

**STATE COMPENSATION INSURANCE FUND
INVESTMENT AND RISK COMMITTEE**

MINUTES OF OPEN SESSION MEETING

February 14, 2019

The Investment and Risk Committee met on February 14, 2019 at the State Fund Pleasanton Office, 5890 Owens Drive (Atlantic and Pacific rooms), Pleasanton, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 10:10 a.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; Jack L. Neureuter; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Financial Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 2: ANTITRUST ADMONITION

Senator Machado called attention to and requested acknowledgment that the Investment and Risk Committee members read State Fund's Antitrust Admonition included in each Committee member's meeting materials.

AGENDA ITEM 3: CONSENT CALENDAR

3a. Approval of November 14-15, 2018 Open Meeting Minutes

3b. Approval of Investment Transactions

- i. Bond Transactions
- ii. Compliance Report

3c. Approval of Investment Policy Statement and Guidelines

Sen. Machado asked Chief Investment Officer Stephanie Chan if there was any new information from the time the report was published. Ms. Chan highlighted the strategy executed in the 4Q 2018, of which \$75M of stock was sold at the peak of the market in the previous quarter and the proceeds were reinvested in 4Q 2018 when the stock market dropped significantly.

Ms. Chan also reported that United Technologies and Anheuser-Busch were both downgraded one-notch but still remained in high investment grade. They were added to the out-of-compliance report when they dropped below an A rating and exceeded the internally established limit of .5% of the portfolio. Ms. Chan reported that the staff doesn't see any material credit risk with those investments.

Lastly, Ms. Chan reported that the Investment Policy Statement and Guidelines Resolution was revised to change the term for the Federal Home Loan Bank (FHLB) investments; incorporated Insurance Code sections 926.1, 1192 and 1196.1(f)(5) as appropriate; clarified narratives; and added the infrastructure debt characteristics and limitations.

Sen. Machado asked whether any Committee member had any comments on the items on the Consent Calendar of which there were none. Sen. Machado called for a Motion.

MOTION: Mr. Kropke

SECOND: Mr. Zachry

To approve the Consent Calendar as presented.

Sen. Machado requested public comment of which there was none. Sen. Machado called for the vote.

YES: 4

NO: 0

Abstain: 0

Motion carried.

AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 THROUGH 10

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 7 through 10, of which there was none.

AGENDA ITEM 5: PUBLIC COMMENT

Sen. Machado requested other public comment, of which there was none.

Sen. Machado noted that the Committee would now go into Closed Session.

The Investment and Risk Committee immediately convened into Closed Session at 10:20 a.m.

AGENDA ITEM 11: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:00 p.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; Jack L. Neureuter; and William M. Zachry.

There was a quorum.

Also present: President and CEO Vernon L. Steiner; General Counsel and Corporate Secretary Margie R. Lariviere; Chief Information Officer Peter Guastamachio; Board Liaison and Assistant Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper.

AGENDA ITEM 12: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 13: PROPOSALS AND SUGGESTIONS FOR MAY 22-23, 2019 AGENDA

Sen. Machado requested suggestions for agenda items for the May 22-23, 2019 Investment and Risk Committee meeting other than the standing agenda items. Ms. Padua noted that the

proposed agenda items are for Closed Session. Sen. Machado further requested for additional agenda items, of which there were none.

Sen. Machado requested public comment, of which there was none, and he noted that the next Investment and Risk Committee meeting is scheduled for May 22-23, 2019 at the State Compensation Insurance Fund Office, Pleasanton, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 12:05 p.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary