

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: February 13, 2012
TO: Board of Governors
FROM: Christine Wong, Finance Director
SUBJECT: Annual Investment Report as of December 31, 2011

Attached is the annual investment report for the State Bar of California as of December 31, 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 December 31, 2011, the market value of the State Bar's investment portfolio totaled \$89.9 million.

The time-weighted average rate of return of the investment portfolio at the end of the year is 0.37%, compared to 0.58% for the same period in the prior year. Actual investment earnings decreased approximately 34% from \$584,617 in 2010 to \$385,989 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
December 31, 2011**

<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	43,530,605	43,528,670	48.40%	0.30%
- Common Stock-Metlife Inc.	91,544	91,544	0.10%	N.A
- Interest Receivable	-	54,916	0.06%	N.A
Subtotal-Securities, Bonds and Notes	43,622,149	43,675,130	48.57%	
Local Agency Investment Fund	46,134,984	46,253,784	51.43%	0.44%
Subtotal-Other Investments	46,134,984	46,253,784	51.43%	
Grand Total	89,757,133	89,928,914	100%	0.37%

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

Market Value of Portfolio	43,620,214
Original Cost of Portfolio	43,622,149
Unrealized Gain/(Loss):	<u>(1,935)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of December 31, 2011

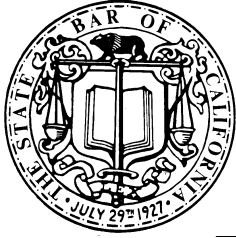
<u>Issuer</u>	<u>CUSIP #</u>	<u>S&P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>Interest Receivable</u>	<u>Unrealized Gain/(Loss)</u>	<u>*Yield</u>	<u>Trade/ Purchase Date</u>	<u>Maturity Date</u>
FED HOME LN BK	313372AQ7	AAA	Government Agency	3,000,000	3,002,400	3,000,030	5,458	(2,370)	0.29%	12/29/10	01/04/12
FED HOME LN BK	313370BJ6	AAA	Government Agency	2,000,000	2,007,940	2,000,800	5,453	(7,140)	0.27%	01/12/11	01/30/12
FED FARM CREDIT BK	31331KBE9	AAA	Government Agency	2,500,000	2,501,225	2,500,350	3,125	(875)	0.25%	01/25/11	02/01/12
FED FARM CREDIT BK	31331KBE9	AAA	Government Agency	3,000,000	3,002,670	3,000,420	3,750	(2,250)	0.20%	03/08/11	02/01/12
FED HOME LN BK	313372K94	AAA	Government Agency	3,000,000	3,002,340	3,000,450	4,000	(1,890)	0.24%	02/07/11	02/01/12
FED HOME LN BK	313372NL4	AAA	Government Agency	2,000,000	2,000,000	2,000,260	1,986	260	0.25%	02/08/11	02/08/12
FED FARM CREDIT BK	31331KDJ6	AAA	Government Agency	3,000,000	3,001,080	3,000,780	2,800	(300)	0.24%	03/30/11	03/01/12
FED FARM CREDIT BK	31331KDM9	AAA	Government Agency	3,000,000	3,001,110	3,000,870	2,613	(240)	0.24%	03/29/11	03/09/12
FED HOME LN BK	313372V76	AAA	Government Agency	3,000,000	3,000,900	3,000,960	2,473	60	0.25%	03/08/11	03/15/12
FED FARM CREDIT BK	3133736D9	AAA	Government Agency	3,000,000	3,000,870	3,000,930	1,938	60	0.22%	03/29/11	03/28/12
FED HOME LN BK SER 2	3133712T2	AAA	Government Agency	1,000,000	1,002,170	1,000,920	1,264	(1,250)	0.32%	01/12/11	03/30/12
FED HOME LN BK	313373Y22	AAA	Government Agency	3,000,000	3,002,310	3,001,500	792	(810)	0.17%	06/03/11	05/23/12
FED FARM CREDIT BK	31331J2G7	AAA	Government Agency	3,000,000	2,994,180	3,002,010	400	7,830	0.44%	01/24/11	06/15/12
FED FARM CREDIT BK	31331J7A5	AAA	Government Agency	3,000,000	3,001,770	3,004,710	7,125	2,940	0.46%	01/12/11	07/10/12
FED FARM CREDIT BK	31331JXY4	AAA	Government Agency	1,000,000	1,002,080	1,002,360	2,448	280	0.49%	01/19/11	08/10/12
FED FARM CREDIT BK	31331KCS7	AAA	Government Agency	3,000,000	3,000,000	3,006,900	6,450	6,900	0.60%	02/11/11	08/22/12
FED FARM CREDIT BK	31331JN25	AAA	Government Agency	2,000,000	2,007,560	2,004,420	2,842	(3,140)	0.35%	11/02/10	09/28/12

TOTAL GOVERNMENT BONDS AND NOTES:	43,500,000	43,530,605	43,528,670	54,916	(1,935)	0.30%
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METLIFE INC	59156R108	N/A	Common Stock	-	91,544	-	91,544				N/A
			TL Common Stock:	-	-	91,544	-	91,544			

TOTAL INVESTMENT HELD BY WELLS FARGO:	43,500,000	43,530,605	43,620,214	54,916	89,609
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Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: **43,675,130**



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M E M O R A N D U M

DATE: February 13, 2012
TO: Board of Governors
FROM: Christine Wong, Finance Director
SUBJECT: OPEB Quarterly Investment Report as of December 31, 2011

Attached is the 2011 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 both years ended 2011 and 2010 is \$2,007,139. 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 December 31, 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 \$14,389, and unrealized loss is (\$11,655). 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.

OPEB Investment Report Summary
December 31, 2011

<u>Asset Group</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Portfolio Percentage</u>	<u>Weighted Average Yield</u>
Wells Fargo Custody-PRWBP Account:				
- Government Bonds	11,510,435	11,498,780	80.01%	0.21%
- Interest Receivable	-	11,626	0.08%	N.A
Subtotal-Securities, Bonds and Notes	11,510,435	11,510,406	80.09%	
- WF Advantage Gov't MMF	2,861,944	2,861,944	19.91%	0.01%
- Interest Receivable	-	40	0.00%	
Subtotal-Cash Equivalents:	2,861,944	2,861,984	19.91%	
Grand Total	14,372,379	14,372,390	100%	0.17%

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

Market Value of Portfolio	14,360,724
Original Cost of Portfolio	14,372,379
Unrealized Gain/(Loss):	<u>(11,655)</u>

State Bar of California

OPEB Trust Investment Report - Wells Fargo Custody - PRWBP Account

Balance as of December 31, 2011

<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>Purchase Date</u>	<u>Maturity Date</u>
FED HOME LN BK	313375CY1	AA+	Government Agency	2,500,000	2,499,125	2,498,300	1,181	(825)	0.16%	08/17/11	08/15/12
FED HOME LN BK SER 1	313375CA3	AA+	Government Agency	3,000,000	2,999,700	2,998,590	1,787	(1,110)	0.17%	08/23/11	08/17/12
FED FARM CREDIT BK	31331KQU7	AA+	Government Agency	3,000,000	3,007,440	3,003,810	5,800	(3,630)	0.22%	08/17/11	01/07/13
FED FARM CREDIT BK	31331KZJ2	AA+	Government Agency	3,000,000	3,004,170	2,998,080	2,858	(6,090)	0.28%	09/19/11	09/23/13

TOTAL GOVERNMENT BONDS AND NOTES:	11,500,000	11,510,435	11,498,780	11,626	(11,655)	0.21%
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WF ADVANTAGE GOV'T MMF	VP7001259	Cash Equivalents	Money Market Fund	2,861,944	2,861,944	2,861,944	40	-	0.01%	N/A	N/A
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TOTAL MONEY MARKET FUND:	2,861,944	2,861,944	2,861,944	40	-	0.01%
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TOTAL INVESTMENT HELD BY WELLS FARGO CUSTODY-PRWBP ACCOUNT:	14,361,944	14,372,379	14,360,724	11,666	(11,655)
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WF Custody-PRWBP Total Assets (Mkt Value + Interest Receivable):

14,372,390
