

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10b

ATTACHMENT 10b-I

COMPLIANCE REPORT for DECEMBER 1, 2009 to JANUARY 31, 2010

PRESENTED BY: Leslie Dawe

March 18, 2010

COMPLIANCE REPORT

As of January 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 |
|--|--|----------------------|-------------------|-------------|------------|----------|-------------------|
| <b><u>Long-term Investments</u></b>                        |  |                      |                   |             |            |          |                   |
| <b><u>Taxable Municipal &gt;0.50% Per Issuer Limit</u></b> |  |                      |                   |             |            |          |                   |
| (1)  | Southern Calif Pub Pwr Auth            | 99,762,000           | 05/15/17          | 6.930%      | 5.070%     | Aa3/AAA  | Conning           |
| <b>Total: Tax Muni &gt; 0.50%</b>                          |  | <b>99,762,000</b>    | <b>1 item (s)</b> |             |            |          |                   |
| (2)  | <b><u>Corporate Rated Below A-</u></b> |                      |                   |             |            |          |                   |
|  | American Express Travel                | 10,000,000.00        | 11/21/11          | 5.250%      | 5.610%     | A2/BBB+  | GR-NEAM           |
|  | American Express Co.                   | 13,000,000.00        | 07/15/13          | 4.875%      | 4.600%     | A3/BBB+  | GR-NEAM           |
|  | American Express Co.                   | 47,725,000.00        | 09/12/16          | 5.500%      | 5.420%     | A3/BBB+  | Conning           |
|  | Mercantile Bankshares                  | 22,620,000.00        | 04/15/13          | 4.625%      | 5.350%     | Baa1/A-  | Conning           |
| <b>Total: Bonds Rated Below A-</b>                         |  | <b>93,345,000.00</b> | <b>4 item (s)</b> |             |            |          |                   |
| (2)  | <b><u>Tax. Muni Rated Below A-</u></b> |                      |                   |             |            |          |                   |
|  | California State                       | 5,000,000.00         | 04/01/16          | 5.950%      | 5.090%     | Baa1/A-  | GR-NEAM           |
|  | California State                       | 26,540,000.00        | 04/01/39          | 7.550%      | 7.220%     | Baa1/A-  | GR-NEAM           |
| (3)  | New York St Urban Dev Corp             | 6,400,000.00         | 12/15/10          | 4.220%      | 4.220%     | Baa1/AAA | Conning           |
| (3)  | Pacific Beacon LLC                     | 31,640,000.00        | 07/15/36          | 5.508%      | 5.510%     | Baa1/AA  | Conning           |
| (3)  | Rancho Cucamonga Calif Redevel         | 14,295,000.00        | 09/01/17          | 5.529%      | 5.530%     | Baa1/A+  | Conning           |
| (3)  | San Luis Obispo Cnty Calif             | 5,715,000.00         | 09/01/15          | 4.310%      | 5.270%     | Baa1/AA- | GR-NEAM           |
| <b>Total: Tax Muni Rated Below A-</b>                      |  | <b>89,590,000.00</b> | <b>6 item(s)</b>  |             |            |          |                   |
| <b><u>Bonds Not Rated</u></b>                              |  |                      |                   |             |            |          |                   |
| (2/4)  | Oregon State                           | 25,000,000.00        | 06/01/16          | 5.305%      | 4.441%     | NA/NR    | Conning           |
| <b>Total: Bonds Not Rated</b>                              |  | <b>25,000,000.00</b> | <b>1 item(s)</b>  |             |            |          |                   |

- (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) These bonds rated below A were in compliance with our investment guidelines at the time of purchase.
- (3) These issues are insured by MBIA. MBIA's financial strength rating was subsequently downgraded to below A-, and Moody's does not rate the underlying obligator.
- (4) State Fund filed and received an NAIC 1 designation from SVO for this bond on 12/30/09.

MOTION: MOTION: To approve and recommend ratification.