



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

Date: May 2, 2011

AGENDA ITEM 9a – 9b

TO: MEMBERS, BOARD OF DIRECTORS

- I. SUBJECT:** RATIFICATION OF INVESTMENT TRANSACTIONS
- II. PROGRAM:** TREASURY and INVESTMENTS
- III. RECOMMENDATION:** RECOMMENDATION TO BOARD OF DIRECTORS TO RATIFY THE INVESTMENT TRANSACTIONS from FEBRUARY 1, 2011 to MARCH 31, 2011.

IV. ANALYSIS:

The bond transactions for the period of February 1, 2011 to March 31, 2011 are attached as Item 9a. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 9b. We recommend the Board of Directors ratify the investment transactions for the period of February 1, 2011 to March 31, 2011.

V. RESULTS/COSTS:

Reporting on the Investment Transactions fulfills a responsibility of Treasury and Investments and the Investment Committee.

Stephanie Chan
Treasury and Investments Program Manager

Attachments

COMPLIANCE REPORT

As of March 31, 2011

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>Tax. Muni Rated Below A-</u>							
(1/2)	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>							
(3)	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) This bond rated below A was in compliance with our investment guidelines at the time of purchase.
- (2) 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.
- (3) 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was initially rated AAA based on the financial strength of insurance enhancement, but subsequently the ratings were withdrawn.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 Aa1/AA+. State Fund filed and received an NAIC 1 designation from SVO for this bond on 12/30/09.

MOTION: To ratify.