

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 8

ATTACHMENT 8-I

APPROVAL of JULY 9, 2009 OPEN MEETING MINUTES

PRESENTED BY: Vince Mudd

September 10, 2009

**STATE COMPENSATION INSURANCE FUND
INVESTMENT COMMITTEE**

MINUTES OF OPEN SESSION MEETING

JULY 9, 2009

The Investment Committee met on July 9, 2009 in the State Building, 455 Golden Gate Ave, San Francisco, California.

AGENDA ITEM 1: CALL TO ORDER AND ROLL CALL

The meeting came to order at 2:00 p.m. and the following members were present: Vincent E. Mudd, Chair; Sen. Michael J. Machado (Ret.); Francis (Frank) E. Quinlan; and Alternate Steven L. Rank.

There was a quorum.

Also present: President and CEO Janet Frank; Chief Financial Officer Jay Stewart; Chief Risk Officer Doug Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; Treasury Services Manager Stephanie Chan; General Counsel and Corporate Secretary Carol R. Newman; and Assistant Chief Counsel and Assistant Secretary Judith D. Sapper.

AGENDA ITEM 2: PUBLIC COMMENT ON THE APPROPRIATENESS OF CLOSED SESSION ITEMS 4 AND 5

Mr. Mudd requested public comment of which there was none.

The Investment Committee immediately convened into Closed Session.

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

AGENDA ITEM 4: INVESTMENT STRATEGY Closed Session.

AGENDA ITEM 5: ALTERNATE INVESTMENT VEHICLE Closed Session.

AGENDA ITEM 6: CALL TO ORDER AND ROLL CALL

The meeting was called to order at 3:20 p.m. following the conclusion of the Closed Session and the following Members were present: Vincent E. Mudd, Chair; and Francis (Frank) E. Quinlan. Absent: Sen. Michael Machado (Ret.); and Alternate Steven L. Rank.

There was a quorum.

Also present: Chief Financial Officer Jay Stewart; Chief Investment Officer Peter Guastamachio; Fiscal and Investment Services Manager Leslie Dawe; and Assistant Chief Counsel and Assistant Secretary Judith D. Sapper.

AGENDA ITEM 7: APPROVAL OF MAY 14, 2009 OPEN MEETING MINUTES

MOTION: Mr. Quinlan Second: Mr. Mudd

To approve the minutes of the May 14, 2009 Open meeting of the Investment Committee as presented.

AYES: 2 NOES: 0 Motion carried.

AGENDA ITEM 8: APPROVAL OF INVESTMENT TRANSACTIONS

Sen. Machado (Ret.) and Mr. Rank joined the meeting. Fiscal and Investment Services Manager Leslie Dawe discussed the selection and retention of investments and the composition of State Fund's \$19B portfolio. Ms. Dawe presented the bond transactions for April and May 2009, noting 69 bonds consisting of 14 Government securities, 17 Agency securities, 22 Mortgage-Backed securities (MBS), and 16 Taxable Municipal securities were purchased at \$1,652,477,648. She also reported that 22 bonds consisting of 4 Government securities, 4 MBS, 13 Corporate securities and 1 Taxable Municipal security were sold for \$335,994,707 for a capital gain of \$243,000. There were no short term investment transactions.

Ms. Dawe presented the compliance report for investments owned as of May 31, 2009. All of the investments were in compliance at the time of purchase. She noted State Fund's investment policy allows an investment to be retained even if it is out of compliance. The 19 bonds at \$356M that fell out of compliance make up less than 2% of State Fund's portfolio. Mercantile Bankshares and Suntrust Bank were added to the report and the International Lease and American Express securities matured after the May 2009 meeting. State Fund's Executive Management concurred with the Investment Managers' recommendations with supporting rationale to hold or sell each of the non-compliant bonds. Mr. Mudd requested public comment of which there was none. After presentation of the compliance report the following actions were taken:

MOTION: Mr. Quinlan Second: Sen. Machado (Ret.)

To recommend the Board of Directors ratify the bond transactions for the period of April 1, 2009 through May 31, 2009.

AYES: 3 NOES: 0 Motion carried.

MOTION: Sen. Machado (Ret.) Second: Mr. Quinlan

To recommend the Board of Directors ratify the compliance status of the securities on the May 31, 2009 compliance report.

AYES: 3 NOES: 0 Motion carried.

AGENDA ITEM 9: MARKET OUTLOOK AND ECONOMIC UPDATE

Chief Financial Officer Jay Stewart presented an economic update and outlook. He noted the jobless rate increased in June. Total construction spending decreased in May, reversing an April uptick. California's unemployment rate increased to 11.5% up from the 11.2% rate of March. An 11.9% peak is forecast for mid-2010 with double digit unemployment continuing through 2011. California has led the nation the last 3 months with a loss of 68,000 jobs and exhausted its unemployment insurance funds. Construction lost 149,000 jobs in California, an 18.4% decrease. Only the educational and health services industry added jobs since the beginning of the year. New business incorporations are down, along with housing permits and foreign trade, all of which will continue to have a negative impact on payroll exposure, resulting in less written premium. Bankruptcies are increasing and a second wave of home foreclosures is expected. Lower stock prices are predicted but no inflation is expected in the next 6-9 months. Mr. Mudd requested public comment, of which there was none.

AGENDA ITEM 10: COMMITTEE MEMBER PRESENTATIONS

There were no Committee Member presentations or public comment.

AGENDA ITEM 11: PROPOSALS AND SUGGESTIONS FOR SEPTEMBER 2009 AGENDA

The Investment Committee directed inclusion of standing agenda items and requested the new money manager give a presentation and discuss the economy for the next meeting. There was no public comment.

AGENDA ITEM 12: PUBLIC COMMENT

Mr. Mudd requested public comment of which there was none.

The next Investment Committee meeting is scheduled for September 10, 2009 at 2:00 p.m. in San Francisco, California.

ADJOURNMENT

There being no further business before the Investment Committee, the meeting adjourned at 3:45 p.m.

Respectfully submitted,

Judith D. Sapper,
Assistant Corporate Secretary