

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 9c

ATTACHMENT 9c-I

COMPLIANCE REPORT for OCTOBER 1, 2009 to NOVEMBER 30, 2009

PRESENTED BY: Leslie Dawe

January 21, 2010

COMPLIANCE REPORT

As of November 30, 2009

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>				
<b>(2) Bonds Rated Below A</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
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
Fifth Third Bancorp	34,000,000.00	06/01/18	4.500%	4.530%	Baa2/BBB-	GR-NEAM
Lehman Brothers Holdings	10,000,000.00	08/15/10	7.875%	0.000%	WR/NR	Conning
Lehman Brothers Holdings	20,000,000.00	12/23/10	3.011%	0.000%	WR/NR	GR-NEAM
Lehman Brothers Holdings	10,000,000.00	01/24/13	5.625%	0.000%	WR/NA	GR-NEAM
Lehman Brothers Holdings	45,000,000.00	03/13/14	4.800%	0.000%	WR/NR	Conning
Lehman Brothers Holdings	10,000,000.00	09/26/14	6.200%	0.000%	WR/NR	GR-NEAM
Mercantile Bankshares	22,620,000.00	04/15/13	4.625%	5.350%	Baa1/A-	Conning
(3) Rancho Cucamonga Calif Redev	14,295,000.00	09/01/17	5.529%	5.530%	Baa1/A+	Conning
<b>Total: Bonds Rated Below A</b>	<b>268,180,000.00</b>	<b>13 item (s)</b>				
<b>(4) Bonds Not Rated</b>						
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) Rancho Cucamonga bond has an underlying rating of A+ by S&P. There is no underlying rating by Moody's so it defaults to the financial strength of the guarantor, which is currently rated Baa1.
- (4) We own two identical Oregon State bonds in the portfolio. The other one is rated Aa2/AA, but this particular bond is not rated because it was reassigned with a new CUSIP. Therefore, the original underlying rating will not be reported by the rating agencies until an additional rating fee is paid for the new CUSIP.

MOTION: To approve and recommend ratification.