

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 23, 2016
TO: Members, Planning and Budget Committee
Members, Board of Trustees
FROM: Christine Wong, Finance Director
SUBJECT: Annual Investment Report as of December 31, 2015

Attached is the annual investment report for the State Bar of California as of December 31, 2015. 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 \$71.0 million, consisting of \$49.1 million in the Local Agency Investment Fund (LAIF), \$21.0 million in government bonds, and \$0.9 million in stocks and certificates of deposit. LAIF is part of the State of California Pooled Money Investment Account.

The time-weighted average rate of return of the investment portfolio for the reported quarter is 0.29%, compared to 0.28% in 2014. Actual investment earnings decreased approximately 18.79% from \$228,728 at the fourth quarter in 2014 to \$185,745 in 2015. The unrealized loss for the year end is \$61,887, 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.

**The State Bar of California
Investment Report Summary
December, 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	745,000	745,033	1.05%	0.57%
- Government Bonds	21,030,270	20,968,350	29.53%	0.23%
- Common Stock-Metlife Inc.	141,545	141,545	0.20%	N.A
- Interest Receivable	-	25,283	0.04%	N.A
Subtotal-Securities, Bonds and Notes	21,916,815	21,880,210	30.82%	
Local Agency Investment Fund	49,126,167	49,121,135	69.18%	0.31%
Subtotal-Other Investments	49,126,167	49,121,135	69.18%	
Grand Total	71,042,982	71,001,345	100%	0.29%

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

Market Value of Portfolio	21,854,927
Original Cost of Portfolio	21,916,815
Unrealized Gain/(Loss):	<u>(61,887)</u>

State Bar of California
Investment Report - Wells Fargo Custody Account
Balance as of December 31, 2015

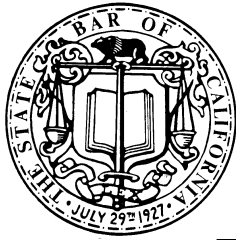
Issuer	CUSIP #	S&P Rating	Type	Par Value	Cost	Mkt Value	Interest Receivable	Unrealized Gain/(Loss)	*Yield	Trade/ Purchase Date	Maturity Date
AMEX CENTURION BK	02587DLZ9	N/A	CD	250,000	250,000	250,053	755	53	0.75%	01/29/13	02/08/16
FIRST NATIONAL BK	321086FK1	N/A	CD	245,000	245,000	244,998	64	(2)	0.50%	01/29/13	02/12/16
FOX CHASE BANK	35137QAJ3	N/A	CD	250,000	250,000	249,983	52	(18)	0.45%	01/29/13	02/16/16
TOTAL CASH EQUIVALENTS (SAVINGS & CDs) :				745,000	745,000	745,033	871	33	0.57%		

FED HOME LN MTG CORP	3134G4VH8	AA+	Government Agency	3,000,000	3,003,690	3,000,090	3,533	(3,600)	0.34%	02/14/14	03/15/16
FED HOME LOAN BANK	3133834R9	AA+	Government Agency	3,000,000	3,002,400	2,996,250	219	(6,150)	0.34%	02/27/14	06/24/16
FED FARM CREDIT BANK	3133EDMB5	AA+	Government Agency	3,000,000	3,003,720	2,997,570	5,333	(6,150)	0.41%	03/30/15	08/23/16
FED HOME LN MTG CORP	3137EADU0	AA+	Government Agency	3,000,000	2,999,970	2,987,940	6,417	(12,030)	0.50%	03/30/15	01/27/17
FED HOME LN MTG CORP	3134G6PJ6	AA+	Government Agency	3,000,000	3,006,090	2,994,930	97	(11,160)	0.46%	04/14/15	12/29/16
FED HOME LOAN BANK	3130A4M41	AA+	Government Agency	3,000,000	3,011,880	2,998,920	4,875	(12,960)	0.55%	04/14/15	04/13/17
FED FARM CREDIT BANK	3133EEZB9	AA+	Government Agency	3,000,000	3,002,520	2,992,650	3,938	(9,870)	0.39%	04/14/15	09/16/16
TOTAL GOVERNMENT BONDS AND NOTES:				21,000,000	21,030,270	20,968,350	24,411	(61,920)	0.23%		

METLIFE INC	59156R108	N/A	Common Stock	-	-	141,545	-	141,545			N/A
Total Common Stocks :				-	-	141,545	-	141,545			

TOTAL INVESTMENT HELD BY WELLS FARGO:	21,745,000	21,775,270	21,854,927	25,283	79,657
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Wells Fargo Custody Total Assets [Mkt Value (incl MetLife) + Interest Receivable]: 21,880,210



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M E M O R A N D U M

DATE: February 23, 2016

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

FROM: Christine Wong, Finance Director

SUBJECT: Executive Retirement Health Benefit (OPEB) Annual Investment
Report as of December 31, 2015

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

As of December 31, 2015, the market value of the OPEB assets totaled \$19.8 million. Rate of return of the entire portfolio since date of inception is 4.92%, with an unrealized gain of \$930,650.

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 2015 is approximately \$0.9 million. The actual contribution for 2015 was \$3.0 million to catch up on the prior year's required contribution.

**The State Bar of California
OPEB Investment Report Summary
December 31, 2015**

<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	\$ 18,900,401	\$ 19,831,051	4.92%
Subtotal-CalPERS CERBT Fund Investment:	<u>\$ 18,900,401</u>	<u>\$ 19,831,051</u>	
 Grand Total	 <u><u>\$ 18,900,401</u></u>	 <u><u>\$ 19,831,051</u></u>	
 Unrealized Gain/(Loss)-Securities, Bonds and Notes:			
Market Value of Portfolio		\$ 19,831,051	
Original Cost of Portfolio		18,900,401	
Unrealized Gain/(Loss):		<u><u>\$ 930,650</u></u>	