

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 11b

ATTACHMENT 11b-I

COMPLIANCE REPORT for FEBRUARY 1, 2010 TO MARCH 31, 2010

PRESENTED BY: Stephanie Chan

May 20, 2010

COMPLIANCE REPORT

As of March 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 Redev	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) All these bonds rated below A were in compliance with our investment guidelines at the time of purchase.
- (3) All 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: To approve and recommend ratification.