

BOARD OF DIRECTORS (OPEN)

AGENDA ITEM 19c

ATTACHMENT 19c-I

RATIFICATION of INVESTMENT TRANSACTIONS:
Compliance Report

PRESENTED BY: Peter Guastamachio, Leslie Dawe

January 22, 2010

COMPLIANCE REPORT

As of November 30, 2009

The following is a list of securities currently not in compliance with State Fund's Investment Policy. State Fund's Investment Policy is reviewed annually by the Investment Committee and approved by the Board of Directors.

	Description	Current Face	Maturity Date	Coupon Rate	Book Yield	Rating	Portfolio Manager
<u>Long-term Investments</u>							
<u>Taxable Municipal >0.50% Per Issuer Limit</u>							
(1)	Southern Calif Pub Pwr Auth	99,762,000	05/15/17	6.930%	5.070%	Aa3/AAA	Conning
	Total: Tax Muni > 0.50%	99,762,000	1 item (s)				
(2)	<u>Bonds Rated Below A</u>						
	American Express Travel	10,000,000.00	11/21/11	5.250%	5.610%	A2/BBB+	GR-NEAM
	American Express Co.	13,000,000.00	07/15/13	4.875%	4.600%	A3/BBB+	GR-NEAM
	American Express Co.	47,725,000.00	09/12/16	5.500%	5.420%	A3/BBB+	Conning
	California State	5,000,000.00	04/01/16	5.950%	5.090%	Baa1/A	GR-NEAM
	California State	26,540,000.00	04/01/39	7.550%	7.220%	Baa1/A	GR-NEAM
	Fifth Third Bancorp	34,000,000.00	06/01/18	4.500%	4.530%	Baa2/BBB-	GR-NEAM
	Lehman Brothers Holdings	10,000,000.00	08/15/10	7.875%	0.000%	WR/NR	Conning
	Lehman Brothers Holdings	20,000,000.00	12/23/10	3.011%	0.000%	WR/NR	GR-NEAM
	Lehman Brothers Holdings	10,000,000.00	01/24/13	5.625%	0.000%	WR/NA	GR-NEAM
	Lehman Brothers Holdings	45,000,000.00	03/13/14	4.800%	0.000%	WR/NR	Conning
	Lehman Brothers Holdings	10,000,000.00	09/26/14	6.200%	0.000%	WR/NR	GR-NEAM
	Mercantile Bankshares	22,620,000.00	04/15/13	4.625%	5.350%	Baa1/A-	Conning
(3)	Rancho Cucamonga Calif Redev	14,295,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
	Total: Bonds Rated Below A	268,180,000.00	13 item (s)				
(4)	<u>Bonds Not Rated</u>						
	Oregon State	25,000,000.00	06/01/16	5.305%	4.441%	NA/NR	Conning
	Total: Bonds Not Rated	25,000,000.00	1 item(s)				

- (1) Southern California Power Authority bond was purchased prior to May 2009 investment policy revision, which created the 0.5% municipal issuer limitation. In compliance at the time of purchase.
- (2) All these bonds rated below A were in compliance with our investment guidelines at the time of purchase.
- (3) Rancho Cucamonga bond has an underlying rating of A+ by S&P. There is no underlying rating by Moody's so it defaults to the financial strength of the guarantor, which is currently rated Baa1.
- (4) We own two identical Oregon State bonds in the portfolio. The other one is rated Aa2/AA, but this particular bond is not rated because it was reassigned with a new CUSIP. Therefore, the original underlying rating will not be reported by the rating agencies until an additional rating fee is paid for the new CUSIP.

MOTION: To ratify the compliance report.