

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

MINUTES OF OPEN SESSION MEETING

May 23-24, 2018

The Investment and Risk Committee met on May 23-24, 2018 at the State Fund Pleasanton Office, 5890 Owens Drive (Pacific and Atlantic rooms), Pleasanton, California.

May 23, 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; 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 February 21-22, 2018 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

3d. Approval of Investment Policy Statement and Guidelines

Sen. Machado requested that item 3b "Approval of Investment Transactions" be pulled out from the Consent Calendar and approved separately after hearing a report from Chief Investment Officer Stephanie Chan. Sen. Machado asked whether any Committee member had any other comments on the items on the Consent Calendar of which there were none.

MOTION: Mr. Kropke

SECOND: Mr. Neureuter

To approve the Consent Calendar as presented excluding “Approval of Investment Transactions”.

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

YES: 4

NO: 0

Abstain: 0

Motion carried.

3b. Approval of Investment Transactions

- i. Bond Transactions
- ii. Compliance Report

Sen. Machado requested Ms. Chan to provide an update regarding the recent Investment transactions.

Ms. Chan reported that tobacco company-related securities are a prohibited investment. As staff implemented the short-term investment program in January 2018, this restriction was not communicated to the external short-term investment manager. Philip Morris commercial paper was purchased on January 19, 2018. State Fund informed the external investment manager of this restriction and allowed the commercial paper to be held to maturity, which was February 5, 2018. The restriction has been added to the short-term trading compliance system to prevent purchases of tobacco company-related securities in the future.

Sen. Machado called for a Motion.

MOTION: Mr. Kropke

SECOND: Mr. Neureuter

To approve the Investment Transactions 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 also reported that external auditor Ernst & Young (EY) concluded their audit work with no findings for investments and cash management.

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 to discuss the Risk portion of the agenda and resume Closed session the following day (May 24, 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 10:40 a.m.

AGENDA ITEM 15: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 1:35 p.m. on May 24, 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 16: COMMITTEE MEMBER PRESENTATIONS

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

AGENDA ITEM 17: PROPOSALS AND SUGGESTIONS FOR AUGUST 15, 2018 AGENDA

Sen. Machado requested suggestions for agenda items for the August 15, 2018 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 15, 2018 at the State Compensation Insurance Fund Office, 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 1:40 p.m.

Respectfully submitted,

Hilda B. Padua
Board Liaison and Assistant Corporate Secretary