

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10-I

REVIEW OF INVESTMENT CHARTER

PRESENTED BY: Vince Mudd

May 14, 2009

STATE COMPENSATION INSURANCE FUND
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 and Guidelines ("Investment Policy") 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 will possess an understanding of the detailed responsibilities of the Committee membership and of State Fund's business, operating, financial, and investment environment. The Committee members shall maintain an effective working relationship with the Board, State Fund's Chief Investment Officer, State Fund's Chief Financial Officer, State Fund's management, outside Investment Managers, and financial 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 not equal or exceed a majority of the number of members of the Board.

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- b. State Fund's Chief Investment Officer and Chief Financial 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.

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.
 - b. Oversee all transactions as required by the Investment Policy and in compliance with the Insurance Code and approve all investment transactions, as appropriate within the parameters established by the Investment Policy and set forth in State Fund's Statutory Annual Statement to the Insurance Commissioner of the State of California.
- 2. Recommend**
 - a. Work with State Fund's Chief Investment Officer to develop criteria for the selection and recommendation of an Investment Manager(s) to the Board based on that criteria.
 - b. Recommend the discharge of an Investment Manager, if necessary.
 - c. Recommend and approve updates and/or changes to the Investment Policy.
- 3. Advise**
 - a. Advise the Board on matters related to State Fund's Investment Policy.
 - 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 Investment Managers' performance, fee structures, services and any other relevant factors on an annual basis.
 - b. Evaluate the effectiveness of the system used for monitoring compliance with State Fund's Investment Policy.
 - c. Evaluate peer company investments on an annual basis.

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- d. Evaluate the current investment strategy to determine if it is consistent with meeting State Fund's strategic goals.
- e. Evaluate the investment portfolio managed by outside Investment Managers and make recommendations based on that evaluation.

Powers

The Committee shall have the following powers:

- a. To meet with senior management and other appropriate parties to receive information and discuss investment strategies, 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 in accordance with State Fund's Investment Policy.
- 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 the Charter or any provisions of the Charter as appropriate due to new laws or regulations and recommend any changes to the Board.
- g. To execute other powers as may be necessary and appropriate in order to fulfill the Committee's responsibility under this charter.
- h. To perform such other functions as assigned by State Fund's charter, bylaws, or the Board.
- i. To evaluate the Committee's performance on an annual basis, either separately or in conjunction with an annual evaluation of the full Board.
- j. To delegate to the President or Chief Investment Officer, the authority to direct investment transactions on behalf of State Fund and, in their absence, to delegate to either the Executive Vice President or Chief Financial Officer that authority to the extent deemed appropriate by the Committee and subject to the limitations set forth in the Investment Policy.