

BOARD OF DIRECTORS (OPEN)

AGENDA ITEM 5b

ATTACHMENT 5b-I

RATIFICATION OF INVESTMENT TRANSACTIONS
Compliance Report

PRESENTED BY: Stephanie Chan

November 18, 2010



1275 Market Street
San Francisco, CA 94103
(415) 565-1456
www.statefundca.com

Date: November 8, 2010

AGENDA ITEM 5a – 5b

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT:** RATIFICATION OF INVESTMENT TRANSACTIONS
- II. PROGRAM:** FINANCIAL and INVESTMENT SERVICES
- III. RECOMMENDATION:** RECOMMENDATION TO BOARD OF DIRECTORS TO RATIFY THE INVESTMENT TRANSACTIONS FROM AUGUST 1, 2010 TO SEPTEMBER 30, 2010.

IV. ANALYSIS:
The bond transactions for the period of August 1, 2010 to September 30, 2010 are attached as Item 5a. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 5b. We recommend the Board of Directors ratify the investment transactions for the period of August 1, 2010 to September 30, 2010.

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

STEPHANIE CHAN, Financial and
Strategic Analysis Manager

Attachments

COMPLIANCE REPORT

As of September 30, 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	12,830,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
Total: Tax Muni Rated Below A-		12,830,000.00	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.