

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 9b

ATTACHMENT 9b-I

COMPLIANCE REPORT for JUNE 1, 2010 TO JULY 31, 2010

PRESENTED BY: Stephanie Chan

September 9, 2010

COMPLIANCE REPORT

As of July 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 |
|--|---------------------------------------|----------------------|-------------------|-------------|------------|---------|-------------------|
| <u>Long-term Investments</u> | | | | | | | |
| <u>Taxable Municipal >0.50% Per Issuer Limit</u> | | | | | | | |
| (1) | Southern Calif Pub Pwr Auth | 99,762,000.00 | 05/15/17 | 6.930% | 5.070% | Aa3/AAA | Conning |
| | Total: Tax Muni > 0.50% | 99,762,000.00 | 1 item (s) | | | | |
| <u>Tax. Muni Rated Below A-</u> | | | | | | | |
| (2/3) | Rancho Cucamonga Calif Redev | 14,295,000.00 | 09/01/17 | 5.529% | 5.530% | Baa1/A+ | Conning |
| | Total: Tax Muni Rated Below A- | 14,295,000.00 | 1 item(s) | | | | |
| <u>Bonds Not Rated</u> | | | | | | | |
| (4) | 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) 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) 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.
- (4) 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was initially rated AAA based on the financial strength of insurance enhancement, but subsequently the ratings were withdrawn.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 Aa2/AA. State Fund filed and received an NAIC 1 designation from SVO for this bond on 12/30/09.

MOTION: To approve and recommend ratification.