

# **THE STATE BAR OF CALIFORNIA**

**FINANCE**

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

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

**DATE:** October 17, 2011  
**TO:** Board of Governors  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** Quarterly Investment Report as of September 30, 2011

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Attached is the quarterly investment report for the State Bar of California as of September 30, 2011. 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 \$99.9 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.39%, compared to 0.60% for the same period in the prior year. Actual investment earnings decreased approximately 56% from \$659,206 at the third quarter in 2010 to \$292,424 for the reported quarter in 2011. This decrease is due primarily to lower short-term interest rates and duration-shortening actions taken to protect the portfolio from interest rate risk associated with longer term investments.

**The State Bar of California  
Investment Report Summary  
September 30, 2011**

<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:				
- Government Bonds	50,039,085	50,045,845	50.11%	0.32%
- Common Stock-Metlife Inc.	82,237	82,237	0.08%	N.A
- Interest Receivable	-	33,964	0.03%	N.A
<b>Subtotal-Securities, Bonds and Notes</b>	<b>50,121,322</b>	<b>50,162,046</b>	<b>50.23%</b>	
Local Agency Investment Fund	49,587,596	49,700,125	49.77%	0.46%
<b>Subtotal-Other Investments</b>	<b>49,587,596</b>	<b>49,700,125</b>	<b>49.77%</b>	
<b>Grand Total</b>	<b>99,708,919</b>	<b>99,862,171</b>	<b>100%</b>	0.39%

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

Market Value of Portfolio	50,128,082
Original Cost of Portfolio	50,121,322
Unrealized Gain/(Loss):	<u>6,760</u>

**State Bar of California**  
**Investment Report - Wells Fargo Custody Account**  
**Balance as of September 30, 2011**

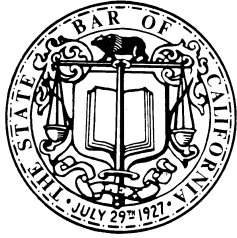
<u>Issuer</u>	<u>CUSIP #</u>	<u>S&amp;P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>*Yield</u>	<u>Trade/ Purchase Date</u>	<u>Maturity Date</u>
FED HOME LN BK	3133XYMV4	AAA	Government Agency	2,500,000	2,506,900	2,502,775	6,667	(4,125)	0.61%	06/11/10	12/01/11
FED HOME LN BK	313371WV4	AAA	Government Agency	2,000,000	2,000,180	2,000,620	2,000	440	0.29%	12/21/10	12/01/11
FED HOME LN BK	313371XH4	AAA	Government Agency	2,000,000	2,001,400	2,000,740	2,044	(660)	0.24%	01/19/11	12/06/11
FED HOME LN BK	313372AQ7	AAA	Government Agency	3,000,000	3,002,400	3,001,980	2,683	(420)	0.29%	12/29/10	01/04/12
FED HOME LN BK	313370BJ6	AAA	Government Agency	2,000,000	2,007,940	2,003,500	2,203	(4,440)	0.27%	01/12/11	01/30/12
FED FARM CREDIT BK	31331KBE9	AAA	Government Agency	2,500,000	2,501,225	2,501,550	1,250	325	0.25%	01/25/11	02/01/12
FED FARM CREDIT BK	31331KBE9	AAA	Government Agency	3,000,000	3,002,670	3,001,860	1,500	(810)	0.20%	03/08/11	02/01/12
FED HOME LN BK	313372K94	AAA	Government Agency	3,000,000	3,002,340	3,002,070	1,600	(270)	0.24%	02/07/11	02/01/12
FED HOME LN BK	313372NL4	AAA	Government Agency	2,000,000	2,000,000	2,000,980	736	980	0.25%	02/08/11	02/08/12
FED FARM CREDIT BK	31331KDJ6	AAA	Government Agency	3,000,000	3,001,080	3,002,070	700	990	0.24%	03/30/11	03/01/12
FED FARM CREDIT BK	31331KDM9	AAA	Government Agency	3,000,000	3,001,110	3,001,830	513	720	0.24%	03/29/11	03/09/12
FED HOME LN BK	313372V76	AAA	Government Agency	3,000,000	3,000,900	3,001,650	373	750	0.25%	03/08/11	03/15/12
FED FARM CREDIT BK	3133736D9	AAA	Government Agency	3,000,000	3,000,870	3,000,720	63	(150)	0.22%	03/29/11	03/28/12
FED HOME LN BK SER 2	3133712T2	AAA	Government Agency	1,000,000	1,002,170	1,001,430	14	(740)	0.32%	01/12/11	03/30/12
FED HOME LN BK	313373Y22	AAA	Government Agency	3,000,000	3,002,310	2,999,670	2,667	(2,640)	0.17%	06/03/11	05/23/12
FED FARM CREDIT BK	31331J2G7	AAA	Government Agency	3,000,000	2,994,180	3,000,630	2,650	6,450	0.44%	01/24/11	06/15/12
FED FARM CREDIT BK	31331J7A5	AAA	Government Agency	3,000,000	3,001,770	3,005,220	3,375	3,450	0.46%	01/12/11	07/10/12
FED FARM CREDIT BK	31331JXY4	AAA	Government Agency	1,000,000	1,002,080	1,002,940	885	860	0.49%	01/19/11	08/10/12
FED FARM CREDIT BK	31331KCS7	AAA	Government Agency	3,000,000	3,000,000	3,008,490	1,950	8,490	0.60%	02/11/11	08/22/12
FED FARM CREDIT BK	31331JN25	AAA	Government Agency	2,000,000	2,007,560	2,005,120	92	(2,440)	0.35%	11/02/10	09/28/12

<b>TOTAL GOVERNMENT BONDS AND NOTES:</b>	<b>50,000,000</b>	<b>50,039,085</b>	<b>50,045,845</b>	<b>33,964</b>	<b>6,760</b>	<b>0.32%</b>
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METLIFE INC	59156R108	N/A	Common Stock	-	82,237	-	82,237				N/A
			<b>TL Common Stock:</b>	<b>-</b>	<b>-</b>	<b>82,237</b>	<b>-</b>	<b>82,237</b>			

<b>TOTAL INVESTMENT HELD BY WELLS FARGO:</b>	<b>50,000,000</b>	<b>50,039,085</b>	<b>50,128,082</b>	<b>33,964</b>	<b>88,997</b>
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Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: **50,162,047**



# THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

## MEMORANDUM

**DATE:** October 25, 2011  
**TO:** Board of Governors  
**FROM:** Christine Wong, Finance Director  
**SUBJECT:** OPEB Quarterly Investment Report as of September 30, 2011

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Attached is the 2011 third quarter 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 required contribution for the years ended 2010 and 2009 are \$2,007,139 and \$2,799,926, respectively. 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.

As of September 30, 2011, the market value of the OPEB assets totaled \$14.4 million. The time-weighted average rate of return of the investment portfolio is 0.17%, compared to 0.05% in 2010. Year-to-date investment income is \$6,694, and unrealized loss is (\$20,505). This unrealized loss is a bond premium incurred when the 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 it will be amortized over the remaining term of the bond. All the agency bonds in the OPEB Plan are held to maturity, and as a result, this unrealized loss will dwindle to zero at maturity.

**The State Bar of California  
OPEB Investment Report Summary  
September 30, 2011**

<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-PRWBP Account:				
- Government Bonds	11,510,435	11,489,930	80.03%	0.21%
- Interest Receivable	-	4,019	0.03%	N.A
<b>Subtotal-Securities, Bonds and Notes</b>	<b>11,510,435</b>	<b>11,493,949</b>	<b>80.06%</b>	
- WF Advantage Gov't MMF	2,863,327	2,863,327	19.94%	0.01%
- Interest Receivable	-	42		
<b>Subtotal-Cash Equivalents:</b>	<b>2,863,327</b>	<b>2,863,369</b>	<b>19.94%</b>	
<b>Grand Total</b>	<b>14,373,762</b>	<b>14,357,318</b>	<b>100%</b>	0.17%

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

Market Value of Portfolio	14,353,257
Original Cost of Portfolio	14,373,762
Unrealized Gain/(Loss):	<u>(20,505)</u>

**State Bar of California****OPEB Trust Investment Report - Wells Fargo Custody - PRWBP Account****Balance as of September 30, 2011**

<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>Purchase Date</u>	<u>Maturity Date</u>
FED HOME LN BK	313375CY1	AA+	Government Agency	2,500,000	2,499,125	2,496,650	399	(2,475)	0.16%	08/17/11	08/15/12
FED HOME LN BK SER 1	313375CA3	AA+	Government Agency	3,000,000	2,999,700	2,996,850	587	(2,850)	0.17%	08/23/11	08/17/12
FED FARM CREDIT BK	31331KQU7	AA+	Government Agency	3,000,000	3,007,440	3,001,680	2,800	(5,760)	0.22%	08/17/11	01/07/13
FED FARM CREDIT BK	31331KZJ2	AA+	Government Agency	3,000,000	3,004,170	2,994,750	233	(9,420)	0.28%	09/19/11	09/23/13

<b>TOTAL GOVERNMENT BONDS AND NOTES:</b>	<b>11,500,000</b>	<b>11,510,435</b>	<b>11,489,930</b>	<b>4,019</b>	<b>(20,505)</b>	<b>0.21%</b>
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WF ADVANTAGE GOV'T MMF VP7001259 Cash Equivalents Money Market Fund	2,863,327	2,863,327	2,863,327	42	-	0.01%	N/A	N/A
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<b>TOTAL MONEY MARKET FUND:</b>	<b>2,863,327</b>	<b>2,863,327</b>	<b>2,863,327</b>	<b>42</b>	<b>-</b>	<b>0.01%</b>
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<b>TOTAL INVESTMENT HELD BY WELLS FARGO CUSTODY-PRWBP ACCOUNT:</b>	<b>14,363,327</b>	<b>14,373,762</b>	<b>14,353,257</b>	<b>4,061</b>	<b>(20,505)</b>
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WF Custody-PRWBP Total Assets (Mkt Value + Interest Receivable):

<b>14,357,318</b>
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