



THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: October 22, 2014
TO: Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Quarterly Investment Report as of September 30, 2014

Attached is the quarterly investment report for the State Bar of California as of September 30, 2014. This report is presented in a format that conforms to the investment policy adopted by the Board in May 2005. As of the end of September, the market value of the State Bar's investment portfolio totaled \$71.2 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.27%, compared to 0.28% in 2013. Actual investment earnings decreased approximately 4.77% from \$204,871 at the third quarter in 2013 to \$195,095 in 2014. The unrealized loss for the reporting quarter is \$31,539, which will be amortized over the life of the bonds. As a result, this unrealized loss will offset the effect on investment income when the bonds mature. An unrealized loss is a bond premium incurred when a bond is purchased at a price in excess of its face value. A bond is traded at a premium when it offers a coupon rate that is higher than prevailing interest rates, a reflection of declining interest rate in the existing bond market. This unrealized loss is considered to be a "paper loss" because all investments are held to maturity.

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

**The State Bar of California
Investment Report Summary
September 30 2014**

Asset Group

<u>Wells Fargo Custody Account:</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
- Certificate of Deposit	3,495,000	3,498,411	4.91%	0.47%
- Government Bonds	45,052,500	45,017,550	63.23%	0.28%
- Common Stock-Metlife Inc.	157,722	157,722	0.22%	N.A
- Interest Receivable	-	41,213	0.00%	N.A
<u>Subtotal-Securities, Bonds and Notes</u>	<u>48,705,222</u>	<u>48,714,896</u>	<u>68.36%</u>	
-Local Agency Investment Fund	22,498,949	22,525,000	31.64%	0.23%
<u>Subtotal-Other Investments</u>	<u>22,498,949</u>	<u>22,525,000</u>	<u>31.64%</u>	
<u>Grand Total</u>	<u>71,204,171</u>	<u>71,239,896</u>	<u>100%</u>	0.27%

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

Market Value of Portfolio	48,673,683
Original Cost of Portfolio	<u>48,705,222</u>
Unrealized Gain/(Loss):	<u>(31,539)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of September 30, 2014

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&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>Maturity Date</u>
PLAINSCAPITAL BANK	72663QYK9	N/A	CD	250,000	250,000	250,213	-	213	0.35%	01/25/13	01/30/15
SAFRA NATIONAL BANK	78658ACC0	N/A	CD	250,000	250,000	250,308	-	308	0.50%	01/25/13	02/02/15
FARM BUREAU BANK	307660GW4	N/A	CD	250,000	250,000	250,235	-	235	0.35%	01/25/13	02/13/15
MARLIN BUSINESS BANK	57116AGA0	N/A	CD	250,000	250,000	250,173	-	173	0.30%	05/08/13	05/08/15
APPLE BANK SAVING	037830H82	N/A	CD	250,000	250,000	250,158	-	158	0.40%	05/08/13	05/08/15
BANK OF CHINA	06426NV90	N/A	CD	250,000	250,000	250,158	-	158	0.50%	05/08/13	05/08/15
PRIVATEBANK	74267GTC1	N/A	CD	250,000	250,000	250,173	-	173	0.35%	05/10/13	05/11/15
CARDINAL BANK	14147VDL7	N/A	CD	250,000	250,000	250,170	-	170	0.35%	05/17/13	05/18/15
GOLDMAN SACHS GROUP	38143A5E1	N/A	CD	250,000	250,000	250,558	-	558	0.85%	01/25/13	07/30/15
KEY BANK NATL ASSN	49306SRT5	N/A	CD	250,000	250,000	250,320	-	320	0.45%	05/08/13	11/09/15
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	250,560	-	560	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	245,706	-	706	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	250,710	-	710	0.45%	01/29/13	02/16/16
JP MORGAN CHASE BANK	48124JSS8	N/A	CD	250,000	250,000	248,973	-	(1,028)	0.50%	01/29/13	02/16/16
Total CDs :			TOTAL CASH EQUIVALENTS (SAVINGS & CDs) :	3,495,000	3,495,000	3,498,411	-	3,411	0.47%		

<u>Issuer</u>	<u>CUSIP #</u>	<u>S&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>Maturity Date</u>
FED FARM CREDIT BK	3133ECCM4	AA+	Government Agency	3,000,000	3,003,150	3,000,450	2,854	(2,700)	0.19%	02/07/13	11/14/14
FED FARM CREDIT BK	3133ECCE2	AA+	Government Agency	3,000,000	3,001,770	3,001,140	1,750	(630)	0.22%	01/15/13	01/07/15
FED HOME LN BK	313381H24	AA+	Government Agency	3,000,000	3,002,940	3,001,200	1,563	(1,740)	0.20%	01/22/13	01/16/15
FED FARM CREDIT BK	3133EDFC1	AA+	Government Agency	3,000,000	3,000,870	2,999,730	783	(1,140)	0.18%	02/10/14	02/08/15
FED HOME LN BK	3130AOWM8	AA+	Government Agency	3,000,000	3,000,000	2,999,670	531	(330)	0.13%	02/10/14	02/10/15
FED HOME LN BK	313381YP4	AA+	Government Agency	3,000,000	3,000,600	3,001,440	854	840	0.24%	01/25/13	02/20/15
FED FARM CREDIT BK	3133ECBB9	AA+	Government Agency	3,000,000	3,005,430	3,005,670	533	240	0.33%	02/05/13	09/15/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,006,570	3,004,530	5,810	(2,040)	0.34%	01/09/13	10/15/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,004,800	3,004,530	5,810	(270)	0.36%	02/05/13	10/15/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,003,330	3,001,590	4,838	(1,740)	0.39%	01/29/13	11/16/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,005,730	3,001,590	4,838	(4,140)	0.36%	02/12/13	11/16/15
FED HOME LN MTG CORP	3134G3W55	AA+	Government Agency	3,000,000	3,007,380	3,007,260	4,763	(120)	0.36%	02/21/13	11/24/15
FED FARM CREDIT BK	3133EDAE2	AA+	Government Agency	3,000,000	3,003,840	2,995,140	2,723	(8,700)	0.26%	02/14/14	12/22/15
FED HOME LN MTG CORP	3134G4VH8	AA+	Government Agency	3,000,000	3,003,690	2,999,760	533	(3,930)	0.34%	02/14/14	03/15/16
FED HOME LN BK	3133834R9	AA+	Government Agency	3,000,000	3,002,400	2,993,850	3,031	(8,550)	0.34%	02/27/14	06/24/16

Total Bonds & Notes :			TOTAL GOVERNMENT BONDS AND NOTES:	45,000,000	45,052,500	45,017,550	41,213	(34,950)	0.28%		
METLIFE INC	59156R108	N/A	Common Stock			157,722		157,722			

	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>
TOTAL INVESTMENT HELD BY WELLS FARGO:	48,495,000	48,547,500	48,673,683	41,213	126,183

Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: \$48,714,896



THE STATE BAR OF CALIFORNIA

FINANCE

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MEMORANDUM

DATE: October 22, 2014
TO: Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Executive Retirement Health Benefit Quarterly Investment Report as of September 30, 2014

Attached is the 2014 third quarter investment report for the State Bar's Executive Retirement Health Benefit Plan (known as OPEB).

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. The annual required contribution is determined based on an actuarial valuation.

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 September 30, 2014, the market value of the OPEB assets totaled \$15.6 million. The average rate of return of the entire portfolio is 6.8% and year to date investment income is \$779,522.41 with an unrealized gain of \$1,156,130.

The Governmental Accounting Standards Board (GASB) requires employers to prepare an actuarial valuation report and to measure the net OPEB liability on a biennial basis. In 2014, staff engaged Milliman Inc. and completed an updated valuation report with a measurement date of June 30, 2013. In this valuation report, the actuary determined that the annual required

contributions for both 2013 and 2014 are approximately \$1.7 million. The actuarial accrued liability of this benefit plan as of June 30, 2013 was \$25.8 million. The current OPEB asset value is \$14.2 million, resulting in a unfunded actuarial accrued liability balance of \$11.6 million, or a 55.1% funding level of the accrued liability.

If you have any questions or would like additional information, please contact Christine Wong at christine.wong@calbar.ca.gov.

**State Bar of California
OPEB Trust Investment Report
Balance as of September 30, 2014**

Issuer	S&P Rating	Type	Par Value	Cost	Mkt Value	*Yield	Purchase Date	Maturity Date
CalPERS	N/A	CERBT Strategy 3	14,400,401	14,400,401	15,556,530	6.80%	N/A	NA
TOTAL INVESTMENT HELD BY CalPERS CERBT FUNDS:			14,400,401	14,400,401	15,556,530	6.80%		
			Par Value	Cost	Mkt Value			
TOTAL OPEB ASSET:			14,400,401	14,400,401	15,556,530			

**The State Bar of California
OPEB Investment Report Summary
September 30, 2014**

Asset Group

	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
CalPERS CERBT Fund Stratgy 3 Investment	14,400,401	15,556,530	100.00%	6.80%
Subtotal-CalPERS CERBT Fund Investment:	14,400,401	15,556,530	100.00%	
	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	
Grand Total	14,400,401	15,556,530	100%	

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

Market Value of Portfolio	\$15,556,530
Original Cost of Portfolio	\$14,400,401
Unrealized Gain/(Loss):	<u>\$1,156,130</u>