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Date: March 8, 2010

AGENDA ITEM 21 a, b

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT: RATIFICATION OF INVESTMENT TRANSACTIONS**
- II. PROGRAM: FISCAL & INVESTMENT SERVICES**
- III. RECOMMENDATION: RECOMMENDATION TO BOARD OF DIRECTORS TO RATIFY THE INVESTMENT TRANSACTIONS FROM DECEMBER 1, 2009 TO JANUARY 31, 2010.**

IV. ANALYSIS:
The bond transactions for the period of December 1, 2009 to January 31, 2010 are attached as Item 21a-l. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 21b-l. We request the Board of Directors ratify the transactions upon the recommendation of the Investment Committee for the period December 1, 2009 to January 31, 2010.

V. RESULTS/COSTS:
Reporting on the Investment Transactions fulfills a responsibility of Fiscal & Investment Services.

LESLIE DAWE, Fiscal and Investment
Services Manager

Attachments

BOARD of DIRECTORS MEETING (OPEN)

AGENDA ITEM 21b

ATTACHMENT 21b-I

RATIFICATION of INVESTMENT TRANSACTIONS
(b. Compliance Report)

PRESENTED BY: Peter Guastamachio and Leslie Dawe

March 19, 2010

COMPLIANCE REPORT

As of January 31, 2010

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>Corporate 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
	Mercantile Bankshares	22,620,000.00	04/15/13	4.625%	5.350%	Baa1/A-	Conning
Total: Bonds Rated Below A-		93,345,000.00	4 item (s)				
(2)	<u>Tax. Muni Rated Below A-</u>						
	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
(3)	New York St Urban Dev Corp	6,400,000.00	12/15/10	4.220%	4.220%	Baa1/AAA	Conning
(3)	Pacific Beacon LLC	31,640,000.00	07/15/36	5.508%	5.510%	Baa1/AA	Conning
(3)	Rancho Cucamonga Calif Redev	14,295,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
(3)	San Luis Obispo Cnty Calif	5,715,000.00	09/01/15	4.310%	5.270%	Baa1/AA-	GR-NEAM
Total: Tax Muni Rated Below A-		89,590,000.00	6 item(s)				
<u>Bonds Not Rated</u>							
(2/4)	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) These bonds rated below A were in compliance with our investment guidelines at the time of purchase.
- (3) These issues are insured by MBIA. MBIA's financial strength rating was subsequently downgraded to below A-, and Moody's does not rate the underlying obligator.
- (4) State Fund filed and received an NAIC 1 designation from SVO for this bond on 12/30/09.

MOTION: To ratify the compliance report.