

BOARD OF DIRECTORS MEETING (OPEN)

AGENDA ITEM 14C

ATTACHMENT 14C-I

APPROVAL OF COMPLIANCE REPORT FOR OCTOBER 1, 2008 TO  
NOVEMBER 30, 2008

PRESENTED BY: Leslie Dawe

January 16, 2009

COMPLIANCE REPORT

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	Reason for Out of Compliance
<b><u>Long-term Investments</u></b>						
<b><u>Corp. Bonds Rated Below A</u></b>						
Int'l Lease Finance Corp	10,000,000.00	07/01/09	4.750%	5.330%	Baa1/A-	Rating below standard *
American General Finance	10,000,000.00	09/15/12	5.900%	5.950%	Baa1/BBB	Rating below standard *
American General Finance	10,000,000.00	09/15/16	5.750%	5.560%	Baa1/BBB	Rating below standard *
CIT Group, Inc.	10,000,000.00	01/30/09	3.615%	4.740%	Baa1/A-	Rating below standard *
CIT Group, Inc.	10,000,000.00	12/15/10	4.750%	4.490%	Baa1/A-	Rating below standard *
CIT Group, Inc.	15,000,000.00	02/13/14	5.000%	4.760%	Baa1/A-	Rating below standard *
CIT Group, Inc.	20,000,000.00	09/30/14	5.125%	5.090%	Baa1/A-	Rating below standard *
CIT Group, Inc.	10,000,000.00	02/13/17	5.650%	5.700%	Baa1/A-	Rating below standard *
Lehman Brothers Holdings	10,000,000.00	08/15/10	7.875%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	20,000,000.00	12/23/10	3.011%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	10,000,000.00	01/24/13	5.625%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	45,000,000.00	03/13/14	4.800%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	10,000,000.00	09/26/14	6.200%	0.000%	B3/D	Rating below standard*
MBIA, Inc.	30,000,000.00	12/01/34	5.700%	5.660%	Ba1/A-	Rating below standard*
<b>Total: Bonds Rated Below A</b>	<b>220,000,000.00</b>	<b>14 item (s)</b>				
<b><u>Issuer Limit above 0.75% ***</u></b>						
Wachovia Corp	15,000,000.00	03/15/09	6.150%	7.260%	A2/A	Issuer Limit Above 0.75%
Wachovia Mortgage FSB	50,000,000.00	12/15/09	4.125%	4.190%	Aa2/AA-	Issuer Limit Above 0.75%
Wachovia Bank NA	10,000,000.00	08/18/10	7.800%	6.700%	Aa3/A+	Issuer Limit Above 0.75%
Wachovia Corp	25,000,000.00	03/15/11	2.939%	4.010%	A1/A+	Issuer Limit Above 0.75%
Wachovia Corp	25,000,000.00	08/01/14	5.250%	4.930%	A2/A	Issuer Limit Above 0.75%
Wachovia Bank NA	20,000,000.00	02/01/15	4.875%	4.740%	Aa3/A+	Issuer Limit Above 0.75%
<b>Total</b>	<b>145,000,000.00</b>	<b>6 Item (s)</b>				
Bear Stearns Co., Inc.	15,000,000.00	03/23/09	6.564%	6.560%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	15,000,000.00	06/09/10	6.470%	6.470%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	10,000,000.00	10/28/10	4.500%	4.310%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	15,000,000.00	07/21/11	6.447%	6.450%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	10,000,000.00	05/22/12	6.578%	6.580%	Aa2/AA-	Issuer Limit Above 0.75%
JP Morgan Chase & Co	35,000,000.00	02/15/09	6.000%	7.150%	Aa3/A+	Issuer Limit Above 0.75%
JP Morgan Chase & Co	10,000,000.00	11/15/09	7.000%	7.730%	Aa3/A+	Issuer Limit Above 0.75%
JP Morgan Chase & Co	20,000,000.00	02/01/11	6.750%	6.600%	Aa3/A+	Issuer Limit Above 0.75%
Morgan JP & Co. Inc.	15,000,000.00	01/15/09	6.000%	6.420%	Aa3/A+	Issuer Limit Above 0.75%
<b>Total</b>	<b>145,000,000.00</b>	<b>9 item(s)</b>				

United Technologies Corp	23,000,000.00	06/01/09	6.500%	4.010%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	16,660,000.00	06/01/09	2.881%	2.880%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	26,305,000.00	11/15/10	7.125%	5.170%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	10,000,000.00	03/01/11	6.350%	6.210%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	10,000,000.00	05/15/12	6.100%	4.360%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	58,250,000.00	05/01/15	4.875%	5.070%	A2/A	Issuer Limit Above 0.75%
<b>Total</b>	<b>144,215,000.00</b>	<b>6 item(s)</b>				

<b>Total: Bonds Above 0.75% Limit</b>	<b>434,215,000.00</b>	<b>21 item (s)</b>
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<b>Subtotal: Long-term</b>	<b>654,215,000.00</b>	<b>35 item(s)</b>
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**Short-term Investments**

None

<b>Subtotal: Short-term</b>	<b>0.00</b>	<b>0 item(s)</b>
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**Securities Lending \*\***

None

<b>Subtotal: Sec. Lending</b>	<b>0.00</b>	<b>0 item(s)</b>
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<b>Grand Total:</b>	<b>654,215,000.00</b>	<b>35 item(s)</b>
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\* In compliance at the time of purchase.

\*\* The Securities Lending Program was terminated effective September 30, 2008.

\*\*\* Issuer Limit = \$142,612,141 [\$19,014,952,097 (LTI par value holdings as of 11/30/08) X 0.75%]

MOTION: To ratify.