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Date: January 5, 2009

**AGENDA ITEM 10**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT: APPROVAL OF INVESTMENT TRANSACTIONS**
- II. PROGRAM: FISCAL & INVESTMENT SERVICES**
- III. RECOMMENDATION: RECOMMENDATION TO BOARD OF DIRECTORS TO RATIFY THE INVESTMENT TRANSACTIONS FROM OCTOBER 1, 2008 TO NOVEMBER 30, 2008.**

**IV. ANALYSIS:**  
The bond transactions for the period of October 1, 2008 to November 30, 2008 are attached as Item 10a. There were no short term investment transactions as confirmed on attachment 10b. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 10c. We request the Investment Committee's approval of these investment transactions and their recommendation to the Board of Directors to ratify the transactions.

**V. RESULTS/COSTS:**  
Reporting on the Investment Transactions fulfills a responsibility of Fiscal & Investment Services.

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LESLIE DAWE, Fiscal and Investment  
Services Manager

Attachments

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10A-I

BOND TRANSACTIONS FOR OCTOBER 1, 2008 TO NOVEMBER 30, 2008

PRESENTED BY: Leslie Dawe

January 15, 2009

BOND TRANSACTIONS

Sixty-eight transactions were consummated during the period from October 1, 2008 to November 30, 2008.

Trade Date	Settlement Date	Current Face	Description	Coupon Rate	Maturity Date	Yield	Rating
<b><u>PURCHASES:</u></b>							
<b><u>Government:</u></b>							
11/12/08	11/17/08	50,000,000.00	U.S. Treasury Notes	2.750%	10/31/13	2.427%	Aaa/AAA
11/13/08	11/17/08	25,000,000.00	U.S. Treasury Notes	1.750%	11/15/11	1.541%	Aaa/AAA
11/13/08	11/17/08	25,000,000.00	U.S. Treasury Notes	3.750%	11/15/18	3.815%	Aaa/AAA
<b>Total Government:</b>		<b>100,000,000.00</b>	<b>3 item(s)</b>				
<b><u>Agency:</u></b>							
11/19/08	11/24/08	20,000,000.00	Province of British Columbia	4.300%	05/30/13	3.377%	Aaa/AAA
<b>Total Agency:</b>		<b>20,000,000.00</b>	<b>1 item(s)</b>				
<b><u>Mortgage-Backed:</u></b>							
10/01/08	10/22/08	26,496,592.57	GNMA Pool, GN 4244	5.500%	09/20/38	5.496%	Aaa/AAA
10/01/08	10/22/08	12,208,225.79	GNMA Pool, G2 4221	5.500%	08/20/38	5.495%	Aaa/AAA
10/01/08	10/22/08	9,585,906.10	GNMA Pool, G2 4194	5.500%	07/20/38	5.494%	Aaa/AAA
10/02/08	10/22/08	34,636,453.00	GNMA Pool, G2 4048	5.500%	11/20/37	5.461%	Aaa/AAA
10/02/08	10/22/08	14,021,720.91	GNMA Pool, G2 4143	5.000%	05/20/38	5.341%	Aaa/AAA
10/06/08	10/14/08	43,986,326.61	FHLMC Pool, FG A77193	5.500%	05/01/38	5.396%	Aaa/AAA
10/06/08	10/30/08	11,000,000.00	GNMA Project Loans, GNR 2008-86 C	5.250%	10/16/36	5.498%	Aaa/AAA
10/06/08	10/30/08	50,000,000.00	GNMA Project Loans, GNR 2008-86 C	5.250%	10/16/36	5.498%	Aaa/AAA
10/07/08	10/22/08	49,827,142.00	GNMA Pool, G2 4221	5.500%	08/20/38	5.336%	Aaa/AAA
10/07/08	10/22/08	39,363,442.18	GNMA Pool, G2 4221	5.500%	08/20/38	5.336%	Aaa/AAA
10/08/08	10/22/08	15,706,705.04	GNMA Pool, G2 4244	5.500%	09/20/38	5.433%	Aaa/AAA
10/10/08	10/22/08	49,919,486.00	GNMA Pool, G2 4245	6.000%	09/20/38	5.971%	Aaa/AAA
10/14/08	10/22/08	15,435,150.06	GNMA Pool, GN 677224	5.500%	08/15/38	5.862%	Aaa/AAA
10/17/08	10/22/08	45,619,105.50	FHLMC Pool, FG G03092	5.500%	07/01/37	5.764%	Aaa/AAA
10/17/08	10/22/08	9,123,821.10	FHLMC Pool, FG G03092	5.500%	07/01/37	5.764%	Aaa/AAA
10/16/08	10/30/08	50,000,000.00	GNMA Project Loans, GNR 2008-78 D	5.250%	01/16/41	6.196%	Aaa/AAA
10/23/08	10/30/08	10,870,733.07	FHLMC Pool, FG A82245	5.500%	10/01/38	5.490%	Aaa/AAA
10/23/08	10/28/08	19,779,000.00	FHLMC CMO, FHR 3320 TC	5.500%	10/15/32	5.558%	Aaa/AAA
10/23/08	10/28/08	49,146,732.00	FHLMC CMO, FHR 3047 CI	5.500%	03/15/35	5.592%	Aaa/AAA
10/23/08	10/30/08	20,420,303.67	FHLMC Pool, FG A72439	5.500%	01/01/38	5.486%	Aaa/AAA
10/24/08	10/30/08	35,128,846.14	FHLMC Pool, FG A78118	5.500%	06/01/38	5.614%	Aaa/AAA
10/24/08	10/30/08	31,276,083.70	FHLMC Pool, FG A76901	5.500%	05/01/38	5.614%	Aaa/AAA
10/24/08	10/30/08	25,162,141.47	FHLMC Pool, FG A77072	5.500%	05/01/38	5.614%	Aaa/AAA
10/24/08	10/30/08	34,711,056.31	FHLMC Pool, FG A76899	5.500%	05/01/38	5.619%	Aaa/AAA

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10/27/08	10/30/08	20,000,000.00	FNMA CMO, FNR 2006-53 PC	5.500%	10/25/32	5.726%	Aaa/AAA
10/30/08	11/19/08	44,355,382.88	GNMA Pool, GN 688022	6.000%	10/15/38	6.050%	Aaa/AAA
10/30/08	11/19/08	39,629,914.86	GNMA Pool, GN 699113	6.000%	09/15/38	6.062%	Aaa/AAA
11/05/08	11/13/08	20,550,918.73	FHLMC Pool, FG A76898	5.500%	05/01/38	5.491%	Aaa/AAA
11/10/08	11/13/08	20,267,647.64	FHLMC Pool, FG A76900	5.500%	05/01/38	5.555%	Aaa/AAA
11/07/08	11/19/08	11,915,325.96	GNMA Pool, G2 4194	5.500%	07/20/38	5.484%	Aaa/AAA
11/12/08	11/26/08	18,758,701.00	FHLMC Pool, FG A82981	5.500%	11/01/38	5.468%	Aaa/AAA
11/14/08	11/19/08	49,374,509.50	GNMA Pool, G2 4169	5.500%	06/20/38	5.455%	Aaa/AAA
11/17/08	11/26/08	50,000,000.00	GNMA Pool, G2 4290	5.500%	11/20/38	5.500%	Aaa/AAA
11/17/08	11/26/08	30,000,000.00	GNMA Pool, G2 4290	5.500%	11/20/38	5.500%	Aaa/AAA
11/18/08	11/26/08	46,900,000.00	GNMA Project Loans, GNR 2008-92 D	5.223%	06/16/40	6.100%	Aaa/AAA

<b>Total Mortgage-Backed:</b>	<b>1,055,177,373.79</b>	<b>35 item(s)</b>
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**Taxable Municipal:**

11/19/08	11/24/08	7,007,000.00	Southern Ca. Public Power Authority	6.930%	05/15/17	5.010%	Aaa/AAA
11/20/08	11/25/08	10,000,000.00	Southern Ca Public Power Authority	6.930%	05/15/17	4.910%	Aaa/AAA
11/24/08	11/25/08	17,000,000.00	Southern Ca Public Power Authority	6.930%	05/15/17	5.154%	Aaa/AAA

<b>Total Taxable Municipal:</b>	<b>34,007,000.00</b>	<b>3 item(s)</b>
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<b>TOTAL PURCHASES:</b>	<b>1,209,184,373.79</b>	<b>42 item(s)</b>
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**SALES:**

**Agency:**

10/01/08	10/06/08	25,000,000.00	FHLMC Notes	5.500%	08/20/12	3.651%	Aaa/AAA
10/06/08	10/09/08	50,000,000.00	FHLMC Notes	4.750%	03/05/12	3.208%	Aaa/AAA
10/06/08	10/09/08	50,000,000.00	FNMA Notes	4.875%	05/18/12	3.294%	Aaa/AAA
10/07/08	10/10/08	50,000,000.00	FHLMC Notes	5.125%	11/17/17	4.387%	Aaa/AAA
10/10/08	10/16/08	50,000,000.00	FHLMC Notes	5.500%	09/15/11	3.455%	Aaa/AAA
10/15/08	10/16/08	50,000,000.00	FHLB Notes	4.875%	11/18/11	4.177%	Aaa/AAA
10/15/08	10/20/08	25,000,000.00	FHLMC Notes	5.500%	09/15/11	3.731%	Aaa/AAA
10/16/08	10/21/08	25,000,000.00	FHLMC Notes	4.500%	01/15/13	4.064%	Aaa/AAA
10/20/08	10/23/08	25,000,000.00	FHLMC Notes	6.000%	06/15/11	3.762%	Aaa/AAA
10/21/08	10/24/08	50,000,000.00	FHLMC Notes	6.000%	06/15/11	3.625%	Aaa/AAA
10/21/08	10/24/08	10,000,000.00	FHLMC Notes	6.000%	06/15/11	3.625%	Aaa/AAA
10/21/08	10/24/08	50,000,000.00	FHLMC Notes	5.125%	08/23/10	3.304%	Aaa/AAA
10/21/08	10/24/08	25,000,000.00	FHLMC Notes	5.125%	08/23/10	3.244%	Aaa/AAA
10/22/08	10/27/08	25,000,000.00	FNMA Notes	6.625%	11/15/10	3.071%	Aaa/AAA
10/24/08	10/29/08	25,000,000.00	FNMA Notes	6.625%	11/15/10	3.047%	Aaa/AAA
10/27/08	10/30/08	30,000,000.00	FNMA Notes	4.500%	02/15/11	3.422%	Aaa/AAA
10/30/08	11/04/08	25,000,000.00	FNMA Notes	5.500%	03/15/11	3.323%	Aaa/AAA
10/30/08	11/04/08	50,000,000.00	FHLB Notes	4.625%	10/10/12	4.176%	Aaa/AAA
11/04/08	11/07/08	50,000,000.00	FNMA Notes	4.375%	09/13/10	2.890%	Aaa/AAA
11/12/08	11/13/08	20,000,000.00	FNMA Notes	6.625%	09/15/09	2.120%	Aaa/AAA

11/14/08	11/19/08	50,000,000.00	FNMA Notes	4.375%	09/15/12	3.581%	Aaa/AAA
11/17/08	11/20/08	50,000,000.00	FHLB Notes	5.750%	08/15/11	3.377%	Aaa/AAA
11/17/08	11/20/08	50,000,000.00	FHLMC Notes	5.125%	07/15/12	3.579%	Aaa/AAA

<b>Total Agency:</b>	<b>860,000,000.00</b>	<b>23 item(s)</b>
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**Corporate:**

10/01/08	10/06/08	5,000,000.00	American International Group (AIG)	5.450%	05/18/17	16.533%	A2/A-
11/10/08	11/14/08	10,000,000.00	American International Group (AIG)	5.450%	05/18/17	14.289%	A3/A-
11/12/08	11/17/08	10,000,000.00	American International Group (AIG)	5.450%	05/18/17	14.521%	A3/A-

<b>Total Corporate:</b>	<b>25,000,000.00</b>	<b>3 item(s)</b>
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<b>TOTAL SALES:</b>	<b>885,000,000.00</b>	<b>26 item(s)</b>
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MOTION: To ratify.

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10B-I

SHORT-TERM INVESTMENT TRANSACTIONS FOR OCTOBER 1, 2008 TO  
NOVEMBER 30, 2008

PRESENTED BY: Leslie Dawe

January 15, 2009

SHORT-TERM INVESTMENT TRANSACTIONS

There were no transactions in the period from October 1, 2008 to November 30, 2008.

MOTION: To ratify.

INVESTMENT COMMITTEE MEETING (OPEN)

AGENDA ITEM 10

ATTACHMENT 10C-I

COMPLIANCE REPORT FOR OCTOBER 1, 2008 TO NOVEMBER 30, 2008

PRESENTED BY: Leslie Dawe

January 15, 2009



## COMPLIANCE REPORT

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	Reason for Out of Compliance
<b><u>Long-term Investments</u></b>						
<b><u>Corp. Bonds Rated Below A</u></b>						
Int'l Lease Finance Corp	10,000,000.00	07/01/09	4.750%	5.330%	Baa1/A-	Rating below standard *
American General Finance	10,000,000.00	09/15/12	5.900%	5.950%	Baa1/BBB	Rating below standard *
American General Finance	10,000,000.00	09/15/16	5.750%	5.560%	Baa1/BBB	Rating below standard *
CIT Group, Inc.	10,000,000.00	01/30/09	3.615%	4.740%	Baa1/A-	Rating below standard *
CIT Group, Inc.	10,000,000.00	12/15/10	4.750%	4.490%	Baa1/A-	Rating below standard *
CIT Group, Inc.	15,000,000.00	02/13/14	5.000%	4.760%	Baa1/A-	Rating below standard *
CIT Group, Inc.	20,000,000.00	09/30/14	5.125%	5.090%	Baa1/A-	Rating below standard *
CIT Group, Inc.	10,000,000.00	02/13/17	5.650%	5.700%	Baa1/A-	Rating below standard *
Lehman Brothers Holdings	10,000,000.00	08/15/10	7.875%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	20,000,000.00	12/23/10	3.011%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	10,000,000.00	01/24/13	5.625%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	45,000,000.00	03/13/14	4.800%	0.000%	B3/D	Rating below standard*
Lehman Brothers Holdings	10,000,000.00	09/26/14	6.200%	0.000%	B3/D	Rating below standard*
MBIA, Inc.	30,000,000.00	12/01/34	5.700%	5.660%	Baa1/A-	Rating below standard*
<b>Total: Bonds Rated Below A</b>	<b>220,000,000.00</b>	<b>14 item (s)</b>				
<b><u>Issuer Limit above 0.75% ***</u></b>						
Wachovia Corp	15,000,000.00	03/15/09	6.150%	7.260%	A2/A	Issuer Limit Above 0.75%
Wachovia Mortgage FSB	50,000,000.00	12/15/09	4.125%	4.190%	Aa2/AA-	Issuer Limit Above 0.75%
Wachovia Bank NA	10,000,000.00	08/18/10	7.800%	6.700%	Aa3/A+	Issuer Limit Above 0.75%
Wachovia Corp	25,000,000.00	03/15/11	2.939%	4.010%	A1/A+	Issuer Limit Above 0.75%
Wachovia Corp	25,000,000.00	08/01/14	5.250%	4.930%	A2/A	Issuer Limit Above 0.75%
Wachovia Bank NA	20,000,000.00	02/01/15	4.875%	4.740%	Aa3/A+	Issuer Limit Above 0.75%
<b>Total</b>	<b>145,000,000.00</b>	<b>6 Item (s)</b>				
Bear Stearns Co., Inc.	15,000,000.00	03/23/09	6.564%	6.560%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	15,000,000.00	06/09/10	6.470%	6.470%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	10,000,000.00	10/28/10	4.500%	4.310%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	15,000,000.00	07/21/11	6.447%	6.450%	Aa2/AA-	Issuer Limit Above 0.75%
Bear Stearns Co., Inc.	10,000,000.00	05/22/12	6.578%	6.580%	Aa2/AA-	Issuer Limit Above 0.75%
JP Morgan Chase & Co	35,000,000.00	02/15/09	6.000%	7.150%	Aa3/A+	Issuer Limit Above 0.75%
JP Morgan Chase & Co	10,000,000.00	11/15/09	7.000%	7.730%	Aa3/A+	Issuer Limit Above 0.75%
JP Morgan Chase & Co	20,000,000.00	02/01/11	6.750%	6.600%	Aa3/A+	Issuer Limit Above 0.75%
Morgan JP & Co. Inc.	15,000,000.00	01/15/09	6.000%	6.420%	Aa3/A+	Issuer Limit Above 0.75%
<b>Total</b>	<b>145,000,000.00</b>	<b>9 item(s)</b>				

United Technologies Corp	23,000,000.00	06/01/09	6.500%	4.010%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	16,660,000.00	06/01/09	2.881%	2.880%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	26,305,000.00	11/15/10	7.125%	5.170%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	10,000,000.00	03/01/11	6.350%	6.210%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	10,000,000.00	05/15/12	6.100%	4.360%	A2/A	Issuer Limit Above 0.75%
United Technologies Corp	58,250,000.00	05/01/15	4.875%	5.070%	A2/A	Issuer Limit Above 0.75%
<b>Total</b>	<b>144,215,000.00</b>	<b>6 item(s)</b>				

<b>Total: Bonds Above 0.75% Limit</b>	<b>434,215,000.00</b>	<b>21 item (s)</b>
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<b>Subtotal: Long-term</b>	<b>654,215,000.00</b>	<b>35 item(s)</b>
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**Short-term Investments**

None

<b>Subtotal: Short-term</b>	<b>0.00</b>	<b>0 item(s)</b>
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**Securities Lending \*\***

None

<b>Subtotal: Sec. Lending</b>	<b>0.00</b>	<b>0 item(s)</b>
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<b>Grand Total:</b>	<b>654,215,000.00</b>	<b>35 item(s)</b>
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\* In compliance at the time of purchase.

\*\* The Securities Lending Program was terminated effective September 30, 2008.

\*\*\* Issuer Limit = \$142,612,141 [\$19,014,952,097 (LTI par value holdings as of 11/30/08) X 0.75%]

MOTION: To ratify.