

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

May 22, 2014

The Investment Committee met on May 22, 2014 at the Sheraton Grand Hotel, 1230 J Street, Sacramento, California 95814.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12 noon and the following members were present: Chair Sen. Michael J. Machado (Ret.); Jack Neureuter; and Scott Reid. Marvin Kropke was not present.

There was a quorum.

Also present: Acting President and CEO Carol Newman; Acting Chief Financial Officer and Chief Investment Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; and Randall Keen of Manatt, Phelps and Phillips, LLP.

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 20, 2014 Open Meeting Minutes**
- 3b. Approval of Investment Transactions**
- 3c. Annual Review of Investment 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. Neureuter

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: 3

NO: 0

Motion carried.

AGENDA ITEM 4: REPORT ON BANK ACCOUNTS, CASH MANAGEMENT HOLDINGS AND LONG-TERM INVESTMENT HOLDINGS

Sen. Machado noted that this agenda item was “Informational read only” unless there were questions from the Committee. Sen. Machado requested public comment of which there was none.

AGENDA ITEM 5: MARKET OUTLOOK AND ECONOMIC UPDATE

Shilpa Lakhani, CFA, Vice President at Deutsche Asset and Wealth Management provided an overview of the economy. Ms. Lakhani noted that the U.S. unemployment rate diminished in 2014 and we should see growth in the U.S. job market through 2015. The unemployment rate is projected to move below 6.5% by the end of the year. Inflation remains at 1.5% and will remain less than 2% for the remainder of the year. There is a positive outlook for U.S. growth with GDP above 3% for the rest of 2014. The 10 year U.S. Treasury rate is currently at 2.5% and is projected to be at 3.5% at the end of 2014.

Josh Feinman, Chief Global Economist at Deutsche Asset and Wealth Management provided a broad macroeconomic update on financial markets, monetary policy, housing, and employment. Mr. Feinman noted that there will be continued gradual growth through 2014 and into 2015. As the demographics change with more baby boomers aging, business capital investments will decrease which will inhibit growth. People who have left the labor force have trouble re-integrating especially those who have been unemployed for a long period of time. In addition, there is uncertainty as to how Obama care will affect the economy. The manufacturing sector has had a decline in labor force but real output has remained the same with increased productivity and efficiency due to technology.

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 12:20 p.m.

AGENDA ITEM 13: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:35 p.m. and the following members were present: Sen. Michael J. Machado (Ret.) Chair; Marvin Kropke; Jack Neureuter (joined at item 15); and Scott Reid.

There was a quorum.

Also present: Acting President and CEO Carol Newman; Acting Chief Financial Officer and Chief Investment Officer Peter Guastamachio; Board Liaison and Interim Corporate Secretary Hilda B. Padua; and Randall Keen of Manatt, Phelps and Phillips, LLP.

AGENDA ITEM 14: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 15: PROPOSALS AND SUGGESTIONS FOR SEPTEMBER 24, 2014 AGENDA

Sen. Machado requested suggestions for agenda items for the September 24, 2014 Investment Committee meeting other than the standing agenda items, of which there was none.

Sen. Machado asked for any public comment, of which there was none, and he noted that the next Investment Committee meeting is scheduled for September 24, 2014 at the Hyatt Regency Hotel, Monterey, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 1:40 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Interim Corporate Secretary