

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 9

ATTACHMENT 9-I

APPROVAL of January 21, 2010 OPEN MEETING MINUTES

PRESENTED BY: Michael J. Machado

March 18, 2010

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

JANUARY 21, 2010

The Investment Committee met on January 21, 2010 in the Milton Marks Conference Center, State Building, 455 Golden Gate Ave, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting came to order at 2:10 p.m. and the following members were present: Sen. Michael J. Machado (Ret.) Acting Chair; Francis (Frank) E. Quinlan; Alternate Steven L. Rank was not present.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; General Counsel and Corporate Secretary Carol R. Newman; and Chief Counsel and Assistant Corporate Secretary Suzanne Ah-Tye.

AGENDA ITEM 2: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 3,4, 5, and 6.

Sen. Machado requested public comment of which there was none.

The Investment Committee immediately convened into Closed Session.

AGENDA ITEM 3: APPROVAL OF NOVEMBER 12, 2009 CLOSED MEETING MINUTES Closed Session.

AGENDA ITEM 4: INVESTMENT STRATEGY-PORTFOLIO STRATEGY AND REVIEW Closed Session.

AGENDA ITEM 5: REVIEW INVESTMENT BENCHMARK Closed Session

AGENDA ITEM 6: REVIEW INVESTMENT OPTIONS Closed Session

AGENDA ITEM 7: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 3:00 p.m. following the conclusion of the Closed Session and the following Members were present: Sen. Michael Machado (Ret.) Acting Chair; Francis (Frank) E. Quinlan; and Alternate Steven L. Rank.

There was a quorum.

Also present: Interim President and CEO Doug Stewart; Chief Financial Officer Jay Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; General Counsel and Corporate Secretary Carol R. Newman; Chief Counsel and Assistant Secretary Suzanne Ah-Tye.

AGENDA ITEM 8: APPROVAL OF NOVEMBER 12, 2009 OPEN MEETING MINUTES

MOTION: Mr. Quinlan SECOND: Mr. Rank

To approve the minutes of the November 12, 2009 Open meeting of the Investment Committee as presented.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 9: APPROVAL OF INVESTMENT TRANSACTIONS

Leslie Dawe, Fiscal and Investment Services Manager, recommended that the Investment Committee approve investment transactions from October 1 to November 30, 2009. Investment transactions in Attachment 9 a, b and c were made in conformance with the Investment policy at the time of purchase. During the months of October and November 2009, State Fund purchased 46 securities totaling approximately \$757M, consisting of 6 U.S. Government securities, 4 Agency securities, 10 Mortgage Backed securities, and 26 Taxable Municipal securities. During this same time period, State Fund sold 5 Suntrust Bank securities, totaling \$21M. Year-to-date State Fund has booked a net capital gain of approximately \$213,000. The value of State Fund's portfolio as of November 30, 2009 was approximately \$19.6B. There were no short term investments for this period. Sen. Machado requested public comment of which there was none.

After presentation of the Bond Transactions and Short Term Investment Transactions report, the following actions were taken:

MOTION: Mr. Quinlan SECOND: Mr. Rank

To approve and recommend that the Board of Directors ratify the Bond Transactions for the period of October 1, 2009 through November 30, 2009.

AYES: 3 NOES: 0 Motion carried.

Ms. Dawe presented that Attachment 9c sets forth the Compliance Report which shows there were 14 securities totaling approximately \$293M whose credit ratings fell below the "A" credit rating, although they were in compliance at the time of purchase. One of the Oregon State bonds included in the list is currently not rated, but the rating for the State of Oregon is Aa2/AA. During December 2009, State Fund sold holdings in Fifth Third Bank and Lehman Brothers. Also, all of these out-of-compliance securities represent less than 2% of State Fund's total investment portfolio of approximately \$19.6B. Sen. Machado requested public comment of which there was none.

After presentation of the Compliance Report, the following actions were taken:

MOTION: Mr. Quinlan SECOND: Mr. Rank

To approve and recommend the Board of Directors ratify the Compliance Report for the period of October 1, 2009 through November 30, 2009.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 10: MARKET OUTLOOK /ECONOMIC UPDATE

Peter Guastamachio, Chief Investment Officer, presented a Market Outlook/Economic Update. Gross Domestic Product (GDP) is on the upsurge with third quarter's GDP at 2.2% and fourth quarter's estimated to be 4.5%. There is progress for consumer and housing recovery. Business investments are up, especially manufacturing orders. Interest rates are expected to go up in the second half of 2010 or in 2011.

Sen. Machado requested public comment of which there was none.

AGENDA ITEM 11: COMMITTEE MEMBER PRESENTATIONS

Sen. Machado reported that the Investment Committee discussed agenda item 5 in closed session regarding a new investment benchmark for State Fund. The Committee considered the merits of having a different benchmark which will allow State Fund to better measure the performance of its investment managers. Sen. Machado requested public comment of which there was none.

After the presentation, the following action was taken:

MOTION: Mr. Quinlan SECOND: Mr. Rank

To recommend to the full Board that the following new investment benchmark for State Fund effective January 2009 be approved and ratified:

Sector	Proposed 2010 benchmark
Mortgage Backed Securities	40%
US Treasury	15%
Taxable Municipal	10%
Corporate Treasuries	20%
US Agency	15%

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 12: PROPOSALS AND SUGGESTIONS FOR MARCH 2010 AGENDA

Mr. Guastamachio reported that Conning Asset Management will be giving a presentation at the March Investment meeting. There was no public comment.

AGENDA ITEM 13: PUBLIC COMMENT

Sen. Machado requested public comment of which there was none. Sen. Machado acknowledged Mr. Guastamachio and his staff for the merits of providing useful investment information and reports to the Committee.

The next Investment Committee meeting is scheduled for March 18, 2010 at 2:15 p.m. in San Francisco, California.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 3:25 p.m.

Respectfully submitted,

Suzanne Ah-Tye
Assistant Corporate Secretary