

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 4b

ATTACHMENT 4b-I

COMPLIANCE REPORT for AUGUST 1, 2010 TO SEPTEMBER 30, 2010

PRESENTED BY: Stephanie Chan

November 18, 2010

COMPLIANCE REPORT

As of September 30, 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	12,830,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
Total: Tax Muni Rated Below A-		12,830,000.00	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)				

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- (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was initially rated AAA based on the financial strength of insurance enhancement, but subsequently the ratings were withdrawn.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.