



# THE STATE BAR OF CALIFORNIA

FINANCE

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180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

## MEMORANDUM

**DATE:** July 13, 2015

**TO:** Members, Planning and Budget Committee  
Members, Board of Trustees

**FROM:** Christine Wong, Finance Director

**SUBJECT:** Investment Report for the Second Quarter Ended June 30, 2015

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Attached is the quarterly investment report for the State Bar of California as of June 30, 2015. 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 June, the market value of the State Bar's investment portfolio totaled \$96.3 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.27%, compared to 0.26% in 2014. Actual investment earnings decreased approximately 7.38% from \$148,206 at the second quarter in 2014 to \$137,265 in 2015. The decrease is due to lower cash balance for investing subsequent to the LA building acquisition. The unrealized loss for the reporting quarter is \$42,246, 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](mailto:www.christine.wong@calbar.ca.gov).

**Investment Report Summary**  
**June 30, 2015**

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody Account:				
- Certificate of Deposit	\$ 1,495,000	\$ 1,496,764	1.55%	0.58%
- Government Bonds	45,068,220	45,024,210	46.75%	0.28%
- Common Stock-Metlife Inc.	164,387	164,387	0.17%	N.A
- Interest Receivable	-	41,998	0.04%	N.A
<b>Subtotal-Securities, Bonds and Notes</b>	<b><u>\$ 46,727,607</u></b>	<b><u>\$ 46,727,359</u></b>	<b><u>48.52%</u></b>	
Local Agency Investment Fund	49,555,802	49,582,700	51.48%	0.26%
<b>Subtotal-Other Investments</b>	<b><u>\$ 49,555,802</u></b>	<b><u>\$ 49,582,700</u></b>	<b><u>51.48%</u></b>	
<b>Grand Total</b>	<b><u>\$ 96,283,409</u></b>	<b><u>\$ 96,310,059</u></b>	<b><u>100%</u></b>	0.27%

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

Market Value of Portfolio	\$ 46,685,361
Original Cost of Portfolio	46,727,607
Unrealized Gain/(Loss):	<u><u>\$ (42,246)</u></u>

**State Bar of California**  
**Investment Report - Wells Fargo Custody Account**  
**Balance as of June 30, 2015**

<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>Maturity Date</u>
GOLDMAN SACHS GROUP	38143A5E1	N/A	CD	\$ 250,000	\$ 250,000	\$ 250,115	\$ 885	\$ 115	0.85%	01/25/13	07/30/15
KEY BANK NATL ASSN	49306SRT5	N/A	CD	250,000	250,000	250,433	166	433	0.45%	05/08/13	11/09/15
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	250,855	740	855	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	245,172	-	172	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	250,095	-	95	0.45%	01/29/13	02/16/16
JP MORGAN CHASE BANK	48124JSS8	N/A	CD	250,000	250,000	250,095	466	95	0.50%	01/29/13	02/16/16
<b>TOTAL CASH EQUIVALENTS (SAVINGS &amp; CDs) :</b>				<b>\$ 1,495,000</b>	<b>\$ 1,495,000</b>	<b>\$ 1,496,764</b>	<b>\$ 2,257</b>	<b>\$ 1,764</b>	<b>0.58%</b>		

FED FARM CREDIT BANK	3133EDFC1	AA+	Government Agency	\$ 3,000,000	\$ 3,000,870	\$ 3,000,270	\$ 2,283	\$ (600)	0.18%	02/10/14	08/14/15
FED FARM CREDIT BANK	3133ECBB9	AA+	Government Agency	3,000,000	3,005,430	3,001,770	3,533	(3,660)	0.33%	02/05/13	09/15/15
FED FARM CREDIT BANK	3133ECB86	AA+	Government Agency	3,000,000	3,006,570	3,002,250	2,660	(4,320)	0.34%	01/09/13	10/15/15
FED FARM CREDIT BANK	3133ECB86	AA+	Government Agency	3,000,000	3,004,800	3,002,250	2,660	(2,550)	0.36%	02/05/13	10/15/15
FED FARM CREDIT BANK	3133ECBJ2	AA+	Government Agency	3,000,000	3,003,330	3,002,730	1,613	(600)	0.39%	01/29/13	11/16/15
FED FARM CREDIT BANK	3133ECBJ2	AA+	Government Agency	3,000,000	3,005,730	3,002,730	1,613	(3,000)	0.36%	02/12/13	11/16/15
FED HOME LN MTG CORP	3134G3W55	AA+	Government Agency	3,000,000	3,007,380	3,003,330	1,388	(4,050)	0.36%	02/21/13	11/24/15
FED FARM CREDIT BANK	3133EDAE2	AA+	Government Agency	3,000,000	3,003,840	3,001,260	248	(2,580)	0.26%	02/14/14	12/22/15
FED HOME LN MTG CORP	3134G4VH8	AA+	Government Agency	3,000,000	3,003,690	3,002,070	3,533	(1,620)	0.34%	02/14/14	03/15/16
FED HOME LOAN BANK	3133834R9	AA+	Government Agency	3,000,000	3,002,400	2,999,790	219	(2,610)	0.34%	02/27/14	06/24/16
FED FARM CREDIT BANK	3133EDMB5	AA+	Government Agency	3,000,000	3,003,720	3,003,240	5,333	(480)	0.41%	03/30/15	08/23/16
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	2,996,490	6,875	(3,480)	0.50%	03/30/15	01/27/17
FED HOME LN MTG CORP	3134G6PJ6	AA+	Government Agency	3,000,000	3,006,090	2,999,490	97	(6,600)	0.46%	04/14/15	12/29/16
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,009,510	4,875	(2,370)	0.55%	04/14/15	04/13/17
FED FARM CREDIT BANK	3133EEZB9	AA+	Government Agency	3,000,000	3,002,520	2,997,030	2,813	(5,490)	0.39%	04/14/15	09/16/16
<b>TOTAL GOVERNMENT BONDS AND NOTES:</b>				<b>\$ 36,000,000</b>	<b>\$ 45,068,220</b>	<b>\$ 45,024,210</b>	<b>\$ 39,741</b>	<b>\$ (44,010)</b>	<b>0.28%</b>		

METLIFE INC	59156R108	N/A	Common Stock		-	164,387	-	164,387			N/A
<b>Total Common Stocks :</b>				<b>\$ -</b>	<b>\$ -</b>	<b>\$ 164,387</b>	<b>\$ -</b>	<b>\$ 164,387</b>			

**TOTAL INVESTMENT HELD BY WELLS FARGO:** **\$ 37,495,000 \$ 46,563,220 \$ 46,685,361 \$ 41,998 \$ 122,141**

**Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:** **\$ 46,727,359**



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TEL (415) 538-2200

## MEMORANDUM

**DATE:** July 13, 2015

**TO:** Members, Planning and Budget Committee  
Members, Board of Trustees

**FROM:** Christine Wong, Finance Director

**SUBJECT:** Executive Retirement Health Benefit (OPEB) Investment Report  
for the Second Quarter Ended June 30, 2015

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Attached is the 2015 second quarter investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset.

As of June 30, 2015, the market value of the OPEB assets totaled \$18.8 million. According to the most current actuary report with measurement date of June 30, 2013, the actuarial accrued liability (AAL) of the OPEB Plan was \$25.8 million. Based on the AAL in this actuary report, the estimated funding level at the end of the reporting quarter is approximately 72%. Year-to-date average rate of return of the entire portfolio is 0.45%, compared to 13.58% in 2014. Year-to-date investment income for the entire investment portfolio is \$39,099, with an unrealized gain of \$1,387,826.

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. The last valuation report was completed in January 2014, with 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. In compliance with the GASB requirements, staff will request an updated valuation report with measurement date of June 30, 2015. The results of this updated valuation will be reported to the Committee by November 2015.

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

**The State Bar of California**  
**OPEB Investment Report Summary**  
**June 30, 2015**

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
- CalPERS CERBT Fund Stratgy 3 Investment	\$ 17,400,401	\$ 18,788,226	100.00%	0.45%
<b>Subtotal-CalPERS CERBT Fund Investment:</b>	<b>\$ 17,400,401</b>	<b>\$ 18,788,226</b>	<b>100.00%</b>	
<b>Grand Total</b>	<b>\$ 17,400,401</b>	<b>\$ 18,788,226</b>	<b>100%</b>	

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

Market Value of Portfolio	\$ 18,788,226
Original Cost of Portfolio	17,400,401
Unrealized Gain/(Loss):	<u>\$ 1,387,825</u>

**State Bar of California**  
**OPEB Trust Investment Report**  
**Balance as of June 30, 2015**

<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	CERBT Strategy 3	\$ 17,400,401	\$ 17,400,401	\$ 18,788,226	0.45%
<b>TOTAL INVESTMENT HELD BY CalPERS CERBT FUNDS:</b>			<b>\$ 17,400,401</b>	<b>\$ 17,400,401</b>	<b>\$ 18,788,226</b>	<b>0.45%</b>
<b>TOTAL OPEB ASSET:</b>			<b>\$ 17,400,401</b>	<b>\$ 17,400,401</b>	<b>\$ 18,788,226</b>	

**State Bar of California****OPEB Investment Breakdown and Rollforward - CalPERS Account - as of June 30, 2015**

<u>Description</u>	<u>6/30/2015</u>	<u>1/1/2015</u>	<u>Change</u>
CalPERS - CERBT Strategy 3	\$ 18,788,226	\$ 17,249,127	\$ 1,539,099
Balance:	<u>\$ 18,788,226</u>	<u>\$ 17,249,127</u>	<u>\$ 1,539,099</u>

**Roll Forward:**

Balance as of 1/1/2015:	\$ 17,249,127
Contributions:	1,500,000
Investment Income/(Loss)	46,840
Admin Expense	(7,741)
Total:	<u>\$ 18,788,226</u>

	<u>Q2</u>	<u>Q1</u>	<u>YTD</u>
CalPERS Investment Income/(Loss) :	\$ (338,730)	\$ 385,570	\$ 46,840
CalPERS Admin Expense :	<u>(3,874)</u>	<u>(3,867)</u>	<u>(7,741)</u>
Total Net Investment Income :	\$ (342,604.33)	\$ 381,703	\$ 39,099
Investment Market Value at beginning of Quarter:	\$ 17,630,831	\$ 17,249,127	17,249,127
Average Yield:	-7.77%	8.85%	0.45%