

**STATE COMPENSATION INSURANCE FUND
AUDIT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

January 6, 2016

The Audit Committee met on January 6, 2016 at the State Fund Stockton Office, 3247 West March Lane, Stockton, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 11:00 a.m. and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado (Ret.); Steven L. Rank; and William M. Zachry.

Absent: Scott K. Reid

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief of Internal Affairs Dante Robinson; Chief Financial Officer Peter Guastamachio and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

Ms. Chalupa acknowledged the employees present in the audience and thanked the Stockton office for hosting the Audit Committee meeting.

AGENDA ITEM 2: ANTITRUST ADMONITION

Ms. Chalupa called attention to and requested confirmation that the Audit Committee members read State Fund's Antitrust Admonition, which is included in each Committee member's meeting materials.

AGENDA ITEM 3: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 5 THROUGH 8

Ms. Chalupa requested public comment on the appropriateness of Closed Session Agenda Items 5-8, of which there was none.

AGENDA ITEM 4: PUBLIC COMMENT

Ms. Chalupa requested other public comment, of which there was none. The Audit Committee immediately convened into Closed Session at 11:05 a.m.

AGENDA ITEM 9: CALL TO ORDER AND ROLL CALL

The meeting reconvened at 1:00 p.m. following the conclusion of the Closed Session and the following Members were present: Sheryl A. Chalupa (Chair); Sen. Michael J. Machado (Ret.); Steven L. Rank; and William M. Zachry.

Absent: Scott K. Reid.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief of Internal Affairs Dante Robinson; Chief Financial Officer Peter Guastamachio; and Board Liaison and Assistant Corporate Secretary Hilda B. Padua.

There was a quorum.

AGENDA ITEM 10: RATIFICATION OF ENGAGEMENT OF EXTERNAL AUDITOR FOR 2015 AUDIT

Ms. Chalupa advised the Committee of KPMG's proposed 2015 Engagement fee of \$872,000 for audit services and travel costs of \$17,500. Ms. Chalupa reported that she has reviewed the Engagement letter and recommends proceeding with the engagement at the proposed fee.

Discussion ensued on the payment schedule. Mr. Robinson noted that the payment schedule correlates with the Audit timelines.

MOTION: Mr. Zachry

SECOND: Sen. Machado

To ratify the engagement of external auditor KPMG for the 2015 Audit Plan at a cost of \$872,000 for audit services and an additional amount for travel costs for \$17,500.

Ms. Chalupa requested public comment of which there was none. Ms. Chalupa called for the vote.

YES: 4

NO: 0

Motion carried.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

Ms. Chalupa requested presentations from the Committee members of which there were none.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR FEBRUARY 17, 2016 AGENDA

Ms. Chalupa requested suggestions for agenda items for the February 17, 2016 Audit Committee meeting other than the standing agenda items, of which there were none. Ms. Chalupa requested public comment, of which there was none.

ADJOURNMENT

There being no further business before the Audit Committee, the meeting adjourned at 1:05 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary