



**THE STATE BAR
OF CALIFORNIA**

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: November 17, 2016

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

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Investment Report for the Third Quarter Ended September 30, 2016

Attached is the quarterly investment report for the State Bar of California as of September 30, 2016. 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 September, the market value of the State Bar's investment portfolio totaled \$135.5 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.68%, compared to 0.34% in 2015. Actual investment earnings increased approximately 199.95% from \$204,775 at the third quarter in 2015 to \$614,214 in 2016. The increase in investment earnings is due to a larger investment portfolio after receiving the \$44.7 million settlement grant from Bank of America. The higher rate of return is due to investments in bonds with longer durations compared to the prior year.

The unrealized loss for the reporting quarter is \$27,096, which will be amortized over the life of the bonds. This unrealized loss will eventually 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 rates in the existing bond market. This unrealized loss is considered to be a "paper loss" because all investments are held to maturity.

**The State Bar of California
Investment Report Summary
September 30, 2016**

<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:				
- Government Bonds	71,352,054	71,326,398	52.63%	0.78%
- Corporate Bonds	2,999,250	2,997,810	2.21%	1.12%
- Common Stock-Metlife Inc.	130,446	130,446	0.10%	N.A
- Interest Receivable	-	186,090	0.14%	N.A
Subtotal-Securities, Bonds and Notes	<u>74,481,750</u>	<u>74,640,744</u>	<u>55.08%</u>	
Local Agency Investment Fund	60,818,698	60,872,789	44.92%	0.54%
Subtotal-Other Investments	<u>60,818,698</u>	<u>60,872,789</u>	<u>44.92%</u>	
Grand Total	<u>135,300,448</u>	<u>135,513,533</u>	<u>100%</u>	0.68%

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

Market Value of Portfolio	74,454,654
Original Cost of Portfolio	<u>74,481,750</u>
Unrealized Gain/(Loss):	<u><u>(27,096)</u></u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of September 30, 2016

<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 HOME LN MTG CORP	3134G6PJ6	AA+	Government Agency	3,000,000	3,006,090	3,001,680	4,447	(4,410)	0.46%	04/14/15	12/29/16
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	3,000,930	2,667	960	0.50%	03/30/15	01/27/17
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,004,020	10,500	(7,860)	0.55%	04/14/15	04/13/17
FED HOME LOAN BANK	3130A4U42	AA+	Government Agency	3,000,000	3,005,580	3,005,400	6,067	(180)	0.65%	03/29/16	06/30/17
FED FARM CREDIT BANK	3133EFK30	AA+	Government Agency	3,000,000	3,000,780	3,003,510	5,390	2,730	0.75%	03/09/16	07/07/17
FED HOME LN MTG CORP	3137EADV8	AA+	Government Agency	3,000,000	2,995,050	3,002,910	4,813	7,860	0.86%	01/08/16	07/14/17
FED FARM CREDIT BANK	3133EE4K3	AA+	Government Agency	3,000,000	3,003,810	3,001,020	4,200	(2,790)	0.63%	02/16/16	07/21/17
FED HOME LOAN BANK	3130A62S5	AA+	Government Agency	2,000,000	1,995,480	2,001,620	1,375	6,140	0.89%	01/11/16	08/28/17
FED FARM CREDIT BANK	3133EFPH4	AA+	Government Agency	3,000,000	2,999,970	3,004,890	10,385	4,920	0.93%	01/11/16	11/17/17
FED HOME LOAN BANK	313381B20	AA+	Government Agency	3,000,000	2,999,970	3,000,660	7,063	690	0.75%	02/19/16	12/08/17
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	3,002,820	2,999,130	4,938	(3,690)	0.70%	02/16/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	3,000,000	2,997,780	2,999,130	4,938	1,350	0.79%	03/08/16	01/12/18
FED HOME LN MTG CORP	3137EADN6	AA+	Government Agency	1,800,000	1,799,514	1,799,478	2,963	(36)	0.77%	03/29/16	01/12/18
FED FARM CREDIT BANK	3133EFV87	AA+	Government Agency	3,000,000	3,004,140	3,001,560	146	(2,580)	0.81%	03/29/16	03/29/18
FED HOME LN MTG CORP	3137EAEA3	AA+	Government Agency	5,000,000	4,995,300	4,995,500	18,125	200	0.80%	05/17/16	04/09/18
FED FARM CREDIT BANK	3133EGAF2	AA+	Government Agency	5,000,000	4,995,050	4,996,200	14,063	1,150	0.80%	05/17/16	05/16/18
FED HOME LN MTG CORP**	3134G8Y60	AA+	Government Agency	3,500,000	3,500,000	3,500,140	6,222	140	1.00%	04/28/16	07/27/18
FED HOME LN MTG CORP**	3134G8XA2	AA+	Government Agency	5,000,000	5,000,000	5,000,700	21,389	700	1.00%	04/28/16	07/27/18
FED FARM CREDIT BANK	3133EGFQ3	AA+	Government Agency	3,000,000	3,010,170	2,998,440	1,240	(11,730)	0.72%	06/24/16	09/14/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	5,000,000	5,010,550	5,005,650	23,467	(4,900)	0.87%	05/17/16	10/05/18
FED FARM CREDIT BANK	3133EFX69	AA+	Government Agency	3,000,000	3,018,150	3,003,390	14,080	(14,760)	0.69%	06/29/16	10/05/18
FED HOME LN MTG CORP	3134G9HV2	AA+	Government Agency	2,000,000	2,000,000	2,000,440	6,944	440	1.00%	05/17/16	11/26/18
TOTAL GOVERNMENT BONDS AND NOTES:				71,300,000	71,352,054	71,326,398	175,418	(25,656)	0.78%		
CHEVRON CORP	166764AA8	AA-	Corporate Bonds	3,000,000	2,999,250	2,997,810	10,672	(1,440)	1.12%	05/17/16	12/05/17
TOTAL CORPORATE BONDS :				3,000,000	2,999,250	2,997,810	10,672	(1,440)	1.12%		
METLIFE INC	59156R108	N/A	Common Stock	-	-	130,446	-	130,446			N/A
TOTAL COMMON STOCKS:				-	-	130,446	-	130,446			
TOTAL INVESTMENT HELD BY WELLS FARGO:				74,300,000	74,351,304	74,454,654	186,090	103,350			
Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:						74,640,744					



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MEMORANDUM

DATE: October 17, 2016

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

FROM: Christine Wong, Chief Financial Officer

SUBJECT: Executive Retirement Health Benefit (OPEB) Investment Report
for the Third Quarter Ended September 30, 2016

Attached is the 2016 third quarter investment report for the State Bar's Executive Retirement Health Benefit (known as OPEB) asset.

As of September 30, 2016, the market value of the OPEB assets totaled \$22.4 million. Rate of return of the entire portfolio since date of inception is 13.9%, with an unrealized gain of \$2.72 million.

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 2016, with measurement date of June 30, 2015. In this valuation report, the actuary determined that the annual required contributions for 2016 is approximately \$1.0 million. The Year to Date actual contribution for 2016 is \$0.75 million.

The State Bar of California
OPEB Investment Report Summary
September 30, 2016

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Yield from Date of inception</u>
- CalPERS CERBT Fund Stratgy 3 Investment	\$ 19,650,401	\$ 22,373,965	13.86%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 19,650,401</u>	<u>\$ 22,373,965</u>	
Grand Total	<u><u>\$ 19,650,401</u></u>	<u><u>\$ 22,373,965</u></u>	
Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 22,373,965	
Original Cost of Portfolio		19,650,401	
Unrealized Gain/(Loss):		<u><u>\$ 2,723,564</u></u>	