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Date: May 4, 2022

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 3j: Consent Calendar: Approval of Short-Term Investment Policy Statement & Guidelines Resolution
II. NAME AND PROGRAM:	Treasury and Investments
III. ACTIVITY:	☐ Informational ☐ Request for Direction ☒ Action Proposed ☐ Exploratory
IV. JUSTIFICATION:	☒ Standard/Required Item ☐ Board Request – New Item ☐ New Topic from Staff

V. EXECUTIVE SUMMARY:

Resolution No. 2388 will replace Short-Term Investment Policy Statement and Guidelines Resolution No. 2133 which was created for the investment criteria and management of short-term investments.

ANALYSIS:
The Short-Term Investment Policy Statement and Guidelines Resolution is updated to include instruments issued from the Dominion of Canada and use Money market mutual funds as viable option of short-term investments. In addition, updated the Investment exclusion list to delete the common & preferred stocks and repurchase agreements.

Section	Changes
Page 2, C.1,2,3,4	Revise description to include the Dominion of Canada.
Page 2, C.8	Update to include Money Market Mutual Funds.
Page 2, D.6, 11	Delete 'Common & Preferred stocks' and 'Repurchase Agreements' from investment exclusion list.
Page 4, D.6	Update SSAE 16 to SSAE 18

VI. RECOMMENDATION:

To approve attached Short Term Investment Policy Statement and Guidelines Resolution No. 2388 as presented.

Resolution No. 2388

[DRAFT} BOARD OF DIRECTORS
STATE COMPENSATION INSURANCE FUND
[Proposed] To be presented for approval:
Investment and Risk Committee: May 18, 2022
Board of Directors: May 19, 2022

SHORT-TERM INVESTMENT POLICY STATEMENT & GUIDELINES RESOLOUTION

WHEREAS, the Board of Directors of the State Compensation Insurance Fund (State Fund) is required to invest and reinvest the moneys of the State Fund which are in excess of current requirements in securities authorized by law for the investment of funds of private insurance carriers, in accordance with Sections 11787 and 11797 of the Insurance Code; and

WHEREAS, the State Fund is a non-tax paying entity; and

WHEREAS, the opportunities to acquire or dispose of such securities are such that it is impracticable to obtain the advice and determination of the Board in advance of each separate transaction; and

WHEREAS, the Board deems it to be prudent policy to establish standards which can be applied administratively to the selection and purchase of securities, which at the time of purchase have a maturity of one year (365 days) or less; and

RESOLVED, by the Board of Directors of the State Fund in regular meeting on May 19, 2022 that:

A. Investment Philosophy and Strategy

This Portfolio shall be structured and managed in a manner consistent with prudent and conservative investment practices. All purchases must meet the following criteria and any further detailed criteria.

Cash and Cash Equivalents Portfolio:
The objective of the cash portfolio is to preserve State Fund's surplus and principal, to maintain liquidity, and to provide a readily available funding source for settlement of trades, claims payments, and other necessary operational expenses.

B. Authority for Making Short-Term Investments

1. In accordance with Sections 11787 and 11797 of the Insurance Code, the President or Chief Investment Officer, and in their absence, either the Chief Financial Officer or Chief Risk Officer, or the designated staff within the Treasury & Investments Program are hereby authorized to purchase or sell, exchange, or otherwise dispose of at the market, the securities described in this Resolution and meets the conditions and standards set forth in Sections C through K of this Resolution as approved by the Board of Directors.

2. Any Investment Manager approved by the Board of Directors and under contract with State Fund may purchase and sell securities on behalf of State Fund per the terms, limitations and guidelines set forth in this SHORT-TERM INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION under the primary direction of the Chief Investment Officer and, in his/her absence, at the direction of the officers listed in Paragraph 1 of this Section.

C. Cash and Cash Equivalents Attributes

Pursuant to insurance code sections 1192, 1192.9 & 1192.95, the assets of this portfolio may be invested in any or all of the following instruments:

1. U.S and Dominion of Canada Treasury obligations.
2. U.S. Government and Dominion of Canada Agency obligations.
3. Commercial Paper issued by a corporation organized under the laws of the United States, any State or the Dominion of Canada.
4. Certificates of Deposit (CDs), savings and loans issued by domestically chartered banks and the Dominion of Canada. The institution's charter is acceptable if granted by a state or national regulatory body. This includes domestically charted branches of foreign banks, commonly referred to as Yankees.
5. Interest-bearing bank accounts in financial institutions authorized by law to receive deposits of public money.
6. State Treasurer's Pooled Money Investment Fund (PMIF).
7. Settlement/Transaction Account at the Federal Home Loan Bank of San Francisco.
8. Money Market Mutual funds provided that the money market mutual fund does not hold any securities issued by a foreign entity (foreign issued securities).

D. Cash and Cash Equivalents Exclusions and Limitations

This investment policy specifically prohibits investing in, but not limited to:

1. Build America Bonds issued directly by the State of California
2. Auction Rate Securities (ARS)
3. Synthetic floaters, bonds and notes.
4. Extendable Debt Securities
5. Subordinated Corporate Debt Securities
6. ~~Common and preferred stocks~~
7. Derivative Instruments
8. Commodities or futures
9. Short sales, margin purchases, and other means of leveraging are not permitted
10. Non-U.S. Dollar denominated investments
11. ~~Repurchase agreements~~

12. Asset Backed Commercial Paper

E. Asset Allocation

Up to 100% of the portfolio may be invested in obligations of the U.S. Treasury. Up to 100% of the portfolio may be invested in obligations of any one U.S. Government Agency.

Eligible Commercial Paper may not exceed 180 days' maturity, or represent more than 10 percent of the outstanding paper of an issuing corporation. No single Commercial Paper issuer may exceed $25 million or 10% of the portfolio holdings, whichever is less. Eligible Commercial Paper is further limited to issuing corporations having market capitalization in excess of $10 Billion. Commercial Paper holdings are limited to a maximum of 70% of the total Cash Management Holdings. For this Resolution, Cash Management Holdings equal the total value of short-term investments listed in Section C.

CDs per issuer may not exceed $25 million or 10% of the portfolio holdings, whichever is less. CDs are further limited to issuing corporations having market capitalization in excess of $10 Billion. CD holdings are limited to a maximum of 30% of the total Cash Management Holdings.

At time of purchase, all permitted investments shall conform to all respects to this policy. If a percentage restriction is adhered to at time of purchase, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

The concentration of securities held in the portfolio will be rebalanced on a periodic basis to ensure compliance with diversification requirements as stated in this policy. Rebalancing will occur as required but at a frequency of not less than once per quarter.

F. Maturities and Duration

Any illiquid investments must mature within thirty days from date of acquisition.

G. Credit Rating Criteria

Credit rating is assigned to each security using the following logic: a) If one nationally recognized statistical rating organizations (NRSRO) rates the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply. All purchases of Commercial Paper and CDs must have minimum short-term ratings of A-1 by Standard & Poor's or P-1 by Moody' and split rating is not allowed.

H. Downgrade Policy

At time of purchase, all investments shall conform to the credit rating requirements of these guidelines. Any subsequent downgrade in credit rating after the time of purchase will not constitute a violation of this requirement. However, securities which are downgraded below minimum acceptable rating levels must be promptly reviewed and a plan of action should be determined within three business days of the downgrade. It is the responsibility of the

Investment Manager to promptly report (within two business day) to the Company if a security falls below the minimum rating allowed by these guidelines. If an investment drops below the allowed credit rating subsequent to purchase it is not mandatory the investment be sold. However, if the decision is made to hold the investment, documentation of the reasons for the decision must be delivered to the Company within five business days of the downgrade.

I. Disposal Policy

All sales require pre approval from the President or Chief Investment Officer, and in their absence, either the Chief Financial Officer or Chief Risk Officer, or the designated staff within the Treasury & Investments Program.

J. Performance Benchmarks

Performance results are benchmarked against a LIBOR based index or a suitable transparent public index which is correlated to the underlying portfolio. The short-term portfolios will use the following market benchmarks as appropriate:

- Merrill Lynch 3-Month Treasury index (investment manager)
- 1-month Treasury, 3-month Treasury, and 6-month Treasury

K. Investment Administration & Communications

1. Investment Manager must remain in compliance with this investment policy at all times. In the event of a breach in compliance, the Investment Manager will notify the Company immediately.

2. Investment Manager must meet (in person or via conference call) monthly with the Company to review the current portfolio structure, asset allocation, investment yield performance results, and any updated liquidity needs.

3. The Investment Manager must certify on a monthly basis that the portfolio has remained in compliance with the stated investment policy or itemize items that were not in compliance.

4. The Investment Manager will contact the Company immediately upon any significant adverse unfavorable event or shifts in the market place.

5. In the event that a security is placed on credit watch whereby any action taken by a rating agency would result in the investment's credit rating falling below the minimum acceptable credit quality level, the Investment Manager will notify the Company no later than the end of the next business day; otherwise notification will be made promptly.

6. The Investment Manager must provide SSAE ~~16~~ 18 documentation on an annual basis.

7. Each month, the Investment Manager will provide an itemized list of the portfolio holdings, including their par value, amortized cost, unrealized gains and losses, market value, and accrued interest as of the Company's most recent month-end.

8. The Treasury and Investments staff who are responsible for making the short-term investments must remain in compliance with this investment policy at all times. In the event of a breach in compliance, the Treasury and Investments staff will notify the Chief Investment Officer and, in his/her absence, the officers listed in Section B.2. immediately. Balances maintained in the PMIF and any other short-term investments managed by the Treasury and Investments staff should be reviewed and reported to the Treasury and Investments Committee on a monthly basis.

RESOLVED, that this Resolution No. 2388 shall replace Resolution No. 2133 effective May 19, 2022.

BOARD OF DIRECTORS of the STATE COMPENSATION INSURANCE FUND

I, Hilda B. Padua, Assistant Corporate Secretary for the State Compensation Insurance Fund Board of Directors, hereby certify that the foregoing resolution was adopted by the Board of Directors at their meeting held May 19, 2022 unless amended and approved by the Board of Directors at such time as minutes for the May 19, 2022 Board of Directors meeting are approved.

____
Hilda B. Padua, Assistant Corporate Secretary

____
Date

STATE COMPENSATION INSURANCE FUND
2860 Gateway Oaks Drive
Sacramento, CA 95833
(415) 263-5400
www.statefundca.com

Date: May 4, 2022

TO: MEMBERS, BOARD OF DIRECTORS

I. AGENDA ITEM # AND TITLE:	Open Agenda Item 3j: Consent Calendar: Approval of Investment Policy Statement & Guidelines Resolution
II. NAME AND PROGRAM:	Treasury and Investments
III. ACTIVITY:	☐ Informational ☐ Request for Direction ☒ Action Proposed ☐ Exploratory
IV. JUSTIFICATION:	☒ Standard/Required Item ☐ Board Request – New Item ☐ New Topic from Staff

V. EXECUTIVE SUMMARY:

Resolution No. 2389 will replace Investment Policy Statement and Guidelines Resolution No. 2365 which was created for the investment criteria and management of long-term investments.

ANALYSIS:

The Investment Policy Statement and Guidelines Resolution is revised to clarify the ESG minimum rating rule based on current process and the description for US securities to be consistent to all security types. In addition, add Green Investment in the COIN Objective, COIN Insurance Code Sections and the COIN investment approval by the CIO and CFO.

Section	Changes
Page 2, A.4	Add Green Investments
Page 7, E.2	Update description for US securities
Page 9, I.1	Add Insurance Code Sections
Page 10, J.1.a and b	Add rule to allow CFO/CIO to provide prior approval of any COIN investment
Page 11, L.1.b and c	Revise policies for clarity
Page 14, Section P	Update description for US securities

VI. RECOMMENDATION:

To approve attached Investment Policy Statement and Guidelines Resolution No. 2389 as presented.

(DRAFT)

BOARD OF DIRECTORS

STATE COMPENSATION INSURANCE FUND

INVESTMENT POLICY STATEMENT & GUIDELINES RESOLUTION

Approved by the Investment and Risk Committee: May 18, 2022
[Proposed] Revisions to Be Approved
Board of Directors: May 19, 2022

WHEREAS, the Board of Directors of the State Compensation Insurance Fund (State Fund) is required to invest and reinvest the moneys of the State Fund which are in excess of current requirements in securities authorized by law for the investment of funds of private insurance carriers, in accordance with Sections 11787 and 11797 of the Insurance Code; and

WHEREAS, the State Fund is a public enterprise fund and is exempt under federal and California law from paying income taxes; and

WHEREAS, the opportunities to acquire or dispose of such securities are such that it is impracticable to obtain the advice and determination of the Board in advance of each separate transaction; and

WHEREAS, the Board deems it to be prudent policy to establish standards which can be applied administratively to the selection and purchase of securities; and

RESOLVED, by the Board of Directors of the State Fund in regular meeting on May 19, 2022 that:

A. Investment Philosophy and Strategy

All Portfolios are structured and managed in a manner consistent with prudent and conservative investment practices. The objective is to enhance optimal investment return and extract long-term value creation from the entire investment portfolio. All purchases must meet the following criteria and any further detailed criteria for the specific mandate.

Environmental, Social, and Governance (ESG) Principles:

Consideration of Environmental, Social, and Governance (“ESG”) risks is a key component in the investment management process. To achieve the investment objectives set forth in the Investment Policy Statement, the portfolio investment decisions will be actively guided by an environmental focus and relevant ESG criteria. Focusing on climate change and the environment in investment decisions is beneficial to driving long-term value creation for the policyholders, and is beneficial to the economy, society, employees and other stakeholders as well.

ESG Incorporation: All portfolios shall be structured and managed in a manner consistent with prudent investment practices. The Investment Manager will have an ESG framework as part of its investment process that incorporates State Fund's ESG goals. The framework shall be used in security selection decisions and more broadly across the portfolio management practices. The Investment Manager will use care and discretion as to how this framework will be applied in meeting State Fund's primary investment objectives and ESG goals. All else equal, the Investment Manager shall prefer securities which, in his/her assessment, show superior environmental, social and governance practices.

1. Fixed Income Portfolio:

The objective of the Fixed Income Portfolio is to preserve State Fund's principal and surplus, while maximizing current income and exceeding established benchmarks over the long-term.

2. Equity Portfolio:

The objective of the Equity Portfolio is to preserve State Fund's principal and surplus by adding diversity to the portfolio and reducing volatility of the results over the long term. The objective is to seek long-term total return and current income by investing primarily in large cap, high quality dividend paying stocks of United States and Canada companies that show a consistent history of strong dividend growth and sustainability or are expected to produce sustainable growing dividends. A subset of the Equity portfolio will seek long-term total return by investing in growth-oriented stocks of United States and Canada companies. The Portfolio is expected to exceed the performance of its established benchmark over the long term.

3. Federal Home Loan Bank Portfolio:

The objective of the Federal Home Loan Bank (FHLB) Portfolio is to preserve State Fund's principal and surplus and to create a readily available funding source to help manage State Fund's liquidity and emergency needs as well as to add incremental income by matching loans (or advances) to the reinvestment of cash in fixed income securities maturing in 5 years or less. The target spread over the FHLB advance rate should exceed the established benchmark.

4. California Organized Investment Network (COIN) Portfolio:

The objective of the COIN portfolio is to is to preserve State Fund's principal and surplus and enable State Fund to purchase and sell COIN approved investments, including both equity and debt securities as allowed by Sections 926 through 926.3 of the Insurance Code. COIN is a program administered by the California Department of Insurance that is intended to identify potential investment opportunities for State Fund and admitted California insurers with an emphasis on Green Investments as defined in Insurance Code section 926.1, that that promote social, economic, and environmental benefits for people living in California.

5. Cash and Cash Equivalents:

The objective of the cash portfolio is to preserve State Fund's surplus and principal, to maintain liquidity, and to provide a readily available funding source for settlement of trades, claims payments, and other necessary operational expenses.

The cash and cash equivalent portfolio shall be managed in accordance with the Short-Term Investment Policy Statement & Guidelines Resolution that is periodically adopted and approved by the Investment and Risk Committee and the Board of Directors.

6. Alternatives Portfolio:

The objectives of the alternatives portfolio are to preserve State Fund's principal and surplus by enabling State Fund to invest in alternative assets, as permitted by Article 4.5, Section 1210 (Leeway Law) of the California Insurance Code, with due consideration of environmental, social, and governance (ESG) factors, and to improve State Fund's risk-adjusted returns by diversifying market risk and enhancing yields, while protecting State Fund's portfolio against inflation.

B. Delegation of Authority

1. The Investment Manager may purchase and sell securities on behalf of State Fund per the terms, limitations and guidelines set forth in this Investment Policy Statement & Guidelines Resolution under the primary direction of the Chief Investment Officer and, in his/her absence, at the direction of the officers listed in Paragraph 2 of this Section.

2. In accordance with Sections 926.1, 11787 and 11797 of the Insurance Code, the President or Chief Investment Officer, and in their absence, either the Chief Financial Officer or Chief Risk Officer, are hereby authorized to purchase or sell, exchange, or otherwise dispose of at the market, securities which are authorized by law for the investment of the funds of private insurance carriers provided the type of security to be acquired is described hereafter in this section and meets the conditions and standards set forth in Sections C through J as approved by the Board of Directors.

3. Whenever the President and the Chief Investment Officer, the Chief Financial Officer and the Chief Risk Officer are unavailable or absent, the State Fund Vice President of Investments and the State Fund Senior Investment Manager are hereby authorized to approve a written request made by an Investment Manager to sell equity securities at a price lower than the actual price originally paid for the equity security.

C. Fixed Income Portfolio Attributes

Allowable securities include the following assets and with Board approval can include other asset classes as allowed under applicable regulations:

1. Bonds, notes, certificates of indebtedness, or other obligations for which the faith and credit of the United States of America are pledged.

2. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).

3. Obligations of the Dominion of Canada, or of any province of the Dominion of Canada, or obligations for which are pledged the faith and credit of the Dominion of Canada, or of any province or city of the dominion which are payable in US dollars.

4. Mortgage-backed securities (MBS) issued by the US Government Agencies and GSEs, including pass-throughs, PAC CMOs (Planned Amortization Class Collateralized Mortgage Obligations), TAC CMOs (Targeted Amortization Class Collateralized Mortgage Obligations), VADM CMOs (Very Accurately Defined Maturity Collateralized Mortgage Obligations) and Sequential pay CMOs, but excluding such mortgage derivatives as inverse floaters, interest only strips, principal only strips, and "support bonds." No direct sub-prime or Alt-A MBS are allowed.

5. Pursuant to Insurance Code sections 926.1, 1192 and 1196.1(f)(5) publicly traded, interest bearing, fixed income securities issued by a corporation or business trust or limited partnership organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars.

6. Pursuant to Insurance Code sections 926.1, 1192 and 1196.1(f)(5) non-registered, privately placed, interest bearing, fixed income securities issued by a corporation organized under the laws of the United States or any State thereof, or the Dominion of Canada or any province of the Dominion of Canada which are payable in US dollars and which securities can be purchased or sold pursuant to SEC Rule 144A.

7. Pursuant to Insurance Code sections 1192 and 1196.1(f)(5) non-registered, privately placed, interest bearing, fixed income securities issued by a corporation organized under the laws of the United States or any State thereof for the express purpose of financing an infrastructure project or projects located in the United States. For this investment guideline, "infrastructure projects" are transactions entered into by corporations to operate or maintain or rebuild utility networks, water, conventional power generation, renewable power generation, gas pipelines transport, LNG terminals or transactions providing essential services such as toll roads, bridges, tunnels, rail roads, seaports, airports, bus networks parking, storage, communications towers, waste management, fiber or data centers.

8. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.

9. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district.

10. Asset-backed securities (ABS) publicly traded and issued by a corporation organized under the laws of the United States or any State thereof and securitized by credit card receivables or auto loans are allowed. No other type of ABS is allowed. No privately placed ABS is allowed.

11. Commercial mortgage-backed securities (CMBS) issued by the US Government Agencies and GSEs and non-Agency CMBS.

12. Investments may be made in bonds, notes or other obligations issued, assumed or guaranteed by the following international financial institutions: the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the International Finance Corporation, or the African Development Bank.

D. Fixed Income Portfolio Characteristics and Limitations

1. To monitor compliance, the Investment Manager will assign a credit rating to each security using the following logic: a) If one nationally recognized statistical rating organization (NRSRO) rates the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply; d) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used.

2. The weighted credit rating of the fixed income portfolio shall average at least Aa3/AA-/AA-, at Moody's, S&P and Fitch, respectively, at all times**.**
3. There is no per issuer limit of US Treasuries and US Agencies.
4. The Investment Manager shall not purchase corporate securities rated below BBB- or the equivalent as defined in Section D.1. Split rating is allowed, e.g. Baa3/BBB/BBB-. The total amount of corporates rated below A3/A- shall not exceed 15% of the book value of this portfolio. Corporates rated below investment grade (i.e. Ba1/BB+/BB-) are considered out of compliance.
5. Single corporate issuer rated Aa3/AA- or better may not exceed 1.5% of the book value of this portfolio. Single corporate issuer rated A or the equivalent (A1/A+, A2/A, or A3/A-) may not exceed 1.25% of the book value of this portfolio. Single corporate issuer rated below A or the equivalent may not exceed 0.75% of the book value of this portfolio.
6. Corporate fixed income securities authorized for purchase pursuant to Insurance Code section 1192 shall in aggregate not exceed 65% of the book value of this portfolio, including the Cash Management Holdings.
7. All securities purchased for infrastructure projects shall have a credit rating of BBB- or higher rating assigned by any NRSRO and/or a NAIC 2 rating or higher rating assigned by the SVO of the NAIC at the time of commitment to purchase.
8. The maximum dollar amount of any single investment in an infrastructure project is $25 million and the investment amount shall not exceed 10% of the total financing cost of the infrastructure project.
9. Investment in infrastructure projects are limited to utility and transportation transactions as described in C7. The Investment Manager shall endeavor to balance investments in infrastructure projects so that neither the utility or transportation transactions exceed 50% of the infrastructure project portfolio.
10. The maximum legal maturity for each debt security to finance an infrastructure project at the time of purchase is 30 years. The average life of the infrastructure projects portfolio is expected to be between 10-15 years.
11. The infrastructure debt portfolio shall not exceed 2.5% of the aggregate fixed income portfolio.
12. Each debt security in the infrastructure project portfolio will have a spread to the 10yr UST (or Libor if floating rate coupon) of at least 150 bps at the time of purchase.
13. The Investment Manager shall not purchase municipal securities rated below A3/A- by any NRSRO.
14. Single municipal issuer rated Aa3/AA- or better may not exceed 1.00% of the book value of this portfolio. Single municipal issuer rated below Aa3/AA- may not exceed 0.75% of the book value of this portfolio. Pre-refunded bonds that are backed by Treasury securities with no NRSRO ratings shall have NAIC 2 designation or higher assigned by the SVO of the NAIC.
15. Municipals in aggregate shall not exceed 20% of the book value of this portfolio, including the Cash Management Holdings.

16. Notwithstanding sections D.6. and D.15, the aggregate total of corporates and municipals shall not exceed 70% of the book value of this portfolio, including the Cash Management Holdings.

17. The Investment Manager shall not purchase any Build America Bonds issued directly by the State of California.

18. MBS issued by the US Government Agencies and GSEs shall comprise no more than 45% of the total fixed income portfolio, including the Cash Management Holdings. No single MBS pool may exceed 1% of the book value of this portfolio. MBS will include all Agency MBS, CMOs and CMBS for the aforementioned limits.

19. Securities issued and/or guaranteed by the Government of Canada and political subdivisions must be rated Aa3/AA- or better by a NRSRO. No single Canadian political subdivision may exceed 1.5% of the book value of this portfolio. Canadian political subdivisions in aggregate shall not exceed 5% of the book value of this portfolio, including the Cash Management Holdings.

20. Securities issued and/or guaranteed by the US Government, US Agencies, and GSEs that have not been rated by a NRSRO will apply the rating assigned by the NRSRO to the issuer or the guarantor of the security.

21. ABS and non-Agency CMBS must be rated Aaa/AAA by a NRSRO at the time of purchase. The aggregate total value of ABS and non-Agency CMBS shall be no more than 1% of the book value of this portfolio, including the Cash Management Holdings.

22. Zero coupon bonds shall not be purchased without the prior approval of the Chief Investment Officer.

23. The portfolio shall not invest in issuers whose concentration of business risk is similar to that of State Fund (i.e. catastrophic risk). A pre-approved list of insurance and reinsurance issuers that can be purchased will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.

24. Each of the Fixed Income Investment Managers will calculate the issuer and sector limits based on the book value of their respective portfolio, (including their respective green bond portfolio). However, when calculating the issuer and sector limits at month-end, the Treasury & Investments staff will include both the book value of the total portfolio and the Cash Management Holdings.

25. 15% or more of the portfolio shall be maintained in securities maturing in five years or less.

26. The duration of the portfolio will be managed within a strategic range of 3.0 to 6.5 years, which is reviewed and approved by the Board annually. An operational target within the duration range will be established and reviewed by the Chief Investment Officer periodically.

27. If any of the above mentioned rules are breached, the Investment Manager will conduct an analysis and present it with a recommendation to the Chief Investment Officer.

28. Investments made in bonds, notes or other obligations issued, assumed or guaranteed by the international financial institutions identified in Section C-12 shall not exceed $65 million book value per entity at any one time.

E. Equity Portfolio Attributes

The following types of equity securities are permissible:

1. Federal Home Loan Bank stock purchased directly by State Fund.

2. Pursuant to Insurance Code section 1191 common and preferred stock of corporations issued, ~~and~~ domiciled ~~in the US or Canada~~ and organized under the laws of the United States or any State thereof, or the Dominion of Canada or any province of the Dominion of Canada which are payable in US dollars ~~and denominated in US Dollars~~. Stock and other equity securities issued by foreign domiciled companies shall not be purchased for the Equity Portfolio.

F. Equity Portfolio Characteristics and Limitations

1. The aggregate market value of all common and preferred stock or other equity securities owned by State Fund of any individual company in the dividend-oriented investment approach shall not exceed 5% of the market value of the equity portfolio. The aggregate market value of all common and preferred stock or other equity securities owned by State Fund of any individual company in the growth-oriented investment approach shall not exceed 5% of the market value of the equity portfolio or the company's benchmark weight +3%, whichever is greater. Provided however, that State Fund is authorized to purchase and hold up to $50 million of shares of stock in REIT(s) even if $50 million exceeds 5% of the market value of the equity portfolio.

2. Equity holdings in any one industry shall not exceed 15% of the market value of the equity portfolio, or +/- 10% of that of the benchmark index, whichever is greater.

3. The portfolio shall invest in companies with market capitalization of $2 billion or above at the time of purchase.

4. Each portfolio shall hold no less than 30 different issuers of securities. On the date of purchase, such equity security shall be characterized as either a dividend-oriented investment or growth-oriented investment. Such characterization shall be used for performance benchmark evaluation.

5. The portfolio shall not invest in issuers whose concentration of business risk is similar to that of State Fund (i.e. catastrophic risk). A pre-approved list of insurance and reinsurance issuers that can be purchased will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.

6. The portfolio shall not invest in stock of debt issuers whose underlying rating is below investment grade (Baa3/BBB-) by any NRSRO and/or below NAIC 2 rating assigned by the SVO of the NAIC at the time of commitment to purchase. Any exceptions must be pre-approved by the Chief Investment Officer.

7. No American depository receipts ("ADRs") are allowed.

8. Pursuant to Insurance Code Section 1191, excess funds investments may be made in the stock of any corporation organized and carrying on business under the laws of this or any other state, or

of the United States, or of the District of Columbia, or of the Dominion of Canada or any province of the Dominion of Canada.

9. All investment income of the equity portfolio and capital gains, if any, will be added to the assets of the portfolio, unless otherwise directed by the Chief Investment Officer.

10. If any of the above mentioned rules are breached, the Investment Manager is not necessarily required to dispose of all or part of the investment immediately. The Investment Manager will, however, inform the Chief Investment Officer without delay and make a proposal on the best way to bring the portfolio back into compliance with the limits.

11. The Investment Manager must obtain written approval from the Chief Investment Officer or State Fund Vice President of Investments, and in their absence, the State Fund Senior Investment Manager, prior to selling any equity securities at a price lower than the actual price originally paid for the equity security.

G. Federal Home Loan Bank Portfolio Attributes

The following types of assets are allowable:

1. Bonds, notes, certificates of indebtedness, or other obligations for which the faith and credit of the United States of America are pledged.

2. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).

3. Publicly traded fixed income securities issued by a corporation organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars, including securities issued under SEC Rule 144A.

4. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.

5. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district.

H. Federal Home Loan Bank Portfolio Characteristics and Limitations

1. To monitor compliance, the Investment Manager will assign a credit rating to each security using the following logic: a) If one NRSRO rates the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply; d) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used.

2. The Investment Manager shall not purchase corporate securities rated below A3/A- by any NRSRO.

3. The Investment Manager shall not purchase municipal securities rated below A3/A- by any NRSRO.

4. There is no per issuer limit of US Treasuries, US Agencies, and general obligation bonds issued by the State of California.

5. Except for those mentioned in H.4., any other issuer may not exceed $50 million in actual cost (excluding accrued interest) at the time of purchase.

6. Per the Insurance Code Section 1194.7, and for the purpose of the Federal Home Loan Bank Portfolio investments, there is no limitation on the purchase of municipal bonds issued by the State of California.

7. All purchases of debt securities for the Federal Home Loan Bank portfolio shall have a maximum maturity of 5 years and shall if possible have a maturity that matches the maturity of the FHLB Advance(s) used to purchase the debt securities. The Investment Manager is allowed a mis-match not to exceed 30 days between the maturity of the debt security and the maturity of the FHLB Advance used to purchase the debt security.

8. The Investment Manager shall not purchase any Build America Bonds issued directly by the State of California.

I. COIN Portfolio Attributes

The following types of investments and securities are permissible:

1. Investments in equity or debt investment, or loan, or deposit obligation, or other investment or investment transaction allowed by Insurance Code Sections 926.1, 926.2 and 926.3 and identified by COIN as a COIN qualified potential investment opportunities.

2. Investments can be made in low-to-moderate income housing, community development needs, environmental and social needs and infrastructure rehabilitation and improvements in California and includes all the types of investments that are described in Section 926.1 of the Insurance Code.

3. Investments can be made in community development infrastructure debt securities including all debt issued by the State of California or a California state or local government agency, if all or a portion of the debt has as its primary purpose community development for, or that directly benefits, underserved or low-to-moderate-income communities or includes affordable housing, or community facilities or community services providers (including providers of education, health, or social services) or promotes economic development that demonstrates benefits, including, but not limited to, job creation, retention, or improvement, or provision of needed capital, to underserved or low-to-moderate-income individuals, families, or communities, including urban or rural communities, or businesses or nonprofit community service organizations.

4. Investments can be green investments that emphasize renewable energy projects, economic development, and affordable housing focused on infill sites so as to reduce the degree of automobile dependency and promote the use and reuse of existing urbanized lands supplied with infrastructure for the purpose of accommodating new growth and jobs. “Green investments” also means investments that can help communities grow through new capital investment in the maintenance and rehabilitation of existing infrastructure so that the reuse and reinvention of city centers and existing transportation corridors and community space, including projects offering energy efficiency improvements and renewable energy generation, including,

but not limited to, solar and wind power, water and waste management, sustainable agriculture, mixed-use development, affordable housing opportunities, multimodal transportation systems, and transit-oriented development, can advance economic development, jobs, and housing.

5. Investments can be "Impact Investments" that provide a social or environmental benefit to underserved or low-to-moderate-income individuals, families, or communities in California.

J. COIN Characteristics and Limitations

1. Investments in COIN securities must either:
   a. Meet the Fixed Income Portfolio requirements in sections D.1. thru D.28 or meet the Equity Portfolio requirements in sections F.1 thru F.11; OR
   b. Are a security approved by COIN for COIN investment and written prior approval for the purchase of the COIN security has been provided by the Chief Financial Officer or the Chief Investment Officer of State Fund.

2. The objective of the COIN investment program is to select fixed income securities that have similar credit quality and duration target to the Fixed Income Portfolio and/or equity securities that have same or similar investment style, including large-cap, dividend paying stock.

K. ESG Goals and Attributes

State Fund has outlined the following goals to guide its consideration of ESG-related matters in the investment process:

1. Improve overall portfolio ESG score. Using the ESG overall rating score as well as each of the E, S and G pillar scores, we can assess the ESG performance of the portfolio and measure sustainability and ethical impact of a company.
2. Reduce Carbon Footprint. A carbon footprint is the total amount of greenhouse gas emissions that come from the production, use and end-of-life of a product or service. Global policymakers and regulatory bodies will seek to curb the effect of climate change through various carbon reduction and mitigation initiatives and transition from fossil fuels to alternative energy sources, such as renewables.
3. Increase green bond holdings (# of issuers). Green Bonds are fixed income instruments for which the proceeds will be exclusively applied toward new and existing "green" projects. The primary purpose of Green Bonds is to raise capital and investment for projects with environmental benefits. "Green" can include renewable energy, sustainable resource use, conservation, clean transportation or adaptation to climate change.

L. ESG Characteristic and Limitations

State Fund's investment process shall consider the following ESG investment criteria:

1. State Fund leverages data and metrics from a variety of data providers. Currently, State Fund uses MSCI and from time to time may change data providers. Investment Managers may use State Fund's current ESG provider or an equivalent ESG data provider or their own ESG rating scale. State Fund applies a "Best of Sector" approach, segmenting issuers above a specific rating threshold. State Fund has classified issuers with a BBB or above rating as "Best of Sector", a BB rating as "Average", and any rating below BB as "Laggards".

a. Issuers in the "Laggards" category are added to a watch list for further analysis and monitoring by the Investment Managers and State Fund investment team. In addition, Investment Managers will provide credit commentaries and recommendations on the watch list.
b. The Investment Managers shall not invest in below BB rated issuers without prior Chief Investment Officer's approval. They are not required to dispose of all or any of the issuers in the current "Laggards" list. The Investment Manager will, however, inform the Chief Investment Officer without delay and make proposal on the disposal of the investment as appropriate.
c. State Fund shall maintain an aggregate Corporate and Equity portfolio ESG score (currently 6.5) above the benchmark for those corporate issuers rated by MSCI. The aggregate BB ratings may not exceed 30% and anything below BB ratings may not exceed 5%. If limits exceed because of ESG rating downgrades, the Investment Manager will inform the Chief Investment Officer without delay and make proposal on the disposal of the investment as appropriate.

2. State Fund has incorporated MSCI's Weighted Average Carbon Intensity (WACI) metric which measures portfolio's exposure to carbon-intensive companies, expressed in tons CO_2e/$M revenue. Reduce WACI by 75% below 2019 levels by 2030.

3. State Fund shall employ an ESG avoid screen, a revenue-based screen, and a controversy screen for specific types of issuers.

   a. Exclude coal mining and utilities with 30% or more in their generation mix.
   b. Tobacco company related securities are a prohibited investment. Tobacco company related securities are defined as: securities of a company that derives over 25% of its revenues from the manufacturing or sale of tobacco products. A restricted list of such tobacco company issuers that shall not be purchased for the Account will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.
   c. Exclude companies with significant opioid businesses and companies with negative publicity. Specific names will be identified and provided by State Fund.

4. State Fund will consider investment in Green and Social bonds that meet desired financial and social return requirements. Increase the number of green bond holdings and issuers to at least 30 issuers.

5. State Fund will generate a report on the ESG profile of the investment portfolio on a quarterly basis and distribute to State Fund's Board of Directors. The ESG report may include, but is not limited to the following information:

   a. ESG ratings distribution for the aggregate portfolio;
   b. ESG ratings distribution for the asset classes; and
   c. The carbon footprint of the portfolio, expressed as the Weighted Average Carbon Intensity (WACI).

6. Specific reporting metrics may change in the future as State Fund further integrates or evolves its ESG investment strategies.

7. State Fund will continue to explore ESG risk measures appropriate for measuring and monitoring adherence to the ESG investment objectives as new or better data and metrics become available to the marketplace

M. Green Bond Portfolio Attributes

Allowable securities include the following assets and with Board approval can include other asset classes as allowed under applicable regulations:

1. Obligations of US Government Agencies and Government Sponsored Entities (GSEs).

2. Mortgage-backed securities (MBS) issued by the US Government Agencies and GSEs, including pass-throughs, PAC CMOs (Planned Amortization Class Collateralized Mortgage Obligations), TAC CMOs (Targeted Amortization Class Collateralized Mortgage Obligations), VADM CMOs (Very Accurately Defined Maturity Collateralized Mortgage Obligations) and Sequential pay CMOs, but excluding such mortgage derivatives as inverse floaters, interest only strips, principal only strips, and “support bonds.” No direct sub-prime or Alt-A MBS are allowed.

3. Pursuant to Insurance Code sections 1192 and 1196.1(f)(5) publicly traded, interest bearing, fixed income securities issued by a corporation or business trust or limited partnership organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars.

4. Pursuant to Insurance Code sections 1192 and 1196.1(f)(5) non-registered, privately placed, interest bearing, fixed income securities issued by a corporation organized under the laws of the United States or any State thereof, or the Dominion of Canada or any province of the Dominion of Canada which are payable in US dollars and which securities can be purchased or sold pursuant to SEC Rule 144A.

5. Pursuant to Insurance Code sections 1192 and 1196.1(f)(5) non-registered, privately placed, interest bearing, fixed income securities issued by a corporation organized under the laws of the United States or any State thereof for the express purpose of financing an infrastructure project or projects located in the United States. For this investment guideline, “infrastructure projects” are transactions entered into by corporations to operate or maintain or rebuild utility networks, water, conventional power generation, renewable power generation, gas pipelines transport, LNG terminals or transactions providing essential services such as toll roads, bridges, tunnels, rail roads, seaports, airports, bus networks parking, storage, communications towers, waste management, fiber or data centers.

6. General obligations of any State for which the faith and credit of the State are pledged for the payment of principal and interest.

7. Obligations issued under authority of law by any county, municipality, or school district in any State, or in any province of the Dominion of Canada or in any political subdivision of the Commonwealth of Puerto Rico, including bonds of any county water district.

8. Commercial mortgage-backed securities (CMBS) issued by the US Government Agencies and GSEs.

N. Green Bond Characteristic and Limitations

1. To monitor compliance, the Investment Manager will assign a credit rating to each security using the following logic: a) If one nationally recognized statistical rating organization (NRSRO) rates

the security, the rating will apply; b) If two NRSRO rate the security, the lower rating will apply; c) If all three NRSRO rate the security, the second lowest will apply; d) When considering the credit rating of the municipal securities, the higher of the financial guarantor or the underlying credit will be used.

2. The weighted credit rating of the fixed income portfolio shall average at least A3/A-/A-, at Moody's, S&P and Fitch, respectively, at all times.

3. The Investment Manager shall not purchase corporate securities rated below BBB- or the equivalent as defined in Section E.1. Split rating is allowed, e.g. Baa3/BBB/BBB-. Corporates rated below investment grade (i.e. Ba1/BB+/BB-) are considered out of compliance.

4. All securities purchased for infrastructure projects shall have a credit rating of BBB- or higher rating assigned by any NRSRO and/or a NAIC 2 rating or higher rating assigned by the SVO of the NAIC at the time of commitment to purchase.

5. The Investment Manager shall not purchase municipal securities rated below A3/A- by any NRSRO.

6. Securities issued and/or guaranteed by the US Government, US Agencies, and GSEs that have not been rated by a NRSRO will apply the rating assigned by the NRSRO to the issuer or the guarantor of the security.

7. Zero coupon bonds shall not be purchased without the prior approval of the Chief Investment Officer.

8. The portfolio shall not invest in issuers whose concentration of business risk is similar to that of State Fund (i.e. catastrophic risk). A pre-approved list of insurance and reinsurance issuers that can be purchased will be established and mutually agreed upon in writing (including electronic communications) by the Investment Manager and Chief Investment Officer. The list may be amended from time to time in writing.

9. Each of the Fixed Income Investment Managers will calculate the issuer and sector limits based on the book value of their respective portfolio, (including their respective fixed income portfolio). However, when calculating the issuer and sector limits at month-end, the Treasury & Investments staff will include both the book value of the total portfolio and the Cash Management Holdings.

10. The aggregate duration of the portfolio will be managed within a strategic range of 3.0 to 10.0 years. This strategic range will be reviewed and approved by the Board annually. An operational target within the duration range will be established and reviewed by the Chief Investment Officer periodically.

11. Given the role that green bonds play in off-setting carbon emissions, green bonds will be exempt from any current and future environmentally tied screens (for example the coal mining and utility screens).

12. Manager will seek to increase the number of green bond holdings and issuers to at least 30 issuers over an appropriate time horizon.

13. If any of the above mentioned rules are breached, the Investment Manager will conduct an analysis and present it with a recommendation to the Chief Investment Officer.

O. Insurance Code Section 11797(a) Limitation

1. The combined value of Equity Portfolio, Asset-Backed Securities (ABS), non-Agency Commercial Mortgage Backed Securities (CMBS) and Federal Home Loan Bank stock shall not exceed 20% of surplus.

P. Alternatives Portfolio Attributes:

Notwithstanding potential overlaps with the other portfolios, the following types of alternative securities issued by (or investing in) entities domiciled ~~in the US or Canada~~ and organized under the laws of the United States or any State thereof, or of the Dominion of Canada, or of any province of the Dominion of Canada which are payable in US dollars are permissible:

1. Private Equity / Debt (i.e. privately placed stock or interest bearing securities issued by a corporation, business trust, limited partnership, or any other privately held entity permitted to issue private obligations);

2. Infrastructure Equity / Debt (i.e. publicly traded and privately placed stock or interest bearing securities issued by an entity for the express purpose of financing infrastructure projects); and

3. Multi-Asset Funds (i.e. investment vehicles limited to a combination of any mix of the securities described above).

4. Money market mutual fund (i.e. publicly traded and registered with the U.S. Securities and Exchange Commission) pursuant to section 1192.9.

The following types of alternative assets are not permissible:

1. Derivative Instruments;
2. Cryptocurrencies;
3. Currencies;
4. Commodities (physical or via derivatives);
5. Collectibles (such as art and antiquities); and
6. Money market mutual fund that holds any assets in foreign investments, as defined in Section 1240.

Q. Alternatives Portfolio Characteristics and Limitations:

1. The alternatives portfolio shall be limited to the lesser of 2.50% of State Fund's total admitted assets or 10% of surplus. In addition, money market mutual funds shall be limited to the lesser of 2.50% of State Fund's total admitted assets or 10% of surplus.

2. Credit rating requirements:
   a. For debt (and debt type securities), the investment manager shall allocate up to 10% to BB rated securities, with the remainder of the portfolio being in investment grade and unrated securities.

b. For all unrated securities, the investment manager must provide an assessment of issuer creditworthiness prior to investment.

3. Concentration / diversification requirements:
   a. State Fund's investment amount shall not exceed 15% of the total financing cost of any individual project, deal, or issue, nor shall it exceed 15% of the market capitalization of the issuer.
   b. State Fund's exposure to any individual issuer or project shall not exceed 10% of the market value of the alternatives portfolio.
   c. State Fund's allocation to any single industry or sector shall not exceed 35% of the market value of the alternatives portfolio, or + / - 10% of that of the benchmark, whichever is greater.
   d. For infrastructure portfolios, the investment manager shall endeavor to allocate at least 75% of the portfolio to brownfield projects (typically established and operational), with the remainder being allocated to greenfield projects (typically developmental stage) and other opportunistic investments.
   e. For private market portfolios, the investment manager shall endeavor to allocate at least 75% of the portfolio to growth and buyout stage deals, with the remainder being allocated to the venture capital and other opportunistic investments.

4. Investment periods and liquidity requirements:

   a. The maximum legal maturity for each infrastructure debt security at the time of purchase is 30 years. The average life of the infrastructure debt portfolio is expected to be between 10 and 20 years. The lock up period on infrastructure debt investments shall not exceed 3 years.
   b. The maximum legal maturity for each private debt security at the time of purchase is 15 years. The duration of the private debt portfolio will be managed within a strategic range of 3 to 8 years. The lock up period on infrastructure debt investments shall not exceed 3 years.
   c. The funding of private placements will take place over an extended period of time as capital calls are made. As such, it is anticipated that the target allocations to alternatives will not be fully met prior to 2024.
   d. Investment managers will provide, at the very least, monthly liquidity for both buying and selling of shares / units in the investment vehicles.

5. Investments in alternatives can be made via direct placement, publicly traded securities, separate (or segregated) accounts, master limited partnerships (MLPs), and exchange traded funds (ETFs). Where ETFs are utilized, foreign assets are not permissible.

6. Leverage shall not be used in the portfolio except with prior written approval by the Chief Financial Officer and Chief Investment Officer.

7. Zero coupon securities shall not be purchased without the prior approval of the Chief Investment Officer.

8. The portfolio shall not invest in issuers whose concentration of business risk is similar to that of State Fund (i.e. catastrophic risk), without prior approval of the Chief Investment Officer.

9. Each alternatives investment manager will calculate the issuer, credit rating if applicable, sector, and any other limits based on the book value of their respective portfolio.

10. All investment income and capital gains of the alternatives portfolio, if any, will be added to the assets of the portfolio, unless otherwise directed by the Chief Investment Officer.

11. If any of the above mentioned rules are breached, the investment manager need not dispose of all or part of the investment immediately. The investment manager will, however, inform the Chief Investment Officer immediately and make a proposal on the best way to bring the portfolio back into compliance with the limits.

R. Performance Benchmarks

The benchmarks are for individual mandates. At a minimum, the benchmark will be reviewed and reauthorized by the Board on an annual basis.

1. The benchmark for the Fixed Income portfolio is ICE BofAML, 1-10 Year US Treasury Index: 2.5%, ICE BofAML 1-10 Year US Composite Agency Index: 5%, ICE BofAMLBroad US Taxable Municipal Securities Index: 12.5%, ICE BofAML US Bullet Corporate Excluding Yankees Index: 20%, ICE BofAML 1-5 Year AAA-A US Bullet Corporate Excluding YankeesIndex: 15%, ICE BofAML 5-10 Year AAA-A US Bullet Corporate Excluding Yankees Index: 10%, and ICE BofAML US Mortgage Backed Securities Index: 35%.

2. The benchmark for the Equity portfolio is 65% Russell 1000 Index and 35% MSCI USA Investable Market index (IMI) High Dividend Yield Index.

3. The performance objective of the FHLB portfolio is to achieve a spread in excess of the FHLB advance rate that is greater than 40 basis points on each trade.

4. The ESG benchmark is the Corporate sector of the benchmark on #1 above.

5. The yield target for the Green Bond portfolio will be the benchmark market yield of the ICE BofAML 5-10 Yr Single-A US Corporate Index (MLC6A3USD). The benchmark of the green bond portfolio will be reviewed on an ongoing basis as the green bond market continues to evolve to ensure it is representative of the USD green bond universe.

6. Due to the varying and complex nature of the alternatives portfolio, the investment team will select an appropriate benchmark for each underlying mandate prior to the initial investment. All alternatives investments, including benchmarks, will be reviewed by the investment team and approved by the Chief Financial Officer and Chief Investment Officer. The investment team will continuously monitor the chosen benchmarks to ensure they remain appropriate for performance measurement.

    a. The goal of the infrastructure portfolio is to earn a long-term net of fees rate of return which is equal or exceeds the US Consumer Price Index for all Urban Consumers (CPI), while maintaining an appropriate level of diversification to mitigate risk; and
    b. The goal of the private markets portfolio is to earn a long-term net of fees rate of return which is equal or exceeds the total return of an equivalent public market index (such as the Russell 3000 Index), while maintaining an appropriate level of diversification to mitigate risk.

RESOLVED, that this Resolution No. 2389 shall replace Resolution No. 2365 effective May 19, 2022.

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND