



1275 Market Street
San Francisco, CA 94103
(415) 565-1456
www.scif.com

Date: November 10, 2008

AGENDA ITEM 12

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 AUGUST 1, 2008 TO SEPTEMBER 30, 2008.**

IV. ANALYSIS:

The bond transactions for the period of August 1, 2008 to September 30, 2008 are attached as Item 12a. There were no short term investment transactions as confirmed on attachment 12b. The current investments no longer in compliance with State Fund's Investment Policy are listed in the Compliance Report, Attachment 12c. 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.

STEPHANIE CHAN, Treasury Services
Manager

Attachments

INVESTMENT COMMITTEE MEETING

AGENDA ITEM 12a

ATTACHMENT

APPROVAL OF BOND TRANSACTIONS

PRESENTED BY: Leslie Dawe and Stephanie Chan

November 20, 2008

BOND TRANSACTIONS

Twenty-two transactions were consummated during the period from August 1, 2008 to
September 30, 2008.

Trade Date	Settlement Date	Current Face	Description	Coupon Rate	Maturity Date	Yield	Rating
<u>PURCHASES:</u>							
<u>Government:</u>							
08/28/08	09/03/08	35,000,000.00	U.S. Treasury Notes	4.000%	08/15/18	3.789%	Aaa/AAA
08/28/08	09/03/08	35,000,000.00	U.S. Treasury Notes	3.125%	08/31/13	3.092%	Aaa/AAA
09/22/08	09/25/08	25,000,000.00	U.S. Treasury Notes	4.000%	08/15/18	3.891%	Aaa/AAA
09/22/08	09/25/08	25,000,000.00	U.S. Treasury Notes	3.125%	08/31/13	3.102%	Aaa/AAA
Total Government:		120,000,000.00	4 item(s)				
<u>Agency:</u>							
08/14/08	08/19/08	10,000,000.00	Province of New Brunswick	5.200%	02/21/17	4.640%	Aa1/AA-
08/14/08	08/19/08	10,000,000.00	Province of Manitoba	4.900%	12/06/16	4.595%	Aa1/AA
08/18/08	08/21/08	10,000,000.00	Province of New Brunswick	5.200%	02/21/17	4.631%	Aa1/AA-
09/04/08	09/09/08	15,000,000.00	Province of New Brunswick	5.200%	02/21/17	4.425%	Aa1/AA-
09/04/08	09/09/08	15,000,000.00	Province of Manitoba	4.900%	12/06/16	4.325%	Aa1/AA
09/10/08	09/15/08	10,000,000.00	Province of New Brunswick	5.200%	02/21/17	4.282%	Aa1/AA-
Total Agency:		70,000,000.00	6 item(s)				
<u>Mortgage-Backed:</u>							
08/04/08	08/13/08	35,052,468.53	FNMA Pool, FN 950791	6.000%	10/01/37	5.928%	Aaa/AAA
08/05/08	08/13/08	33,054,283.85	FNMA Pool, FN 953582	6.000%	12/01/37	5.954%	Aaa/AAA
08/11/08	08/15/08	17,843,642.00	FNMA COIN Pool, FN 257664	6.000%	08/01/38	5.931%	Aaa/AAA
08/26/08	08/29/08	31,839,817.00	FHLMC CMO, FHR 3104 QD	5.000%	05/15/34	5.586%	Aaa/AAA
08/27/08	09/02/08	20,000,000.00	FHLMC CMO, FHR 2955 OG	5.000%	07/15/33	5.624%	Aaa/AAA
08/27/08	09/02/08	10,000,000.00	GNMA CMO, GNR 2008-67 PG	6.000%	07/20/38	5.819%	Aaa/AAA
08/28/08	09/03/08	17,000,000.00	FHLMC CMO, FHR 2890 PD	5.000%	03/15/33	5.635%	Aaa/AAA
09/09/08	09/16/08	19,400,002.00	FNMA COIN Pool, FN 257665	6.000%	09/01/38	5.243%	Aaa/AAA
Total Mortgage-Backed:		184,190,213.38	8 item(s)				
TOTAL PURCHASES:		374,190,213.38	18 item(s)				

SALES:

Agency:

09/25/08	09/30/08	25,000,000.00	FNMA Notes	5.375%	06/12/17	4.671%	Aaa/AAA
09/25/08	09/30/08	25,000,000.00	FHLMC Notes	4.500%	07/15/13	3.909%	Aaa/AAA
09/25/08	09/30/08	50,000,000.00	FHLMC Notes	5.500%	08/20/12	3.807%	Aaa/AAA
09/29/08	10/02/08	50,000,000.00	FHLMC Notes	5.500%	08/20/12	3.612%	Aaa/AAA

Total Agency:	150,000,000.00	4 item(s)
----------------------	-----------------------	------------------

TOTAL SALES:	150,000,000.00	4 item(s)
---------------------	-----------------------	------------------

MOTION: To ratify.

INVESTMENT COMMITTEE MEETING

AGENDA ITEM 12b

ATTACHMENT

APPROVAL OF SHORT-TERM INVESTMENT TRANSACTIONS

PRESENTED BY: Leslie Dawe and Stephanie Chan

November 20, 2008

SHORT-TERM INVESTMENT TRANSACTIONS

There were no transactions in the period from August 1, 2008 to September 30, 2008.

MOTION: To ratify.

INVESTMENT COMMITTEE MEETING

AGENDA ITEM 12c

ATTACHMENT

APPROVAL OF COMPLIANCE REPORT

PRESENTED BY: Leslie Dawe and Stephanie Chan

November 20, 2008

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
<u>Long-term Investments</u>						
American General Finance	10,000,000.00	09/15/12	5.900%	5.950%	A3/BBB	Rating below standard *
American General Finance	10,000,000.00	09/15/16	5.750%	5.560%	A3/BBB	Rating below standard *
CIT Group, Inc.	10,000,000.00	01/30/09	2.946%	4.680%	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%	Baa2/A-	Rating below standard*
Subtotal: Long-term		210,000,000.00	13 item(s)			
<u>Short-term Investments</u>						
None						
Subtotal: Short-term		0.00	0 item(s)			
<u>Securities Lending **</u>						
None						
Subtotal: Sec. Lending		0.00	0 item(s)			
Grand Total:		210,000,000.00	13 item(s)			

* In compliance at the time of purchase.

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

MOTION: To ratify.