

THE STATE BAR OF CALIFORNIA

OFFICE OF FINANCE

180 HOWARD STREET, SAN FRANCISCO, CALIFORNIA 94105-1639

TEL (415) 538-2200

MEMORANDUM

DATE: November 2, 2015

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

FROM: Christine Wong, Finance Director

SUBJECT: Investment Report for the Third Quarter Ended September 30, 2015

Attached is the quarterly investment report for the State Bar of California as of September 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 September, the market value of the State Bar's investment portfolio totaled \$79.8 million.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.34%, compared to 0.27% in 2014. Actual investment earnings increased approximately 4.96% from \$195,097 at the third quarter in 2014 to \$204,775 in 2015. The unrealized loss for the reporting quarter is \$39,111, 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.

The State Bar of California
Investment Report Summary
September 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	995,000	995,729	1.25%	0.54%
- Government Bonds	39,061,920	39,022,080	48.88%	0.39%
- Common Stock-Metlife Inc.	138,432	138,432	0.17%	N.A
- Interest Receivable	-	52,836	0.07%	N.A
Subtotal-Securities, Bonds and Notes	40,195,352	40,209,078	50.37%	
Local Agency Investment Fund	39,590,833	39,625,475	49.63%	0.28%
Subtotal-Other Investments	39,590,833	39,625,475	49.63%	
Grand Total	79,786,185	79,834,553	100%	0.34%

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

Market Value of Portfolio	40,156,242
Original Cost of Portfolio	40,195,352
Unrealized Gain/(Loss):	<u>(39,111)</u>

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

<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>
KEY BANK NATL ASSN	49306SRT5	N/A	CD	250,000	250,000	250,068	450	68	0.45%	05/08/13	11/09/15
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	250,380	283	380	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	245,162	-	162	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	250,120	-	120	0.45%	01/29/13	02/16/16
TOTAL CASH EQUIVALENTS (SAVINGS & CDs) :				995,000	995,000	995,729	733	729	0.54%		

FED FARM CREDIT BANK	3133ECB86	AA+	Government Agency	3,000,000	3,006,570	3,000,300	5,810	(6,270)	0.34%	01/09/13	10/15/15
FED FARM CREDIT BANK	3133ECB86	AA+	Government Agency	3,000,000	3,004,800	3,000,300	5,810	(4,500)	0.36%	02/05/13	10/15/15
FED FARM CREDIT BANK	3133ECBJ2	AA+	Government Agency	3,000,000	3,003,330	3,000,990	4,838	(2,340)	0.39%	01/29/13	11/16/15
FED FARM CREDIT BANK	3133ECBJ2	AA+	Government Agency	3,000,000	3,005,730	3,000,990	4,838	(4,740)	0.36%	02/12/13	11/16/15
FED HOME LN MTG CORP	3134G3W55	AA+	Government Agency	3,000,000	3,007,380	3,001,350	4,763	(6,030)	0.36%	02/21/13	11/24/15
FED FARM CREDIT BANK	3133EDAE2	AA+	Government Agency	3,000,000	3,003,840	3,001,380	2,723	(2,460)	0.26%	02/14/14	12/22/15
FED HOME LN MTG CORP	3134G4VH8	AA+	Government Agency	3,000,000	3,003,690	3,001,710	533	(1,980)	0.34%	02/14/14	03/15/16
FED HOME LOAN BANK	3133834R9	AA+	Government Agency	3,000,000	3,002,400	2,997,120	3,031	(5,280)	0.34%	02/27/14	06/24/16
FED FARM CREDIT BANK	3133EDMB5	AA+	Government Agency	3,000,000	3,003,720	3,003,930	1,583	210	0.41%	03/30/15	08/23/16
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	2,999,430	2,667	(540)	0.50%	03/30/15	01/27/17
FED HOME LN MTG CORP	3134G6PJ6	AA+	Government Agency	3,000,000	3,006,090	3,002,010	4,447	(4,080)	0.46%	04/14/15	12/29/16
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	3,012,870	10,500	990	0.55%	04/14/15	04/13/17
FED FARM CREDIT BANK	3133EEZB9	AA+	Government Agency	3,000,000	3,002,520	2,999,700	563	(2,820)	0.39%	04/14/15	09/16/16
TOTAL GOVERNMENT BONDS AND NOTES:				39,000,000	39,061,920	39,022,080	52,104	(39,840)	0.39%		

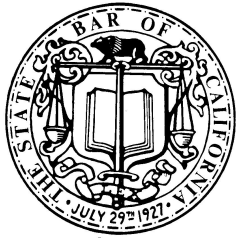
METLIFE INC	59156R108	N/A	Common Stock	-	-	138,432	-	138,432			N/A
Total Common Stocks :				-	-	138,432	-	138,432			

TOTAL INVESTMENT HELD BY WELLS FARGO:

39,995,000	40,056,920	40,156,242	52,836	99,322
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Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]:

40,209,078



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MEMORANDUM

DATE: November 2, 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 Third Quarter Ended September 30, 2015

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

As of September 30, 2015, the market value of the OPEB assets totaled \$19 million. Rate of return of the entire portfolio since date of inception is 4.67%, with an unrealized gain of approximately \$0.8 million. Annual rate of return in 2014 is 6.8% and year-to-date rate of return as of September 30, 2015 is negative 2.9%.

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. According to the most current actuary report with measurement date of June 30, 2013, the actuary determined that the actuarial accrued liability (AAL) of the OPEB Plan was \$25.8 million and the Annual Required Contributions (ARC) for both 2013 and 2014 are approximately \$1.7 million. Current funding policy for contributions to the OPEB Plan are made by the State Bar at the Committee's direction. In compliance with the GASB requirements, the Bar engaged Milliman, an actuarial firm and started the valuation process with measurement date of June 30, 2015. The results of this updated valuation will be reported to the Committee in January 2016.

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
September 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	\$ 18,150,401	\$ 18,998,467	100.00%	4.67%
Subtotal-CalPERS CERBT Fund Investment:	\$ 18,150,401	\$ 18,998,467	100.00%	
 Grand Total	 \$ 18,150,401	 \$ 18,998,467	 100%	

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

Market Value of Portfolio	\$ 18,998,467
Original Cost of Portfolio	18,150,401
Unrealized Gain/(Loss):	<u>\$ 848,066</u>

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

<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	\$ 18,150,401	\$ 18,150,401	\$ 18,998,467	4.67%	N/A	NA
TOTAL INVESTMENT HELD BY CalPERS CERBT FUNDS:			<u>\$ 18,150,401</u>	<u>\$ 18,150,401</u>	<u>\$ 18,998,467</u>	<u>4.67%</u>		
TOTAL OPEB ASSET:			<u><u>\$ 18,150,401</u></u>	<u><u>\$ 18,150,401</u></u>	<u><u>\$ 18,998,467</u></u>			