

BOARD OF DIRECTORS (OPEN)

AGENDA ITEM 22b

ATTACHMENT 22b-I

RATIFICATION OF INVESTMENT TRANSACTIONS: *Compliance Report*

PRESENTED BY: Stephanie Chan

September 10, 2010



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Date: August 30, 2010

AGENDA ITEM 22a-b

TO: MEMBERS, BOARD OF DIRECTORS

I. SUBJECT: RATIFICATION OF INVESTMENT TRANSACTIONS

II. PROGRAM: FINANCIAL & INVESTMENT SERVICES

III. RECOMMENDATION: TO RATIFY THE INVESTMENT TRANSACTIONS FROM JUNE 1, 2010 TO JULY 31, 2010.

IV. ANALYSIS:
The bond transactions for the period of June 1, 2010 to July 31, 2010 are attached as Item 22a. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 22b. We recommend the Board of Directors ratify the investment transactions for the period of June 1, 2010 to July 31, 2010.

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

STEPHANIE CHAN, Treasury and
Strategic Analysis Manager

Attachments

COMPLIANCE REPORT

As of July 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	99,762,000.00	05/15/17	6.930%	5.070%	Aa3/AAA	Conning
	Total: Tax Muni > 0.50%	99,762,000.00	1 item (s)				
<u>Tax. Muni Rated Below A-</u>							
(2/3)	Rancho Cucamonga Calif Redev	14,295,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
	Total: Tax Muni Rated Below A-	14,295,000.00	1 item(s)				
<u>Bonds Not Rated</u>							
(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)				

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- (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) This issue is insured by MBIA. MBIA’s financial strength rating was subsequently downgraded to below A-and Moody’s does not rate the underlying obligator.
 - (4) Oregon State bond was initially rated AAA based on the financial strength of insurance enhancement, but subsequently the ratings were withdrawn. We own other Oregon State bonds in the portfolio and the underlying ratings for all the State of Oregon bonds are Aa2/AA. State Fund filed and received an NAIC 1 designation from SVO for this bond on 12/30/09.

MOTION: To ratify.