

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

**MINUTES OF OPEN SESSION MEETING**

**February 21-22, 2018**

The Investment and Risk Committee met on February 21-22, 2018 at the State Fund Pleasanton Office, 5890 Owens Drive (Pacific and Atlantic rooms), Pleasanton, California.

**February 21, 2018**

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

The meeting was called to order at 10:30 a.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke (joined during item 4); 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 16, 2017 Open Meeting Minutes**

**3b. Approval of Investment Transactions**

- i. Bond Transactions
- ii. Compliance Report

**3c. Approval of Short-Term Investment Policy Statement and Guidelines**

**3d. Approval of Investment and Risk Committee Charter**

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

MOTION: Mr. Neureuter

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: 3

NO: 0

Abstain: 0

Motion carried.

**AGENDA ITEM 4: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 7 THROUGH 12**

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 7 through 12, 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 will now go into Closed session to discuss the Risk portion of the agenda and will resume Closed session the following day (February 22, 2018) at 11:30 a.m. to discuss the Investment portion of the agenda.

The Investment and Risk Committee immediately convened into Closed Session at 10:35 a.m.

**AGENDA ITEM 13: CALL TO ORDER AND ROLL CALL**

The meeting was called to order at 1:30 p.m. on February 22, 2018 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 14: APPROVAL OF INVESTMENT AND RISK COMMITTEE 2018 SCHEDULE**

MOTION: Mr. Kropke

SECOND: Mr. Neureuter

To approve the Investment and Risk Committee 2018 Schedule 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.

The Investment and Risk Committee 2018 Schedule is attached hereto.

**AGENDA ITEM 15: APPROVAL OF 2018 INVESTMENT AND RISK COMMITTEE AGENDA ITEMS**

MOTION: Mr. Zachry

SECOND: Mr. Kropke

To approve the 2018 Investment and Risk Committee Agenda Items 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.

The 2018 Investment and Risk Committee Agenda Items Schedule is attached hereto.

**AGENDA ITEM 16: COMMITTEE MEMBER PRESENTATIONS**

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

**AGENDA ITEM 17: PROPOSALS AND SUGGESTIONS FOR MAY 23-24, 2018 AGENDA**

Sen. Machado requested suggestions for agenda items for the May 23-24, 2018 Investment and Risk Committee meeting other than the standing 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 23, 2018 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 1:35 p.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Assistant Corporate Secretary



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 San Francisco, CA 94104  
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Date: February 22, 2018

**TO: MEMBERS, INVESTMENT AND RISK COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE:</b>	Open Agenda Item 14 – Approval of Investment and Risk 2018 Schedule
<b>II. NAME AND PROGRAM:</b>	Hilda Padua, Board Liaison
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

Part of the Board process is to set up the annual calendar and locations for Board and Committee meetings, to be presented and approved at every November meeting with four meetings normally set for February, May, August and November with a March/April placeholder for Board Continuing Education but there is flexibility to accommodate scheduling conflicts. The 2018 calendar was approved in November 2017 but a revision is proposed to reflect the expansion of the Investment Committee to the Investment and Risk Committee.

**VI. ANALYSIS:**

There are four regular meetings on calendar with a fifth meeting for Board Continuing Education. At the August 16, 2012 Governance and Board meetings, it was recommended to expand the length of meetings from 2 days to 3 days to allow more time for the Governance and Audit Committee meetings and discussion. The Audit Committee meets on Wednesday and the Governance Committee meets Thursday morning, followed by the Investment Committee and Board meetings.

The April meeting is reserved for Board Continuing Education. However, if the Board determines at the prior meeting that there is time sensitive business to discuss, the April meeting will proceed as a regular Board meeting in lieu of Board Continuing Education.

With the expansion of Investment Committee into an Investment and Risk Committee, there is a need to expand the length of the meeting to allow more time for the additional agenda items and discussion.

**VII. RECOMMENDATION:**

The staff recommends that the Risk portion of the agenda be discussed on the first day of the meeting (Wednesday) and the Investment portion of the agenda will keep the original Thursday schedule.

**Schedules:** The proposed dates are as follows, including additional meeting options as necessary:

- **February 21-22, 2018**
- **May 23-24, 2018**
- **August 15, 2018** (*Board, Committee & Strategic Meetings*) - *Location TBD*
- **November 14-15, 2018**

The standing meeting days and times for open and closed sessions are:

Investment and Risk Committee:	Wednesdays	10:30 a.m. – 1:30 p.m.
	Thursdays	11:30 a.m. - 1:45 p.m. (or longer if necessary)

Based on Board member feedback, there will be a 15 minute scheduled break between meetings.

**Recommendation:**

To approve the Revised 2018 Investment and Risk Committee schedule as presented.



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Date: February 22, 2018

**TO: MEMBERS, INVESTMENT AND RISK COMMITTEE**

<b>I. AGENDA ITEM # AND TITLE</b>	Open Agenda Item 15 – Approval of 2018 Investment and Risk Committee Agenda Items
<b>II. NAME AND PROGRAM:</b>	Hilda Padua, Board Liaison
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

The annual agenda provides a useful starting point to ensure that all the standing items and key issues will be covered throughout the year, and leaves room for ongoing changes and flexibility. Moreover, it indicates when each key topic is coming up for discussion, which can be used in the preparation of Board information.

As the year progresses, and the annual agenda is translated into a series of meeting agendas, the annual agenda should be reviewed and appropriate modifications should be made to ensure that the individual agendas are as useful as possible.

**VI. ANALYSIS:**

At the November 16, 2017 meeting, the Investment Committee approved under Consent Calendar the 2018 Investment Committee 2018 Agenda items. With the expansion of the Investment Committee into an Investment and Risk Committee, the annual agenda needs to be revised to include Risk related agenda items.

**VII. RECOMMENDATION:**

To approve the attached Revised Investment and Risk Committee 2018 agenda items as presented.

<b>2018 Investment and Risk Committee Substantive Agenda Items</b>				
<b><u>Standing Items</u></b>	<b>Feb</b>	<b>May</b>	<b>Aug</b>	<b>Nov</b>
Approval of Investment Transactions	X	X	X	X
Market Outlook/Economic Update	X	X	X	X
Portfolio Performance Results	X	X	X	X
Investment Manager's Investment Strategy	X	X	X	X
Financial and Investment Considerations related to the Strategic Plan	X	X	X	X
Report on Investment Audits ( <i>if applies</i> )	X	X	X	X
Legislation Affecting the Portfolio ( <i>if applies</i> )	X	X	X	X
State Fund Pension Obligations and Profitability	X	X	X	X
Report to the Board	X	X	X	X
<b><u>Investment and Risk Topics</u></b>	<b>Feb</b>	<b>May</b>	<b>Aug</b>	<b>Nov</b>
Annual Review of Charter		X		
Report on Bank Accounts and Cash Management Holdings - (Preread)		X		
Report on Long-term Investment Holdings Held by the State Treasurer's Office - (Preread)		X		
Annual Review of Investment Manager's Performance, Services and Results		X		
Investment Benchmarks		X		
Peer Analysis on 2017 Investment Results - (Preread)			X	
Review of Investment Policy Statement and Guidelines (includes Benchmark)				X
Review and Approval of 2019 Investment and Risk Agenda and Schedule				X
ERM Update	X	X	X	X
Risk Considerations related to the Strategic Plan	X	X	X	X
Update on CyberRisk	X	X	X	X
Update on Security Plan	X	X	X	X
<b>Total Substantive Items</b>	<b>13</b>	<b>18</b>	<b>14</b>	<b>15</b>
<i>Note: Normally the 4 meetings are set for February, May, August &amp; November with an April placeholder for Board Continuing Education but there is flexibility to accommodate scheduling conflicts and for 2018 the first meeting is in February.</i>				