

THE STATE BAR OF CALIFORNIA

FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: February 24, 2015
TO: Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Annual Investment Report as of December 31, 2014

Attached is the annual investment report for the State Bar of California as of December 31, 2014. 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 December, the market value of the State Bar's investment portfolio totaled \$64.2 million.

Annual investment earnings for 2014 is \$228,728, decreased by approximately 11.15% compared to \$257,438 in 2013. This decrease is due to less cash available for investment purposes after the construction project at the LA facility began in early 2012. The time-weighted average rate of return of the investment portfolio for 2014 is 0.28%, compared to 0.30% in 2013. Unrealized loss as of end of December is \$36,647. This unrealized loss is a "paper loss" when a bond is purchased at a price in excess of its face value. All the agency bonds in the State Bar's investment portfolio are held to maturity, and as a result, this unrealized loss will dwindle to zero at 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
December 31, 2014**

<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	3,495,000	3,498,553	5.45%	0.47%
- Government Bonds	42,049,350	42,009,150	65.41%	0.29%
- Common Stock-Metlife Inc.	158,808	158,808	0.25%	N.A
- Interest Receivable	-	31,009	0.05%	N.A
Subtotal-Securities, Bonds and Notes	45,703,158	45,697,521	71.15%	
Local Agency Investment Fund	18,519,266	18,528,177	28.85%	0.24%
Subtotal-Other Investments	18,519,266	18,528,177	28.85%	
Grand Total	64,222,424	64,225,698	100%	0.28%

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

Market Value of Portfolio	45,666,512
Original Cost of Portfolio	45,703,158
Unrealized Gain/(Loss):	<u>(36,647)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of Dec 31, 2014

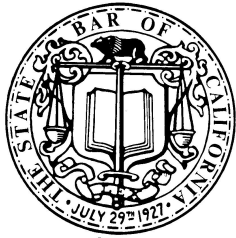
Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	*Yield	Trade/ Purchase Date	Maturity Date
PLAINSCAPITAL BANK	72663QYK9	N/A	CD	250,000	250,000	250,043	-	43	0.35%	01/25/13	01/30/15
SAFRA NATIONAL BANK	78658ACC0	N/A	CD	250,000	250,000	250,068	-	68	0.50%	01/25/13	02/02/15
FARM BUREAU BANK	307660GW4	N/A	CD	250,000	250,000	250,070	-	70	0.35%	01/25/13	02/13/15
MARLIN BUSINESS BANK	57116AGA0	N/A	CD	250,000	250,000	250,138	-	138	0.30%	05/08/13	05/08/15
APPLE BANK SAVING	037830H82	N/A	CD	250,000	250,000	250,130	-	130	0.40%	05/08/13	05/08/15
BANK OF CHINA	06426NV90	N/A	CD	250,000	250,000	250,130	-	130	0.50%	05/08/13	05/08/15
PRIVATEBANK	74267GTC1	N/A	CD	250,000	250,000	250,140	-	140	0.35%	05/10/13	05/11/15
CARDINAL BANK	14147VDL7	N/A	CD	250,000	250,000	250,145	-	145	0.35%	05/17/13	05/18/15
GOLDMAN SACHS GROUP	38143A5E1	N/A	CD	250,000	250,000	250,493	-	493	0.85%	01/25/13	07/30/15
KEY BANK NATL ASSN	49306SRT5	N/A	CD	250,000	250,000	250,458	-	458	0.45%	05/08/13	11/09/15
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	250,698	-	698	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	245,813	-	813	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	250,823	-	823	0.45%	01/29/13	02/16/16
JP MORGAN CHASE BANK	48124JSS8	N/A	CD	250,000	250,000	249,408	-	(593)	0.50%	01/29/13	02/16/16
TOTAL CASH EQUIVALENTS (SAVINGS & CDs) :				3,495,000	3,495,000	3,498,553	-	3,553	0.47%		

FED FARM CREDIT BK	3133ECCE2	AA+	Government Agency	3,000,000	3,001,770	3,000,060	3,625	(1,710)	0.22%	01/15/13	01/07/15
FED HOME LN BK	313381H24	AA+	Government Agency	3,000,000	3,002,940	3,000,090	3,438	(2,850)	0.20%	01/22/13	01/16/15
FED FARM CREDIT BK	3133EDFC1	AA+	Government Agency	3,000,000	3,000,870	2,998,650	2,283	(2,220)	0.18%	02/10/14	02/08/15
FED HOME LN BK	3130AOWM8	AA+	Government Agency	3,000,000	3,000,000	2,999,880	1,469	(120)	0.13%	02/10/14	02/10/15
FED HOME LN BK	313381YP4	NR	Government Agency	3,000,000	3,000,600	3,000,090	2,729	(510)	0.24%	01/25/13	02/20/15
FED FARM CREDIT BK	3133ECBB9	AA+	Government Agency	3,000,000	3,005,430	3,002,580	3,533	(2,850)	0.33%	02/05/13	09/15/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,006,570	3,003,240	2,660	(3,330)	0.34%	01/09/13	10/15/15
FED FARM CREDIT BK	3133ECB86	AA+	Government Agency	3,000,000	3,004,800	3,003,240	2,660	(1,560)	0.36%	02/05/13	10/15/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,003,330	3,003,990	1,613	660	0.39%	01/29/13	11/16/15
FED FARM CREDIT BK	3133ECBJ2	AA+	Government Agency	3,000,000	3,005,730	3,003,990	1,613	(1,740)	0.36%	02/12/13	11/16/15
FED HOME LN MTG CORP	3134G3W55	AA+	Government Agency	3,000,000	3,007,380	3,003,420	1,388	(3,960)	0.36%	02/21/13	11/24/15
FED FARM CREDIT BK	3133EDAE2	AA+	Government Agency	3,000,000	3,003,840	3,000,780	248	(3,060)	0.26%	02/14/14	12/22/15
FED HOME LN MTG CORP	3134G4VH8	AA+	Government Agency	3,000,000	3,003,690	2,996,460	3,533	(7,230)	0.34%	02/14/14	03/15/16
FED HOME LN BK	3133834R9	AA+	Government Agency	3,000,000	3,002,400	2,992,680	219	(9,720)	0.34%	02/27/14	06/24/16
TOTAL GOVERNMENT BONDS AND NOTES:				42,000,000	42,049,350	42,009,150	31,009	(40,200)	0.29%		

METLIFE INC	59156R108	N/A	Common Stock	-	158,808	-	158,808	N/A
TotalCommon Stocks :			TL Common Stock:	-	158,808	-	158,808	

TOTAL INVESTMENT HELD BY WELLS FARGO:	45,495,000	45,544,350	45,666,512	31,009	122,162						
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Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: 45,697,521



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MEMORANDUM

DATE: February 24, 2015
TO: Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Executive Retirement Health Benefit Annual Investment Report as of December 31, 2014

Attached is the 2014 annual 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 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 December 31, 2014, the market value of the OPEB assets totaled \$17.2 million. The average rate of return of the entire portfolio is 6.34% and year to date investment income is \$972,119.20 with an unrealized gain of \$1,348,727.

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 \$17.2 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.

**The State Bar of California
OPEB Investment Report Summary
December 31, 2014**

<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	15,900,401	17,249,127	100.00%	6.34%
Subtotal-CalPERS CERBT Fund Investment:	15,900,401	17,249,127	100.00%	
 Grand Total	 15,900,401	 17,249,127	 100%	

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

Market Value of Portfolio	17,249,127
Original Cost of Portfolio	15,900,401
Unrealized Gain/(Loss):	<u>1,348,727</u>

State Bar of California
OPEB Trust Investment Report
Balance as of December 31, 2014

<u>Issuer</u>	<u>S&P Rating</u>	<u>Type</u>	<u>Par Value</u>	<u>Cost</u>	<u>Mkt Value</u>	<u>*Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>
CalPERS	N/A	CERBT Strategy 3	15,900,401	15,900,401	17,249,127	6.34%	N/A	NA
TOTAL INVESTMENT HELD BY CalPERS CERBT FUNDS:			15,900,401	15,900,401	17,249,127	6.34%		
TOTAL OPEB ASSET:			15,900,401	15,900,401	17,249,127			