

BOARD OF DIRECTORS MEETING

AGENDA ITEM 12C

ATTACHMENT

RATIFICATION OF COMPLIANCE REPORT

PRESENTED BY: Jay Stewart and Leslie Dawe

November 21, 2008

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 |
|---|---------------|---------------|-------------|------------|---------|------------------------------|
| <u>Long-term Investments</u> | | | | | | |
| American General Finance | 10,000,000.00 | 09/15/12 | 5.900% | 5.950% | A3/BBB | Rating below standard * |
| American General Finance | 10,000,000.00 | 09/15/16 | 5.750% | 5.560% | A3/BBB | Rating below standard * |
| CIT Group, Inc. | 10,000,000.00 | 01/30/09 | 2.946% | 4.680% | 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% | Baa2/A- | Rating below standard* |
| Subtotal: Long-term 210,000,000.00 13 item(s) | | | | | | |
| <u>Short-term Investments</u> | | | | | | |
| None | | | | | | |
| Subtotal: Short-term 0.00 0 item(s) | | | | | | |
| <u>Securities Lending **</u> | | | | | | |
| None | | | | | | |
| Subtotal: Sec. Lending 0.00 0 item(s) | | | | | | |
| Grand Total: 210,000,000.00 13 item(s) | | | | | | |

* In compliance at the time of purchase.

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

MOTION: To ratify.