



**M E M O R A N D U M**

**DATE:** February 20, 2014  
**TO:** Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Annual Investment Report as of December 31, 2013

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Attached is the annual investment report for the State Bar of California as of December 31, 2013. The report is presented in a format that conforms to the investment policy adopted by the Board of Governors in May 2005. As of the end of December, the market value of the State Bar's investment portfolio totaled \$70.7 million.

Annual investment earnings for 2013 is \$257,438, decreased by approximately 12.43% compared to \$293,976 in 2012. This decrease is due to less cash available for investment purposes after the construction project at the LA facility began in early 2012. The time-weighted average rate of return of the investment portfolio for 2013 is 0.30%, compared to 0.29% in 2012. Unrealized loss as of end of December is \$32,016. This unrealized loss is a "paper loss" when a bond is purchased at a price in excess of its face value. All the agency bonds in the State Bar's investment portfolio are held to maturity, and as a result, this unrealized loss will dwindle to zero at maturity.

If you have any questions or would like additional information, please contact Christine Wong at [www.christine.wong@calbar.ca.gov](mailto:www.christine.wong@calbar.ca.gov).

**State Bar of California  
Investment Report Summary  
December 31, 2013**

<b><u>Asset Group</u></b>	<b><u>Original Cost</u></b>	<b><u>Market Value</u></b>	<b><u>Portfolio Percentage</u></b>	<b><u>Weighted Average Yield</u></b>
Wells Fargo Custody Account:	3,495,000	3,488,484	4.94%	0.47%
- Certificate of Deposit	47,043,850	47,018,350	66.54%	0.30%
- Government Bonds	158,309	158,309	0.22%	N.A
- Common Stock-Metlife Inc.	-	43,074	0.06%	N.A
- Interest Receivable	3,495,000	3,488,484	4.94%	0.47%
<b>Subtotal – Securities, Bonds and Notes</b>	<b>50,697,159</b>	<b>50,708,217</b>	<b>71.76%</b>	
Local Agency Investment Fund	19,934,005	19,952,855	28.24%	0.26%
<b>Subtotal-Other Investments</b>	<b>19,934,005</b>	<b>19,952,855</b>	<b>28.24%</b>	
<b>Grand Total</b>	<b>70,631,164</b>	<b>70,661,072</b>	<b>100%</b>	<b>0.30%</b>

**Unrealized Gain/(Loss)-  
Securities, Bonds and Notes**

Market Value of Portfolio	50,655,143
Original Cost of Portfolio	50,697,159
Unrealized Gain/(Loss):	<u>(32,016)</u>

**State Bar of California  
Investment Report – Wells Fargo Custody Account  
Balance as of December 31, 2013**

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>*Yield</u>	<u>Trade/Purchase Date</u>	<u>Monthly Date</u>
PLAINSCAPITAL BANK	72663QYK9	N/A	CD	250,000	250,000	249,983	2	(18)	0.35%	01/25/13	01/30/15
SAFRA NATIONAL BANK	78658ACC0	N/A	CD	250,000	250,000	250,273	527	273	0.50%	01/25/13	02/02/15
FARM BUREAU BANK	307660GW4	N/A	CD	250,000	250,000	249,990	46	(10)	0.35%	01/25/13	02/13/15
GOLDMAN SACHS GROUP	38143A5E1	N/A	CD	250,000	250,000	250,135	902	135	0.85%	01/25/13	07/30/15
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	249,575	755	(425)	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	244,814	64	(186)	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	249,785	52	(215)	0.45%	01/29/13	02/16/16
JP MORGAN CHASE BANK	48124JSS8	N/A	CD	250,000	250,000	247,130	476	(2,870)	0.50%	01/29/13	02/16/16
MARLIN BUSINESS BANK	57116AGA0	N/A	CD	250,000	250,000	249,503	111	(498)	0.30%	05/08/13	05/08/15
APPLE BANK SAVING	037830H82	N/A	CD	250,000	250,000	249,470	148	(530)	0.40%	05/08/13	05/08/15
BANK OF CHINA	06426NV90	N/A	CD	250,000	250,000	249,470	185	(530)	0.50%	05/08/13	05/08/15
KEY BANK NATL ASSN	49306SRT5	N/A	CD	250,000	250,000	249,395	166	(605)	0.45%	05/08/13	11/09/15
PRIVATEBANK	74267GTC1	N/A	CD	250,000	250,000	249,493	125	(508)	0.35%	05/10/13	05/11/15
CARDINAL BANK	14147VDL7	N/A	CD	250,000	250,000	249,470	36	(530)	0.35%	05/17/13	05/18/15
<b>TOTAL CASH EQUIVALENTS (SAVINGS &amp; CDs) :</b>				<b>3,495,000</b>	<b>3,495,000</b>	<b>3,488,484</b>	<b>3,596</b>	<b>(6,516)</b>	<b>0.47%</b>		

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>*Yield</u>	<u>Trade/Purchase Date</u>	<u>Monthly Date</u>
FED FARM CREDIT BK	31331K7J3	AA+	Government Agency	3,000,000	3,003,570	3,000,390	4,608	(3,180)	0.29%	01/17/12	01/23/14
FED HOME LN BK	313376ZM0	AA+	Government Agency	3,000,000	3,000,000	3,000,330	3,021	330	0.25%	02/07/12	02/06/14
FED FARM CREDIT BK	3133EADX3	AA+	Government Agency	3,000,000	2,998,290	3,000,690	3,250	2,400	0.33%	03/27/12	02/21/14
FED HOME LN MTG CORP	3134G3SB7	AA+	Government Agency	2,000,000	1,999,780	2,001,580	1,313	1,800	0.38%	03/28/12	04/28/14
FED HOME LN BK	3133797H6	AA+	Government Agency	3,000,000	2,999,970	3,001,680	1,525	1,710	0.30%	05/29/12	04/30/14
FED HOME LN BK	3133797H6	AA+	Government Agency	3,000,000	3,000,540	3,001,680	1,525	1,140	0.29%	06/19/12	04/30/14
FED FARM CREDIT BK	3133ECCM4	AA+	Government Agency	3,000,000	3,003,150	3,001,830	979	(1,320)	0.19%	02/07/13	11/14/14
FED FARM CREDIT BK	3133ECCE2	AA+	Government Agency	3,000,000	3,001,770	3,001,650	3,625	(120)	0.22%	01/15/13	01/07/15
FED HOME LN BK	313381H24	AA+	Government Agency	3,000,000	3,002,940	3,002,400	3,438	(540)	0.20%	01/22/13	01/16/15
FED HOME LN BK	313381YP4	AA+	Government Agency	3,000,000	3,000,600	3,000,630	2,729	30	0.24%	01/25/13	02/20/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,006,570	3,000,300	2,660	(6,270)	0.34%	01/09/13	10/15/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,004,800	3,000,300	2,660	(4,500)	0.36%	02/05/13	10/15/15
FED FARM CREDIT BK	3133ECBB9	AA+	Government Agency	3,000,000	3,005,430	3,001,290	3,533	(4,140)	0.33%	02/05/13	09/15/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,003,330	3,001,380	1,613	(1,950)	0.39%	01/29/13	11/16/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,005,730	3,001,380	1,613	(4,350)	0.36%	02/12/13	11/16/15
FED HOME LN MTG CORP	3134G3W55	AA+	Government Agency	3,000,000	3,007,380	3,000,840	1,388	(6,540)	0.36%	02/21/13	11/24/15
<b>TOTAL GOVERNMENT BONDS AND NOTES :</b>				<b>47,000,000</b>	<b>47,043,850</b>	<b>47,018,350</b>	<b>39,478</b>	<b>(25,500)</b>	<b>0.30%</b>		





**M E M O R A N D U M**

**DATE:** February 20, 2014  
**TO:** Board of Trustees  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Executive Retirement Health Benefit Quarterly Investment  
Report for the year ended December 31, 2013

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Attached is the 2013 annual investment report for the State Bar's Other Postemployment Benefit ("OPEB") asset.

On December 15, 2008, the State Bar established an irrevocable trust for the OPEB Plan to set aside assets to fund the cost of retiree health care benefits to eligible executive employees. Annual required contribution is determined based on actuarial valuation. The OPEB Plan is operated and administered by the State Bar in conformity with the terms of the OPEB Plan and the State Bar's investment policy.

In July 2012, the Board adopted staff's recommendation to systematically transfer the State Bar's OPEB assets from Wells Fargo Bank to a higher-yielding investment pool managed by CalPERS and, on an ongoing basis, to make annual transfers to the pool to pay the Bar's Annual Required Contribution (ARC), as determined by the Bar's actuary. The first \$3 million OPEB asset transfer to CalPERS began in December, 2012, and as of December 31, 2013, the entire \$14.4 million of OPEB assets were transferred to CalPERS.

As of December 31, 2013, the market value of the OPEB assets is \$14.8 million. Total investment income for 2013 is \$382,640, and administrative expense is \$11,410. Net average rate of return of the entire portfolio is 2.51%, compared to 1.84% in 2012, reflecting a significant increase in the average yield after the OPEB asset transfer commencing in December 2013.

In the most recent actuarial valuation report completed in December 2012, the Annual Required Contribution (ARC) for both 2011 and 2012 is \$1,328,641. The Actuarial Accrued Liability of this benefit plan as of December 31, 2011 is \$22.7 million. Current OPEB asset value is \$14.8 million, which leaves an Unfunded Actuarial Accrued Liability of \$8.3 million as of December 31, 2012.

If you have any questions or would like additional information, please contact Christine Wong at [www.christine.wong@calbar.ca.gov](http://www.christine.wong@calbar.ca.gov).

**State Bar of California  
OPEB Trust Investment Report  
Balance as of December 31, 2013**

<u>Issuer</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>*Yield</u>
CalPERS	N/A	CERTB Strategy 3	14,400,401	14,400,401	14,777,008	2.51%
<b>Total Investment Held By CalPERS CERBT Funds</b>			<b>14,400,401</b>	<b>14,400,401</b>	<b>14,777,008</b>	<b>2.51%</b>
			14,400,401	14,400,401	14,777,008	2.51%