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Date: May 10, 2010

AGENDA ITEM 22 a, b

TO: MEMBERS, BOARD of DIRECTORS

- I. SUBJECT: RATIFICATION OF INVESTMENT TRANSACTIONS**
- II. PROGRAM: FINANCIAL and INVESTMENT SERVICES**
- III. RECOMMENDATION: TO RATIFY THE INVESTMENT TRANSACTIONS *from February 1, 2010 to March 31, 2010.***

IV. ANALYSIS:
The bond transactions for the period of February 1, 2010 to March 31, 2010 are attached as Item 22a-I. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 22b-I. We request the Board of Directors ratify the transactions upon the recommendation of the Investment Committee for the period February 1, 2010 to March 31, 2010.

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

LESLIE DAWE, Financial and
Investment Services Manager

Attachments

BOARD OF DIRECTORS (OPEN)

AGENDA ITEM 22b

ATTACHMENT 22b-I

RATIFICATION OF INVESTMENT TRANSACTIONS:
COMPLIANCE REPORT

PRESENTED BY: Peter Guastamachio and Stephanie Chan

May 21, 2010

COMPLIANCE REPORT

As of March 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) All these bonds rated below A were in compliance with our investment guidelines at the time of purchase.
- (3) All 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.