BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, NOVEMBER 13, 2012 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE				
	I.	CALL TO ORDER		
	II.	ROLL CALL		
	III.	MINUTES		
1 - 3		A.	OCTOBER 9, 2012 ACTUARY PRESENTATION	
4 - 8		B.	OCTOBER 9, 2012 REGULAR MEETING	
	IV.	PUBLIC INPUT		
	V.	PETITIONS & COMMUNICATIONS		
		A.	BECKER, BURKE ASSOCIATES - 3RD QUARTER REPORT	
			1.	RICHARD POTTER, CONSULTANT
9 - 12		B.	PORTFOLIO VALUE - 1/1/12 - 11/7/12	
		C.	MONEY MANAGERS ON WATCH - **(EFFECTIVE DATE)**	
			1.	DENVER INVESTMENTS (MID CAP GROWTH) - **(12/15//09)** PORTFOLIO ENDING 9/30/12
13 - 25			2.	WHV INVESTMENT (LARGE CAP CORE) **(9/14/10)** PORTFOLIO ENDING 9/30/12
			3.	WHV INVESTMENT A. RETURNS ENDING 10/31/12
26		D.	DENVER INVESTMENTS - CORRESPONDENCE	
		E.	MONEY MANAGER REPORTS	
27 - 57			1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	BAIRD (GOVT FIXED INCOME) - ENDING 9/30/12 BARINGS (LARGE CAP INT'L EQUITY) - ENDING 9/30/12 COLUMBIA (LARGE CAP DEEP VALUE) - ENDING 9/30/12 CORNERSTONE (REAL ESTATE) - ENDING 9/30/12 EAGLE ASSET MGMT (SM CAP GROWTH) ENDING 9/30/12 HOTCHKIS & WILEY (SM CAP GROWTH) - ENDING 9/30/12 INTEGRITY ASSET MGMT (MID CAP) - ENDING 9/30/12 LOOMIS SAYLES (CORPORATE BOND) - ENDING 9/30/12 MFS (LARGE CAP GROWTH) - ENDING 9/30/12 SCHRODERS (SMALL MID CAP INT'L) - ENDING 9/30/12
		F.	MACKAY SHIELDS - CORRESPONDENCE	
58			A.	CHANGE IN PERSONNEL
		G.	LOOMIS/SAYLES - CORRESPONDENCE	
59 - 60			A.	CLARIFICATION OF INVESTMENT GUIDELINES
		H.	RECAPTURE SERVICES	
61 - 63			1.	CONVERGEX GROUP - ENDING 9/30/12

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, NOVEMBER 13, 2012 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

I. NORTHERN TRUST

64 - 69 .... 1. SUMMARY EARNINGS - ENDING 9/30/12

70 .... J. REFUNDS/RETIREMENTS - ENDING 10/31/12

K. PURCHASE OF OTHER GOVERNMENTAL SERVICE

71- 72 .... 1. SUE GADILLE - ENVIRONMENTAL HEALTH

L. PURCHASE OF OTHER GOVERNMENTAL SERVICE

73 - 74 .... 1. MICHAEL SHEHAN - DEPARTMENT WATER AND SEWER

M. NON DUTY DISABILITY RETIREMENT

75 .... 1. REBECCA MILLER - BAY ARENAC BEHAVIORAL HEALTH

N. GABRIEL ROEDER SMITH & COMPANY

76 .... 1. APPROVAL OF 4% INTEREST ON ACCUMULATED CONTRIBUTIONS

VI. ANNOUNCEMENTS

A. NEXT REGULAR MEETING - TUESDAY, DECEMBER 11, 2012 AT 1:30 P.M. - **COMMISSIONERS CHAMBERS**
515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708

VII. UNFINISHED BUSINESS

A. DENVER INVESTMENTS

1. DISCUSSION

VIII. NEW BUSINESS

IX. MISCELLANEOUS BUSINESS

X. ADJOURNMENT

The meeting, held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray, at 10:31 A.M. Roll call was taken. All trustees are present, except Ms. Peltier and Mr. Coonan

1. Moved, supported and carried to excuse Trustees Peltier and Coonan.

Mr. Gray called for public input. Seeing no one from the public present, he moved on to petitions and communications.

Trustee Coonan arrives at 10:33 a.m.

Present today are Mark Buis and Jim Anderson from Gabriel, Roeder, Smith & Company our Actuary Consultant from Southfield, Michigan. They will present the Bay County Employees' Retirement System December 31, 2011 Actuarial Valuation. A copy of the valuation was provided to all Trustees.

Mr. Anderson explained the annual valuation to determine our annual contributions. They develop the Plan liabilities using the demographic information provided by the County along with the Plan provisions, actuarial assumptions, and financial information. This is a mathematical process and they project the future payments forward and reflect the benefit provisions, take a present value and then determine a corresponding level of percents of pay contributions. This is a four step process. One person does the evaluation, it is checked, it is reviewed, and peer reviewed.

There were no changes in assumptions or methods since the last valuation. The Sheriff Department had a change in benefit provisions. Their multiplier was increased from 2.5% to 2.8%. We experienced an investment loss during the year and a demographic gain for the system total. As a result, contributions are higher for every single group than they were last year. As we continue to phase in the 2008 asset loss we would expect to see a bump up in contributions next year even if we are in the 7.5%. In total, our contribution has gone to $4.3 million versus $3.1 million last year. Historical information was provided for the General County as well as the individual outside groups. The impact of 2008 was discussed.

Mark Buis discussed the GASB (Government Accounting Standards Board) changes. These changes will not change the funding calculations that they calculate in these reports. All the funded status and contribution rates that they normally calculate will stay the same.

The last Experience Study for BCERS was conducted in 2003. It is recommended that they be conducted every 5 years. The economic assumptions looked at are investment return, payroll growth rate, and population growth rate. Demographic assumptions are retirement rates, promotional/step pay increases, disability, turnover, and mortality. They are recommending that this Experience Study be completed prior to the 2012 valuation. The representatives concluded their presentation, answered questions from the Board and departed.

Mr. Potter provided a handout on our investment returns since they were hired as our consultant on December 31, 1994. At the end of 1994 we had $88 million dollars. In this period of time we have taken $105 million out of the Plan in benefit payments than was contributed into the Plan. In the past the Plan was so well funded that contributions were at a minimum.

In terms of investment return we made $250 million on investments, $88 million of that came from income, $165 million came from market value gains. So at the end of June we have $235 million worth of assets. At the end of September we had $245 million in assets. We hear a lot of comments in the press about what a difficult period of time it has been for investing, and there have been some very severe down markets. In our case, and our funding, shows that we can make money and can accumulate assets in difficult market environments. We attribute that to the decisions this Board of Trustees has made.

He discussed our performance compared to the S&P 500. Ten of our money managers, collectively in equities, outperformed the S&P 500 by 1.8%. If you take 1.8% and put that on a base of $100 million, as an example, that is real money coming into the system. There was some discussion regarding Mr. Potter's report and he answered questions from the Board.

2. Moved, supported and carried to approve the December 31, 2011 Actuarial Valuation as presented by Gabriel, Roeder, Smith & Company.

3. Moved, supported and carried to approve 5-year Experience Analysis be completed by Gabriel, Roeder, Smith & Company prior to the 2012 valuation.

Discussion: the 5-year analysis will cost approximately $20,000.

ANNOUNCEMENTS:

A. Next regularly scheduled meeting will be this afternoon, **Tuesday, October 9, 2012** at 1:30 P.M. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708.

UNFINISHED BUSINESS: None
NEW BUSINESS: None
MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

4. Moved, supported and carried to adjourn the meeting.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
OCTOBER 9, 2012 - GABRIEL ROEDER SMITH & CO.

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 10:31 A.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEAN WRIGHT, CRYSTAL HEBERT, MARK BUIS, JIM ANDERSON, CRYSTAL HEBERT, TIFFANY JERRY, JACKIE MCCARTHY, KEVIN AYALA, TERRI CHARBONNEAU, JIM MARTER, DICK GROMASKI

TRUSTEE	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
BRZEZINSKI	Y	Y	Y	Y						
CARPENTER	Y	Y	S	Y						
COONAN	E	Y	Y	Y						
DEATON	Y	S	Y	S						
GRAY	Y	Y	Y	Y						
PELTIER	E	E	E	E						
PETT	Y	Y	Y	Y						
RYDER	Y	M	M	M						
STARKWEATHER	Y	Y	Y	Y						

TRUSTEE	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
BRZEZINSKI										
CARPENTER										
COONAN										
DEATON										
GRAY										
PELTIER										
PETT										
RYDER										
STARKWEATHER										

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

The meeting, held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 1:35 P.M. Roll call was taken. All trustees are present, except Ms. Peltier and Mr. Coonan.

1. Moved supported and carried to excuse Trustees Peltier and Coonan.

2. Moved supported and carried to approve the minutes, as printed, from September 18, 2012 regular meeting.

3. Moved supported and carried to approve the minutes, as printed, from September 25, 2012 money manager presentations.

Ms. Peltier arrives at 1:34 p.m., Mr. Coonan arrives at 1:38 p.m.

Mr. Gray called for public input. Corporation Counsel, Martha Fitzhugh, is present and asked if the Board had received her memo regarding a meeting she had with the Chairman, Vice Chairman, Tom Hickner, and herself. Two topics were discussed at that meeting. First, the need to have money manager contracts processed in a more timely fashion. She explained some changes that she can implement to speed up the process. Mr. Potter concurs that advance notice of contract conditions to potential money managers will be of value in securing a contract in a timely manner. Secondly, the issue of disability retirements and the desire to evaluate our process. Discussions on this topic have been ongoing for several years. A meeting is scheduled for October 16th for further discussion.

4. Moved supported and carried to receive correspondence from Corporation Counsel regarding money manager contracts and disability retirements.

Present today from WHV Investment Management, San Francisco, California are Jeff Coburn and Reiner Triltsch. Their performance report for the period ending September 30, 2012 was provided electronically to the Board.

Mr. Coburn stated that a year ago when they were here he talked about the performance of the market being driven by the Euro debt crisis, China, and the US economy. A year later, it is the same. Looking at the one year performance our portfolio outperformed the S&P 500 by 371 basis points. For the third quarter 2012, BCERS had a return of 8.69%, S&P had a return of 6.35%.

Since inception (March 18, 2004) the BCERS portfolio outperformed the S&P by 5.35% to 5.10%. In the long term, they have preserved value in down markets, which they have done in the last two bear markets. Rolling five year periods going back to the fourth quarter of 1994 the strategy has outperformed 77% of the time.

Mr. Triltsch commented that they tend to be very careful in what they add to the portfolio as they make decisions to sell. He gave an example using agriculture and fertilizer companies. He commented on the possible fiscal cliff and the impacts on the markets. He commented on the name change to WHV, and stated the firm is very stable with a strong team of very experienced investment professionals. The tenure in the firm is very high. Assets under management as of June 30, 2012 totaled $13.2 billion. They concluded their presentation, answered questions from the Board, and departed.

5. Moved, supported and carried to receive the performance report presented by WHV Investment Management.

6. Moved, supported and carried to receive the Portfolio Value from 1/1/12 through 10/3/12. The value today is $246 million.

7. Moved, supported and carried to receive portfolio reports from Cornerstone Eagle Asset, Hotchkis & Wiley, MacKay Shields, ending 8/31/12.

8. Moved, supported and carried to receive report ending 8/31/12 from ConvergEx recapture services.

9. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 8/31/12.

10. Moved, supported and carried to receive Refunds/Retirements for the month ending 9/30/12.

11. Moved, supported and carried to approve the renewal of our contract with Becker, Burke Associates for the consulting services of Richard Potter. The fee for 2013 will be $140,000.

Some discussion on the length of the contract and the flexibility to change it to multiple years rather than year-to-year.

12. Moved, supported and carried to approve the non-duty disability retirement for Jane Kneller. The effective date is 11/3/12.

Some discussion on how non-duty disability retirement works.

13. Moved, supported and carried to approve the election calendar.

ANNOUNCEMENTS:

A. Next regularly scheduled meeting will be **Tuesday, November 13, 2012** at 1:30 P.M. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708.

UNFINISHED BUSINESS:

A. Chairman asked if some Trustees would attend the meeting scheduled for October 16th to discuss disability retirements. Tom Ryder and Ann Carpenter agreed to attend. Rick Brzezinski stated he could attend if his work schedule allows.

14. Moved supported and carried to have Vice Chair, Rick Brzezinski, Commissioner Tom Ryder, and Ann Carpenter attend the meeting on October 16th.

B. Becker Burke presented a follow-up report on MacKay Shields. Jeff Black stated they are talking to a representative at MacKay Shields to come up with some data analysis. Once this is completed, they will present it to this Board.

C. Trustee asked for an update regarding the meeting that occurred between Steve Gray, Rick Brzezinski, Martha Fitzhugh, and Tom Hickner.

Chairman Gray reviewed the situation where we initially selected JP Morgan in February and then had to go to the second choice of MFS. A contract was finalized in September. Chairman Gray gleaned information from other organizations and learned they were able to get manager contracts in place within 4-6 weeks. Corporation Counsel stated that after this meeting she has a better understanding of what is needed and is confident that she can have a money manager contract in place within 30 days.

The other topic discussed was disability retirements. A case in point was an employee that had no medical documentation to substantiate her claim which caused the process to be prolonged. The meeting scheduled for October 16th is to review our policy to clarify and make changes if needed.

NEW BUSINESS:

A. Denver Investments Performance Evaluation. Becker Burke did a review of potential candidates for Mid Cap Growth. Mr. Potter offered the consideration of the Index Fund as an alternative. He provided a chart indicating several firms and their performance and discussed each one. Also, laws, regulations and controls were discussed and how they impact a contract.

Discussion: should we make a decision to terminate Denver Investment first before we bring in any managers for an interview, or should we interview first to determine if a different manager can offer a product mix that is better for us. Mr. Potter suggests interviewing at least three to four managers to get a broader education of what they offer. Another trustee would like to explore an Index Fund as a possibility, and therefore would like to interview Vanguard which offers this.

15. Moved supported and carried to interview Geneva, Jennison and Vanguard.

Roll call:
Brzezinski - yes
Carpenter - yes
Coonan - yes
Deaton - yes
Gray - yes
Peltier - yes
Pett - yes
Ryder - no
Starkweather - yes

Mr. Potter will coordinate with Ms. Wright to schedule these money manager interviews. October 29th in the afternoon is the agreed upon date and time.

B. Co-Chair, Mr. Brzezinski advised that at the last MAPERS conference he talked to some representatives from Union Services which offers fiduciary insurance. They are requesting to make a presentation to our Board of Trustees.

16. Moved supported and carried to schedule Union Services to make a presentation to this Board at the December meeting.

C. Actuary Study. Trustee had a question about how the fee of $20,000 is paid. Ms. Wright advised that the fee comes out of the Retirement System, however, all administrative costs are spread out at the end of the year and they are based on the dollar amount. Chairman had a question about when the five year plan is being worked on, do they work with the individual department heads to determine any increase or decrease in number of employees. Ms. Wright advised that the actuary looks more at historical data and demographic data, mortality, investments, pay raises. Chairman requested that Ms. Wright contact the actuary and clarify if they do look at number of employees. Another Trustee questioned how/when the approval of the study takes place. Will it be presented to the Board for immediate approval, or does the Board have time to review it and then make a decision?

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

17. Moved, supported and carried to adjourn the meeting at 3:10 p.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
OCTOBER 9, 2012

IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:30 P.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEAN WRIGHT, CRYSTAL HEBERT, REINER TRILTSCH, JEFF COBURN

TRUSTEE	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
BRZEZINSKI	Y	Y	Y	S	Y	Y	Y	Y	M	Y
CARPENTER	S	Y	S	Y	Y	Y	Y	Y	S	Y
COONAN	E	E	E	Y	Y	Y	Y	S	Y	Y
DEATON	Y	S	Y	Y	M	Y	Y	Y	Y	S
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
PELTIER	E	E	E	Y	Y	S	Y	Y	Y	Y
PETT	Y	Y	M	Y	S	Y	S	M	Y	M
RYDER	M	M	Y	M	Y	M	M	Y	Y	Y
STARKWEATHER	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

TRUSTEE	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**	**20**
BRZEZINSKI	Y	Y	Y	Y	S-Y	Y	Y			
CARPENTER	Y	Y	Y	Y	Y	Y	Y			
COONAN	Y	S	M	Y	Y	M	Y			
DEATON	Y	M	Y	S	Y	Y	S			
GRAY	Y	Y	Y	Y	Y	Y	Y			
PELTIER	Y	Y	Y	Y	Y	Y	Y			
PETT	Y	Y	S	M	Y	Y	Y			
RYDER	M	Y	Y	Y	N	S	M			
STARKWEATHER	S	Y	Y	Y	M-Y	Y	Y			

CODE: M - MOVED; S - SUPPORTED; Y-YEA; N-NAY; A-ABSENT; E-EXCUSED

◆Mgr Mix w/ Accruals

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
*BAYCO - COLUMBIA MANAGEMENT 2608694	0.00 0.00%	59,487.93 0.22%	27,353,525.16 99.78%	0.00 0.00%	0.00 0.00%	0.00 0.00%	27,413,013.09 11.39%
*BAYCO - BAIRD -SL 2618668	0.00 0.00%	1,297,664.94 5.74%	0.00 0.00%	21,544,673.51 95.30%	0.00 0.00%	-235,017.19 -1.04%	22,607,321.26 9.40%
*BAYCO - SCHRODERS -SL 2618669	0.00 0.00%	217.18 0.00%	9,144,751.03 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	9,144,968.21 3.80%
*BAYCO - MARVIN & PALMER -SL 2620611	0.00 0.00%	24,279.15 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	24,279.15 0.01%
*BAYCO - MACKAY SHIELDS -SL 2622490	0.00 0.00%	158,301.77 1.04%	2,668,815.20 17.55%	12,275,268.20 80.71%	0.00 0.00%	107,051.17 0.70%	15,209,436.34 6.32%
*BAYCO - HOTCHKIS & WILEY -SL 2622536	0.00 0.00%	328,489.94 3.13%	10,122,766.71 96.50%	0.00 0.00%	0.00 0.00%	38,637.04 0.37%	10,489,893.69 4.36%
*BAYCO - WENTWORTH -SL 2624493	0.00 0.00%	154,239.97 0.57%	27,026,558.05 99.43%	0.00 0.00%	0.00 0.00%	0.00 0.00%	27,180,798.02 11.30%
*BAYCO -CASH -SL 2639953	0.00 0.00%	2,546,696.65 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	2,546,696.65 1.06%
*BAYCO - DENVER INV ADV -SL 2639956	0.00 0.00%	894,135.00 4.74%	18,271,439.40 96.94%	0.00 0.00%	0.00 0.00%	-317,173.16 -1.68%	18,848,401.24 7.83%
*BAYCO - LOOMIS SAYLES -SL 2641401	0.00 0.00%	278,160.13 0.91%	0.00 0.00%	30,382,839.61 99.91%	0.00 0.00%	-252,231.82 -0.83%	30,408,767.92 12.64%
*BAYCO - INTEGRITY -SL 2653308	0.00 0.00%	358,260.43 1.87%	18,768,798.07 97.99%	0.00 0.00%	0.00 0.00%	26,403.86 0.14%	19,153,462.36 7.96%
*BAYCO - CORNERSTONE REALES-SL 2663296	0.00 0.00%	83,191.46 0.88%	9,451,179.70 99.52%	0.00 0.00%	0.00 0.00%	-37,940.94 -0.40%	9,496,430.22 3.95%
*BAYCO - MFS INVESTMENTS -SL 2683854	0.00 0.00%	455,427.49 1.79%	25,036,732.43 98.20%	0.00 0.00%	0.00 0.00%	2,618.54 0.01%	25,494,778.46 10.60%
*BAYCO - EAGLE ASSET -SL 2695063	0.00 0.00%	118,719.74 1.33%	8,724,812.20 97.43%	0.00 0.00%	0.00 0.00%	111,750.84 1.25%	8,955,282.78 3.72%

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◆Mgr Mix w/ Accruals

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
BAYCO- BARINGS	331,116.03	0.00	13,291,666.11	0.00	16,778.70	-1.24	13,639,559.60
BYC03	2.43%	0.00%	97.45%	0.00%	0.12%	0.00%	5.67%
Total for consolidation	**331,116.03**	**6,757,271.78**	**169,861,044.06**	**64,202,781.32**	**16,778.70**	**-555,902.90**	**240,613,088.99**
% for consolidation	**0.14%**	**2.81%**	**70.60%**	**26.68%**	**0.01%**	**-0.23%**	**100.00%**

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PORTFOLIO VALUE
YEAR 2011-2012

2011	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	20,282,960.21	13,469,271.01	7,855,559.51	19,762,481.35	9,645,338.48	12,667,242.55	25,230,006.97	20,108,917.03	24,994,751.61	0.00	18,109,791.23	9,929,904.74	24,607,913.78	28,277,844.81	2,673,640.73	237,615,624.01
FEB	20,333,087.68	13,922,984.92	8,264,845.83	20,614,690.78	10,044,714.40	13,401,835.32	25,465,286.67	20,565,524.39	25,880,455.91	0.00	18,791,456.29	10,024,545.75	26,272,034.16	29,133,677.99	1,842,702.27	244,557,842.36
MARCH	20,338,046.29	13,791,629.18	8,160,328.04	21,041,574.54	10,417,776.60	13,710,768.82	25,441,342.42	20,589,176.19	26,017,933.98	0.00	19,175,661.26	10,133,968.96	26,547,672.38	29,369,026.18	1,460,447.93	246,195,352.77
APRIL	20,531,160.45	14,759,861.53	8,672,226.56	21,861,559.61	10,821,594.23	13,742,747.04	25,888,405.68	20,889,745.65	26,527,300.60	0.00	19,653,573.42	10,682,992.63	26,977,768.13	29,783,582.01	750,286.51	251,542,804.05
MAY	20,801,325.34	14,371,003.44	8,781,889.42	21,622,019.01	10,909,579.86	12,989,460.66	26,326,540.44	20,709,828.84	25,685,035.85	0.00	19,556,119.61	10,540,028.79	26,121,450.00	29,107,106.99	2,172,230.00	249,693,618.25
JUNE	20,746,853.51	14,093,143.90	8,503,482.37	21,251,465.03	10,892,723.30	12,859,047.57	26,042,704.52	20,546,880.50	25,814,849.82	0.00	19,123,828.91	10,372,670.61	25,601,680.47	28,739,352.00	1,407,744.35	245,996,426.86
JULY	21,030,598.96	14,384,481.05	8,662,959.36	20,366,711.86	9,323,347.21	11,469,557.51	26,708,858.23	20,308,927.94	25,442,416.08	0.00	18,602,263.27	10,199,254.37	24,588,472.00	28,489,107.66	2,705,007.78	242,281,963.28
AUG	21,509,686.73	13,465,576.09	8,115,763.25	18,275,359.08	8,531,450.27	10,266,657.96	26,712,989.79	19,537,498.25	23,807,045.25	0.00	16,868,962.09	9,162,690.99	22,966,123.98	26,670,298.95	1,927,477.25	227,837,579.93
SEPT	21,741,103.61	11,982,478.89	7,201,533.12	16,125,643.44	7,584,663.03	8,793,553.07	26,566,206.54	18,911,469.23	21,276,377.67	0.00	15,247,790.74	8,309,250.23	21,275,774.49	23,492,818.77	1,092,326.87	209,602,989.70
OCT	21,643,579.55	13,139,773.53	8,245,388.04	18,797,578.54	8,681,458.69	9,163,191.41	27,104,990.39	18,827,420.73	24,257,439.07	0.00	17,410,938.54	8,798,592.88	24,178,426.92	27,126,697.42	2,444,668.93	229,820,144.84
NOV	21,753,740.49	12,627,824.56	7,950,084.76	18,612,916.80	8,559,755.97	9,035,696.56	26,612,316.31	18,730,254.14	23,786,091.54	0.00	17,539,617.31	8,473,339.92	24,255,078.32	26,944,261.78	1,694,119.06	228,575,099.52
DEC	21,916,052.96	12,342,393.91	8,337,705.77	18,311,975.78	8,452,714.39	8,826,395.44	27,225,128.57	17,647,770.24	23,378,006.41	0.00	17,682,043.61	8,206,892.15	24,563,301.47	26,155,516.87	2,999,353.89	226,045,251.46

2012	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	22,037,372.94	13,205,317.06	8,880,607.54	19,505,222.66	9,091,184.15	9,616,762.28	27,887,347.36	18,323,036.47	24,478,549.21	0.00	18,661,170.80	8,855,756.68	25,494,523.89	28,270,329.85	2,418,984.84	236,726,165.73
FEB	21,981,851.09	13,660,852.41	8,776,050.96	20,468,720.54	9,547,651.49	10,040,742.50	28,210,710.54	18,585,218.68	25,577,643.20	0.00	19,284,116.96	9,453,796.51	26,691,840.34	29,660,988.67	1,593,093.65	243,733,277.54
MARCH	21,884,667.68	13,655,740.21	9,223,973.24	20,929,326.69	9,414,543.74	10,269,614.64	27,993,659.78	18,597,935.13	26,486,213.09	0.00	19,302,589.37	9,481,279.08	27,837,072.61	28,853,719.95	3,172,275.40	247,102,612.61
APRIL	22,125,101.56	13,591,442.81	9,493,422.11	20,254,819.11	9,163,567.10	10,108,048.67	28,389,418.92	18,476,888.37	26,410,651.70	0.00	19,189,547.12	9,451,149.38	27,305,074.31	28,163,034.04	2,728,791.13	244,850,956.33
MAY	22,340,285.29	12,023,002.95	9,012,107.33	18,100,309.10	8,302,504.11	9,514,710.70	28,531,331.25	17,817,593.00	25,079,794.12	0.00	17,865,656.50	8,316,247.94	25,193,030.07	25,807,231.53	2,119,399.73	230,043,203.62
JUNE	22,332,110.80	12,683,536.96	9,502,878.80	18,355,465.35	8,596,741.70	10,029,760.40	28,701,192.21	18,213,023.01	25,584,665.85	0.00	18,402,526.81	8,652,162.15	26,249,626.46	26,796,484.17	1,588,662.82	235,688,837.49
JULY	22,526,652.66	12,858,006.65	9,697,971.18	18,072,227.04	8,598,409.58	9,903,353.54	29,517,025.90	16,394,421.41	25,221,067.68	0.00	18,252,917.66	8,575,420.96	26,149,886.06	27,633,640.24	3,198,205.19	236,599,205.75
AUG	22,555,529.46	13,217,691.51	9,700,053.45	18,942,714.63	8,919,842.79	10,228,481.16	29,669,516.96	16,651,517.03	110,694.13	25,583,213.52	18,978,401.93	8,807,347.86	27,099,903.18	28,534,349.38	2,249,291.41	241,248,548.40
SEPT	22,599,320.54	13,883,509.03	9,452,119.75	19,251,047.40	9,269,774.41	10,584,167.91	30,012,507.11	16,971,366.46	24,574.97	26,485,271.20	19,372,849.55	9,215,665.74	27,711,817.11	29,223,246.90	557,451.90	244,614,689.98
OCT	22,569,856.25	13,743,037.56	9,457,228.74	18,967,771.56	9,008,780.04	10,557,411.06	30,365,706.50	15,265,966.58	24,278.57	25,620,871.83	19,221,364.95	9,225,258.92	27,733,612.83	27,343,970.22	3,622,368.30	242,727,483.91
NOV																0.00
DEC																0.00

2012	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
1ST QTR	16,414.00	30,262.08	13,836.11	33,981.04	20,004.88	24,939.26	22,491.64	22,145.00	49,664.59	0.00	39,529.00	19,684.73	34,754.46	37,354.00		365,060.79
2ND QTR	16,750.67	31,936.23	14,254.32	29,799.09	18,260.18	24,706.50	22,936.85	23,366.00	47,963.80	0.00	38,423.00	18,713.42	32,764.95			319,875.01
3RD QTR	16,938.71		14,288.10	31,222.87	19,652.58	25,557.60	23,723.33	22,843.00	28,829.39	11,685.37	39,124.00	18,817.59	34,358.97			287,041.51
4TH QTR																
2012 YTD	50,103.38	62,198.31	42,378.53	95,003.00	57,917.64	75,203.36	69,151.82	68,354.00	126,457.78	11,685.37	117,076.00	57,215.74	101,878.38	37,354.00	0.00	971,977.31

BAIRD	GOVERNMENTAL FIXED INCOME MANAGER
BARING	LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER
COLUMBIA	LARGE CAP DEEP VALUE MANAGER
CORNERSTONE REAL ESTATE	REAL ESTATE INVESTMENT TRUST MANAGER
DENVER INVESTMENT	MID-CAP GROWTH MANAGER
EAGLE	SMALL-CAP GROWTH MANAGER
HOTCHKIS & WILEY	SMALL CAP VALUE MANAGER
INTEGRITY	MID-CAP VALUE MANAGER
LOOMIS SAYLES	CORPORATE BOND MANAGER
MACKAY SHIELDS	CONVERTIBLE BOND MANAGER
MFS	LARGE CAP GROWTH EQUITY MANAGER
SCHRODER	INTERNATIONAL SMALL/MID CAP EQUITY MANAGER
WENTWORTH	LARGE CAP CORE MANAGER

INVESTMENT MANAGER FEE SCHEDULES

BAIRD	.30% - FIRST $25 MILLION .25% - NEXT $25 MILLION .20% - NEXT 50 MILLION .15% - THEREAFTER
BARING	.95% -ON ASSETS UNDER MANAGEMENT
COLUMBIA	.40% - ABOVE $100 MILLION .40% - NEXT $60 MILLION
CORNERSTONE	.60% - OF THE FAIR MARKET VALUE OF ASSETS
DENVER	.65% - OF THE FAIR MARKET VALUE OF ASSETS
EAGLE	.85% - ON ASSETS UNDER MANAGEMENT
HOTCHKIS & WILEY	1.00% -ON ASSETS UNDER MANAGEMENT
INTEGRITY	.85% - FIRST $15 MILLION .75% - NEXT $25 MILLION
LOOMIS SAYLES	.35% - FIRST $20 MILLION .25% - NEXT $80 MILLION .20% - OVER $100 MILLION
MACKAY SHIELDS	.50% - UP TO $100 MILLION .40% - ABOVE $100 MILLION
MFS	.60% - ON FIRST $50 MILLION
SCHRODER	.75% - UP TO $10 MILLION .50% - UP TO $100 MILLION
WENTWORTH	.80%-FIRST $2 MILLION .60%-NEXT $8 MILLION .50%-NEXT $10 MILLION .40%-NEXT $10 MILLION

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PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments
375 - BAY COUNTY MI EMP RET SY
World
As of: September 30, 2012

Statement of Changes

	Current Month	Current Quarter
Beginning Market Value	18,942,624	18,350,392
Net Additions/Withdrawals	0	(101)
Income Received	13,774	34,722
Change in Accrued Income	(1,150)	(2,644)
Change in Unrealized Gain/Loss	458,957	1,450,321
Realized Gain/Loss	(193,635)	(612,120)
Ending Market Value	19,220,570	19,220,570

Portfolio Composition

	Market Value	% of Total
Total Fund	19,220,570	100.00
Equity and Related	18,108,435	94.21
Cash and Equivalents	1,112,135	5.79

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Performance Summary

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Total Fund	4.74	4.95	19.21	11.92	0.45	7.99
Equity and Related	4.85	5.55	21.46	12.77	1.05	8.20
Cash and Equivalents	0.05	0.07	0.08	0.13	1.07	3.27

Benchmark Indices

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Russell Midcap Growth W/Inc	5.35	13.88	26.69	14.73	2.53	7.02
S&P Midcap 400 W/Income	5.45	13.78	28.56	14.34	3.83	10.49
Nasdaq Composite	6.17	19.62	29.02	13.66	2.90	5.79
S&P 500 W/Inc	6.35	16.44	30.20	13.20	1.05	6.72
Russell Midcap W/Inc	5.59	14.00	28.03	14.26	2.24	9.08

**Inception Date: May 31, 1996*

Returns greater than one year are annualized
Report printed on: 10/12/2012 @ 2:15 PM

PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments

375 - BAY COUNTY MI EMP RET SY

World

As of: September 30, 2012

Statement of Changes

	Current Month	Current Quarter	Fiscal Year to Date	Inception to Date
Beginning Market Value	18,942,624	18,350,392	18,312,310	10,000,000
Net Additions/Withdrawals	0	(101)	1,196	(10,938,269)
Income Received	13,774	34,722	109,957	1,875,605
Change in Accrued Income	(1,150)	(2,644)	(678)	9,506
Change in Unrealized Gain/Loss	458,957	1,450,321	820,348	70,065
Realized Gain/Loss	(193,635)	(612,120)	(22,562)	18,203,663
Ending Market Value	19,220,570	19,220,570	19,220,570	19,220,570

Portfolio Composition

	Market Value	% of Total
Total Fund	19,220,570	100.00
Equity and Related	18,108,435	94.21
Cash and Equivalents	1,112,135	5.79

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Performance Summary

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Total Fund	1.47	4.74	4.74	4.95	4.95	7.99
Equity and Related	1.46	4.85	4.85	5.55	5.55	8.20
Cash and Equivalents	0.04	0.05	0.05	0.07	0.07	3.27

Benchmark Indices

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Russell Midcap Growth W/Inc	2.00	5.35	5.35	13.88	13.88	7.02
S&P Midcap 400 W/Income	1.94	5.45	5.45	13.78	13.78	10.49
Nasdaq Composite	1.61	6.17	6.17	19.62	19.62	5.79
S&P 500 W/Inc	2.58	6.35	6.35	16.44	16.44	6.72
Russell Midcap W/Inc	2.12	5.59	5.59	14.00	14.00	9.08

**Inception Date: May 31, 1996*

Returns greater than one year are annualized
Report printed on: 10/12/2012 @ 2:15 PM

Denver Investments®

Todger Anderson, CFA
Chairman, Client Portfolio Manager

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PORTFOLIO COMMENTARY AND REVIEW OF QUARTERLY PERFORMANCE ~ MIDCO 3Q 2012

Dear Mid-Cap Growth Client:

In the third quarter of 2012, the portfolio underperformed its benchmark, the Russell Midcap® Growth Index.

Equity markets moved higher in the quarter despite numerous headwinds. A Eurozone recession, rising tensions in the Middle East, weak economic data from China and a looming fiscal cliff domestically all presented challenges to global growth. We believe the market's rise has been largely driven by strong profits, an improving housing market in the U.S., and significant global stimulus.

The three sectors that contributed most to the portfolio's performance relative to its benchmark in the quarter were financials, consumer discretionary, and consumer staples. The portfolio's best performing stock in the quarter was financial sector holding was Ocwen Financial Corp., a leading independent residential mortgage servicing company. We believe the shift from traditional commercial bank servicers to low-cost servicers like Ocwen is still in the early innings. Tempur-Pedic International Inc., a specialty mattress manufacturer in the consumer discretionary sector, rebounded nicely in the third quarter as it announced several strategic initiatives to combat the heightened level of competition in the sub-$2,000 mattress market. These competitive concerns had significantly pressured the stock in the prior quarter. In the consumer staples sector, the portfolio's significant underweight was the primary reason for its positive contribution.

The three sectors that detracted most from the portfolio's performance relative to its benchmark in the quarter were information technology, industrials, and utilities. Within the information technology sector, Zynga Inc., a leading provider of social-media gaming, was the portfolio's largest detractor. It significantly underperformed as new games failed to offset the slowdown from old franchise games, and the market moved to mobile gaming more quickly than anticipated. The stock was sold as we became concerned over the company's ability to correct these problems promptly. Citrix Systems Inc., also in the technology sector, was the third worst contributor in the quarter. The slowing global economy caused a moderation in software license growth. We sold the stock as we think the Windows 7 upgrade cycle will moderate and cause revenue growth to continue to slow. Both the industrials and utilities sectors were minor drags on the portfolio's performance but there were no major negative stock contributors.

As of the end of the third quarter of 2012, the portfolio's primary overweight positions were in the health care and energy sectors, and its primary underweight positions were in the consumer discretionary and consumer staples sectors.

While not expecting a significant acceleration in economic growth, we do believe the tailwinds in the housing sector are the most powerful lever to maintain a healthy backdrop for the U.S. economy. The November elections in the U.S. should also provide the markets some clarity, and optimistically, Congress will be able to navigate the fiscal cliff issue within a reasonable timeframe. Of course, with Congress, nothing is certain, and we are focused on finding companies that can thrive across economic cycles due to strong long-term growth characteristics. We remain confident in our ability to find these companies.

As always, we thank you for your continued investment.

Sincerely,

Todger Anderson

Todger Anderson, CFA

October 29, 2012

Ms. Danean Wright
Retirement Accountant
Bay County Employees' Retirement System
515 Center Avenue
Suite 706
Bay City, MI 48708-5128

RE: Bay County Employees' Retirement System

Dear Danean:

Enclosed, please find the September 30, 2012 appraisal for your investment portfolio managed by WHV Investment Management, and our commentary on the overall economic outlook.

The total return (Gross of Fees) for the portfolio as compared to the returns for the relevant benchmark during the third quarter and the full year are as follows:

Portfolio	3 Months Ended 9/30/12	9 Months Ended 9/30/12	Since Inception 3/18/04
Bay County Employees' Retirement System	8.73%	17.19%	56.04%
Relevant Benchmark			
Standard & Poor's 500 Composite	6.35%	16.44%	52.90%

In a departure from a typical pattern of seasonal weakness, world equity markets resumed their "risk on" stance during the third quarter. Continuing quantitative easing measures by the Federal Reserve Bank and the European Central Bank combined with the ECB's emphatic verbal support of Eurozone banks appear to have been the main catalysts for the strong rally. We assume in our base case scenario that stock markets will continue to climb the wall of global macro-related worries as most of them are attractively valued both on a time-series and cross-asset class basis.

A summary of total return performance for broad market indices during the third quarter and year-to-date is included in the table below:

WHV Investment Management 301 Battery Street, Suite 400 San Francisco, CA 94111-3203 Tel: (800) 204-2650 whv.com

Select Market Indices	3 Months Ended 09/30/12	9 Months Ended 09/30/12
Large Cap – Standard & Poor's 500 Index	6.35%	16.44%
Mid Cap – S&P 400 Index	5.44%	13.77%
Small Cap – Russell 2000 Index	5.25%	14.23%
International – MSCI EAFE Index	6.92%	10.08%
Emerging Markets – MSCI Emerging Markets (EM) Index	7.74%	11.98%

The WHV Large Cap Core Strategy outperformed in the third quarter net of fees. The outperformance was primarily driven by strong stock selection and to a lesser extent benefited from our allocation emphasizing pro-cyclical, global growth industries. Stock selection was strongest in the Energy, Materials, and Information Technology sectors. Our overweight position in Energy and underweight position in Utilities were the primary drivers of positive attribution in terms of sector allocation. Stock selection was weakest in the Consumer Discretionary and Financial sectors. The best and worst contributing stocks for the quarter are listed below.

Top Contributors*	Weight (%)	Total Return (%)	Contribution (%)	Bottom Contributors*	Weight (%)	Total Return (%)	Contribution (%)
National Oilwell Varco	3.9	24.50	.94	Deere & Co.	1.3	-3.98	-.12
Google	3.3	30.07	.89	Citigroup	.3	-5.95	-.12
Lyondell Basel Industries	3.3	29.34	.88	Autodesk	2.8	-4.69	-.15
Oil States Intl	3.4	20.03	.65	FedEx Corp	2.0	-7.48	-.15
Apple	4.3	14.72	.58	Dollar Tree	2.6	-10.24	-.26

**The top and bottom contributors are based on a model portfolio representative of the equity holdings in your portfolio. Your portfolio's results may vary depending on client specific restrictions, timing of initial investment, capital appreciation and/or other factors. You may contact your portfolio manager for more information regarding the methodology for calculating the top and bottom contributors to performance by holding, and to receive a list of every holding's contribution to the overall account's performance. The holdings identified above do not represent all of the securities purchased, sold, or recommended. Past performance does not guarantee future results.*

On a year-to-date basis, stock selection has been the driving force for outperformance and was strongest in the Information Technology and Materials sectors. Sector allocation was a negative contributor to performance and appears to have been distributed among various sectors as a potential consequence of the aforementioned alternating risk-on/risk-off patterns of stock market investors' behavior. The strategy's elevated exposure to higher beta stocks has not been a contributor to outperformance as higher beta stocks as a group underperformed lower beta stocks on a year-to-date basis. The highest and lowest contributing stocks on a year-to-date basis are listed below.

Top Contributors*	Weight (%)	Total Return (%)	Contribution (%)	Bottom Contributors*	Weight (%)	Total Return (%)	Contribution (%)
Apple Inc.	4.6	65.42	2.63	Colgate - Palmolive	.3	-1.52	-.06
CF Industries Holdings Inc.	.9	23.55	1.07	Citigroup	.1	-5.95	-.12
National Oilwell Varco	3.9	18.39	1.02	Borg Warner	1.8	-19.09	-.39
Lyondell Basel Industries	3.0	36.10	1.00	Occidental Petroleum	2.1	-12.97	-.46
EMC Corp.	3.9	26.60	.92	Helmerich & Payne Inc.	1.0	-22.82	-.57

**The top and bottom contributors are based on a model portfolio representative of the equity holdings in your portfolio. Your portfolio's results may vary depending on client specific restrictions, timing of initial investment, capital appreciation and/or other factors. You may contact your portfolio manager for more information regarding the methodology for calculating the top and bottom contributors to performance by holding, and to receive a list of every holding's contribution to the overall account's performance. The holdings identified above do not represent all of the securities purchased, sold, or recommended. Past performance does not guarantee future results.*

The world stock markets continue to be strongly influenced by a plethora of macro factors. While past negative news gave ample reason for investors to worry, positive actions kindled an equivalently strong rebound in world markets. The world's central banks continue to fuel strong stock market advances as conventional and non-conventional measures are being used in an attempt to offset a distinct lack of credible fiscal policy initiatives in developed countries. The Federal Reserve Bank initiated the latest quantitative easing program (QE3) involving the large scale acquisition of mortgage-backed securities in an attempt to offset the anticipated recessionary effects caused by the previously discussed advent of the "fiscal cliff". Incidentally, the US economy might be able to better handle the onset of this event as residential real estate appears to have bottomed and employment statistics are showing signs of improvement. The aggressive monetary policy stance of the Federal Reserve Bank most certainly reduced the likelihood of a Japanese-style debilitating deflationary environment. Investors' concern regarding excess liquidity creating rampant inflation appear premature as a large output gap, small wage increases and a somewhat higher savings rate temper inflationary tendencies. The Large Cap Core strategy's overweight positions in the Energy and Materials sectors should also serve as a hedge against future inflation.

Not to be outdone by the Fed, the European Central Bank initiated its Outright Monetary Transactions program, creating the latest Eurozone crisis-related acronym "OMT" in the process. This policy initiative involves unlimited purchases of short-term debt issued by the weakest Eurozone members. While this move does not address the structural issues in Europe (high taxes, onerous labor laws, etc.), it does appear to remove the threat of a Lehman-like meltdown. Market tensions related to the Eurozone sovereign debt and banking crisis were further reduced by the decision of Germany's Federal Constitutional Court to allow Germany to participate in the USD $650 billion European Stability Mechanism, which is also referred to as "the bazooka". We have commented on previous occasions that the efficacy limits of monetary policy measures appear close to being reached. It is increasingly obvious that the various budget, sovereign debt, and banking crises bedeviling most developed countries will not be solved in short order and require painful, long-term adjustments.

The markets' focus on China's slowing growth appears to be ebbing as well. To put the Chinese government's targeted 7.5% growth rate for 2012 in perspective, the growth alone will equal the size of the entire Chinese economy in 1994. September export growth of 9.9% and M2 growth of 14.8% are encouraging signs for a reacceleration of economic activity. China, like most emerging market countries, has a very favorable set of monetary and fiscal policy options to encourage continuation of future economic growth.

We continue to view stocks as the asset class of choice for the foreseeable future. Although temporary episodes of volatility are likely to persist, the combination of low interest rates, reasonable valuations, decent dividends and strong corporate profits support our constructive attitude toward equities. The defensive sectors of Consumer Staples, Utilities and Telecommunication Services appear overvalued relative to the cyclical sectors of Energy, Technology and Industrials. We continue to position the Large Cap Core strategy toward the cyclical sectors of the market where we find stocks with a very favorable combination of growth and value.

For a more in-depth analysis of the current economic environment, please see the REVIEW AND OUTLOOK- Fall 2012 included in this mailing. As always, please contact us with questions or comments.

Sincerely,

Jeffrey C. Coburn, CFA
Vice President, Portfolio Manager

JCC/cgs

Enclosures

Cc: Ms. Martha P. Fitzhugh
Mr. Richard Potter

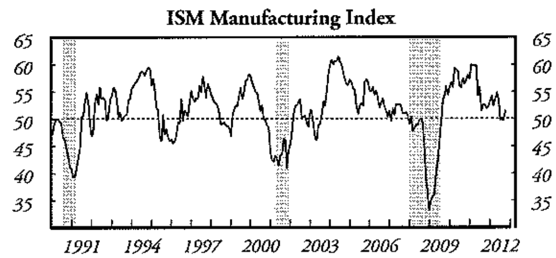
Disclosure: Certain statements contained in this commentary are forward-looking, including those that discuss strategies, goals, outlook or other non-historical matters; or project revenues, income, returns or other financial measures. These forward-looking statements are made only as of the date on which they are made, and WHV undertakes no obligation to update or revise any forward-looking statements.

WHV Investment Management

REVIEW AND OUTLOOK - FALL 2012

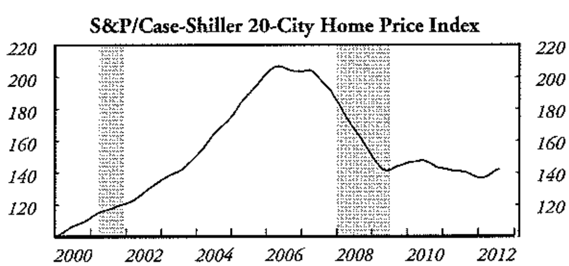
Since the end of the "Great Recession" in June of 2009, the United States economy has expanded for 39 consecutive months through the end of September 2012. For an historical perspective, there have been eleven economic expansions following recessions in the post-World War II period. The average length of economic recoveries in this 67-year period is 58 months, the longest being 120 months and the shortest being 12 months. The current economic recovery has averaged an annualized growth rate of 2.2 percent, less than half of the growth rate of prior expansions of the same duration.

Economic growth in the United States remains tepid.



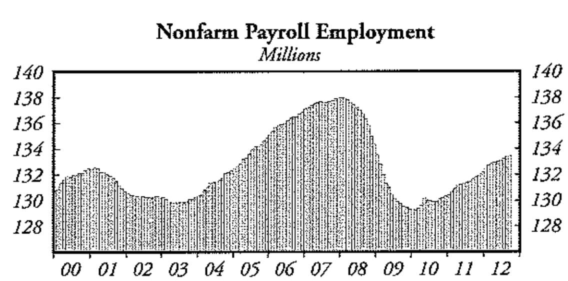
The various surveys released in September and to date in October indicate a U.S. economy growing at an annual rate of between 1 and 2 percent. Gross Domestic Product (GDP), the total output of goods and services within the U.S., grew at an annual rate, after adjustment for inflation, of 1.3 percent in the second quarter of 2012. Estimates for the third quarter center on a growth rate of about 1.4 percent. The ISM Manufacturing Index rose to 51.1 percent in September following three months of contraction. A reading below 50.0 percent signifies a contraction. The Index of Leading Economic Indicators, which provides a reasonable forecast of economic trends for the next six to nine months, has declined in three of the past five months, suggesting little promise of a significant acceleration in economic output in the period ahead.

The housing market appears to have bottomed and is gaining strength.



The housing market appears to have bottomed and a modest recovery is underway, albeit from a very depressed level. New home sales, existing home sales and home prices have all experienced an upward trend over the past several months. Foreclosures have leveled off, the inventory of unsold homes has declined and housing starts are exhibiting an irregular upward trend. The affordability index that measures home prices, personal income and mortgage rates is the most favorable since records have been kept. The 30-year fixed rate mortgage published by the Mortgage Bankers Association is at a record low of 3.63 percent. The Case-Shiller 20-City Home Price Index has risen for six consecutive months following 20 consecutive months of decline, although prices remain 31.2 percent below their April 2006 peak. This recovery is likely to continue into next year. However housing, as represented by residential fixed investment, is not going to be a major contributor to GDP as it accounted for only 2.4 percent of GDP in the second quarter, down from a peak of 6.3 percent in 2005 and the post-World War II average of 4.8 percent.

The economy is adding jobs but at a pace well below past recoveries.

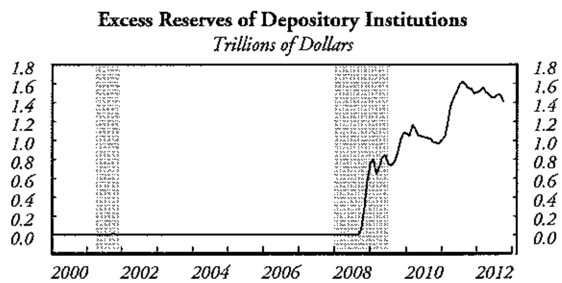


The labor market remains depressed. While non-farm payrolls have increased in each of the past thirty-one months, the rate of gain is well below normal for this stage of an economic expansion. In September non-farm payrolls advanced by 114,000 and the unemployment rate fell to 7.8 percent. The drop in the unemployment rate recently and from the peak of 10 percent in October 2010 is largely due to people dropping out of the labor force. There are 12.1 million people officially unemployed, an additional 6.7 million who say they want a job but are currently not looking, and another 8.6 million who are working part-time but would like to work full-time. Total employment remains 4.5 million below the peak of January 2008.

The Federal Reserve will keep the 0.25% fed funds rate into mid-2015.

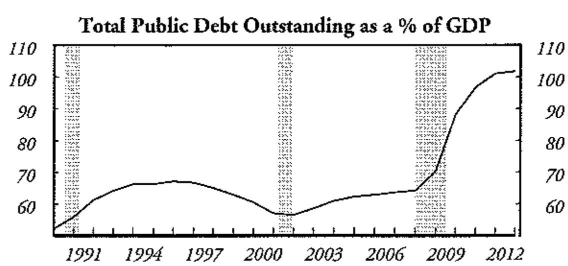
At its meeting on September 13, 2012, the Federal Reserve announced that it would embark on a third round of quantitative easing (QE3). Quantitative easing is one of the tools used by the Fed to try to stimulate economic growth and employment. It entails the purchase of bonds, either U.S. Treasury securities or mortgage-backed securities (MBS), in an attempt to lower interest rates. It is hoped that lower interest rates will spur the housing market and depress the exchange rate of the dollar thereby boosting exports. Additionally, by keeping yields low on "riskless" securities, the Fed hopes to drive businesses and investors into riskier, higher-yielding assets, whether it be new plant and equipment, equities or high-yield bonds that in turn will boost economic growth and employment. The Fed also announced that it would keep its Federal funds rate at 0.25 percent through at least mid-2015.

The new round of quantitative easing involves an open-ended program to purchase $40 billion of newly issued mortgage-backed securities every month. These securities are issued by Fannie Mae, Freddie Mac and Ginnie Mae and consist of packaged or securitized mortgages that the government agencies have bought from financial institutions. These agencies issue about $140 billion of mortgage-backed debt a month representing the funding of about 90 percent of U.S. home loans. The mortgage-backed market totals about $5 trillion.



The Fed uses its member banks as agents for the purchase of securities, paying for its purchases by crediting the reserve accounts of the member banks. The banks can then make loans of about $9 for every $1 of reserve. This process is called the fractional reserve system or the multiple expansion of bank credit. In simplest terms, it is printing money. The Fed carries these reserves and other assets as part of its balance sheet. Since August of 2007, the beginning of the financial crisis, the Fed's balance sheet has expanded from $869 billion to just under $3 trillion currently. Most of this increase represents excess reserves that can be turned into money by a multiple of nine. The potential inflationary implications of quantitative easing are staggering.

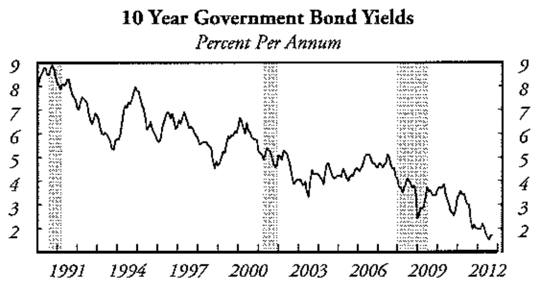
Continued large federal budget deficits and accumulating debt hamper economic growth.



The federal government is running a deficit of over $1 trillion a year and, since the beginning of the financial crisis in 2007, the U.S. has added over $6 trillion to its outstanding debt. The Fed has financed or purchased a substantial amount of this debt through prior quantitative easing programs, QE1 and QE2. The U.S. has total debt of $16.02 trillion on a GDP of $15.6 trillion, or 103 percent of GDP. The total outstanding national debt is increasing at a rate of $3.85 billion a day. Economists Carmen M. Reinhart and Kenneth Rogoff have shown that sustained debt-to-GDP levels of 90 percent or more reduce the trend-line growth rate of GDP by a third. This could be one of the explanations for the current tepid rate of economic growth in the U.S.

Economists have labeled quantitative easing a form of financial repression. Financial repression occurs when a government intervenes in the financial markets to control interest rates to a level that would not prevail in a free or unfettered market. It enables a government to finance and service its debt at low nominal interest rates and avoid the unpopular steps of raising taxes or cutting spending. Since the controlled low interest rates are often negative in real terms (inflation adjusted), it allows the government to liquidate the real value of its debt. This is a classic way for a government to liquidate sovereign debt, debasing its currency through inflation. The lender or owner of the debt is losing purchasing power while the issuer of the debt is servicing it with a depreciating currency. Other forms of financial repression whereby governments intervene in the credit markets are bank nationalization, capital market controls, restrictions on bank withdrawals, and regulations and restrictions on cross-border capital movements.

Foreign central banks, including those in the euro zone, Britain, Japan and China, are also likely to continue easing monetary policy in order to promote growth, support asset prices, prevent sovereign debt default and fight deflation.



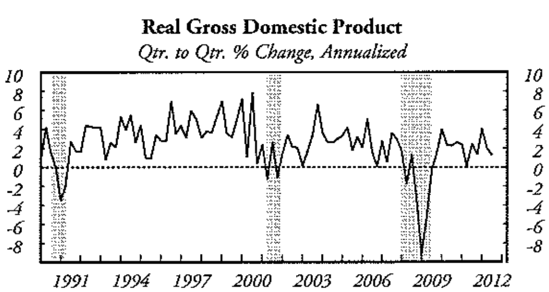
The cost of capital, whether credit or equity, is the filter for risk and an important ingredient in calculating expected rates of return on capital. When governments intervene in the credit markets to keep interest rates low, the allocation of capital becomes distorted. When the Fed lowered the federal funds rate to as low as 1 percent following the 2000-2001 recession, it was culpable in contributing to the housing bubble as investors piled into higher-risk and higher-yielding subprime mortgage loans. The current monetary policy of the Fed is setting the stage for the unintended consequences of a future bubble in some asset class.

The global economy is experiencing slower growth.

Among the mixed signals of the current state and future outlook for the economy is the slowing trend of global trade. Imports into the U.S. have slowed to an annual rate of 2.7 percent compared to 15 percent earlier in the recovery, confirming weaker domestic demand. Global merchandise trade has also slowed as the U.S., the euro zone, China and other areas of the world have experienced slower rates of growth. The World Trade Organization lowered its forecast for global trade growth in 2012 to 2.5 percent from its prior 3.7 percent forecast. This compares to the 5 percent growth recorded in 2011 and 13.8 percent in 2010.

The slowdown in U.S. and global growth leaves the world economy vulnerable to recession if shocks or an exogenous event were to occur. Such an event could be a disruption in global energy supplies as a result of an escalation of hostilities in the Middle East, a default on sovereign debt in Europe, policy missteps in China or failure of Congress to address the "fiscal cliff" in the U.S.

The sovereign debt crisis in Europe remains unresolved.



The prospects for solving the problems engulfing the 17-member euro zone continue to be elusive. The area is in a deepening and broadening recession with GDP having fallen in two of the past three quarters. Actions by the International Monetary Fund (IMF), the European Economic Community (EEC) and the European Central Bank (ECB) have proved to date to be of little help. The head of the ECB stated it would do everything in its power to protect the euro zone. The latest operation by the ECB to buy sovereign debt is dubbed OMT for Outright Monetary Transactions, similar to the quantitative easing of the U.S. Federal Reserve. These funding sources are short-term rescue vehicles. The proposed euro zone's permanent bailout facility, called the European Stability Mechanism (ESM), was approved by Germany's highest court. This rescue vehicle will be funded by the issuance of debt authorized by the 27-member European Union but guaranteed by the euro zone. The ESM will use these funds to provide financial assistance to member states that appeal for help and adhere to the conditions surrounding the loans. The peripheral members of the euro zone that have large budget deficits and large sovereign debt relative to their GDP must pay high interest rates to attract buyers of their debt because of the risk of default. These interest rates are unsustainable given the rising proportion of interest payments to total spending.

The source of the fiscal ailments of several of the members of the euro zone, namely excessive spending and lack of growth, is not being addressed. The structural failures include rigid and immobile labor forces, excessive health care and retirement benefits, excessive regulation and taxation and a host of welfare entitlements. Attempts to undertake such reforms have met with civil unrest and political upheaval. Additionally, European banks are dealing with bad loans, made in many cases on inflated real estate, that are experiencing high rates of default. Private sector banks also own the sovereign debt of the weaker euro zone countries. In order to keep the euro zone intact, Europe needs to adopt a fiscal union, an economic union, a political union and a banking union. Germany has resisted such integration until the wayward members (Greece, Portugal, Spain, Ireland, Italy, and Cyprus) have shown that they can go beyond enacting reforms to implementing the needed reforms. This is a hurdle that appears unlikely to be cleared. Nevertheless, financial markets initially reacted favorably to the ECB and ESM announcements.

Failure to resolve the "fiscal cliff" will send the U.S. economy into a downturn in 2013.

The most immediate threat to the U.S. economy is the looming "fiscal cliff" at the beginning of 2013. Unless Congress acts, in January 2013 about $100 billion in spending cuts and $500 billion in tax increases will occur. This is equivalent to about 3.8 percent of GDP assuming individuals do not change their behavior, for example, by bringing income forward from the high tax rates of 2013 to the lower tax rates of 2012. Some estimates suggest the impact could be as much as 6 to 8 percent of GDP. That would put the economy into recession in the first half of 2013.

SUMMARY

The global economy is slowing due to a deepening recession in Europe, tepid U.S. growth and slower growth in several developing economies including China. The developed countries of the world are battling large budget deficits and expanding sovereign debt. Unless the legislative and executive branches of government in the U.S. take action, a combination of spending cuts and tax increases effective at the beginning of 2013 will likely send the domestic economy into a downturn. On a more positive note, corporate profits are near a record level, corporate balance sheets are strong and consumers are repairing their balance sheets. Central banks around the world are flooding the system with liquidity which should help support asset prices and defer sovereign default and deflation.

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901 5TH AVENUE, SUITE 3130
SEATTLE, WASHINGTON 98164-2088
TELEPHONE (206) 219-2450
FACSIMILE (206) 219-2479

November 2, 2012

Ms. Danean Wright
Retirement Accountant
Bay County Employee's Retirement System
515 Center Avenue
Suite 706
Bay City, MI 48708-5128

RE: **Bay County Employees' Retirement System**

Dear Board of Trustees:

Please find the preliminary investment returns for the periods ending October 31, 2012 in the table below:

Time Weighted Total Return
Gross of Fees

	October 2012	Year-to-Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	-2.73%	14.00%	12.86%	11.21%	1.69%	4.96%
S&P 500	-1.85%	14.29%	15.21%	13.21%	0.36%	4.82%

*Since Inception Date 03/18/04

As always, we stand ready to answer any questions or comments you may have regarding the portfolio performance. Thank you for your continued confidence in WHV Investment Management and the Large Cap Core Investment Team.

Best regards,

Jeffrey C. Coburn, CFA

Cc: Richard Potter

WHV Investment Management 301 Battery Street, Suite 400 San Francisco, CA 94111-3203 Tel: (800) 204-2650 whv.com

Denver Investments®

October 11, 2012

Ms. Danean Wright
Retirement Accountant
Bay County (MI) Employees Retirement System
515 Center Avenue, Suite 706
Bay City, MI 48708-5128

Dear Danean,

I'm writing to inform you of managerial changes for the firm's Mid-Cap Growth products.

After 26 years with the firm, Will Chester, Co-Director of Mid-Cap Growth Research and Portfolio Manager, has announced his retirement and will be transitioning his research and portfolio management responsibilities effective October 31, 2012. He will remain involved with the team as a resource until he leaves the firm on March 31, 2013. Mitch Begun will continue as the Director of Mid-Cap Growth Research.

Mitch Begun and Wiley Reed, as lead portfolio managers, will be responsible for the day-to-day management of portfolios and have final decision-making authority. Both professionals have a wealth of analytical and portfolio management experience, and have made significant contributions to the team's products. The existing team of portfolio managers and analysts will continue to play an integral role in the decision-making process.

Sincerely,

MSBegun

Mitch S. Begun, CFA
Partner
Co-Director of Mid-Cap Growth Research
Portfolio Manager

Charles B. Groeschell
Managing Director
Senior Portfolio Manager
Baird Advisors

October 22, 2012

Mr. Danean Wright
Bay County Employees' Retirement System
515 Center Avenue, Suite 701
Bay City, MI 48708-5128

Dear Danean:

Enclosed please find a summary review as of September 30, 2012 for the Bay County Employees' Retirement System Portfolio managed by Baird Advisors.

Market Review
While U.S. Treasury yields were volatile during the 3rd quarter (10-year Treasury ranged from 1.39% to 1.87%) due to ongoing uncertainty in Europe, mixed economic signals in the U.S. and the Fed's much anticipated announcement of QE3, they finished the quarter very close to June 30 levels. As a result, Treasuries produced modest returns overall. However, broad U.S. bond indices posted attractive returns in the 3rd quarter due to the strong performance of non-Treasury sectors as investors searching for additional yield drove yield spreads on non-Treasury issues sharply tighter. Please find attached a copy of our September Bond Market Comments which provide a more detailed review of the market.

Performance Update
The Bay County Employees' Retirement System Portfolio produced attractive nominal and relative returns in the 3rd quarter, adding to very strong year-to-date results. The Portfolio's outperformance relative to the benchmark in the quarter came primarily from an underweight to U.S. Treasuries and an overweight to well-structured commercial mortgage-backed securities (CMBS). We remain confident in the Portfolio's overall structure, and with the yield advantage, are optimistic regarding relative performance for the remainder of 2012.

Please let us know if you have any questions as you review this information. Again, we sincerely appreciate the opportunity to serve as your fixed income investment manager.

Sincerely,

Charles B. Groeschell

Charles B. Groeschell

cc: Rick Potter - Becker, Burke Associates, Inc.

Robert W. Baird & Co.
777 East Wisconsin Avenue
Milwaukee WI 53202-5391
Direct 414 298-1063
Toll Free 888 792-9813
Fax 414 298-1078
Email cgroeschell@rwbaird.com
www.rwbaird.com

Bay County Employees' Retirement System
Fixed Income Portfolio
Gross Investment Performance

03/31/06 through 09/30/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	5.04%	4.85%
2007		7.20%	7.78%
2008		9.13%	10.36%
2009		3.72%	1.79%
2010		5.63%	5.46%
2011		7.91%	7.62%
2012	1st Quarter	-0.14%	-0.28%
	2nd Quarter	2.05%	1.86%
	3rd Quarter	1.12%	0.85%
	Year-to-Date	3.05%	2.45%
Total Return 03/31/06-09/30/12		**49.71%**	**47.59%**
Annualized Return		**6.40%**	**6.17%**

The performance is presented on a cumulative basis and does not reflect the deduction of investment advisory fees. Return would be reduced by advisory fee and other fees such as custodial expenses. The maximum fee found in Baird Advisors form ADV is 30 basis points. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. The 50% Barclays Capital Government & 50% Barclays Capital MBS Index is an unmanaged portfolio of specific securities. The portfolio does not invest in all the securities traded in the index. Direct investment in the index is not available. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports.

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The Baird Advisors Brochure, which serves as a substitute for Form ADV Part II, is available upon request.

Bay County Employees' Retirement System
Fixed Income Portfolio
Net Investment Performance

03/31/06 through 09/30/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	4.80%	4.85%
2007		6.89%	7.78%
2008		8.81%	10.36%
2009		3.41%	1.79%
2010		5.31%	5.46%
2011		7.59%	7.62%
2012	1st Quarter	-0.22%	-0.28%
	2nd Quarter	1.98%	1.86%
	3rd Quarter	1.05%	0.85%
	Year-to-Date	2.82%	2.45%
Total Return 03/31/06-09/30/12		**46.84%**	**47.59%**
Annualized Return		**6.08%**	**6.17%**

The performance is presented on a cumulative basis. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. The 50% Barclays Capital Government & 50% Barclays
Capital MBS Index is an unmanaged portfolio of specific securities. The portfolio does not invest in all the securities traded in the index. Direct investment in the index is not available. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports.

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BARINGS

Bay County Employees' Retirement System

Quarterly Investment Review

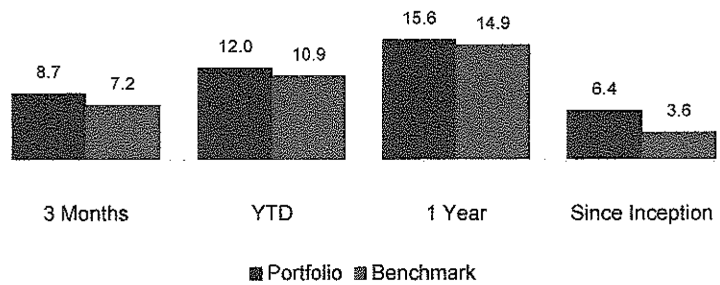
Q3 2012

Contents

www.barings-us.com

Summary

Performance Versus Benchmark In USD Terms - Periods To 30 September 2012



Portfolio Value (USD)

30 June 2012	12,667,130
30 September 2012	13,766,261

Inception: 30 October 2009

Source: Barings / MSCI, gross of fees

Periods over 1 year are annualized

Benchmark: MSCI EAFE (net) + 1% p.a.

International equity markets had a good quarter with the MSCI EAFE index rising by 6.9% and the portfolio benchmark by 7.2%.

All regions rose in absolute terms in the quarter except for Japan. Pacific ex Japan was the best performing EAFE region rising by 11.0%. Emerging Markets rose 7.7% in the quarter.

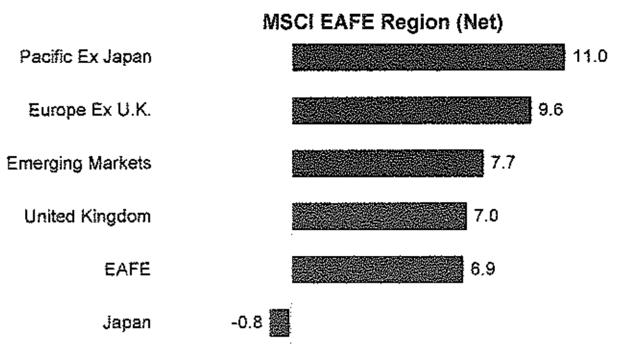
The Financials sector was the best performing sector in the quarter rising by 11.3%. Information Technology was the worst performing sector rising by only 1.3%.

Our performance was 1.5% ahead of the benchmark in the quarter and 1.8% ahead of the EAFE index. This was due to good stock selection. Stock selection in the Materials sector added 1.5% to relative performance versus the EAFE index.

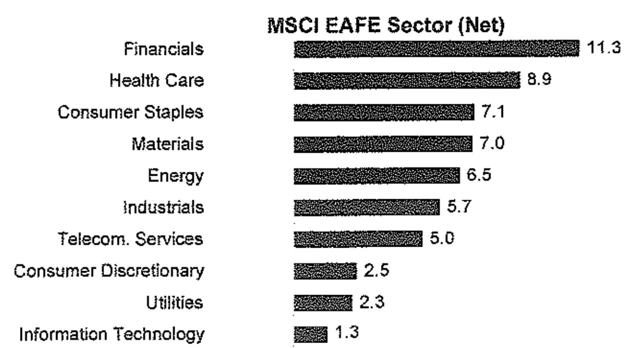
By region our allocation to Emerging Market stocks, which includes a Canadian listed stock, added slightly to performance.

Asset allocation by sector and by region was negative. The underweight positions to Europe and to Pacific ex Japan were the primary causes.

Market Review - In USD Terms - Q3 2012



Source: MSCI, Barings



Source: MSCI, Barings

International equity markets had a good quarter with the MSCI EAFE Index rising by 6.9%.

By region, Pacific ex Japan was the best performing EAFE region rising by 11.0%. This was followed by Europe ex UK which rose by 9.6%.

The Emerging Markets outperformed the MSCI EAFE index in the quarter rising by 7.7%.

Japan was the worst performing region, and the only one to fall in the quarter, declining by 0.8%.

The Financials sector was the best performing sector rising by 11.3% in the quarter. This was followed by the Health Care sector which rose by 8.9%.

The Information Technology sector was the worst performing sector in the quarter rising by only 1.3%.

ColumbiaManagement

Alan Puklin
Senior Institutional Relationship Manager
Institutional Client Service

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alan.puklin@columbiamanagement.com

October 22, 2012

Ms. Danean Wright
Bay County Employees' Retirement System
515 Center Street Suite 706
Bay City, MI 48708-5128

Re: **Bay County Retirement 3rd Quarter 2012**

Dear Danean:

We are pleased to enclose our report for the quarter ended September 30, 2012. As usual, the report includes a brief economic overview and market outlook, investment performance, and a portfolio valuation as of September 30, 2012.

The performance for your portfolio as of September 30, 2012 was as follows:

	Market Value as of 09/30/2012	Quarter ended 09/30/2012	9 months ended 09/30/2012	Since Inception*
Total Portfolio	$27,487,176.81	4.85%	12.05%	4.77%
Russell 1000 Value Index +1% annually		6.77%	16.60%	5.25%
S&P 500 Index		6.35%	16.44%	2.49%

* Inception Date: January 26, 2001

The U.S. stock rallied in the 3rd quarter primarily as a result of the European policymaker's plans to stabilize the sovereign debt markets as well as the Federal Reserve's announcements to help fuel a slowing U.S. economy. The broad market as measured by the S&P 500 was up over 6% for the quarter and has risen over 16% for the first 9 months of the year. All of the sectors of the market with the exception of Utilities posted solid gains for the quarter. Energy was the best performing sector followed by Telecommunications and Information Technology.

On an absolute basis the portfolio underperformed the Russell 1000 Value Index and the broad market as measured by the S&P 500 Index for the quarter. The underperformance for the quarter was attributable entirely too individual stock selection. The best performing sectors on a contribution to return basis in the quarter were energy and Financials. The largest distracters were Consumer Staples and Health Care.

SUMMARY OF SECURITY HOLDINGS

Currency: **USD**	**Total Cost**	**Total Market Value**	**Percent of Holdings**
Cash	46,148	46,148	0.17 %
Equity	20,179,929	27,441,029	99.83 %
Total	20,226,077	27,487,177	100.00 %

SUMMARY OF INVESTMENT RESULTS

	Latest 3 Months	**Year to Date**	**Since Incept 01/26/2001 Annualized**
Total Account	4.85	12.05	4.77
Equity Only	4.90	11.90	4.72
S&P 500 Index	6.35	16.44	2.49
Russell 1000 Value + 1% Annually	6.77	16.60	5.25

Unless otherwise noted, performance returns calculated before fees.

We urge you to compare the account statements from your custodian with those that you receive from Columbia Management Investment Advisers, LLC.

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Financials, which comprised 23% of the portfolio slightly below the 26% allocation in the Russell 1000 Value Index recovered nicely from the tough 2nd quarter of the year as a result of better news from Europe. On the surface, banks and insurance companies have over the past several years trued up reserves, improved their balance sheets and lending practices thus making them levered to any improvement in the economy. We are confident in these positions we and do not plan on making any changes to the financial sector stocks at this time. We believe that financial stocks will continue to generate considerable alpha going forward and we need a healthy banking sector for the U.S. economy to continue to improve.

Energy was the strongest performing sector in the quarter. We have a slight underweight to energy compared to the Russell 1000 Value index but our individual holdings significantly outperformed the benchmark. Among the top performers were Valero, which announced stronger than anticipated earnings returning 31.98% for the quarter. Also Williams Companies and Chevron were strong performers for the quarter. During the quarter we initiated a position in Anadarko Petroleum, a global oil and gas exploration company.

Consumer Staples was the worst performing sector in the portfolio for the quarter. Our holdings in the sector are primarily focused on food product companies including Tyson Foods and General Mills. Tyson announced weak quarterly earnings and cut its forecast for the full year by over $1.0 billion in revenue. We believe that the company has taken the right steps to improve their margins and do not plan on changing our position at this point.

Outlook

Economic growth throughout the world is generally in a slowing pattern. The problems in Europe continue to drag down the rest of the developed world. China is clearly in a slowing pattern and the threat of the fiscal cliff in the U.S. all is weighing on the minds of investors. Corporate cash levels remain at record highs and as the economy improves, companies should both increase capital expenditures, and raise dividends. We continue to be concerned about the high unemployment rate, although we are seeing some signs recovery. We are encouraged by the news on the housing front as we have seen recent pick-up in sales and a decrease in unsold inventory.

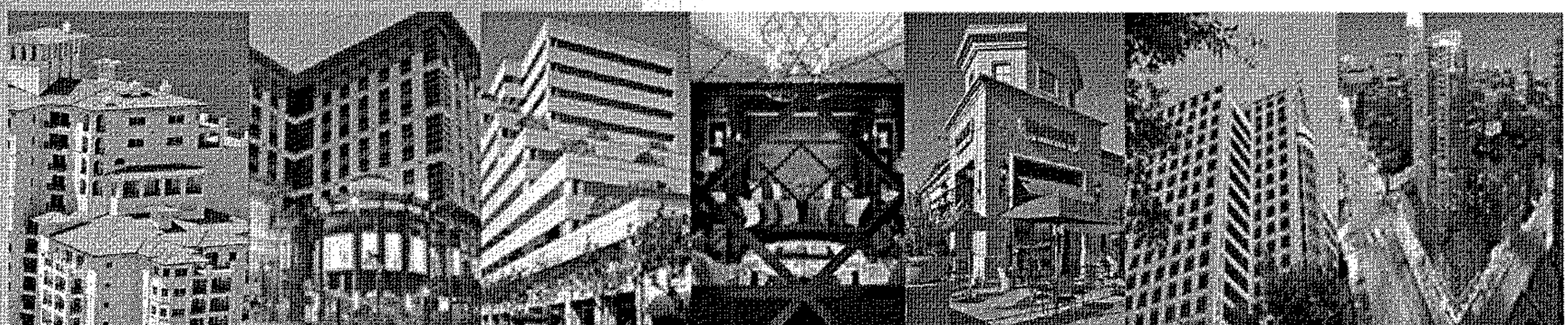
If you have any questions on your account or would like to discuss any aspect of portfolio performance, please do not hesitate to call me.

Sincerely,

Alan J. Puklin
Enclosure

35

CORNERSTONE



Bay County Employees' Retirement System

Real Estate Securities

Quarterly Report

Quarter Ended September 30, 2012

October 31, 2012

Bay County Employees' Retirement System
Bay County Voluntary Employees' Beneficiary Association
Bay County Building
515 Center Avenue, Suite 706
Bay City, MI 48708-5128

Dear Bay County Employees' Retirement System:

The total return of the Bay County Employees' Retirement System REIT account for the quarter ended September 30, 2012 is as follows:

Portfolio	**Bay County's Total Return Ending September 30, 2012**	
	Quarter	**YTD**
Bay County Employees' Gross	0.23%	14.25%
Bay County Employees' Net	0.08%	13.74%
FTSE NAREIT Equity REIT Index	0.16%	15.09%

Market Overview

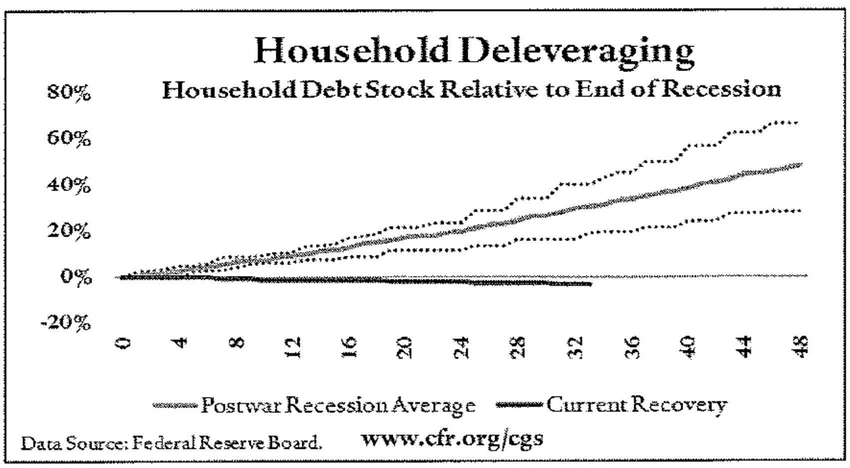
The FTSE NAREIT REIT Index (REIT Index) posted positive total returns in a low volume third quarter despite a steadily deteriorating global economic outlook, but underperformed the broader equity market. Economic results stayed flat following the unimpressive second quarter readings. Weakness continued in the employment and manufacturing data as the ISM report indicated a contractionary environment in both July and August following a similar result in June. In addition to wrestling with questions about the pace of U.S. economic growth, investors faced a series of concerns from overseas as well. Hopes for a second half rebound in China have yet to materialize as the data continues to indicate slowing and the European recession threatens to impact export dependent economies across the globe. Continued uncertainly and risk aversion are keeping 'safe-haven' sovereign debt yields low.

The FTSE NAREIT Equity REIT Index posted a total return of 0.2% in the third quarter, underperforming the broader equity market during the period. The Shopping Center, Industrial, and Self-Storage sectors outperformed as the market sought value over growth oriented property types. The Apartment sector was the weakest performer in our universe as investors remain concerned about the pace of decelerating revenue growth and pressure from supply in select markets. Due to strong demographic trends in the age cohorts with the highest propensity to rent, we continue to feel that fundamentals for apartments will remain favorable despite a moderate increase in expected move-outs-to-buy, but equity investors will likely remain focused on the slowdown in the pace of rent growth. The Lodging sector also underperformed despite continuing to put up strong REVPAR growth, as concerns over a weaker economy weighed on the sector and a shift in the holiday calendar caused some weakness in third quarter results.

Market Commentary

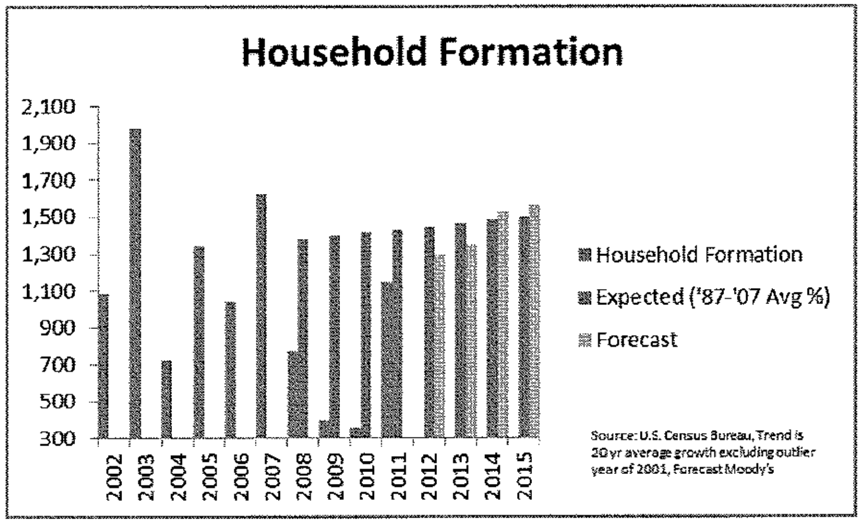
Concerns over European countries' ability to meet austerity targets and finance their deficits continue to weigh on market sentiment Europe continues to bifurcate between nations afflicted with austerity fatigue and those with rescue fatigue. Spain, Eurozone's fourth largest economy, has become the center of attention as they resist requesting additional aid, despite the clear need to do so.

The turmoil in Europe and slowdown in China continue to weigh on the U.S. economy in the third quarter. Global trade and bank lending weakened and more importantly business confidence maintains a negative outlook. Robust job creation has failed to materialize in the United States. Despite a strong July report, August and September were weak delivering 96K and 114K new jobs respectively. The six month average remains below 100K, well below the 300K needed for a strong expansion and reducing the unemployment rate. Government payrolls have been flat for the past year. Initial claims for unemployment continue to come in at levels consistent with weak job creation. While manufacturing reports from ISM demonstrate a gradual contraction, the services portion of the economy appears to be strong. We believe concerns about U.S. fiscal policy, Europe and slower growth in China forced many companies to delay hiring decisions. Uncertainty surrounding the resolution of the "Fiscal Cliff" in the U.S. at the end of the year is also likely weighing on business confidence levels. As such, we continue to believe we are in a period of uncertain economic growth. Household deleveraging continues to hold back this recovery from the more robust growth experienced following previous recessions.



That said, absent a complete breakdown in Europe or China, we continue to believe the period of softer economic growth in the U.S. will be relatively short lived. While growth will likely remain below the long-term trend it should remain in the 2% range for the remainder of 2012. This outlook hinges on how global policy makers react to these conditions. As long as inflation remains low, central bankers have more latitude to further stimulate the economy should economic growth weaken further.

Commercial real estate fundamentals remain strong for most property types. Demand for space may have downshifted slightly beginning in the second-half of 2011 due to the macroeconomic uncertainty, but the lack of new supply has allowed landlords to continue raising rents. While the modest economic and labor market growth is disappointing, it serves to keep development in check, thereby underpinning commercial real estate fundamentals.



In response to growing household formations, construction levels in the multifamily sector have increased to levels above 300,000 units per year. However, we view the dearth of multifamily development over the last 5 years as rational justification for the recent increase in construction. There have been other signs of life of construction levels beginning to lift from trough levels (commercial construction spending rose nearly 10% year over year in the six months ended in July) as a percentage of total stock starts remain at historically low levels unit completions over the past year represent only 0.68% of stock, well below the average 1.25% growth rate of the past 10 years and the next year is forecast by CBRE to only achieve a 1.13% growth rate and the household formation headwinds are now abating.

Moreover, the normal obsolescence rate for real estate has been around 1% of total stock annually, so total supply is effectively still declining. As such, absent a severe shock to the U.S. economy causing a sharp drop in business activity and demand we expect NOI growth to remain relatively robust for several years. In addition to improving cash flows, absent a dislocation in the credit markets, extremely low interest rates should have the positive benefit of increasing investor demand for income oriented investments thereby providing support for commercial real estate valuations.

Fund flows to U.S. REIT products overall have been modestly negative during the quarter as outflows in Japanese registered funds outpaced the inflows to US registered funds and ETFs.

Property Markets

Despite the potential risks in the global economy, we believe the outlook for commercial real estate remains positive. Indeed, modest economic growth should help to keep real estate supply and demand in balance, thereby supporting continued improvement in real estate fundamentals across most property types. What's more, low borrowing costs should help to support property values and increase the attractiveness of real estate investments for income oriented investors. REITs continue to maintain pace to raise more capital in 2012 than in 2011 at very attractive rates.

Office

Despite the recent weakness in the employment data, Office markets continued to stabilize in the quarter. Re-leasing spreads remain slightly negative for most office markets, but gains in occupancy are resulting in smaller rates of decline and healthy tenant activity. That said, the pace of improvement is not consistent across the entire marketplace. High-barrier CBD markets with lower structural vacancy and a concentration of tech and energy jobs will continue to outperform the lower-barrier suburban markets which are negatively impacted by shorter lease terms and modest jobs growth. We believe these trends will likely continue as the market continues its gradual return to equilibrium over the next few years. Accordingly, we continue to favor REITs with greater exposure to the CBD coastal markets, versus their suburban peers.

Apartments

Multifamily fundamentals on a historic basis remain strong thanks to demographic trends and a continued propensity to rent in many key tenant cohorts. Indeed, almost every market in the country has experienced strong mid- to high-single digit year-over-year rent growth during the spring leasing season. However, the acceleration of rent growth has likely peaked for the cycle unless there is a material increase in job growth on the horizon. Additionally, current valuation levels are above replacement cost in many markets and planned development starts have been rising in the multifamily sector for the past few quarters. In general this supply is below the long-term average and localized (Washington D.C. will see considerable supply deliveries starting in the second half of this year and throughout 2013, followed by supply in select Seattle and San Jose submarkets next year), but it could curtail perceived longer-term growth prospects for the sector as additional apartment units come on line. Finally, the expected IPO of Archstone remains an overhang on several large cap companies in the sector, but the timing on this continues to remain uncertain. Accordingly we remain underweight the sector, and focus on REITs with company specific catalysts to unlock outsized returns.

Retail

Despite macroeconomic headwinds the Retail sector has held up remarkably well in 2012. Retailers have posted 10 consecutive quarters of relatively strong sales growth, particularly at the high end. While consumer confidence has remained, low back to school sales figures were positive and may indicate a healthy holiday shopping season. With occupancy costs low and retailer expansion plans, the Class A malls still have good NOI upside potential even in a slowing sales environment. Due to an aging baby-boomer generation we believe consumption patterns could shift over the next few years, resulting in increased demand for space in high-productivity centers at the expense of their lower quality peers. Accordingly, lower quality retail centers will likely struggle with higher vacancy over the next few quarters. As such, we currently favor "A-Quality" Regional Mall REITs versus "B-Quality" Regional Malls and Shopping Center REITs.

Lodging

Much like the Retail sector, Lodging fundamentals are holding up quite well despite the concerns about the global economy. Based on recent commentary from Marriott and other hotel operators RevPar growth is expected to total 5%-7% annually for the next few years, above prior expectations. Weekly reports on RevPar have indicated some slowing in the most recent quarter, but growth remains well above historical averages and is expected to improve in the fourth quarter. Low supply continues to be the major tailwind aiding the sector, and improved occupancy from business travel continues to improve allowing operators to increase rates. Despite the positive news operationally and relatively attractive valuations, Hotel REITs have been whipsawed by the market over the last few quarters depending on the sentiment toward cyclical sectors and the global geopolitical environment. We believe this volatility likely continues in the coming quarters while the market wrestles with macroeconomic factors, however, the strong fundamental outlook and valuations should buoy performance absent a severe economic contraction.

Industrial

Industrial fundamentals continue to improve, despite the global slowdown that is occurring. Occupancy rates have reached the point that owners can start to push rents in several of the coastal markets. The continued strength of this recovery is dependent on economic conditions not deteriorating further in Europe and China. Indeed, domestic port traffic is flattish versus last year, and seems likely to turn more negative in the coming months, potentially curtailing the pace of recovery in these markets in the near term. Pricing for these securities remains strong and some are starting to become fairly valued. As such, we have reduced our exposure to the Industrial sector due to these concerns and less attractive valuations.

REIT Outlook

Our overall enthusiasm for the health of commercial real estate securities continues to be tempered by the elevated macroeconomic risks we see on the horizon which could result in choppiness for the broader equity markets, which in turn will limit the near term upside of the REIT sector as well. Indeed, in addition to the economic headwinds and problems in Europe that we are currently facing, markets will also face the uncertainty of the U.S. Presidential election and "Fiscal Cliff". As such, we have adopted a barbell position, maintaining positions in high quality companies in cyclical sectors and adding to our exposure to higher yielding defensive components of the universe in case the stress from the macroeconomic risks overwhelm the broader equity markets.

Sincerely,

Scott e. W

Scott Westphal
Managing Director, Global Real Estate Securities

CORNERSTONE

PERFORMANCE HISTORY
Bay County Employees' Retirement System

Percent Return
Per Period

Time Period **9/30/2012**	Portfolio Gross	Portfolio Net	FTSE/NAREIT Equity REIT Index
1 Month	-1.78%	-1.83%	-1.78%
YTD	14.25%	13.74%	15.09%
1 Year	32.27%	31.49%	32.61%
3 Year	21.09%	20.37%	20.38%
Inception (October 21, 2008)	19.15%	18.45%	16.83%

PORTFOLIO VALUATION AND STATEMENTS

Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

AS OF 09/30/2012

CURRENT PERIOD STARTED ON: 09/01/2012
CURRENT QUARTER STARTED ON: 07/01/2012
YEAR-TO-DATE STARTED ON: 01/01/2012
INCEPTION DATE: 09/02/2010

ANALYSIS OF RATES OF RETURN

	CURRENT MONTH	CURRENT QUARTER	YEAR-TO-DATE	PAST 12 MONTHS	ANNUALIZED THREE-YEARS	ANNUALIZED FIVE-YEARS	ANNUALIZED SINCE INCEPTION
TOTAL MANAGED ASSETS	3.68%	7.39%	14.49%	27.39%	N/A	N/A	18.05%
Russell 2000 Growth Index	3.00%	4.84%	14.08%	31.18%	N/A	N/A	17.75%

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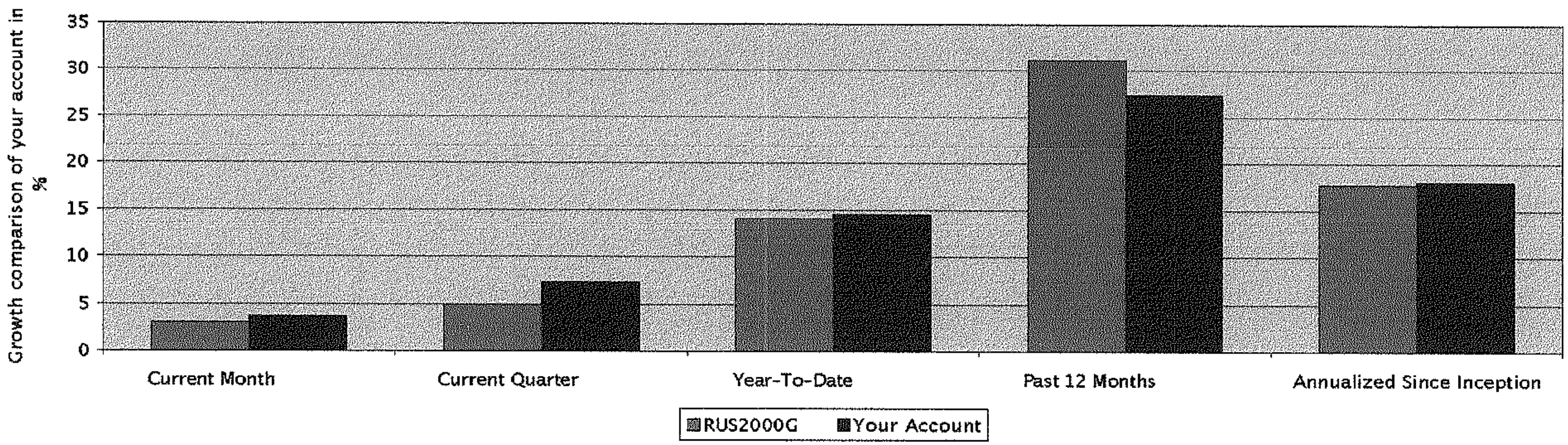

PORTFOLIO VALUATION AND STATEMENTS

Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

AS OF 09/30/2012

CURRENT PERIOD STARTED ON: 09/01/2012
CURRENT QUARTER STARTED ON: 07/01/2012
YEAR-TO-DATE STARTED ON: 01/01/2012
INCEPTION DATE: 09/02/2010

SUMMARY

CONTRIBUTIONS THRU 09/01/2012	$6,020,589
DEPOSITS MADE DURING STATEMENT PERIOD	
SECURITIES	$0
CASH	$0
WITHDRAWALS MADE DURING STATEMENT PERIOD	
SECURITIES	$0
CASH	$0
TOTAL CONTRIBUTIONS THRU 09/30/2012	$6,020,589
MARKET VALUE OF ACCOUNT AS OF 09/30/2012	$9,248,273

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We have provided this information regarding your account(s) based on sources we believe to be reliable and accurate. We encourage you to compare the account balances contained in this report to those balances reflected on the statements you receive directly from your account's custodian. Please contact us or the account custodian with any questions you may have. Also, please notify us promptly if you do not receive statements on all accounts from the custodian on at least a quarterly basis.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value
Investment Review

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Quarter Ended
September 30, 2012

Hotchkis & Wiley

725 South Figueroa Street, 39th Floor, Los Angeles, CA 90017 • T: 213-430-1000 • F: 213-430-1001 • www.hwcm.com

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value — Total Market Value: $10,537,328 (2.4% Cash) — Quarter Ended September 30, 2012

Performance Returns - Gross of Fees

	MTD	QTD	YTD	Since Incept.
Portfolio - Total Return	3.02 %	5.06 %	19.40 %	6.95 %
Portfolio - Equity Only	3.08	5.16	19.66	6.78
Russell 2000 Value Index	3.56	5.67	14.37	6.22
Russell 2000 Index	3.28	5.25	14.23	6.33
S&P 500 Index	2.58	6.35	16.44	5.69

Commencement of portfolio: 12/1/03. Periods over one year are average annualized returns.

Weighted Average Portfolio Characteristics

	Portfolio	Rus 2000 V	Rus 2000
Projected P/E Ratio (FY2)	10.6x	12.4x	13.5x
Price / Cash Flow Ratio	4.4x	6.8x	8.1x
Price / Book Ratio	1.1x	1.2x	1.7x
Dividend Yield	1.2%	2.2%	1.4%
Market Capitalization (mm)	$1,540	$1,105	$1,279
# of Holdings / 1-Yr Turnover	59 / 38%		

Top and Bottom Five Contributors to Performance

	End Wgt	Ttl Ret.	Contr.
Quiksilver Inc.	3.66 %	42.49 %	1.37 %
Valassis Communications	4.92	13.52	0.82
CNO Financial Group Inc.	3.86	23.97	0.82
Geo Group Inc.	1.52	22.74	0.72
PHH Corp.	3.32	16.42	0.45
Arris Group Inc.	3.42 %	-8.05 %	-0.31 %
Heidrick & Struggles Int'l	0.42	-26.46	-0.31
Noranda Aluminum Hldg	0.96	-15.39	-0.31
DeVry Inc.	0.80	-26.51	-0.36
Con-Way Inc.	4.47	-23.95	-1.21

Trading Data

Major Buy(Sell) *New buy/final sell	+/-
Comverse Technology Inc.	1.6%
Con-Way Inc.	1.2%
United Therapeutics Corp.	1.1% *
GenOn Energy Inc.	1.0% *
Sauer-Danfoss Inc.	1.0% *
(Granite Real Estate Inc)	-0.7%
(Marriott Vacations Worldwide)	-0.7% *
(Valassis Communications)	-1.1%
(Lincare Holdings Inc.)	-1.8% *
(Geo Group Inc.)	-2.1%

Top Ten Stocks - Total Portfolio

	End Wgt
Valassis Communications	4.9 %
Con-Way Inc.	4.5
CNO Financial Group Inc.	3.9
Rent-A-Center Inc.	3.7
Quiksilver Inc.	3.7
Comverse Technology Inc.	3.5
Arris Group Inc.	3.4
PHH Corp.	3.3
Great Plains Energy Inc.	3.3
Huntington Ingalls Ind. Inc.	3.2

Performance Attribution

	Portfolio		Russell 2000 Value		Allocation		
	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.	Sector	Stock	Total
Financials	29.23 %	9.91 %	36.33 %	5.88 %	-0.01	1.15	1.13
Consumer Discretionary	14.78	13.93	11.34	8.56	0.10	0.86	0.96
Health Care	3.49	15.90	4.85	8.52	-0.01	0.28	0.27
Consumer Staples	1.66	16.54	2.58	2.62	0.03	0.21	0.24
Telecommunication Services	0.00	0.00	0.57	10.50	-0.03	0.00	-0.03
Utilities	6.31	3.97	7.22	5.76	0.01	-0.11	-0.10
Energy	3.26	-1.95	6.40	6.58	-0.03	-0.28	-0.31
Information Technology	10.10	-5.86	12.68	-0.15	0.10	-0.64	-0.53
Materials	1.56	-16.20	5.13	14.52	-0.30	-0.52	-0.83
Industrials	29.62	0.43	12.89	4.03	-0.27	-1.02	-1.29
					-0.42	-0.08	-0.50

Top Ten Industries - Total Portfolio

	End Wgt
Insurance	15.4 %
Communications Equip.	7.5
Commercial Banks	7.3
Machinery	6.7
Aerospace & Defense	6.1
Road & Rail	5.9
Media	5.4
Professional Services	5.0
Electric Utilities	4.9
Specialty Retail	3.7

Returns are calculated using daily holding information, gross of fees, within FactSet. Returns calculated using this buy-and-hold methodology can differ from actual portfolio returns due to intraday trades, cash flows, accrued/miscellaneous income, corporate actions, and trade price and closing price difference of any given security. Russell Investment Group is the source and owner of the Russell Index data contained herein (and all trademarks related thereto), which may not be redistributed. The information herein is not approved by Russell. H&W and Russell sectors are based on the Global Industry Classification Standard by MSCI and Standard and Poor's.

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BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

September 30, 2012

Assets

Total Market Value:	$10,537,328
Total Equity Value:	$10,274,298
Total Cash Value:	$256,621
Total Accrued Value:	$6,409
% Cash of Portfolio:	2.4%

Transactions Summary

Total Purchases:	$1,132,244
Total Sales:	$1,220,472
Total Commissions:	$2,329
Average Transaction Cost/Share:	$0.012

Performance Returns

Commencement of Portfolio
December 1, 2003

	MTD	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception
Portfolio - Total Return	3.02 %	5.06 %	19.40 %	37.99 %	17.51 %	5.69 %	6.95 %
Portfolio - Equity Only	3.08	5.16	19.66	39.11	17.86	5.23	6.78
Russell 2000 Value Index	3.56	5.67	14.37	32.63	11.72	1.35	6.22
Russell 2000 Index	3.28	5.25	14.23	31.91	12.99	2.21	6.33
S&P 500 Index	2.58	6.35	16.44	30.20	13.20	1.05	5.69

Periods over one year are average annualized returns
Performance shown gross of fees
Past performance is no guarantee of future performance

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September 30, 2012

MARKET REVIEW AND OUTLOOK

Market Commentary

Despite macroeconomic and geopolitical uncertainties, U.S. small cap equities climbed in the third quarter with the Russell 2000 Index returning +5.3% and the Russell 2000 Value Index returning +5.7%. Investors appeared to take notice of Corporate America's improving health. Of the Russell 2000 Index constituents reporting earnings during the quarter, more than 60% beat Wall Street estimates and more than one out of three beat estimates by more than ten percent. Strong cash flows, which had been predominantly retained in an effort to improve balance sheets, are now being returned to shareholders with increased regularity via dividends and share repurchases.

In the U.S., the elephant in the room has been the so-called "fiscal cliff" – the combination of tax cut expirations and sequestration (i.e. forced spending cuts) set to take place in 2013. If the fiscal situation remains status quo, the fallout would have a negative effect on GDP growth next year and could pose a recession threat. Consensus expectation, however, is for some form of transitory relief which would buy the newly-elected government additional time to configure a longer-term resolution. This appears to be the expectation regardless of the November election outcomes. Meanwhile, housing and employment have continued to show subtle signs of improvement.

We continue to observe strong demand for low volatility assets such as 10-Year Treasury notes, which currently offer investors a yield of 1.6% per annum. Given expected inflation is 2.8% over the next decade[1], we view an investment in treasuries with skepticism. As investment managers, our primary objective is to increase our clients' purchasing power. Accordingly, we believe the negative real yields offered by treasuries and other high-rated bonds represent deficient investment opportunities. Conversely, we find equities an interesting alternative. Our small cap value portfolio offers investors a dividend yield of 1.2%, which represents 15% of the earnings generated (next year estimates). The other 85% of earnings can be reinvested to grow profits or be returned to shareholders with dividend increases or share repurchases. Granted, equities are not backed by the full faith and credit of the U.S. Government and its ability to print currency to ensure repayment. It is important to recognize, however, that the government is not promising investors growth, or even stability of purchasing power. We are confident that most investors would view a decade of eroding purchasing power as a disappointing outcome – we certainly would. Given the compelling characteristics of the portfolio, our sights are set considerably higher.

[1] Based on University of Michigan Survey 5-10 Year Ahead Inflation Expectations Index

September 30, 2012

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Attribution: 3Q 2012

The Hotchkis & Wiley Small Cap Value portfolio underperformed the Russell 2000 Value Index for the quarter. Stock selection in industrials, materials, and technology detracted from performance. The largest individual detractors were Con-Way, Arris Group, and DeVry. Positive stock selection in financials, consumer discretionary, and healthcare contributed to performance in the quarter. The largest individual contributors were Quiksilver, CNO Financial, and Valassis.

Portfolio Activity: 3Q 2012

During the quarter, we decreased the weight in industrials and utilities by trimming some strong performers: Geo Group and Portland General Electric. We added to technology by increasing the position in Comverse Technology.

Equities, bonds, and U.S. Treasuries have different risk profiles. U.S. Treasuries are generally considered "risk free" securities. Equity securities may have greater risks and price volatility than U.S. Treasuries and bonds, where the price of these securities may decline due to various company, industry and market factors. The dividend yield of securities held in the portfolio is calculated by annualizing the last quarterly dividend paid and dividing it by the current share price.

Performance comparison is based on gross of management fee returns. The portfolio characteristics and attribution in this commentary are based on a representative Small Cap Value portfolio. Certain client portfolio(s) may or may not contain the securities discussed in this commentary due to different restrictions, cash flows and other relevant considerations. The commentary is for information purposes only and is not intended to be, and should not be, relied on for investment advice. The opinions expressed are those of the portfolio managers as of 9/30/12 and may not be accurate reflections of their opinions after that date. There is no guarantee that any forecasts made will come to pass. Accounts may not continue to hold the securities mentioned and H&W has no obligation to disclose purchases or sales of these securities. Past performance is no guarantee of future results.

Bay County Employees' Retirement System

Mid-Cap Value

September 30, 2012

Integrity Asset Management

Bay County Employees' Retirement System
Mid-Cap Value

As of 9/30/12

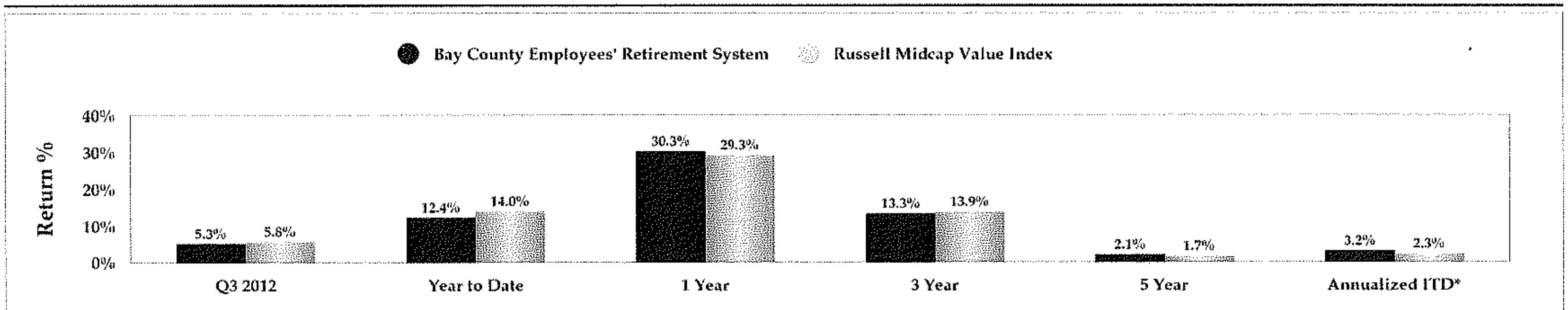
Account Performance

For the quarter ending September 30, 2012, your portfolio returned 5.25% versus the Russell Midcap Value Index, which returned 5.80%.

Stock selection in technology, telecommunication services and industrials detracted. Stock selection in utilities, financials and energy were the largest contributors. Sector weightings were a modest detractor with a small underweight to energy, the second best performing sector, hurting relative performance. A higher beta aided performance by almost 60 bps.

Performance Review (Annualized)

Gross of Fees



Portfolio Performance	Q3 2012	Year to Date	1 Year	3 Year	5 Year	Annualized ITD*
Bay County Employees' Retirement System	5.25%	12.37%	30.29%	13.33%	2.05%	3.18%
Russell Midcap Value Index	5.80%	14.03%	29.28%	13.86%	1.73%	2.32%
Relative Performance	-0.55%	-1.66%	1.01%	-0.53%	0.32%	0.86%

* *Since Inception 1/3/07*

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Market Review & Outlook

As we enter the final quarter of 2012 there are a few well known hurdles to get over, such as, the U.S. Presidential election, the fiscal cliff, continued economic problems in Europe and third quarter corporate earnings, to name a few. The market posted solid results for the third quarter with the S&P 500® up 6.3%, the Russell 3000® Index up 6.2% and the Russell Midcap® Index up 5.6%. We believe the upcoming earning season is going to be a tough one as negative preannouncements from the likes of Intel, FedEx and Norfolk Southern portend for a volatile earnings season. While we believe much of this bad news is telegraphed and analyst estimates have been cut, we are prepared to take advantage of good buying opportunities as they present themselves. We are in a very familiar situation in the market cycle with corporate and economic fundamentals on the soft side, while governments globally are stimulating their economies to resume growth and confidence. We are once again getting the media and bearish investors either saying we are pushing on a string or it won't work this time, but we are believers the stimulus will work short to intermediate-term.

This situation reminds us of the lyrics from the 1959 Crickets song "I fought the Law"; I fought the Fed (Law) and Fed (Law) won! There have been approximately 267 stimulative moves by governments globally over the last 13 months with the U.S. Federal Reserve and BOJ the most notable recent moves along with the Australian central bank cutting interest rates. At this point in the cycle, we do not want to fight these stimulative moves and continue to position the fund for a strong fourth quarter albeit one with some hurdles to get over. Additionally, the fourth quarter is a seasonally strong part of the year. Over the last 20 years, according to Canaccord Genuity, the October to December time frame has had the strongest returns of any quarter. Bottom-line, fundamentals are a bit soft right now, but with all the global stimulative moves, very low interest rates, a rebounding U.S. housing market, tightening corporate bond spreads and solid auto sales, we feel it is prudent to be on the optimistic side.

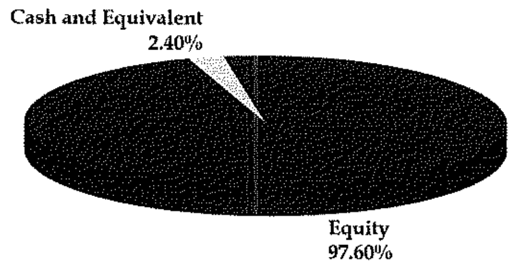
Given the global back drop, we believe there are more positives than negatives. The fly in the ointment is the high level of complacency currently in the markets as measured by the VIX index. With the aforementioned hurdles present our outlook is for the market to move in a more stair step pattern versus a linear ascent as the hurdles are overcome and the market digest the outcomes. We are increasingly positioning the portfolios to take advantage of our expectation that equity markets will continue to rally. There is quite a bit of potential pent up demand on the part of businesses post the election regardless of who wins. When looking at historic sector performance in this type of environment, the consistent outperformers have been consumer discretionary, technology, financials and materials. We have been adding to energy, materials and technology and plan to increase our weight in consumer discretionary.

Bay County Employees' Retirement System
Mid-Cap Value

As of 9/30/12

Portfolio Summary

Current Asset Allocation



Asset Class		Market Value	Percent of Assets
Equity	$	18,902,958.64	97.60%
Cash and Equivalent	$	464,275.20	2.40%
TOTAL	**$**	**19,367,233.84**	**100.00%**

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Portfolio Summary

Bay County Employees Ret System
4407N1

Date Run: 10/15/2012
Period Covered: 08/31/2012 to 09/30/2012
Base Currency: USD

Portfolio Composition as of 09/30/2012

	Total USD Market Value	% of Total
Bonds	29,062,626	97.01%
Cash and Equivalents	587,175	1.96%
Accrued Income	307,534	1.03%
Total	29,957,335	100.00%

Statement of Changes

Total Market Value at 08/31/2012	29,668,751
Net Additions/Withdrawals	0
Income Earned	108,613
Portfolio Appreciation/Depreciation	179,971
Total Market Value at 09/30/2012	29,957,335

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Performance Returns (Supervised Assets)

	1Mth	3Mths	YTD	1 YR	3 YRS*	5 YRS*
Total	0.97	4.38	10.05	12.77	10.59	8.75
Barclays U.S. Corporate Investment Grade	0.70	3.83	8.42	10.27	8.79	7.93

* - Returns are annualized

^Barclays Credit from 6/30/1999 thru 2/29/2012
Citigroup Broad Inv-Grade (BIG) from 01/31/1997 thru 6/30/1999
Barclays U.S. Corporate Investment Grade from 2/29/2012 thru 9/30/2012

MFS

CLIENT	Bay County Employees" Retirement System
ACRONYM	BCSE
DATA AS OF	28 September 2012

PERFORMANCE

	MTD	QTD	Rolling 3 months	YTD	1 Year	3 Year	5 Year	*Since Inception
Bay County Employees' Retirment System (Gross)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.17
Bay County Employees' Retirment System (Net)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.12
Rusell 1000 Growth Index	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.96

Spar Returns
* Performance Inception Date: 09/04/2012

The portfolio is actively managed, and current holdings may be different. Past performance is no guarantee of future results.

For more information, please contact the Global Client Service Team at 1.877.960.6077 toll free from the U.S. and Canada or 1.617.954.4001.

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Valuation Summary **30-Sep-12** **Portfolio Currency: USD**

	Cost	Market Value	Accrued Income	Total Value	Total Value
CASH	(99,490.82)	(99,490.82)	0.00	(99,490.82)	(0.38%)
SHORT TERM INVESTMENTS	533,625.36	533,625.36	36.57	533,661.93	2.02%
COMMON STOCK	24,681,667.82	25,473,401.00	12,499.95	25,485,900.95	96.54%
ADR	477,450.28	474,888.37	5,315.24	480,203.61	1.82%
	25,593,252.64	**26,382,423.91**	**17,851.76**	**26,400,275.67**	**100.00%**

Accrued Income:	**17,851.76**
Total Value:	**26,400,275.67**

This report contains trade date position values, calculated by MFS. This is not the official book of record for the account. Cash is a net cash balance comprised of cash on deposit, and payables and receivables that have not settled.

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Bay County Employees' Retirement System - Growth Equity

BCS

Valuation Summary by Country **30-Sep-12** **Portfolio Currency: USD**

Issuer Country		Cost	Market Value	Accrued Income	Total Value	Total Value
CASH						
	United States	(99,490.82)	(99,490.82)	0.00	(99,490.82)	(0.38%)
		(99,490.82)	(99,490.82)	0.00	(99,490.82)	(0.38%)
SHORT TERM INVESTMENTS						
	United States	533,625.36	533,625.36	36.57	533,661.93	2.02%
		533,625.36	533,625.36	36.57	533,661.93	2.02%
COMMON STOCK						
	Canada	191,948.24	215,240.09	0.00	215,240.09	0.82%
	Israel	322,722.18	337,216.32	0.00	337,216.32	1.28%
	United States	24,166,997.40	24,920,944.59	12,499.95	24,933,444.54	94.44%
		24,681,667.82	25,473,401.00	12,499.95	25,485,900.95	96.54%
ADR						
	France	237,493.94	227,220.56	0.00	227,220.56	0.86%
	United Kingdom	239,956.34	247,667.81	5,315.24	252,983.05	0.96%
		477,450.28	474,888.37	5,315.24	480,203.61	1.82%
	Portfolio Totals:	**25,593,252.64**	**26,382,423.91**	**17,851.76**	**26,400,275.67**	**100.00%**
	Accrued Income:		**17,851.76**			
	Total Value:		**26,400,275.67**			

This report contains trade date position values, calculated by MFS. This is not the official book of record for the account. Cash is a net cash balance comprised of cash on deposit, and payables and receivables that have not settled.

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Bay County Employees' Retirement System

Overview

Fund Valuation

Value at 30 June 2012	Net Cash Flow	Value at 30 September 2012
US$ 8,651,951	US$ -	US$ 9,183,662

Performance

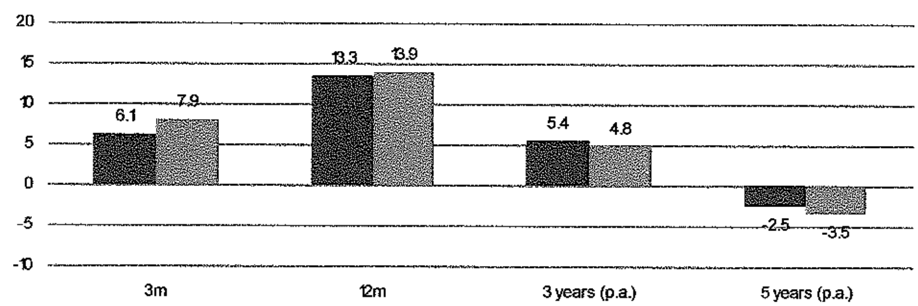
Periods to 30 September 2012

Total returns (US$)	3 months %	12 months %	3 years % p.a.	5 years % p.a.	S.I.** % p.a.
Fund	**+6.1**	**+13.3**	**+5.4**	**-2.5**	**+2.5**
Index*	+8.2	+15.4	+6.3	-2.0	+2.9
S&P EPAC SmallCap	+7.9	+13.9	+4.8	-3.5	+1.4
Value added rel Index*	**-2.1**	**-2.1**	**-0.9**	**-0.5**	**-0.4**
Difference vs EPAC Sm	**-1.8**	**-0.6**	**+0.6**	**+1.0**	**+1.1**

Source: Schroders. Gross of fees. * S&P EPAC SmallCap Index plus 150 basis points ** Since Inception June 30, 2006

All subsequent performance comments and numbers are relative to S&P EPAC SmallCap Index

Performance versus benchmark (%)



Summary

International equity markets have enjoyed a strong quarter. With little in the way of fundamentals to justify it, much of the change in sentiment has been due to the anticipation, and subsequent confirmation, of vigorous Central Bank action, which has been forthcoming from the United States, Europe and Japan. While there have been some signs of stabilization (at low level) of economic activity in the developed economies, emerging markets have continued to decelerate.

Performance has lagged the benchmark over the quarter, primarily thanks to shortfalls in Continental Europe and Pacific ex Japan. Selection has been broadly in line with the index in Japan and the United Kingdom, while in allocation terms there was a small benefit from the underweighting in Japan.

The performance shortfall over the twelve month period is due to adverse selection in Japan, Pacific ex Japan and in the United Kingdom, offset by added value in continental Europe. Country allocation has been a modest positive due to the underweighting in Japan.

Despite the recent rally in global equity markets, we believe markets still exhibit an extremely risk averse mood among investors. In analysing the various components that are associated with "quality" eg high returns, strong balance sheets and stability of earnings, it is the latter that has become, above all else, the touchstone for investors. In the current state of uncertainty it would be brave to say when such predilection will end, but we see little long term value in such stocks. To this extent, we continue to see more attractiveness in cyclical growth in areas such as consumer discretionary, industrial, information technology and materials. In terms of regional allocation, the portfolio remains overweight Pacific ex Japan.

Virginia E. Rose
Managing Director

MacKay Shields

October 25, 2012

Danean Wright
Bay County Employees Retirement System
515 Center Avenue, Suite 706
Bay City, MI 48708

Dear Danean,

Keeping in the spirit of MacKay Shields policy of apprising you of events at the firm, we are writing to share with you some important changes to our Convertible Team.

As you know, our Convertible investment team has been led and managed by the dedicated efforts of Ed Silverstein. Ed has been responsible for the management of our convertible portfolios for many years. Unfortunately, with the size of the convertibles market having declined in recent years, we have decided after a thorough review to organize the management of our convertible portfolios as follows, effective immediately:

- Ed Silverstein will continue to lead MacKay's dedicated convertibles effort and will work with Elizabeth Xu in the day- to- day management of our domestic convertibles portfolios;

- We are discontinuing the management of global convertibles;

- Trading for the convertibles portfolios, as well as some analytic and modeling functions, will now be supported by our High Yield team. Matt Philo's High Yield team has opportunistically been investing and trading in convertible securities for their own client portfolios for some time;

- As they have in the past, Ed and Elizabeth will continue to have access to the investment insights of their High Yield colleagues.

Regrettably, these changes require a resizing of our Convertible group, and will impact a number of our valued colleagues. As a result, Kent Bailey, Ellen Dunleavy, Kevin Lee and John Moten will be leaving the firm. We thank them for their contributions over the years to MacKay and to our Convertible clients.

Should you have any questions or need any additional information please feel free to call me at 212 230 3893.

Kind regards,

Virginia

Virginia

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9 West 57th Street, New York, NY 10019 • Tel. 212-230-3893 • Fax 212-754-9205 • virginia.rose@mackayshields.com
MacKay Shields is an affiliate of New York Life Investment Management LLC

LOOMIS | SAYLES

Todd A. Needham, CFA
Vice President,
Client Portfolio Manager

tneedham@loomissayles.com
617.960.2092 tel

October 8, 2012

Ms. Danean Wright
Retirement Administrator
Bay County Finance Department
515 Center Avenue, Suite 706
Bay City, MI 48708

Dear Danean,

I am writing this letter to you to address items that relate to the Bay County Employees Retirement System ("BCERS") investment portfolio ("the Portfolio") managed by Loomis Sayles. As we discussed during our telephone conversation this morning, we would like to receive clarification on the Limited Partnership ("L.P.") restriction in the Portfolio's investment guidelines. In addition we would like discuss with you and the Trustees the long-term performance target for the Portfolio.

Limited Partnerships * PER CONSULTANT, THEY WERE INSTRUCTED TO FOLLOW INVESTMENT GUIDELINES *

The investment guidelines for the BCERS Portfolio restrict investment in Limited Partnerships. The Portfolio holds eleven positions in bonds issued by Limited Partnerships (see attached file for details). We believe that debt issued by a Limited Partnership is different from direct investment in an L.P. and is permissible with the within the guidelines. We would like to receive clarification on this issue to know whether we may continue holding the positions in the portfolio.

As background, we recently completed an upgrade to our compliance system. The Limited Partnership rule is now part of our daily automated compliance process. The positions in question were flagged by our compliance system which prompted us to reach out to you for clarification on this issue.

Performance Expectation * TO BE DISCUSSED BY BOARD OF TRUSTEES *

Over the course of the relationship between Bay County Employees Retirement System and Loomis Sayles, the long-term performance objective for the Portfolio has ranged from exceeding the benchmark's performance return by 1.50% to the current target of 1.00%. Given the current market environment and the flexibility provided by the investment guidelines, we believe a long-term expectation of 0.75% above the index is reasonable. We would like the Trustees to consider reducing the excess performance expectation to 0.75%.

LOOMIS | SAYLES

If the Trustees would prefer to keep the +1.00% performance expectation, we ask that they consider reducing the Portfolio's minimum average quality requirement from A3/A- to Baa3/BBB-. The Portfolio would still be rated investment grade, but the change in quality would also allow for additional risk to be taken. Specifically, we could take more advantage of the guideline's 10% allowable allocation to high yield. With the existing quality requirement we've been encumbered from taking advantage of the full 10% allocation to high yield. We believe the change in minimum quality would increase the likelihood that we can meet and exceed the excess performance expectation.

If the Trustees are in agreement with Loomis Sayles' interpretation that the debt of Limited Partnerships are permissible investments in the BCERS Portfolio, please complete the Guideline Clarification Letter enclosed within.

If you have any questions about the exposure to Limited Partnership Debt or the two different proposals to address the future performance expectation for the Portfolio, please do not hesitate to let me know.

Regards,

Todd A. Needham, CFA
Vice President

Cc: Richard L. Potter, Becker, Burke Associates

ConvergEx Group
Execution Solutions

Recapture Services

Bay County Employees Retirement System
Plan Trading Summary (US Dollars)
January 01, 2012 - September 30, 2012

Ref#: 23803

Manager		Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity					
Columbia Management Advisors, LLC		60.00	42.00	701.73	491.21
Denver Invmt Advisors		0.00	0.00	14,118.96	9,883.27
Eagle Asset Management		32.31	22.62	490.11	343.08
Eagle Asset Management	Execution	551.19	0.00	1,697.82	0.00
Hotchkis & Wiley		0.00	0.00	0.00	0.00
Integrity Asset Management		0.00	0.00	25.60	17.92
Marvin & Palmer Associates, Inc.		0.00	0.00	11,634.24	8,143.97
Marvin & Palmer Associates, Inc.	Events	0.00	0.00	1,744.00	1,220.80
WHV Investment Management		260.00	182.00	1,774.00	1,241.80
Totals for Equity		**903.50**	**246.62**	**32,186.46**	**21,342.05**
Revenue Type: Correspondent Equity					
Integrity Asset Management		0.00	0.00	143.48	100.44
Integrity Asset Management	Corrsp Broker	0.00	0.00	66.92	0.00
Totals for Correspondent Equity		**0.00**	**0.00**	**210.40**	**100.44**
Revenue Type: International Correspondent					
Baring Asset Management Ltd.		0.00	0.00	0.00	0.00
Schroder Investment Management Ltd		0.00	0.00	0.00	0.00
Totals for International Correspondent		**0.00**	**0.00**	**0.00**	**0.00**
Grand Totals		**903.50**	**246.62**	**32,396.86**	**21,442.48**

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Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Transition Management Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Commission Recapture Client Services : 800-992-7526, crpclientservices@convergex.com

This statement represents trades through Posted Date September 30, 2012 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

ConvergEx Group
Execution Solutions

Recapture Services
Bay County Employees Retirement System
Plan Activity Summary and Balance
January 01, 2012 - September 30, 2012

Ref#: 23803

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Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	903.50	246.62	30,442.46	20,121.25
Correspondent Equity	0.00	0.00	143.48	100.44
Correspondent Broker Fees	0.00	0.00	66.92	0.00
International Correspondent	0.00	0.00	0.00	0.00
Correspondent Broker Fees	0.00	0.00	0.00	0.00
Fixed Income	0.00	0.00	0.00	0.00
12B-1 fees	0.00	0.00	0.00	0.00
Events	0.00	0.00	1,744.00	1,220.80
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
TOTAL	**903.50**	**246.62**	**32,396.86**	**21,442.48**

Account Balance

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			4,355.93
January 2012	3,942.91	2,641.68	0.00	4,355.93	2,641.68
February 2012	3,767.11	2,569.90	0.00	0.00	5,211.57
March 2012	3,311.28	2,203.60	0.00	0.00	7,415.17
April 2012	6,367.53	4,437.18	0.00	7,415.17	4,437.18
May 2012	2,250.54	1,559.14	0.00	0.00	5,996.32
June 2012	3,849.20	2,658.73	0.00	0.00	8,655.05
July 2012	4,188.13	2,634.45	0.00	8,655.05	2,634.45
August 2012	3,816.66	2,491.19	0.00	0.00	5,125.64
September 2012	903.50	246.62	0.00	0.00	5,372.26
October 2012	0.00	0.00			
November 2012	0.00	0.00			
December 2012	0.00	0.00			
TOTAL	**32,396.86**	**21,442.48**	**0.00**	**20,426.15**	

Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Transition Management Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com

Commission Recapture Client Services : 800-992-7526, crpclientservices@convergex.com

This statement represents trades through Posted Date September 30, 2012 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

Current Balance	**5,372.26**

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THE NORTHERN TRUST COMPANY
801 S. CANAL
CHICAGO, IL. 60675
SECURITIES LENDING DIVISION C-1S

010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM   SUMMARY EARNINGS STATEMENT   CURRENCY: USD

BILLING DATE: 10/04/2012
BILLING PERIOD: 09/01/2012 - 09/30/2012

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: BYC03					
ACCOUNT NAME: BAYCO- BARINGS					
OPEN CASH	0.00	0.00	0.00	94.69	94.69
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	94.69	94.69
TOTAL REBATES	0.00	0.00	0.00	303.16-	303.16-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	397.85	397.85
BANK FEES	0.00	0.00	0.00	159.12	159.12
NET INCOME	0.00	0.00	0.00	238.73	238.73
ACCOUNT NUM.: 1799220					
ACCOUNT NAME: *TNT-LDN-BYC03-BAYCO-BARING-SL					
OPEN CASH	0.00	0.00	0.00	273.81	273.81
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	273.81	273.81
TOTAL REBATES	0.00	0.00	0.00	3.79	3.79
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	270.02	270.02
BANK FEES	0.00	0.00	0.00	107.67	107.67
NET INCOME	0.00	0.00	0.00	162.35	162.35
ACCOUNT NUM.: 2608694					
ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT					
OPEN CASH	0.00	1,529.29	0.00	0.00	1,529.29
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,529.29	0.00	0.00	1,529.29
TOTAL REBATES	0.00	242.21	0.00	0.00	242.21
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,287.08	0.00	0.00	1,287.08
BANK FEES	0.00	514.48	0.00	0.00	514.48
NET INCOME	0.00	772.60	0.00	0.00	772.60

010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 2

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2618668					
ACCOUNT NAME: *BAYCO - BAIRD -SL					
OPEN CASH	2,113.08	0.00	0.00	0.00	2,113.08
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	2,113.08	0.00	0.00	0.00	2,113.08
TOTAL REBATES	1,604.40	0.00	0.00	0.00	1,604.40
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	508.68	0.00	0.00	0.00	508.68
BANK FEES	203.38	0.00	0.00	0.00	203.38
NET INCOME	305.30	0.00	0.00	0.00	305.30
ACCOUNT NUM.: 2620611					
ACCOUNT NAME: *BAYCO - MARVIN & PALMER -SL					
OPEN CASH	0.00	5.83	0.00	0.00	5.83
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	5.83	0.00	0.00	5.83
TOTAL REBATES	0.00	0.87	0.00	0.00	0.87
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	4.96	0.00	0.00	4.96
BANK FEES	0.00	1.98	0.00	0.00	1.98
NET INCOME	0.00	2.98	0.00	0.00	2.98
ACCOUNT NUM.: 2622490					
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS -SL					
OPEN CASH	1,246.04	269.01	45.92	0.00	1,560.97
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,246.04	269.01	45.92	0.00	1,560.97
TOTAL REBATES	499.54-	650.14-	8.19	0.00	1,141.49-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,745.58	919.15	37.73	0.00	2,702.46
BANK FEES	698.06	367.53	15.09	0.00	1,080.68
NET INCOME	1,047.52	551.62	22.64	0.00	1,621.78

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010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 3

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2622536					
ACCOUNT NAME: *BAYCO - HOTCHKIS & WILEY -SL					
OPEN CASH	0.00	1,505.95	0.00	101.45	1,607.40
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,505.95	0.00	101.45	1,607.40
TOTAL REBATES	0.00	139.52-	0.00	15.16	124.36-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,645.47	0.00	86.29	1,731.76
BANK FEES	0.00	656.13	0.00	34.30	690.43
NET INCOME	0.00	989.34	0.00	51.99	1,041.33
ACCOUNT NUM.: 2624493					
ACCOUNT NAME: *BAYCO - WENTWORTH -SL					
OPEN CASH	0.00	1,218.59	0.00	547.88	1,766.47
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,218.59	0.00	547.88	1,766.47
TOTAL REBATES	0.00	208.89	0.00	80.83	289.72
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,009.70	0.00	467.05	1,476.75
BANK FEES	0.00	403.79	0.00	186.78	590.57
NET INCOME	0.00	605.91	0.00	280.27	886.18
ACCOUNT NUM.: 2629086					
ACCOUNT NAME: ZZ*BAYCO - BATTERYMARCH -SL					
OPEN CASH	0.00	0.00	0.00	0.00	0.00
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	0.00	0.00
TOTAL REBATES	0.00	0.00	0.00	0.00	0.00
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	0.00	0.00
BANK FEES	0.00	0.00	0.00	0.00	0.00
NET INCOME	0.00	0.00	0.00	0.00	0.00

010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 4

ACCOUNT NUM.: 2639956
ACCOUNT NAME: *BAYCO - DENVER INV ADV -SL

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	0.00	1,790.91	0.00	135.20	1,926.11
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,790.91	0.00	135.20	1,926.11
TOTAL REBATES	0.00	252.95	0.00	24.26	277.21
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,537.96	0.00	110.94	1,648.90
BANK FEES	0.00	614.53	0.00	44.34	658.87
NET INCOME	0.00	923.43	0.00	66.60	990.03

ACCOUNT NUM.: 2641401
ACCOUNT NAME: *BAYCO - LOOMIS SAYLES -SL

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	1,821.71	0.00	500.05	0.00	2,321.76
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,821.71	0.00	500.05	0.00	2,321.76
TOTAL REBATES	326.83	0.00	81.16	0.00	407.99
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,494.88	0.00	418.89	0.00	1,913.77
BANK FEES	597.37	0.00	167.39	0.00	764.76
NET INCOME	897.51	0.00	251.50	0.00	1,149.01

ACCOUNT NUM.: 2653308
ACCOUNT NAME: *BAYCO - INTEGRITY -SL

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	0.00	1,915.33	0.00	90.13	2,005.46
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,915.33	0.00	90.13	2,005.46
TOTAL REBATES	0.00	238.92	0.00	14.14	253.06
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,676.41	0.00	75.99	1,752.40
BANK FEES	0.00	669.23	0.00	30.35	699.58
NET INCOME	0.00	1,007.18	0.00	45.64	1,052.82

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010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 5

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2663296					
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SL					
OPEN CASH	0.00	1,242.70	0.00	0.00	1,242.70
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,242.70	0.00	0.00	1,242.70
TOTAL REBATES	0.00	94.45	0.00	0.00	94.45
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,148.25	0.00	0.00	1,148.25
BANK FEES	0.00	458.13	0.00	0.00	458.13
NET INCOME	0.00	690.12	0.00	0.00	690.12
ACCOUNT NUM.: 2683854					
ACCOUNT NAME: *BAYCO - MFS INVESTMENTS -SL					
OPEN CASH	0.00	1,335.19	0.00	105.19	1,440.38
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	909.07	0.00	0.00	909.07
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,244.26	0.00	105.19	2,349.45
TOTAL REBATES	0.00	202.18	0.00	10.08-	192.10
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,042.08	0.00	115.27	2,157.35
BANK FEES	0.00	816.09	0.00	46.02	862.11
NET INCOME	0.00	1,225.99	0.00	69.25	1,295.24
ACCOUNT NUM.: 2695063					
ACCOUNT NAME: *BAYCO - EAGLE ASSET -SL					
OPEN CASH	0.00	1,848.74	0.00	71.90	1,920.64
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,848.74	0.00	71.90	1,920.64
TOTAL REBATES	0.00	454.48-	0.00	875.70-	1,330.18-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,303.22	0.00	947.60	3,250.82
BANK FEES	0.00	918.94	0.00	378.96	1,297.90
NET INCOME	0.00	1,384.28	0.00	568.64	1,952.92

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010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 6

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
GRAND TOTAL					
OPEN CASH	5,180.83	12,661.54	545.97	1,420.25	19,808.59
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	909.07	0.00	0.00	909.07
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	5,180.83	13,570.61	545.97	1,420.25	20,717.66
TOTAL REBATES	1,431.69	3.67-	89.35	1,050.76-	466.61
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,749.14	13,574.28	456.62	2,471.01	20,251.05
BANK FEES	1,498.81	5,420.83	182.48	987.54	8,089.66
NET INCOME	2,250.33	8,153.45	274.14	1,483.47	12,161.39

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11/1/2012

REFUNDS: FOR THE MONTH ENDED OCTOBER 31, 2012

EMPLOYEE/BENEFICIAR'	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Martinez, Jose	2,146.93	10/2/12	Juvenile Home	04/27/12
Lenon, Gregory	2,139.05	10/17/12	Central Dispatch	04/15/12
TOTAL REFUNDS:	4,285.98			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Cieslinski, Kenneth	74,167.86	Deferred - Sheriff	08/24/12
Hayes, Marie	44,075.88	Housing Comm	09/19/12
Bingham, Randy	71,895.18	DWS	09/29/12
Brunner, Gerald	8,145.80	BMCF	10/11/12

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE/DEPARTMENT
Akers, Barbara	N/A	Pension	10/17/12 Health Dept

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
Clark, Kaitlyn	1,044.76	BMCF	09/05/12
Clemons, Tracey	2,388.16	BMCF	10/01/12
Krzewicki, Karla	67.75	BMCF	10/02/12
Gwizdala, Barbara	6,480.98	BMCF	09/07/12
Herzeberger, Cassandra	91.45	BMCF	10/23/12
Lauria, Sabrina	4,106.97	BMCF	10/10/12
Lynch, Debbie	23.73	BMCF	10/10/12
Morgan, Amanda	6.56	BMCF	09/10/12
Lorenz, Bryan	772.56	Gen	08/28/12
Romeo, Matthew	4,978.71	Gen	09/07/12
Bostwick, Janis	6,408.10	Gen	08/22/12
	26,369.73		

PURCHASE OF OTHER GOVERNMENTAL SERVICE

EMPLOYEE NAME: Sue Gadille

DEPARTMENT	Environmental Health
JOB TITLE	Sanitarian
DATE APPROVED BY PERSONNEL COMMITTEE	September 18, 2012
MOTION NUMBER	#4
OTHER GOVERNMENT SERVICE TIME BEING PURCHASED	FROM: November 2, 1992 TO: September 15, 1995
CERTIFICATION OF EMPLOYMENT AND WAGES OF OTHER GOVERNMENTAL UNIT ON FILE?	Yes
DOES APPLICANT HAVE MINIMUM OF 8 YEARS SERVICE CREDIT IN BAY COUNTY EMPLOYEE RETIREMENT SYSTEM?	Yes
AFFIDAVIT ON FILE DECLARING INELIGIBILITY TO DRAW OR USE THIS SERVICE TIME IN ANOTHER CAPACITY?	Yes
YEARS AND MONTHS OF OTHER GOVERNMENT SERVICE TIME BEING PURCHASED:	2 years and 11 months
AMOUNT DUE RETIREMENT SYSTEM	$ 10,495.23
PAYMENT MUST BE COMPLETED BY:	September 18, 2013

Prepared By: Danean Wright, Retirement Administrator/accountant

G\Retirement\RetMisc\Governmental Service - Request to Purchase

11/8/2012

Sue Gadille

YEAR	W-2 EARNINGS	EMPLOYEE CONTRIBU 4 %	EMPLOYER CONTRIBU RATE	EMPLOYER CONTRIBU AMOUNT	INTEREST FACTOR EMPLOYEE CONTRIB **	EMPLOYEE CONTRIB. PLUS INTEREST	TOTAL CONTRIB. PLUS INT DUE	YEARS SERVICE CREDIT
1992	$1,698.25	$67.93	1.85%	$31.42	5.239	$355.89	$387.30	2 mths
1993	$17,586.77	$703.47	1.84%	$323.60	4.697	$3,304.20	$3,627.80	12 mths
1994	$20,257.36	$810.29	1.84%	$372.74	4.1725	$3,380.95	$3,753.69	12 mths
1995	$16,239.63	$649.59	1.66%	$269.58	3.7822	$2,456.86	$2,726.44	9 mths
							$10,495.23	2YRS 11 MTHS

** Please keep in mind that interest factor changes every year as of July 1st.

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PURCHASE OF OTHER GOVERNMENTAL SERVICE

EMPLOYEE NAME: Michael Shehan

DEPARTMENT	Department of Water and Sewer
JOB TITLE	Operator
DATE APPROVED BY PERSONNEL COMMITTEE	October 16, 2012
RESOLUTION NUMBER	Motion No. 2
OTHER GOVERNMENT SERVICE TIME BEING PURCHASED	FROM: May 22, 1997 TO: August 9, 2004
CERTIFICATION OF EMPLOYMENT AND WAGES OF OTHER GOVERNMENTAL UNIT ON FILE?	Yes
DOES APPLICANT HAVE MINIMUM OF 8 YEARS SERVICE CREDIT IN BAY COUNTY EMPLOYEE RETIREMENT SYSTEM?	Yes
AFFIDAVIT ON FILE DECLARING INELIGIBILITY TO DRAW OR USE THIS SERVICE TIME IN ANOTHER CAPACITY?	Yes
YEARS AND MONTHS OF OTHER GOVERNMENT SERVICE TIME BEING PURCHASED:	7 years 2 months
AMOUNT DUE RETIREMENT SYSTEM	$20,674.59
PAYMENT MUST BE COMPLETED BY:	October 16, 2013 or prior to retirement date whichever is earlier

Prepared By: Danean Wright, Retirement Administrator/accountant

G\Retirement\RetMisc\Governmental Service - Request to Purchase

11/6/2012

Mike Shehan

YEAR	W-2 EARNINGS	EMPLOYEE CONTRIBU 4 %	EMPLOYER CONTRIBU RATE	EMPLOYER CONTRIBU AMOUNT	* **INTEREST FACTOR EMPLOYEE CONTRIB**	EMPLOYEE CONTRIB. PLUS INTEREST	TOTAL CONTRIB. PLUS INT DUE	YEARS SERVICE CREDIT
1997	$16,672.15	$666.89	0.00%	$0.00	2.9973	$1,998.86	$1,998.86	7 mths
1998	$32,938.71	$1,317.55	0.00%	$0.00	2.5448	$3,352.90	$3,352.90	12 mths
1999	$37,849.98	$1,514.00	0.00%	$0.00	2.1066	$3,189.39	$3,189.39	12 mths
2000	$41,406.90	$1,656.28	0.00%	$0.00	1.7038	$2,821.96	$2,821.96	12 mths
2001	$41,910.11	$1,676.40	0.00%	$0.00	1.5512	$2,600.44	$2,600.44	12 mths
2002	$44,500.22	$1,780.01	0.00%	$0.00	1.4375	$2,558.76	$2,558.76	12 mths
2003	$44,291.39	$1,771.66	0.00%	$0.00	1.4097	$2,497.50	$2,497.50	12 mths
2004	$30,808.34	$1,232.33	0.00%	$0.00	1.3428	$1,654.78	$1,654.78	7 mths
							$20,674.59	7 yrs 2 mths

* These factors change annually

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Thomas L. Hickner
Bay County Executive

BAY COUNTY
Health Department
Creating A Healthy Environment For The Community

Barbara MacGregor, RN, BSN
Public Health Director

Kirk H. Herrick, DO
Medical Director

1200 Washington Avenue
Bay City, Michigan 48708

(989) 895-2062
FAX (989) 895-4014
TDD (989) 895-4049
www.baycounty-mi.gov/Health

Danene Wright
Retirement Administrator/ Accountant
Bay County Employees' Retirement System
Bay County Building
515 Center Avenue
Bay City, Michigan 48708
November 7, 2012

Re: Rebecca Miller

Dear Ms. Wright:

I have reviewed the Medical records and recommendations for Rebecca Miller and her job description. The medical records included discharge summaries, history and physical examinations, hospital records, family history and recommendations.

It is my professional opinion that Rebecca Miller is unable to participate in any gainful employment and is physically incapacitated for continued employment and this is a permanent disability.

Sincerely,
Kirk H. Herrick D.O.

Kirk H. Herrick D.O.
Medical Director

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

Memorandum

Date: October 3, 2012

To: Bay County Employees' Retirement System
c/o Ms. Danean Wright

From: Mark Buis, FSA, EA, MAAA and James D. Anderson, FSA, EA, MAAA

cc: Shana Neeson

Re: Interest on Accumulated Member Contributions

As requested, we have investigated your recent inquiry into the Interest earned on Accumulated Member Contributions. The ordinance defines "Regular Interest" as the rate or rates of interest per annum, compounded annually, which the Board shall adopt annually. This has been set at 4% for the Bay County Employees' Retirement System for as long as we could find in our records. The selection of interest for this purpose varies from system to system. A common approach is to set this rate of interest based on a long term savings rate or long term inflation rate. A rate of 2% to 4% is fairly common for this purpose. For example, the current long term inflation assumption used by the Social Security Trustees is 2.8%. While short term rates are somewhat below this at the moment, changing the interest rate from year to year can add complexity and cost to the plan administration. A lower rate will result in lower plan costs, however, this typically will have a relatively minor impact on the liabilities of the Retirement System.