Bagley-Keene Open Meeting Act (“Bagley-Keene”) and no less than four (4) times a year. The Committee shall hold regular meetings on the same day as, or within one day of, the regular meetings of the Board. The Committee may hold additional meetings at the request of any Committee member in compliance with the provisions of Bagley-Keene and State Fund’s By-laws.

- a. The Committee may, at its discretion, invite members of management and/or other directors to attend the Committee’s meetings where necessary to further the business of the Committee. Notwithstanding the foregoing, the total number of members of the Board (including Committee members) attending the Committee’s meeting at any one time shall equal or exceed a majority of the number of members of the Board.
- b. State Fund’s Chief Investment Officer shall be present or available by phone during all regularly scheduled Committee meetings. The outside Investment Managers shall be present at Committee meetings as deemed appropriate by the Committee.
- c. A majority of the Committee shall constitute a quorum. Each member of the Committee will have one vote and actions at the meeting shall be approved by a majority of the members present.
- d. Minutes shall be prepared at each meeting and filed with the minutes of State Fund’s Board.
- e. The Committee Chairperson or the Chairperson’s designee shall give a full report of the Committee’s actions at the earliest scheduled Board meeting.

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Duties and Responsibilities

- 1. Oversee**
 - a. Oversee that State Fund operates in a legal, ethical, and socially responsible manner and complies with all applicable laws in the execution of State Fund's Investment Policy Statement and Guidelines.
 - b. Oversee approval of all transactions as required by law.

- 2. Recommend**
 - a. Work with State Fund's Chief Investment Officer to develop selection criteria and recommend to the Board an Investment Manager(s) to be nominated based on that criteria and/or recommend the discharge of an Investment Manager if necessary.
 - b. Recommend updates and/or changes to the Investment Policy Statement and Guidelines.

- 3. Advise**
 - a. Advise the Board on matters related to State Fund's Investment Guidelines.
 - b. Advise the Board of changing business, legislative, regulatory, legal or other conditions that may affect State Fund's investment strategy.

- 4. Evaluate**
 - a. Evaluate the composition and performance of the investment portfolio managed by each Investment Manager as well as fee structures, services and any other relevant factors on an annual basis and make recommendations based on the evaluation.
 - b. Evaluate the effectiveness of the system for monitoring compliance with State Fund's Policy Statement and Investment Guidelines.
 - c. Evaluate peer company investments on an annual basis.
 - d. Evaluate the current investment strategy to determine if it is consistent with meeting strategic goals.

Powers

The Committee shall have the following powers:

- a. To meet with senior management and other appropriate parties to receive information and discuss strategic investment strategy including but not limited to strategic allocations, strategic duration and/or a method of determining an appropriate duration, and benchmarks, as necessary, to measure relevant manager performance and overall company performance.
- b. To oversee and consult with State Fund's Chief Investment Officer on matters related to investment strategies and guidelines for State Fund's investment portfolio.

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- c. To hire appropriate experts and authorize management to hire appropriate experts to execute investment and oversight functions.
- d. To perform other investment functions as requested by the full Board of Directors.
- e. To form and delegate certain authority to subcommittees.
- f. To amend or repeal provisions contained within the Charter as appropriate.
- g. Such other powers as may be necessary and appropriate to fulfill the Committee's purposes.
- h. The Committee will evaluate its performance on an annual basis, either separately or in conjunction with an annual evaluation of the full Board.