

**STATE COMPENSATION INSURANCE FUND  
INVESTMENT COMMITTEE**

**MINUTES OF OPEN SESSION MEETING**

**May 21, 2015**

The Investment Committee met on May 21, 2015 at the State Fund Corporate Office, 333 Bush Street, 7<sup>th</sup> floor, San Francisco, California.

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

The meeting was called to order at 12:10 pm and the following members were present: Chair Sen. Michael J. Machado (Ret.); Jack L. Neureuter; Scott K. Reid; and William M. Zachry.

Absent by prior arrangement: Marvin P. Kropke

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps and Phillips.

**AGENDA ITEM 2: ANTITRUST ADMONITION**

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

**AGENDA ITEM 3: CONSENT CALENDAR**

**3a. Approval of February 19, 2015 Open Meeting Minutes**

**3b. Approval of Investment Transactions**

**3c. Annual Review of Investment Committee Charter**

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

MOTION: Mr. Zachry

SECOND: Mr. Reid

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: REPORT ON BANK ACCOUNTS, CASH MANAGEMENT HOLDINGS AND LONG-TERM INVESTMENT HOLDINGS**

Sen. Machado called upon Treasury & Investments Program Manager Stephanie Chan to report on the bank accounts and cash management holdings. Ms. Chan reported that KPMG, State Fund's independent auditors, completed the 2014 audit and issued the statutory financial statement for State Fund as of December 31, 2014. KPMG found no material audit difference related to cash and investments as of or for the year ended December 31, 2014.

#### **AGENDA ITEM 5: ECONOMIC AND INVESTMENT OUTLOOK**

Chief Investment Officer Peter Guastamachio introduced U.S. CIO & Chief Investment Strategist Larry Adam of Deutsche Asset and Wealth Management who provided a broad overview on the 2Q 2015 outlook entitled "navigating a "QE" (Quite Expensive) market". Mr. Adam focused on five themes: A Global Synchronized Recovery afoot, Divergence in Monetary Policy, "Expensive" Bull Markets, Dollar Dominance to Continue, and Commodities: Oil and Gold Obstacles.

Mr. Adam noted that global growth is expected to accelerate to 3.4% in 2015 from 3.3% in 2014 and to 3.7% in 2016. In addition, 2015 will be the first year since 2010 that all three major developed nations (U.S., Europe and Japan) deliver above potential growth. The United States is emerging as the new leader in economic growth despite its historic annual weakness in 1Q. A global synchronized recovery is afoot with the United States as the developed market leader. Europe expects further improvement in growth in 2015. Japan's domestic economy continues to struggle and China's growth is likely to slow in 2015, although reform implementation and central bank flexibility should result in stabilization and better long term growth prospects.

There is a divergence in monetary policy with the United States central bank rates remaining unchanged while in Europe, China and Japan banks are cutting interest rates. Expectations for U.S. rate hikes have been pushed out to September 2015. The Federal Reserve (Fed) will raise rates before the next election as economic growth accelerates this will occur. Increased volatility is expected. The rate hikes will not disrupt the bull market in equities but Treasury yields will tend to rise and spreads in high yield to narrow after the tightening cycle begins. Real Estate Investment Trusts (REIT) remain a potential opportunity even with higher rates due to a better economy with higher occupancy, rental rates and real estate sales and historically have produced attractive returns when U.S. economic growth is between 2.5-3.5%.

The current bull market which began on March 9, 2009, is the strongest in the history of the U.S. and may become the third longest bull market in history. Valuations are elevated as the S&P 500 is at record highs but Mr. Adam cautioned investors must rely on the future and potential value rather than on past performance. The favorite sectors for 2015 Earnings Growth, Dividend Growth and Buybacks are Information Technology, Financials, and Consumer Discretionary.

The U.S. Dollar will continue to dominate the global economy due to interest rate and growth differentials, positive fund flows, corporate and investor hedging activity, dollar cycle longevity and elevated dollar long positions. Mr. Adam recommended re-initiating hedged positions in European investing for both the bond and equity markets. He noted while the dollar has rallied, equity fund flows have moved out of the U.S.; as they shift back this could boost both equity markets and also the dollar.

Lastly in commodities, oil has been volatile with elevated levels hampering price recovery. It is estimated the price per barrel should be \$65-\$70 by the end of the year. Gold returns remain lackluster and are challenged by the potential for higher U.S. interest rates and a declining risk premium.

**AGENDA ITEM 6: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 9 THROUGH 12**

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 9 -12, of which there was none.

**AGENDA ITEM 7: PUBLIC COMMENT**

Sen. Machado requested other public comment, of which there was none. The Investment Committee immediately convened into Closed Session at 12:40 p.m.

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

The meeting was called to order at 1:55 p.m. and the following members were present: Sen. Michael J. Machado (Ret.) Chair; Jack L. Neureuter; Scott K. Reid; and William M. Zachry.

Absent by prior arrangement: Marvin P. Kropke

There was a quorum.

Also present: President and CEO Vernon L. Steiner; Chief Financial Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; and Counsel and Assistant Corporate Secretary Judith D. Sapper; and Randall Keen of Manatt, Phelps and Phillips, LLP.

**AGENDA ITEM 14: ANNUAL REVIEW OF INVESTMENT POLICY STATEMENT AND GUIDELINES**

Sen. Machado noted that the Committee reviewed the Investment Policy Statement and Guidelines and will recommend to the Board of Directors at the August 2015 meeting that it be approved as presented. Mr. Machado noted that the revision includes incorporating new investment opportunities that are allowable per the California Insurance Code, and prior to selling any equity securities at an unrealized loss position the Portfolio Manager must obtain written approval from State Fund Management.

MOTION: Mr. Zachry

SECOND: Mr. Reid

To approve the Investment Policy Statement and Guidelines as presented and attached hereto and to recommend approval of the same Investment Policy Statement and Guidelines by the Board of Directors at the August 2015 meeting.

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 15: COMMITTEE MEMBER PRESENTATIONS**

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

### **AGENDA ITEM 16: PROPOSALS AND SUGGESTIONS FOR AUGUST 18, 2015 AGENDA**

Sen. Machado requested suggestions for agenda items for the August 18, 2015 Investment 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 Committee meeting is scheduled for August 18, 2015 at the State Fund Corporate Office, 333 Bush Street, San Francisco, California unless noticed for a new date and time.

### **ADJOURNMENT**

There being no further business before the Investment Committee, the meeting adjourned at 2:00 p.m.

Respectfully submitted,

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Hilda B. Padua  
Board Liaison and Interim Corporate Secretary



[DRAFT] – BOARD OF DIRECTORS

**STATE COMPENSATION INSURANCE FUND**  
**INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION**

[Proposed] Revisions To Be Approved:

Investment Committee: May 21, 2015

Board of Directors: August 19, 2015

WHEREAS, the Board of Directors of the State Compensation Insurance Fund (State Fund) is required to invest and reinvest the moneys of the State Fund which are in excess of current requirements in securities authorized by law for the investment of funds of private insurance carriers, in accordance with Sections 11787 and 11797 of the Insurance Code; and

WHEREAS, the State Fund is a non-tax paying entity; and

WHEREAS, the opportunities to acquire or dispose of such securities are such that it is impracticable to obtain the advice and determination of the Board in advance of each separate transaction; and

WHEREAS, the Board deems it to be prudent policy to establish standards which can be applied administratively to the selection and purchase of securities; and

RESOLVED, by the Board of Directors of the State Fund in regular meeting assembled at San Francisco on May 21, 2015 that:

A. Investment Philosophy and Strategy

All Portfolios are structured and managed in a manner consistent with prudent and conservative investment practices. All purchases must meet the following criteria and any further detailed criteria for the specific mandate.

1. Fixed Income Portfolio:

The objective of the Fixed Income Portfolio is to preserve State Fund's principal and surplus, while maximizing current income and exceeding established benchmarks over the long-term.

2. Equity Portfolio:

The objective of the Equities Portfolio is to preserve State Fund's principal and surplus by adding diversity to the portfolio and reducing volatility of the results over the long term. The objective is to seek long-term total return and current income by investing primarily in large cap, high quality dividend paying stocks of United States and Canada companies that show a consistent history of strong dividend growth and sustainability.

The Portfolio is expected to exceed the performance of its established benchmark over the long term.

3. Federal Home Loan Bank Portfolio:

The objective of the Federal Home Loan Bank (FHLB) Portfolio is to preserve State Fund's principal and surplus and to create a readily available funding source to help manage State Fund's liquidity and emergency needs as well as to add incremental income by matching loans (or advances) to the reinvestment of cash in fixed income securities maturing in 5 years or less. The target spread over the FHLB advance rate should exceed the established benchmark.

4. Cash and Cash Equivalents:

The objective of the cash portfolio is to preserve State Fund's surplus and principal, to maintain liquidity, and to provide a readily available funding source for settlement of trades, claims payments, and other necessary operational expenses.

B. Delegation of Authority

1. Any Investment Manager approved by the Board of Directors and under contract with State Fund may purchase and sell securities on behalf of State Fund per the terms, limitations and guidelines set forth in this INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION under the primary direction of the Chief Investment Officer and, in his/her absence, at the direction of the officers listed in Paragraph 2 of this Section.
2. In accordance with Sections 11787 and 11797 of the Insurance Code, the President or Chief Investment Officer, and in their absence, either the Chief Financial Officer or Chief Risk Officer, are hereby authorized to purchase or sell, exchange, or otherwise dispose of at the market, securities which are authorized by law for the investment of the funds of private insurance carriers provided the type of security to be acquired is described hereafter in this section and meets the conditions and standards set forth in Sections C through L as approved by the Board of Directors.
3. Whenever the President and the Chief Investment Officer, the Chief Financial Officer and the Chief Risk Officer are unavailable or absent, the State Fund Vice President of Treasury & Investments and the State Fund Senior Investment Manager and the State Fund Investment Manager are hereby authorized to approve a written request made by an Investment Manager to sell equity securities at a price lower than the actual price originally paid for the equity security.

C. Fixed Income Portfolio Attributes

Allowable securities include the following assets and with Board approval can include other asset classes as allowed under applicable regulations:

1. Bonds, notes, certificates of indebtedness, or other obligations for which the faith and credit of the United States of America are pledged.

2. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).
3. Obligations of the Dominion of Canada, or of any province of the Dominion of Canada, or obligations for which are pledged the faith and credit of the Dominion of Canada, or of any province or city of the dominion which are payable in US dollars.
4. Mortgage-backed securities (MBS) issued by the US Government Agencies and GSEs, including pass-throughs, PAC CMOs (Planned Amortization Class Collateralized Mortgage Obligations), TAC CMOs (Targeted Amortization Class Collateralized Mortgage Obligations), VADM CMOs (Very Accurately Defined Maturity Collateralized Mortgage Obligations) and Sequential pay CMOs, but excluding such mortgage derivatives as inverse floaters, interest only strips, principal only strips, and "support bonds." No direct sub-prime or Alt-A MBS are allowed.
5. Publicly traded fixed income securities issued by a corporation organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars, including securities issued under Rule 144(a).
6. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.
7. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district.
8. Asset-backed securities (ABS) securitized by credit card receivables or auto loans are allowed. No other ABS is allowed.
9. Commercial mortgage-backed securities (CMBS) issued by the US Government Agencies and GSEs and non-Agency CMBS.
10. Investments may be made in bonds, notes or other obligations issued, assumed or guaranteed by the following international financial institutions: the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the International Finance Corporation, or the African Development Bank.

D. Fixed Income Portfolio Characteristics and Limitations

1. To monitor compliance, the Investment Manager will assign a credit rating to each security using the following logic: a) If one nationally recognized statistical rating organizations (NRSRO) rates the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply; d) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used.

2. The weighted credit rating of the fixed income portfolio shall average at least Aa3/AA-/AA-, at Moody's, S&P and Fitch, respectively, at all times.
3. There is no per issuer limit of US Treasuries and US Agencies.
4. The Investment Manager shall not purchase corporate securities rated below Baa2 or the equivalent as defined in Section D.1. Split rating is allowed, e.g. Baa3/BBB/BBB. The total amount of corporates rated below A3/A- shall not exceed 15% of the book value of this portfolio. Corporates rated below investment grade (i.e. Ba1/BB+/BB+) are considered out of compliance.
5. Single corporate issuer rated Aa3/AA- or better may not exceed 1.5% of the book value of this portfolio. Single corporate issuer rated A or the equivalent (A1/A+, A2/A, or A3/A-) may not exceed 1.0% of the book value of this portfolio. Single corporate issuer rated below A or the equivalent may not exceed 0.5% of the book value of this portfolio.
6. Corporate securities in aggregate shall not exceed 65% of the book value of this portfolio, including the Cash Management Holdings.
7. The Investment Manager shall not purchase municipal securities rated below A3/A- by any NRSRO.
8. Single municipal issuer rated Aa3/AA- or better may not exceed 1.00% of the book value of this portfolio. Single municipal issuer rated below Aa3/AA- may not exceed 0.75% of the book value of this portfolio.
9. Municipals in aggregate shall not exceed 20% of the book value of this portfolio, including the Cash Management Holdings.
10. Notwithstanding sections D.6. and D.9., the aggregate total of corporates and municipals shall not exceed 70% of the book value of this portfolio, including the Cash Management Holdings.
11. The Investment Manager shall not purchase any Build America Bonds issued directly by the State of California.
12. MBS issued by the US Government Agencies and GSEs shall comprise no more than 45% of the total fixed income portfolio, including the Cash Management Holdings. No single MBS pool may exceed 1% of the book value of this portfolio. MBS will include all Agency MBS, CMOs and CMBS for the aforementioned limits.
13. Securities issued and/or guaranteed by the Government of Canada and political subdivisions must be rated Aa3/AA- or better by a NRSRO. No single Canadian political subdivision may exceed 1.5% of the book value of this portfolio. Canadian political subdivisions in aggregate shall not exceed 5% of the book value of this portfolio, including the Cash Management Holdings.
14. Securities issued and/or guaranteed by the US Government, US Agencies, and GSEs that have not been rated by a NRSRO will apply the rating assigned by the NRSRO to the issuer or the guarantor of the security.



15. ABS and non-Agency CMBS must be rated Aaa/AAA by a NRSRO at the time of purchase. The aggregate total value of ABS and non-Agency CMBS shall be no more than 1% of the book value of this portfolio, including the Cash Management Holdings.
16. Zero coupon bonds shall not be purchased without the prior approval of the Chief Investment Officer.
17. Tobacco company related securities are a prohibited investment. Tobacco company related securities are defined as: securities of a company that derives over 25% of its revenues from the manufacturing or sale of tobacco products. A restricted list of such tobacco company issuers that shall not be purchased for the Account will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.
18. Each of the Fixed Income Investment Managers will calculate the sector limits based on the book value of their respective portfolio. However, when calculating the sector limits at month-end, the Treasury & Investments staff will include both the book value of the total portfolio and the Cash Management Holdings.
19. 15% or more of the portfolio shall be maintained in securities maturing in five years or less.
20. The duration of the portfolio will be managed within a strategic range of 3.0 to 6.5, which is reviewed and approved by the Board annually. An operational target within the duration range will be established and reviewed by the Chief Investment Officer periodically.
21. If any of the above mentioned rules are breached, the Investment Manager will conduct an analysis and present it with a recommendation to the Chief Investment Officer.
22. Investments made in bonds, notes or other obligations issued, assumed or guaranteed by the international financial institutions identified in Section C-10 shall not exceed \$65 million book value per entity at any one time.

E. Equity Portfolio Attributes

The following types of equity securities are permissible:

1. Federal Home Loan Bank stock purchased directly by State Fund.
2. Common and preferred stock of companies domiciled in the US or Canada, and denominated in US Dollars. Stock and other equity securities issued by foreign domiciled companies shall not be purchased for the Equity Portfolio.

F. Equity Portfolio Characteristics and Limitations

1. Position size in any one issuer shall not exceed 5% of market value of the portfolio.

2. No one position shall be greater than \$25 million in market value at the time of purchase.
3. Equity holdings in any one industry shall not exceed 15% of the market value of the equity portfolio, or +/- 10% of that of the benchmark index, whichever is greater.
4. The portfolio shall invest in companies with market capitalization of \$2 billion or above at the time of purchase.
5. The portfolio shall hold approximately 40 to 120 different issuers of securities, but no less than 40 different securities.
6. The portfolio shall not invest in issuers whose concentration of business risk is similar to that of State Fund (i.e. catastrophic risk). A pre-approved list of insurance and reinsurance issuers that can be purchased will be established and mutually agreed upon by the Investment Manager and Chief Investment Officer.
7. The portfolio shall not invest in stock of debt issuers whose underlying rating is below investment grade (lower of splits Baa3/BBB-) at the time of purchase. Any exceptions must be pre-approved by the Chief Investment Officer.
8. Tobacco company related securities are a prohibited investment. Tobacco company related securities are defined as: securities of a company that derives over 25% of its revenues from the manufacturing or sale of tobacco products. A restricted list of such tobacco company issuers that shall not be purchased for the Account will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.
9. No American depository receipts ("ADRs") are allowed.
10. As set forth in Insurance Code Section 1191, excess funds investments may be made in the stock of any corporation organized and carrying on business under the laws of this or any other state, or of the United States, or of the District of Columbia, or of the Dominion of Canada or any province of the Dominion of Canada.
11. All investment income of the equity portfolio and capital gains, if any, will be added to the assets of the portfolio, unless otherwise directed by the Chief Investment Officer.
12. If any of the above mentioned rules are breached, the Investment Manager is not necessarily required to dispose of all or part of the investment immediately. The Investment Manager will, however, inform the Chief Investment Officer without delay and make a proposal on the best way to bring the portfolio back into compliance with the limits.
13. The Investment Manager must obtain written approval from the Chief Investment Officer or State Fund Vice President of Treasury & Investments, and in their absence, either the State Fund Senior Investment Manager or the State Fund

Investment Manager, prior to selling any equity securities at a price lower than the actual price originally paid for the equity security.

G. Federal Home Loan Bank Portfolio Attributes

The following types of assets are allowable:

1. Bonds, notes, certificates of indebtedness, or other obligations for which the faith and credit of the United States of America are pledged.
2. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).
3. Publicly traded fixed income securities issued by a corporation organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars, including securities issued under Rule 144(a).
4. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.
5. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district.

H. Federal Home Loan Bank Portfolio Characteristics and Limitations

1. To monitor compliance, the Investment Manager will assign a credit rating to each security using the following logic: a) If one NRSRO rates the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply; d) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used.
2. The Investment Manager shall not purchase corporate securities rated below A3/A- by any NRSRO.
3. The Investment Manager shall not purchase municipal securities rated below A3/A- by any NRSRO.
4. There is no per issuer limit of US Treasuries, US Agencies, and general obligation bonds issued by the State of California.
5. Except for those mentioned in H.4., any other issuer may not exceed \$50 million in actual cost (excluding accrued interest) at the time of purchase.

6. Per the Insurance Code Section 1194.7, and for the purpose of the Federal Home Loan Bank Portfolio investments, there is no limitation on the purchase of municipal bonds issued by the State of California.
7. All purchases will be maturity matched to the Advances providing the funding and will have maturities less than or equal to 5 years.
8. The Investment Manager shall not purchase any Build America Bonds issued directly by the State of California.

I. Cash and Cash Equivalents Attributes

Maintain short-term funds to obtain a reasonable level of earnings by participating in the following:

1. Bonds, notes, certificates of indebtedness, or other interest bearing obligations for which the full faith and credit of the United States of America are pledged.
2. Obligations of US Government Agencies and GSEs.
3. Commercial Paper issued by a corporation organized under the laws of the United States or any State.
4. Certificates of Deposit (CDs) issued by domestically chartered banks and savings and loans. The institution's charter is acceptable if granted by a state or national regulatory body. This includes domestically chartered branches of foreign banks, commonly referred to as Yankees.
5. State Treasurer's Pooled Money Investment Fund (PMIF).
6. Interest-bearing bank accounts.

J. Cash and Cash Equivalents Exclusions and Limitations

1. Purchases of Commercial Paper must be rated A1/P1 by two NRSRO's and split rating is not allowed. Eligible Commercial Paper may not exceed 180 days' maturity, or represent more than 10 percent of the outstanding paper of an issuing corporation. No single Commercial Paper issuer may exceed 10% of the total Cash Management Holdings. Eligible Commercial Paper is further limited to issuing corporations having shareholders' equity in excess of \$10 Billion. Commercial Paper holdings are limited to a maximum of 70% of the total Cash Management Holdings.
2. The terms for any CDs should never exceed a year. CDs per issuer may not exceed \$50 million or 10% of the total Cash Management Holdings, whichever is less. CDs are further limited to issuing corporations having shareholders' equity in excess of \$10 Billion. CD holdings are limited to a maximum of 30% of the total Cash Management Holdings. CD issuers must be rated A1/P1 by two NRSRO's.
3. Balances maintained in the PMIF will be monitored regularly by the Treasury and Investments staff, and reported to the Treasury and Investments Committee on a monthly basis.

K. Insurance Code Section 11797(a) Limitation

1. The combined value of Equity Portfolio, Asset-Backed Securities (ABS), non-Agency Commercial Mortgage Backed Securities (CMBS) and Federal Home Loan Bank stock shall not exceed 20% of surplus.

L. Performance Benchmarks

The benchmarks are for individual mandates. At a minimum, the benchmark will be reviewed and reauthorized by the Board on an annual basis.

1. The benchmark for the Fixed Income portfolio is Merrill Lynch's U.S. Treasuries, 1-10 yrs Index: 10%, Merrill Lynch's U.S. Agencies, 1-10 yrs Index: 5%, Merrill Lynch's Broad U.S. Taxable Municipal Securities Index: 10%, Merrill Lynch's U.S. Corporates A-AAA Rated, 1-10 yrs Index: 20%, Merrill Lynch's U.S. Corporates A-AAA Rated Index: 20%, and Merrill Lynch's Mortgage Master Index: 35%.
2. The benchmark for the Equity portfolio is the Russell 1000 index.
3. The performance objective of the FHLB portfolio is to achieve a spread in excess of the FHLB advance rate that is greater than 40 basis points on each trade.

RESOLVED, that this Resolution No. 2052 shall replace Investment Resolution No. 2014 effective May 21, 2015.

*I, Hilda B. Padua, Interim Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Investment Committee at their meeting held May 21, 2015 unless amended and approved by the Investment Committee at such time as minutes for the May 21, 2015 Investment Committee meeting are approved.*

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Hilda B. Padua, Interim Corporate Secretary

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Date