

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

MINUTES OF OPEN SESSION MEETING

May 22-23, 2019

The Investment and Risk Committee met on May 22, 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 10:30 a.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; David M. Lanier; 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.

Sen. Machado welcomed Mr. Lanier to the Investment and Risk Committee.

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 February 14, 2019 Open Meeting Minutes

3b. Approval of Investment Transactions

- i. Bond Transactions
- ii. Compliance Report

3c. Annual Review and Approval of Investment and Risk Committee Charter

Sen. Machado asked Chief Investment Officer Stephanie Chan if there was any new information from the time the report was published and to provide an update on portfolio investments in drug companies associated with Opioids. Ms. Chan reported that all holdings related to Opioids were sold and certain bonds are allowed to be held to maturity. State Fund currently has no known direct exposures on Opioids. Mr. Guastamachio noted that State Fund previously updated its Investment Policy Statement and Guidelines not to purchase investments with exposure to Opioids.

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

Ms. Chan reported that external auditor Ernst & Young (EY) concluded their audit work with no findings for investments and cash management. EY will discuss the details of the audit with the Committee during the Closed session.

Sen. Machado requested an update regarding the Wells Fargo investments. Ms. Chan noted that State Fund continues to keep a minimum cash balance with Wells Fargo and take a conservative posture due to sensitive political risk. Mr. Guastamachio noted that State Fund sold all Wells Fargo investments.

AGENDA ITEM 5: PUBLIC COMMENT ON APPROPRIATENESS OF CLOSED SESSION FOR ITEMS 8 THROUGH 14

Sen. Machado requested public comment on the appropriateness of Closed Session Agenda Items 8 through 14, of which there was none.

AGENDA ITEM 6: 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 10:35 a.m.

AGENDA ITEM 15: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 12:50 p.m. and the following Members were present: Chair Sen. Michael J. Machado (Ret.); Marvin P. Kropke; David M. Lanier; 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 16: COMMITTEE MEMBER PRESENTATIONS

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

State Compensation Insurance Fund

Investment and Risk Committee – August 20, 2019

Open Agenda Item 3a – Consent Calendar: Approval of May 22-23, 2019 Open Meeting Minutes

AGENDA ITEM 17: PROPOSALS AND SUGGESTIONS FOR AUGUST 20, 2019 AGENDA

Sen. Machado requested suggestions for agenda items for the August 20, 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 August 20, 2019 at The Lodge at Sonoma Renaissance, Sonoma, California unless noticed for a new date and time.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 12:55 p.m.

Respectfully submitted,



Hilda B. Padua
Board Liaison and Assistant Corporate Secretary