

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, DECEMBER 11, 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 - 5	A.	NOVEMBER 13, 2012 REGULAR MEETING
6 - 8	B.	OCTOBER 29, 2012 MONEY MANAGER INTERVIEWS
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
	A.	UNION SERVICES AGENCY
9	1.	SALLY CORBIN AND GARY CORBIN
10 - 13	B.	PORTFOLIO VALUE - 1/1/12 - 12/5/12
	C.	MONEY MANAGERS ON WATCH - (EFFECTIVE DATE)
	1.	DENVER INVESTMENTS (MID CAP GROWTH) - (12/15/09) PORTFOLIO ENDING 10/31/12
14 - 16	2.	WHV INVESTMENT (LARGE CAP CORE) (9/14/10) PRELIMINARY INVESTMENT RETURNS ENDING 11/30/12
	D.	MONEY MANAGER REPORTS
	1.	BARINGS (LARGE CAP INT'L EQUITY) - ENDING 10/31/12
	2.	CORNERSTONE (REAL ESTATE) - ENDING 10/31/12
	3.	EAGLE ASSET- (SMALL CAP GROWTH) - ENDING 10/31/12
17 - 31	4.	HOTCHKIS & WILEY (SM CAP GROWTH) - ENDING 10/31/12
	5.	LOOMIS SAYLES (CORPORATE BOND) - ENDING 10/31/12
	6.	MFS (LARGE CAP GROWTH) - ENDING 10/31/12
	7.	MACKAY SHIELDS (CONVERTIBLE BOND) ENDING 10/31/12
	E.	MACKAY SHIELDS - INVESTMENT GUIDELINES
32 - 33	1.	REPORT FROM BECKER BURKE - CONSEQUENCES OF A LESS RESTRICTIVE INVESTMENT POLICY
	F.	RECAPTURE SERVICES
34 - 36	1.	CONVERGEX GROUP - ENDING 10/31/12
	G.	NORTHERN TRUST
37 - 41	1.	SUMMARY EARNINGS ENDING 10/31/12
42	H.	REFUNDS/RETIREMENTS ENDING 11/30/12
43	I.	NOTICE OF PUBLIC MEETINGS FOR 2013
	J.	CORRESPONDENCE FROM COUNTY CLERK
44	1.	ELECTION OF STEVE GRAY TO RETIREMENT BOARD

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, DECEMBER 11, 2012 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

K. DISABILITY RETIREMENTS

- 45 1. BRENDA HOLMES, HEALTH DEPARTMENT, WAIVER OF 30 DAY
REQUIREMENT PER ORDINANCE
EFFECTIVE DATE TO BE DECEMBER 3, 2012
- 46 2. LISA HARTMAN, BAY MEDICAL CARE FACILITY, WAIVER OF 30
DAY REQUIREMENT PER ORDINANCE
EFFECTIVE DATE TO BE NOVEMBER 30, 2012

VI. ANNOUNCEMENTS

- A. NEXT REGULAR MEETING - TUESDAY, JANUARY 8, 2013 AT 1:30 P.M. -
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708

VII. UNFINISHED BUSINESS

- A. LOOMIS SAYLES
- 47 - 48 1. CLARIFICATION OF INVESTMENT GUIDELINES
- B. MONEY MANAGERS
- 49 1. ESTABLISH SPEAKER SCHEDULE FOR 2013

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 1:35 P.M. Roll call was taken. All trustees are present, except Mr. Brzezinski and Mr. Pett.

1. Moved, supported and carried to excuse Trustees Brzezinski and Pett.
2. Moved, supported and carried to approve the minutes, as printed, from October 9, 2012 actuary presentation.
3. Moved, supported and carried to approve the minutes, as printed, from October 9, 2012 regular meeting.

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

Mr. Richard Potter, Consultant with Becker, Burke Associates from Chicago, Illinois gives the performance report for the quarter ending September 30, 2012. A copy of his report was provided to all Trustees.

His report shows Total Plan assets of \$245 million for the period ending September 30, 2012. Our new manager, MFS, is up and funded with \$26 million dollars. The Total Plan return for the quarter is 5.1%. He discussed the individual returns for the money managers. The Return for the one year ending September 30, 2012 was 21.4%. The Total Fund Performance indicated on page 16 shows we had 5.1% return for the quarter and ranked in the top quarter. The one year basis we were at 21.4%, ranking in the top 4%. The median fund earned 15.8% in this period. The above median results are due to above average exposure to equities and a good equity market. Adding all the equities up collectively, we had pretty good results.

He discussed performance results for U.S. Equity funds by manager style. He discussed the ranking of equity managers. WHV is coming out of two very poor years in relation to large growth, Marvin and Palmer, our Large Cap manager has been replaced by MFS. MFS is up and funded, but we don't have any data for them yet. Between 2003 and 2012 their only high ranking was in 2010 when they ranked 9. In this same period they have been in the bottom quarter for four years. There is nothing wrong with Denver Investments from an organizational standpoint or staffing standpoint, but the results are not there. Mr. Potter recommends discussion on what this Board wants to do with Denver Investments.

The performance for Integrity on a year by year basis shows they started out with one year in the bottom quarter, the next year was a little below average, the next year was also below average, in 2011 they were below average, and this year they are above average. He recommends keeping a watch on Integrity as these are not strong results. Hotchkis & Wiley has a good five-year record at 5.6% and ranking in the top tenth percentile. They have done very well in relation to their peer group and have produced good results for us. Page 33 shows the year-by-year results for Hotchkis. In 2005 they ranked in the top third, the next year, they were at the very bottom, in 2007 they were 15% below the median and we started to see the effects of the financial crisis. In 2008 they were about 5% below the median, and then from 2009 to present, they have

produced very spectacular results. The lesson here is when you get specialized managers there will always be volatility in results. Secondly, when a manager has one or two bad years there is the temptation to terminate them and find someone else. That may or may not work. This Board has been patient with managers and this manager was able to produce a relative result that is in the top 10% of their peer group. The decision to stay with them is an assessment of this Board's strategy in looking at various factors.

Eagle is a newer manager with us for about two years. They have had a little below average results for two years, but we can't really draw any conclusions based on two years of data.

Mr. Potter discussed the performance of the other managers in International Equity, Real Estate, Fixed Income and Convertible Funds. Barings had a strong quarter relative to peer group and strong absolute result. Schrodgers was a little bit below average. Cornerstone REIT was below average for the quarter. Loomis Sayles had a strong quarter. MacKay Shields had a strong quarter. Baird, which is government bonds. The market we are currently in favors corporate credits and lower quality credits. Becker, Burke has had some discussions regarding MacKay Shields and are in the process of trying to understand what changing of guidelines might mean. Mr. Potter answered questions from the Trustees and concluded his presentation.

4. Moved, supported and carried to receive the third quarter performance report for 2012 presented by Becker, Burke Associates.
5. Moved, supported and carried to receive the Portfolio Value from 1/1/12 through 11/7/12. The value today is \$238 million.

The next item on the agenda is money managers on watch status. WHV has been on watch since September of 2010 and has shown improvement. Chairman asks if we should consider removing them from watch status. Mr. Potter recommends leaving them on watch for at least another quarter. Denver Investment has been on watch since December of 2009. Chairman Gray states he discussed this with Mr. Brzezinski, and Mr. Brzezinski indicated he is in favor of terminating Denver Investments and would like Geneva Capital Management as their replacement. Mr. Starkweather makes a motion that this Board replace Denver with Geneva, it is seconded, and is opened to discussion. Trustee asks Mr. Potter for his input regarding this issue. Mr. Potter feels this is a judgment call. He does not have a problem with Denver as an organization, but at some point, it either happens or it doesn't, and it is not happening with Denver. Perhaps another manager has a different way of looking at this market.

6. Moved, supported and carried to terminate Denver Investments and hire Geneva Capital Management as their replacement.
7. Moved, supported and carried to receive portfolio reports from the managers on watch, Denver Investments, and WHV both ending 9/30/12.
8. Moved, supported and carried to receive correspondence from Denver Investments regarding managerial changes.

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

November 13, 2012

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9. Moved, supported and carried to receive portfolio reports from Baird, Barings, Columbia, Cornerstone, Eagle Asset, Hotchkis & Wiley, Integrity, Loomis Sayles, MFS, and Schrodgers all ending 9/30/12.
10. Moved, supported and carried to receive correspondence from MacKay Shields regarding change in personnel.

Discussion: Mr. Potter advised that his company has had several discussion with MacKay Shields and states that MacKay is shrinking for a couple of reasons. One, the market is not as broad as it used to be so they are making adjustments. Mr. Potter does not see any immediate concerns regarding MacKay Shields.

11. Moved, supported and carried to table Item G, correspondence from Loomis Sayles, to next month's meeting.

Discussion: The correspondence from Loomis Sayles is regarding clarification of investment guidelines. Mr. Potter will have a report for the Board to present at the December meeting.

12. Moved, supported and carried to receive report ending 9/30/12 from ConvergEx Recapture Services.
13. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 9/30/12.
14. Moved, supported and carried to approve Refunds/Retirements for the month ending 10/31/12.
15. Moved, supported and carried to approve purchase of other governmental service for Sue Gadille from Environmental Health Department.

Discussion: Trustee inquires if the form submitted could list the other government agency the employee is purchasing from. This process starts with the Board of Commissioner's Personnel Committee, then is referred to the Retirement Office, then it goes before the full Board of Commissioners.

16. Moved, supported and carried to approve purchase of other governmental service for Michael Shehan from Department Water and Sewer.
17. Moved, supported and carried to approve the non-duty disability retirement for Rebecca Miller from Bay Arenac Behavioral Health.
18. Moved, supported and carried to approve 4% interest on accumulated contributions as recommended by Gabriel Roeder Smith and Company.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be **Tuesday, December 11, 2012** at 1:30 P.M. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708.

UNFINISHED BUSINESS:

A. Mr. Potter has an updated schedule of the BCERS performance for the period of time they have been our consultant. Copies were provided to the Board. Mr. Potter states they started with Bay County on December 31, 1994. At that time the value of the Fund was \$88 million dollars. We have taken out \$107 million for benefits, we made \$264 million on investments. Income received was \$89 million and \$175 million of market value gains. This was in a time period that had two of the worst equity markets since the Depression. This is proof that steady management even in difficult times produces money. This pension fund is doing what it should - paying benefits and accumulating assets.

Looking at the return rates during this period of time, we have made 9.1% per year annualized return. This is one of the reasons that this Fund is as well funded as it is. We are outperforming the actuarial assumption. We have outperformed our Policy Index, and we have outperformed the S&P 500 Index. International and Fixed Income have both been very strong.

B. Geneva Capital Management - Chairman inquired if Becker, Burke could start immediately to get them funded so that we can get Corporation Counsel started on the contract. Mr. Potter advised that he asked our Corporation Counsel to take a look at the Sudan Legislation. Additionally they have asked the money manager to read the Sudan Legislation and advise if it is going to present any problems. Mr. Potter feels they should be able to get this completed fairly soon.

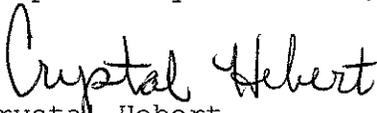
NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

19. Moved, supported and carried to adjourn the meeting at 2:22 p.m.

Respectfully submitted,


Crystal Hebert
Finance Officer/Secretary

MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE
NOVEMBER 13, 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

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

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

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 1:32 p.m. Roll call was taken. All trustees are present, except Mr. Coonan and Mr. Ryder.

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

This is a special meeting for the purpose of conducting three interviews of Mid Cap Growth managers to find a possible replacement for a current Mid Cap manager. Mr. Gray called for public input. Seeing no one from the public present, he moved on to petitions and communications.

Mr. Scott Priebe is present from Geneva Capital Management Ltd. located in Milwaukee, Wisconsin. A handout was provided to all Trustees.

They were founded in 1987 and are 100% employee owned. Assets currently under management \$3.7 billion. They focus on only two things, Mid Cap, and a Small Cap Growth strategy. They have a very diversified client base with a large public pension plan practice. They have low turnover of clients because they are very up front in terms of what a client can expect from a performance perspective. On average, they hold securities for four to five years. He explained how they screen potential companies, evaluate the business model and build an investment thesis, then evaluate attractiveness using valuation and technical review. They have provided superior returns with less volatility. He feels this is one of their competitive advantages by not only out performing, but by making fewer mistakes and having the low turnover strategy. Mr. Priebe concluded his presentation and answered questions from the Board.

The next presenter is Jim Hagerty from Jennison Associates LLC based in New York City, New York. He provided a handout to all Trustees. Jennison is a wholly owned subsidiary of Prudential since 1985. Jennison was started in 1969 as primarily stock management organization, so they have been in business for over 40 years. They have about \$160 billion in assets under management in a variety of strategies. Specific to Mid Cap Growth they have about \$7 billion. He gave an overview of the Small and Mid Cap team.

They focus on understanding business models and investing in companies they feel have long term solid growth potential. Their strategy is research intensive. They look for steady growth companies that are well established and have good growth profiles. He described their process of narrowing down potential companies to their final selection. John Mullman is the Portfolio Manager and he is the sole decision maker. The Analysts are very involved, monitor the companies, and provide feedback to Mr. Mullman. They have about 80-90 diversified holdings. Mr. Hagerty answered several questions during the presentation, he concluded and departed.

The next presenter is Jim Caine from Vanguard Equity Investment Group. They are based in Malvern, Pennsylvania. This presentation is via tele-conference. A handout has been provided to all Trustees.

Mr. Caine gave an overview of the company. They are a \$2 trillion dollar asset manager. They look for a balanced portfolio with about 55% of their

assets being passively managed Index Funds and 45% being active. In regards to their long term cash flow in the Mutual Fund business, over the last ten years, Vanguard has been either number one or number two in cash flow. This provides a consistency and allows them to be a very stable company.

He explained their philosophy of indexing, their strategies of active versus passive, the benchmarks they use, and their performance. They use a multi-manager approach. Vanguard employees do not actually manage this fund. They sub-advise it out to experts in the Mid Cap Growth space. Indexing is managed by Vanguard employees, they feel that is their strength and efficiency in the market place. They select managers, combine them, and provide oversight by having a portfolio review department. He talked about their Growth Fund which is their actively managed offering. Their fees for active managers are very low and probably compete with separate accounts in the market place. Vanguard uses two Fund Advisors, Chartwell Investment Partners and William Blair & Company. These two advisors select the stocks and make the final decision and Vanguard oversees to be sure they are in compliance with their investment style. Mr. Caine answered questions from the Board and concluded his presentation.

Discussion among Board Trustees to rate the three managers. Most of the Trustees favored Geneva, however, no decision will be made until the Board decides what they want to do with Denver Investments. The third quarter report will be available for the November board meeting and the Board will review Denver's performance at that time. Chairman Gray requested that Mr. Potter provide a 5-year comparison between Denver and Geneva for the November meeting.

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: None

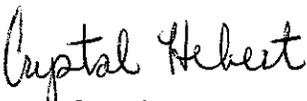
NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

- 2. Moved, supported and carried to adjourn the meeting. Meeting adjourned at 4:08 p.m.

Respectfully submitted,



Crystal Hebert
Finance Officer/Secretary

MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE
OCTOBER 29, 2012 MONEY MGR INTERVIEWS

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 1:32 P.M.

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

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

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



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Former State Senator and Michigan Democratic party Chairman Gary Corbin and his daughter Sally, a Cooley Law School Graduate, established Union Services Agency in 1996 to serve the insurance needs of Michigan's labor unions and municipal plans. Sally also proudly serves as a member of the State Police Retirement Board. Union Services Agency now serves most of the Taft-Hartley fiduciary needs of Michigan's Labor Movement, from the Upper Peninsula to Detroit. Union Services Agency also offers fiduciary insurance coverage for public employee retirement systems.

Proudly Serving the Fiduciary Insurance Needs of Taft-Hartley Trust Funds and Employee Retirement Systems

There's a lot of uncertainty in the world today, especially in the financial realm. As a pension plan trustee, your members' financial futures are in your hands. Should problems arise, you need to know you're protected.

Public pension fund fiduciary liability insurance is the most comprehensive and economical way to defend yourself in negligence suits, which can cost you millions of dollars.

A private attorney will represent your interests. You'll be indemnified in court proceedings, and all indemnification risks are transferred to us – not you. What does all this mean? Peace of mind! Start protecting yourself today with public pension fund fiduciary liability insurance. Your integrity and your future are too important.

◆ 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 260894	0.00 0.00%	41,152.40 0.15%	27,863,272.84 99.85%	0.00 0.00%	0.00 0.00%	0.00 0.00%	27,704,425.24 11.37%
*BAYCO - BAIRD -SL 2618668	0.00 0.00%	1,368,841.95 6.04%	0.00 0.00%	21,655,321.94 95.58%	0.00 0.00%	-386,409.28 -1.62%	22,657,754.61 9.30%
*BAYCO - SCHROEDERS -SL 2618669	0.00 0.00%	217.18 0.00%	9,365,780.77 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	9,365,007.95 3.84%
*BAYCO - MARVIN & PALMER -SL 2620611	0.00 0.00%	2.64 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	2.64 0.00%
*BAYCO - MACKAY SHIELDS -SL 2622480	0.00 0.00%	433,895.47 2.82%	3,317,290.13 21.59%	11,570,052.09 75.32%	0.00 0.00%	40,711.20 0.27%	15,361,948.83 6.31%
*BAYCO - HOTCHKIS & WILEY -SL 2622536	0.00 0.00%	371,740.12 3.45%	10,392,891.81 96.52%	0.00 0.00%	0.00 0.00%	3,479.03 0.03%	10,768,110.96 4.42%
*BAYCO - WENTWORTH -SL 2624493	0.00 0.00%	1,036,412.59 3.65%	27,392,523.70 96.35%	0.00 0.00%	0.00 0.00%	0.00 0.00%	28,428,936.29 11.67%
*BAYCO - CASH -SL 2639953	0.00 0.00%	1,919,491.71 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	1,919,491.71 0.79%
*BAYCO - DENVER INV ADV -SL 2639955	0.00 0.00%	1,147,954.85 6.10%	17,656,369.49 93.90%	0.00 0.00%	0.00 0.00%	0.00 0.00%	18,804,324.34 7.72%
*BAYCO - LOOMIS SAYLES -SL 2641401	0.00 0.00%	172,840.83 0.57%	0.00 0.00%	30,067,445.99 98.38%	0.00 0.00%	321,379.46 1.05%	30,561,666.29 12.54%
*BAYCO - INTEGRITY -SL 2653308	0.00 0.00%	502,411.37 2.56%	19,100,669.06 97.31%	0.00 0.00%	0.00 0.00%	25,412.95 0.13%	19,628,412.78 8.06%
*BAYCO - CORNERSTONE REALES-SL 2663296	0.00 0.00%	48,240.31 0.51%	9,435,912.76 99.66%	0.00 0.00%	0.00 0.00%	-16,093.17 -0.17%	9,468,069.90 3.89%
*BAYCO - MFS INVESTMENTS -SL 2663654	0.00 0.00%	406,714.10 1.56%	25,610,320.06 98.27%	0.00 0.00%	0.00 0.00%	44,350.79 0.17%	26,061,384.95 10.70%
*BAYCO - EAGLE ASSET -SL 2695063	0.00 0.00%	129,346.05 1.41%	8,922,158.29 97.42%	0.00 0.00%	0.00 0.00%	106,778.94 1.17%	9,156,283.28 3.76%

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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
BYC01 BAY COUNTY - INVESCO	106.02 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	106.02 0.00%
BAYCO-BARINGS	309,727.71	0.00	13,407,083.15	0.00	15,540.20	22,258.40	13,754,609.46
BYC03	2.25%	0.00%	97.47%	0.00%	0.11%	0.16%	5.65%
Total for consolidation	309,833.73	7,579,261.57	172,264,202.06	63,292,819.96	16,540.20	181,877.72	243,643,636.24
% for consolidation	0.13%	3.11%	70.70%	25.98%	0.01%	0.07%	100.00%

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	7,653,569.51	19,762,481.35	9,645,338.48	12,667,242.55	25,230,006.97	20,108,917.03	24,984,751.61	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	20,614,890.78	10,044,714.40	13,401,835.32	28,465,286.67	20,569,524.39	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	13,791,628.18	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	19,175,661.28	10,133,963.86	26,547,672.38	29,369,026.18	1,460,447.93	246,185,352.77
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	10,909,579.66	12,989,460.66	26,326,540.44	20,708,828.84	25,685,035.85	0.00	19,556,119.61	10,540,023.79	26,121,450.00	29,107,108.99	2,172,230.00	248,683,618.25
JUNE	20,746,853.51	14,063,143.90	8,503,462.37	21,251,465.03	10,992,723.30	12,856,047.57	26,042,704.52	20,546,880.50	25,814,848.82	0.00	19,123,828.91	10,372,870.61	25,801,680.47	28,739,352.00	1,407,744.35	245,986,426.86
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	26,708,859.23	20,308,927.94	25,442,416.08	0.00	18,602,263.27	10,169,254.37	24,568,472.00	28,489,107.66	2,705,007.78	242,281,963.28
AUG	21,508,688.73	13,465,576.09	8,115,783.25	18,275,359.08	8,531,450.27	10,286,657.96	26,712,989.79	19,537,498.25	23,807,045.25	0.00	16,868,982.09	9,162,890.99	22,966,123.98	26,670,298.95	1,927,477.25	227,837,578.83
SEPT	21,741,103.61	11,982,478.89	7,201,535.12	16,125,843.44	7,584,663.03	8,793,553.07	26,586,206.54	18,911,469.23	21,278,377.67	0.00	15,247,780.74	8,309,250.23	21,275,774.49	23,492,818.77	1,092,326.87	209,602,988.70
OCT	21,943,579.55	13,139,773.53	8,245,388.04	18,797,578.54	9,681,458.68	9,163,191.41	27,104,980.39	18,827,420.73	24,257,438.07	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	12,627,824.58	7,850,084.76	18,812,916.80	8,559,755.97	9,035,696.65	26,612,318.31	18,730,264.14	23,786,091.54	0.00	17,539,617.31	8,473,339.92	24,255,078.32	26,944,261.78	1,694,119.05	226,575,089.52
DEC	21,916,052.96	12,342,383.91	8,337,705.77	18,311,975.78	8,452,714.39	8,826,395.44	27,225,128.57	17,647,770.24	23,378,008.41	0.00	17,682,043.61	8,206,892.15	24,563,301.47	26,155,516.87	2,989,363.88	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	19,505,222.86	9,091,184.15	9,616,762.28	27,887,347.36	18,323,036.47	24,478,548.21	0.00	18,661,170.80	8,855,756.68	25,484,523.89	28,270,329.85	2,418,984.84	238,726,165.73
FEB	21,981,851.09	13,860,852.41	8,776,050.86	20,468,720.54	9,547,851.49	10,040,742.50	28,210,710.54	18,585,218.66	25,577,843.20	0.00	18,284,116.96	9,453,786.51	26,691,840.34	29,660,988.67	1,593,093.65	243,733,277.54
MARCH	21,884,657.68	13,655,740.21	9,223,973.24	20,929,328.69	9,414,543.74	10,269,614.84	27,993,659.78	18,597,935.13	26,486,213.09	0.00	19,302,589.37	9,481,279.08	27,637,072.61	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	18,478,868.37	26,410,651.70	0.00	18,189,547.12	9,451,149.38	27,305,074.31	28,163,094.04	2,728,791.13	244,850,956.33
MAY	22,340,285.29	12,023,002.85	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	17,895,656.50	8,316,247.94	25,189,030.07	25,807,231.53	2,119,999.73	230,043,203.62
JUNE	22,332,110.80	12,683,536.96	9,502,878.80	18,355,465.95	8,598,741.70	10,029,760.40	28,701,192.21	18,213,023.01	25,584,685.85	0.00	18,402,526.81	8,652,162.15	26,249,626.46	26,796,494.17	1,588,662.82	235,688,937.49
JULY	22,528,652.66	12,856,006.85	9,697,971.18	18,072,227.04	8,598,409.58	9,903,353.54	28,517,025.90	16,394,421.41	25,221,087.68	0.00	18,252,917.66	8,575,420.96	26,148,886.06	27,633,640.24	3,198,205.19	238,599,205.75
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	25,563,213.52	18,978,401.83	8,807,347.86	27,069,903.18	28,534,349.98	2,248,291.41	241,248,546.40
SEPT	22,598,320.54	13,883,508.03	9,452,119.75	19,251,047.40	9,269,774.41	10,584,167.91	30,012,507.11	16,971,368.46	24,574.97	26,485,271.20	19,372,849.65	9,215,665.74	27,111,817.11	29,223,246.90	557,451.80	244,614,889.98
OCT	22,669,856.25	13,743,037.56	9,457,228.74	18,967,771.56	9,008,760.04	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	27,738,612.83	27,343,970.22	3,622,368.30	242,727,483.91
NOV	22,627,236.75	13,728,074.92	9,457,644.15	19,035,506.60	9,217,585.61	10,717,314.34	30,487,046.77	15,348,823.56	24,280.85	26,323,255.13	19,650,278.22	9,286,180.79	27,634,734.92	27,231,883.91	2,993,559.79	243,893,416.32
DEC																0.00

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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	13,896.11	33,981.04	20,004.86	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	0.00	365,060.79
2ND QTR	16,750.67	31,896.23	14,254.32	29,798.09	18,260.18	24,706.50	22,836.85	23,366.00	47,963.80	0.00	38,423.00	18,713.42	32,754.95	35,296.00	0.00	355,171.01
3RD QTR	16,938.71	30,013.76	14,288.10	31,222.87	19,652.58	25,557.60	23,723.33	22,843.00	28,829.39	11,885.37	39,124.00	18,817.59	34,358.97	37,635.00	0.00	354,680.27
4TH QTR																
2012 YTD	50,103.36	92,212.07	42,378.53	95,003.00	57,917.64	75,203.36	68,151.82	68,354.00	126,457.78	11,885.37	117,076.00	57,215.74	101,878.38	110,285.00	0.00	1,074,922.07

	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
GOVERNMENTAL FIXED INCOME MANAGER																
LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER																
LARGE CAP DEEP VALUE MANAGER																
REAL ESTATE INVESTMENT TRUST MANAGER																
MID-CAP GROWTH MANAGER																
SMALL-CAP GROWTH MANAGER																
MID-CAP VALUE MANAGER																
CORPORATE BOND MANAGER																
CONVERTIBLE BOND MANAGER																
LARGE CAP GROWTH EQUITY MANAGER																
INTERNATIONAL SMALL/MID CAP EQUITY MANAGER																
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: October 31, 2012

Statement of Changes

	Current Month	Current Quarter	Fiscal Year to Date	Inception to Date
Beginning Market Value	19,220,570	18,071,538	18,312,310	10,000,000
Net Additions/Withdrawals	(160)	(261)	1,036	(10,938,429)
Income Received	25,423	47,935	135,380	1,901,029
Change in Accrued Income	(9,506)	0	(10,184)	0
Change in Unrealized Gain/Loss	(28,674)	1,628,218	791,674	41,391
Realized Gain/Loss	(240,009)	(779,785)	(282,571)	17,963,654
Ending Market Value	18,967,645	18,967,645	18,967,645	18,967,645

Portfolio Composition

	Market Value	% of Total
Total Fund	18,967,645	100.00
Equity and Related	17,851,222	94.11
Cash and Equivalents	1,116,423	5.89

Performance Summary

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Inception Annualized	Inception Cumulative
Total Fund	(1.32)	(1.32)	4.96	3.57	7.86	246.35
Equity and Related	(1.47)	(1.47)	5.06	4.00	8.05	256.74
Cash and Equivalents	0.00	0.00	0.05	0.08	3.25	69.11

Benchmark Indices

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Inception Annualized	Inception Cumulative
Russell Midcap Growth W/Inc	(2.28)	(2.28)	3.08	11.29	6.83	195.97
S&P Midcap 400 W/Income	(1.39)	(1.39)	4.02	12.20	10.33	402.65
Nasdaq Composite	(4.46)	(4.46)	1.28	14.28	5.46	139.45
S&P 500 W/Inc	(1.85)	(1.85)	2.96	14.29	6.56	184.05
Russell Midcap W/Inc	(1.01)	(1.01)	4.28	12.85	8.96	309.19

*Inception Date: May 31, 1996

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PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments
375 - BAY COUNTY MI EMP RET SY
 World

As of: October 31, 2012

Statement of Changes

	Current Month
Beginning Market Value	19,220,570
Net Additions/Withdrawals	(160)
Income Received	25,423
Change in Accrued Income	(9,506)
Change in Unrealized Gain/Loss	(28,674)
Realized Gain/Loss	(240,009)
Ending Market Value	18,967,645

Portfolio Composition

	Market Value	% of Total
Total Fund	18,967,645	100.00
Equity and Related	17,851,222	94.11
Cash and Equivalents	1,116,423	5.89

Performance Summary

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Total Fund	(1.32)	3.57	0.90	12.78	(0.28)	7.86
Equity and Related	(1.47)	4.00	1.25	13.61	0.25	8.05
Cash and Equivalents	0.00	0.08	0.08	0.12	1.03	3.25

Benchmark Indices

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Russell Midcap Growth W/Inc	(2.28)	11.29	9.09	15.42	1.55	6.83
S&P Midcap 400 W/Income	(1.39)	12.20	11.45	15.58	3.00	10.33
Nasdaq Composite	(4.46)	14.28	10.91	13.34	0.81	5.46
S&P 500 W/Inc	(1.85)	14.29	15.21	13.21	0.36	6.56
Russell Midcap W/Inc	(1.01)	12.85	12.15	15.59	1.70	8.96

*Inception Date: May 31, 1996

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December 4, 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 November 30, 2012 in the table below:

	Time Weighted Total Return Gross of Fees					
	November 2012	Year-to- Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	-0.02%	13.97%	13.59%	9.24%	2.42%	4.91%
S&P 500	0.58%	14.96%	16.13%	11.25%	1.34%	4.85%

*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

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The US – the last best hope for the global economy?



IN THIS COLUMN, HEAD OF ASSET ALLOCATION PERCIVAL STANION EXPLAINS OUR CURRENT INVESTMENT STRATEGY AND SOME OF THE THINKING BEHIND IT.

Most of our economic assessments remained unchanged this month, with spreading weakness in Europe, slowing activity in China and stuttering US growth. Nevertheless, we did significantly start to raise our expectations for the profile of US growth on a 12 month view. This is a controversial decision given the looming 'fiscal cliff' and the uncertain political outlook, but we felt it was important to raise our sights a little and look to a more normal horizon, even in a period of unusual economic and political uncertainty.

This involves assuming that the fiscal cliff is resolved relatively easily and quickly in 2013, with little permanent damage to consumer or business sentiment. Like the consensus, we have to assume that there will be minimal fiscal tightening in 2013. We would stress that markets are certainly not priced for anything worse, which would almost certainly tip the US (and global) economy into a recession.

However, the underlying conditions in the US are good, in fact better – considerably better, than any other major developed economy. Exports are competitive, the banking sector is recovering and already expanding its balance sheet, the consumer is generally more confident and the housing market is poised for a recovery.

In the case of housing, it seems all indicators are actually poised for a rebound. Prices have been rising gently for several months and inventories of foreclosed properties are significantly down, even in states like Florida and California where the previous bubbles' excesses were at their worst. Affordability levels are very good with interest rates at record lows for those who can obtain mortgages and rental rates are more expensive than buying.

Some of the remaining negatives have been the higher mortgage origination standards – so while mortgages are cheap to service, far fewer people qualify for new credit. Most mortgage activity at the moment is therefore in refinancing. There are also a significant number of mortgage holders who are still in negative equity who can neither refinance, nor move to a new house. This probably explains why the Federal Reserve is targeting its latest quantitative easing program at the residential mortgage-backed securities market.

If successful, this could have a significant impact on growth over the next few years, possibly by as much as 0.5% per annum due to the significant multiplier effect of a stronger housing market on a range of sectors. Absent a significant hit from the fiscal cliff next year, this factor could see the US economy leading the global recovery with a growth rate closer to 3%.

This almost sounds like a bullish argument. But before we get too carried away, it looks like markets have already priced in that the US is the last best hope for the global economy. As the fiscal cliff approaches, we could see more political brinkmanship; markets may be in for a torrid time in the New Year, even if the eventual outcome is to kick the deficit problem further down the road.

Outside of the US, the outlook is still very bleak. In Europe, growth continues to ebb away with the French economy now showing significant signs of strain. An outright recession looks likely next year, which taken together with the structurally high unemployment rate is probably going to cause severe headaches for a government committed to improving its competitive position and also reducing the budget deficit. We suspect Italy is also floundering and likely to be following a similar path to Spain over the next 12 months. The European Central Bank's (ECB) bond buying program has at least removed the immediate threat of a bond buyers strike tipping a government into a crisis, but the underlying economic trends of austerity combined with a lack of competitiveness are remorseless. This is confirmed by the latest news that Greece has again missed all its deficit reduction targets, with current debt levels exceeding even the worst case scenario put together by the International Monetary Fund just a few months ago.

Some type of debt default therefore seems to be the inevitable course that is facing Greece and other southern European states and this could result in a Euro exit among other options. Looking ahead, we do not expect any change in policy before the German elections next September.

This reinforces our view that across Europe – and indeed across the globe – the outlook is being increasingly dominated by the political environment. So markets may not be the next catalyst for the crisis, but the reaction of electorates might well be. In this regard, the better growth figures from the UK did not disguise the fact that the economy has been flat for the last year and that the coalition government looks increasingly shaky and devoid of a coherent agenda.

There are at least some tentative signs that growth in China is beginning to stabilize, although we suspect that the actual growth rate may be somewhat below the official figures. The Party Congress on the 8th November will see the new leadership revealed, although we do not expect any policy announcements until the end of the year, or early 2013.

Looking to the corporate sector, the results profile for the third quarter has been decidedly downbeat and many companies have given cautious assessments of the prospects for next year. Significantly, many firms have mentioned much slower growth in Asia as a major cause for disappointment, perhaps indicating just how critical Asian demand has been for many companies in recent years. There have also been far more warnings about how the US budgetary position and the threat of retrenchment has been impacting domestic activity in the US. Financial stress is also taking a toll in company failures with France's Peugeot seeking government help and Japan's Sharp openly questioning its own future, while the UK has seen further problems in the retail sector, with Comet the latest casualty.

With regard to our own policy, we made some small adjustments this month which slightly raised our risk profile. The most important changes are a downgrade to US equities and an upgrade to emerging markets and UK equities. The main reason for this is the acknowledgement that the US has been significantly outperforming the rest of the world for most of the past two years. Its better growth prospects are now firmly embedded in most analysts' expectations. We may get a buying opportunity again on any volatility over the fiscal negotiations, but we see limited upside potential at current valuations.

Similarly, there is a lot of disillusionment with the emerging world, especially large markets such as China. Valuations are attractive and could lead to a reversal in performance if the newsflow turns positive. We have balanced this with upgrading the UK, a relatively defensive market which has good exposure to global growth, emerging markets and the mining sector which has recently performed poorly.

At the sector level, we have become more positive on Financials. Again it is cheap and expectations are low, but in the US the banks are expanding their balance sheets and the outlook for profitability is improving. Conversely, we have downgraded Telecoms and Consumer Staples, with the latter looking particularly vulnerable to any earnings disappointments. We also downgraded cash, but we have retained our positive stance on corporate bonds, where we maintain a clear preference for high yield over investment grade.

Percival Stanion

Chairman, Strategic Policy Group
Barings Asset Management, London

IMPORTANT INFORMATION

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PERFORMANCE HISTORY
Bay County Employees' Retirement System

**Percent Return
Per Period**

Time Period	10/31/2012	Percent Return Per Period		
		Portfolio Gross	Portfolio Net	FTSE/NAREIT Equity REIT Index
1 Month		-0.72%	-0.77%	-0.84%
YTD		13.43%	12.87%	14.12%
1 Year		14.71%	14.03%	14.94%
3 Year		22.57%	21.85%	21.90%
Inception (October 21, 2008)		18.50%	17.80%	16.20%

Bay County Employees' Retirement System
 05231100/
 SmallCap Growth Equity

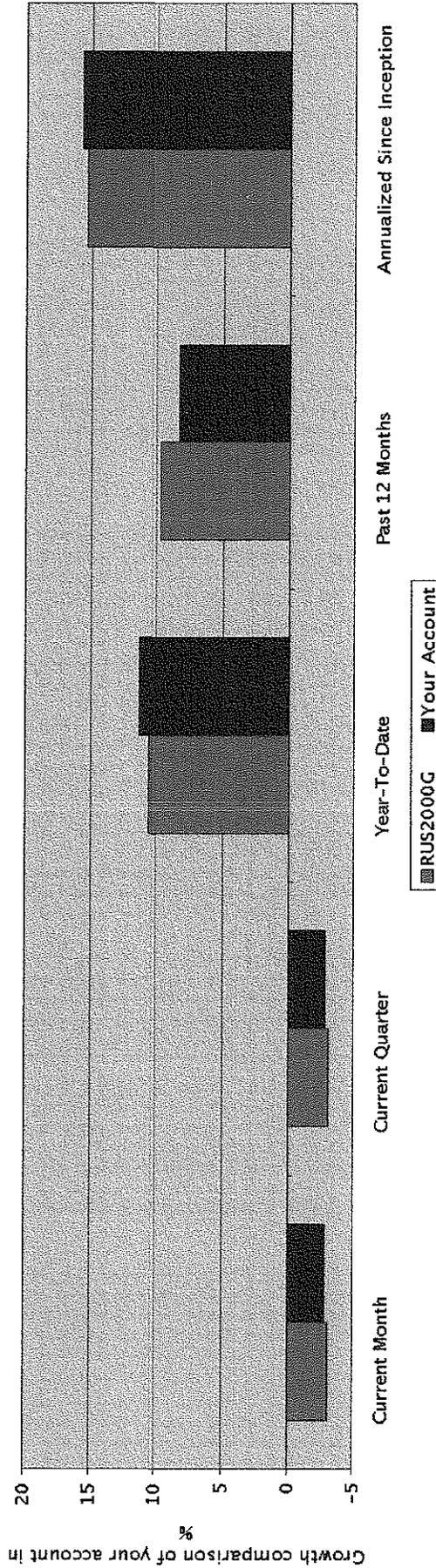
PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 10/01/2012
 CURRENT QUARTER STARTED ON: 10/01/2012
 YEAR-TO-DATE STARTED ON: 01/01/2012
 INCEPTION DATE: 09/02/2010

AS OF 10/31/2012

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	-2.82%	-2.82%	11.26%	8.34%	N/A	N/A	15.76%
Russell 2000 Growth Index	-3.11%	-3.11%	10.53%	9.70%	N/A	N/A	15.32%



Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 10/01/2012
CURRENT QUARTER STARTED ON: 10/01/2012
YEAR-TO-DATE STARTED ON: 01/01/2012
INCEPTION DATE: 09/02/2010

AS OF 10/31/2012

SUMMARY

CONTRIBUTIONS THRU 10/01/2012	\$6,020,589
DEPOSITS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	\$0
CASH	
WITHDRAWALS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	\$0
CASH	
TOTAL CONTRIBUTIONS THRU 10/31/2012	<u>\$6,020,589</u>
MARKET VALUE OF ACCOUNT AS OF 10/31/2012	<u>\$9,007,122</u>

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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

Month Ended October 31, 2012

Total Market Value: \$10,557,387 (2.4% Cash)

Small Cap Value

Performance Returns - Gross of Fees		Weighted Average Portfolio Characteristics	
MTD	QTD	YTD	Since Incept.
Portfolio - Total Return	0.19 %	0.19 %	19.63 %
Portfolio - Equity Only	0.19 %	0.19 %	19.89 %
Russell 2000 Value Index	-1.25 %	-1.25 %	12.93 %
Russell 2000 Index	-2.17 %	-2.17 %	11.75 %
S&P 500 Index	-1.85 %	-1.85 %	14.29 %

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

Top and Bottom Five Contributors to Performance		Trading Data	
End Wgt	Ttl Ret.	Contr.	Major Buy(Sell)
Alliant Techsystems Inc.	2.88 %	14.33 %	0.36 %
Con-Way Inc.	4.74 %	6.36 %	0.28 %
Valassis Communications	5.18 %	5.39 %	0.26 %
Arris Group Inc.	3.67 %	7.43 %	0.26 %
Converse Technology Inc.	3.74 %	7.07 %	0.24 %

Top Ten Stocks - Total Portfolio		New buy/final sell	
End Wgt	+/-	Major Buy(Sell)	+/-
Valassis Communications	5.2 %	Rush Enterprises Inc.	0.8 %
Con-Way Inc.	4.7 %	Intersil Corp.	0.5 % *
CNO Financial Group Inc.	3.8 %	Argo Group Intl Hldgs Ltd.	0.5 %
Converse Technology Inc.	3.7 %		
Arris Group Inc.	3.7 %		
Rent-A-Center Inc.	3.6 %	(Horace Mann Educators Corp.)	-0.5 %
Quiksilver Inc.	3.5 %	(United Therapeutics Corp.)	-0.9 % *
Great Plains Energy Inc.	3.3 %		
Huntington Ingalls Ind. Inc.	3.3 %		
PHH Corp.	3.0 %		

Performance Attribution		Allocation	
Portfolio	Russell 2000 Value	Sector	Stock
Information Technology	11.26 %	0.04	0.82
Industrials	28.70 %	0.35	-0.01
Financials	29.80 %	-0.07	0.37
Consumer Discretionary	14.15 %	0.03	0.13
Utilities	6.10 %	-0.01	0.08
Telecommunication Services	0.00 %	0.05	0.00
Consumer Staples	1.68 %	0.01	0.01
Energy	2.79 %	0.08	-0.08
Health Care	3.82 %	0.09	-0.25
Materials	1.71 %	-0.07	-0.12
		0.50	0.94

Russell 2000 Value		Equ. Ret.	
Avg Wgt	Equ. Ret.	Equ. Ret.	Total
Information Technology	11.86 %	-4.05 %	0.86
Industrials	12.87 %	0.93 %	0.35
Financials	36.97 %	-0.19 %	0.29
Consumer Discretionary	11.60 %	-0.51 %	0.16
Utilities	7.13 %	-0.23 %	0.07
Telecommunication Services	0.56 %	-10.59 %	0.05
Consumer Staples	2.55 %	-2.25 %	0.02
Energy	6.34 %	-3.52 %	0.00
Health Care	4.72 %	-8.76 %	-0.16
Materials	5.39 %	0.59 %	-0.19
			1.45

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.

Portfolio Summary

Bay County Employees Ret System
4407N1

Date Run: 11/14/2012
Period Covered: 09/30/2012 to 10/31/2012
Base Currency: USD

Portfolio Composition as of 10/31/2012

Total USD Market Value	
Bonds	29,671,895
Cash and Equivalents	395,831
Accrued Income	297,028
Total	30,364,754

% of Total	
	97.72%
	1.30%
	0.98%
	100.00%

Statement of Changes

Total Market Value at 09/30/2012	29,957,335
Net Additions/Withdrawals	-126
Income Earned	105,700
Portfolio Appreciation/Depreciation	301,845
Total Market Value at 10/31/2012	30,364,754

Performance Returns (Supervised Assets)

	1Mth	3Mths	YTD	1 YR	3 YRS*	5 YRS*
Total	1.36	2.86	11.54	12.03	10.79	8.81
Barclays U.S. Corporate Investment Grade	1.29	2.23	9.82	10.08	9.04	7.96

* - 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 10/31/2012

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CLIENT	Bay County Employees' Retirement System
ACRONYM	BCSE
DATA AS OF	31 October 2012

PERFORMANCE

	MTD	QTD	Rolling 3 months	YTD	1 Year	3 Year	5 Year	*Since Inception
Bay County Employees' Retirement System (Gross)	-2.98	-2.98	N/A	N/A	N/A	N/A	N/A	0.09
Bay County Employees' Retirement System (Net)	-3.03	-3.03	N/A	N/A	N/A	N/A	N/A	-0.01
Russell 1000 Growth Index	-2.92	-2.92	N/A	N/A	N/A	N/A	N/A	-1.01

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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Robert M. Hall
Institutional Fixed-Income
Portfolio Manager

SLOW GROWTH, TAME INFLATION KEEP PRESSURE ON YIELDS

by Robert M. Hall

Duration/Rates — In the months ahead, we expect US Treasury yields will remain steady or fall slightly, given the persistence of slow growth and low inflation, continuing political and policy uncertainties and an extremely accommodative US Federal Reserve Board. Over the longer term, we remain negative on Treasury valuations on the expectation that monetary policy will eventually normalize and Treasury rates will rise.

Treasury Inflation-Protected Securities (TIPS) — TIPS have recently outperformed nominal Treasuries as inflation breakevens have widened. The near-term outlook for TIPS versus nominal Treasuries depends on whether QE3 can drive sufficient macro improvement to justify expectations of higher inflation. Over the longer term, we expect both real yields and inflation expectations to rise. In this scenario, the value proposition of TIPS may simply be that they lose less money than nominal Treasuries.

Mortgage-backed securities — We remain neutral on agency mortgage-backed securities (MBS). With the Fed buying mortgages, technicals may cause spreads to grind tighter. In general, MBS already look overvalued based on fundamentals, though some pockets of opportunity remain. Valuation considerations aside, MBS continue to offer better liquidity and higher quality than many other spread sectors and consequently may be less volatile in the event of risk-off developments.

Investment-grade corporates — With the persistence of strong technicals driven by the forces of financial repression, most credit markets, including high-grade corporates, appear fully valued or close to fully valued relative to their fundamentals. We think technicals could cause spreads to grind even tighter, provided Fed policy stays accommodative and sentiment remains fixed on expectations of “muddle-through” macro outcomes. In this environment, where bond markets very broadly cannot be considered “cheap,” we think the best course is to seek sectors that offer the most attractive relative value. In our view, high-grade corporates continue to offer good value, particularly lower-quality-tier. We have also continued to find good opportunities in the crossover space, where we have focused on companies that we believe exhibit investment-grade characteristics.

High-yield corporates — We have maintained a relatively cautious stance on the high-yield corporate bond sector on the view that valuations are unattractive. Average dollar prices have fallen since mid-September but still remain close enough to call prices to keep convexity negative, limiting further upside. Yield-to-worst has risen modestly from mid-September’s all-time lows but still represents meager compensation for the array of credit, volatility and liquidity risks that we think the market presently faces. Third-quarter earnings releases suggest that micro fundamentals for the asset class are softening, but supply/demand technicals have remained very supportive.

Emerging market debt (EMD) — While strong performance has made valuation less attractive, we think EMD continues to offer good value versus other fixed-income sectors in an environment where we expect rates to stay relatively low and tail risks to gradually subside. On balance, we believe the global risk backdrop has improved, and we have accordingly added a modest amount of risk to portfolios in the past few months. We have been sensitive to the fragility of risk sentiment, however, and have therefore emphasized liquidity and the appropriate sizing of our riskier exposures.

Municipal bonds — We are neutral to positive on the prospects for the municipal bond market. Tail risks exist, both in the near term (potential changes in tax-exempt status) and long term (unfunded pension liabilities), but the technicals have remained very supportive. We continue to see good value in the municipal bond market versus taxable sectors, and we continue to favor essential service revenue bonds over general obligation bonds.

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Sanjay Natarajan
Institutional Equity Portfolio
Manager

EMBRACING UNCERTAINTY IS THE NEW NORMAL

by Sanjay Natarajan

Although our intellect always longs for clarity and certainty, our nature often finds uncertainty fascinating.

— *Carl von Clausewitz*

Global equity markets, as measured by the MSCI All Country World Index, are up 12.67% year-to-date as of 31 October 2012, supported by extremely loose monetary policy and a potential bottoming-out of earnings downgrades. While investors can be constructive on equities, they need to be cautious in the near term, as underlying economic fundamentals remain weak and market momentum is slowing.

Three main concerns are pressuring markets as we work our way through the fourth quarter.

The US fiscal cliff — While the US Federal Reserve Board's QE3 is helping to offset market worries about the fiscal cliff, this is only a stop-gap measure. We do not believe markets have yet priced in the full potential impact of the fiscal cliff. The spending cuts and tax increases that could be activated if policymakers do not agree to raise the debt ceiling could shave off between 1% and 4% of US economic growth. The uncertainty about the likelihood of a compromise could have a negative short-term impact on corporate earnings and spending decisions. With expectations for 10% year-on-year earnings per share growth for Q4, the bar is reasonably high, and thus far earnings reports have been lackluster.

Europe sovereign risks — The European Central Bank's focus on the removal of tail risks should be positive for European equities, which remain inexpensive relative to history. Consensus earnings expectations for Europe have fallen from 8%, where they began the year, to 2%. Thus a combination of reasonable valuations, lower expectations and low hurdles compared to the prior year should provide support for the equity market. The one clear offsetting factor continues to be the high probability of European governments disappointing the market with inconsistent policy actions.

China hard landing — Most investors are bearish on China, expecting that it will be difficult for the country to engineer a soft landing, which would include economic growth that is greater than 7%.

The key question is whether China's once-in-a-decade political transition, which begins in November, will lead to reforms that end up lowering the returns for large state-owned companies such as banks and telecoms. However, we have recently seen a marginal improvement in growth indicators, which could be an indication that the economy is bottoming out. With the market trading at an estimated 10 x price-to-earnings, it seems to be pricing in an economic slowdown but not the impact of potential reforms that may negatively impact longer-term returns. Thus far, while we have seen some minor rotation to emerging markets, we have not seen any meaningful flows back into China. We need to see the relatively strong GDP growth rates in China and the rest of the emerging markets translate into strong earnings growth for those markets to make a sustainable move higher.

Overall, our recent views have been constructive on equities because of easy money and a bottoming-out of earnings downgrades. If global growth decelerates again and the issues we have outlined are not handled well, we could see a setback. Be prepared for continued policy uncertainty and the US presidential election to impact markets in the near term.

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Robert Spector, CFA
Portfolio Manager

THE ONGOING BALANCE BETWEEN GROWTH AND AUSTERITY

by Robert Spector, CFA

The main challenge facing the global economy since the financial crisis has been how to continue to grow in the midst of a powerful deleveraging cycle. The first obstacle was (and remains) private sector balance sheet repair in countries such as the United States, the United Kingdom and Spain, and the current challenge is how to grow amid fiscal austerity, a theme throughout the developed world.

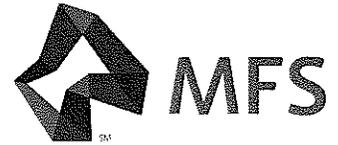
But trying to achieve this balance between austerity and growth has not been easy. The main tool policymakers have been using to buffer the headwinds is a super-easy monetary policy stance. Policy rates near 0% combined with unconventional policy-loosening measures such as quantitative easing have been reflationary in that they, first, helped avoid a full-fledged deflationary outcome in early 2009 and, second, reflat asset-risky prices such as stocks and corporate bonds while at the same time nurturing an extremely low level for government bond yields.

However, these extraordinary easing measures have failed to inspire a self-sustained and above-trend economic expansion: The US economy remains mired in a 2% growth environment; Europe is in recession; and the large emerging economies have slowed as well. In addition, new research from the International Monetary Fund has found that the "multipliers" that policymakers and forecasters have been using to estimate the growth effects of fiscal austerity have been too low. In other words, fiscal austerity had a greater negative effect on growth than economists expected, facing an even greater burden on monetary policy to offset the headwind, and helping to explain, for example, why deep budget cuts in countries like Spain and Greece have led to weaker growth and even larger deficits.

In essence, over the past three years what we have seen is a mushy global recovery, with periodic "boomlets" eventually fizzling as new policy measures run their course.

We may currently be approaching one of these inflection points to the upside. There are signs of stabilization in global activity and outright improvement in some areas. US growth is picking up. The housing sector continues to trend higher, and consumer spending has surprised to the upside. Business spending has been a disappointment, with companies showing clear evidence of pulling back amid fiscal cliff uncertainties. There is thus the potential for pent-up corporate demand should the fiscal cliff get resolved soon without a severe hit to growth. China's economy has improved as well, and though one must always be skeptical of Chinese data, the trend in exports in Taiwan, Singapore and South Korea validate the bounce in China. Europe, meanwhile, remains in recession, but there are some signs that activity is not getting worse given the decline in distressed country bond yields and stabilization in some leading indicators.

Unfortunately, we do not think the global economy is ready to emerge from these mini boom/bust cycles just yet. Monetary policy will remain supportive for growth, but the benefits from more QE measures are likely to be marginal. What kind of impact the fiscal cliff will have will not be known until well after the US election. The European Central Bank may have bought time in Europe, but banking union and Spain's inevitable need for a bailout continue to get pushed back. China's leadership transition potentially means economic uncertainty. So, much of the global economy's future resides in the hands of governments, and this is never a good sign.



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by Robert Spector, CFA

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Equity outlook

by Sanjay Natarajan

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Fixed-income outlook

by Robert M. Hall

SLOW GLOBAL GROWTH AND AUSTERITY KEEP MARKETS UNDER PRESSURE

Executive summary

- As we move toward 2013, much of the global economy's future resides in the hands of governments, as policymakers in the United States, Europe and China try to find the best way to balance growth and austerity.
- Attaining this balance remains the chief challenge for the global economy. There are signs of stabilization in global activity and outright improvement in some areas. However, the extraordinary easing measures implemented by central banks around the world have failed to inspire self-sustained and above-trend economic expansion.
- In essence, over the past three years what we have seen is a mushy global recovery, with periodic "boomlets" eventually fizzling as new policy measures run their course. While there may be some positive signs, we do not think the global economy is ready to emerge from these mini boom/bust cycles just yet.
- Global equity markets, as measured by the MSCI All Country World Index, are up 12.67% year-to-date as of 31 October 2012. While investors can be constructive on equities, three concerns (discussed below) are pressuring markets.
- We do not believe markets have yet priced in the full potential impact of the fiscal cliff. The uncertainty about a compromise could have a negative short-term impact on corporate earnings and spending decisions.
- The European Central Bank's focus on the removal of tail risks should be positive for European equities. Consensus earnings expectations for Europe have fallen to 2% from 8%, where they began the year. While there are some positive signs, the political risks and sovereign debt issues are far from fully resolved, potentially capping European equity performance.
- Most investors are bearish on China, expecting that the country will have difficulty engineering a soft landing. The key question is whether China's political transition will lead to reforms that end up lowering the returns for large state-owned companies.
- In the months ahead, we expect US Treasury yields will remain steady or fall slightly, given the persistence of slow growth and low inflation, continuing political and policy uncertainties and an extremely accommodative US Federal Reserve Board. Over the longer-term, we remain negative on Treasury valuations on the expectation that monetary policy will eventually normalize and Treasury rates will rise.
- With the persistence of strong technicals driven by the forces of financial repression, most credit markets, including high-grade corporates, appear fully valued or close to fully valued relative to their fundamentals. While strong performance has made valuations less attractive, we think emerging market debt continues to offer good value versus other fixed-income sectors in an environment where we expect rates to stay relatively low and tail risks to gradually subside. On balance, we believe the global risk backdrop has improved, and we have accordingly added a modest amount of risk to portfolios in the past few months.

**BUILDING
BETTER
INSIGHTSSM**

MackayShields



BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Monthly Report
October 31, 2012

OCTOBER 2012 – OVERVIEW OF MONTHLY PERFORMANCE

MARKET OVERVIEW

The U.S. convertible market, as measured by the BofA Merrill Lynch All Convertible Index, was down 0.21% in the month of October 2012, while underlying equities declined 1.19%. Year-to-date, the All Convertible Index is up 11.60% while underlying equities rose 12.91%. During the month, investment-grade convertible bonds, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, declined 0.43%, underperforming speculative-grade convertible bonds, which rose 0.49% during the month. Year-to-date, investment grade convertibles returned 10.72%, while speculative-grade convertibles were up 12.65%.

The equity market moved lower during the month of October. During the period, the S&P Index fell 1.85%. U.S. macro-economic data continues to come in with mixed results. While consumer confidence and the housing market showed signs of strength, durable goods orders and manufacturing came in weaker than expected.

We continue to believe that legitimate concerns remain surrounding the global economy, including China's decreasing rate of growth, Europe's unresolved long-term debt and budgetary problems, as well as the mixed economic indicators coming from the United States, including high unemployment and stagnant wages. We continue to believe that convertible bonds and stocks are attractive and should continue to perform well, barring some geopolitical shock combined with sharply higher energy prices.

Telecommunication Services (up 4.55%) was the best performing sector in the month. Transportation and Consumer Discretionary also outperformed, up 3.64% and 3.21%, respectively. The worst performing sectors were Technology (down 3.35%) and Healthcare (down 1.44%). Year-to-date, Telecommunication Services and Financials are the best performing sectors, while the worst performing sector has been Materials, down 5.55%.

There were seven new convertibles issued in October. A diverse array of sectors was represented in these new issues, including Technology, Financials (two issues), Materials, Energy, Health Care and Consumer Discretionary. Together, the new convertible issuance raised \$2.69 billion. This brings the total amount of new convertible bond issues for the year to \$18.41 billion. The average size convertible bond deal in the month was \$384.54 million.

PERFORMANCE

The convertibles bonds of WellPoint and SBA Communications, and the convertible preferred securities of Citigroup, were leading contributors during the month. WellPoint bonds performed well as we bought much of our holdings at issuance and the bonds rose in the wake of the offering due to strong demand for the securities. SBA Communications performed well as investors bid up the stock and convertibles bonds of the cell tower lessor (which is seen as a relatively stable business in an uncertain environment). Finally, Citigroup's convertible preferred shares performed well as investors continue to bid up the prices of securities that offer a relatively high and dependable yield.

OCTOBER 2012 – OVERVIEW OF MONTHLY PERFORMANCE

Leading detractors included the convertible bonds of EMC Corp., Allegheny Technologies and Danaher. Each of these three bond holdings declined during the month following the release of third quarter earnings results. With the exception of specialty metals manufacturer, Allegheny Technologies, none of the third quarter results were significant deviations from investor expectations. For EMC, investors may have been disappointed that management's outlook for the fourth quarter and early 2013 was not terribly optimistic. Allegheny Technologies meaningfully missed earnings expectations and guided down expectations for the remainder of 2012. We continue to hold these bonds as they likely have little further downside risk given their investment grade rating and short maturity. However, the bonds will participate in some of the underlying equity's upside should the company's business show signs of improvement.

OUTLOOK

We remain convinced that convertible bonds and equities are undervalued in the current slow growth environment, with interest rates and bond yields at near-record lows. Stocks remain inexpensive based on various measures such as price to earnings, price to cash flow, or price to free cash flow, particularly when compared to other investment options such as U.S. Treasury and investment grade corporate bonds. As such, we expect convertible bond and stock prices to be higher in the coming twelve to eighteen months.

Convertible bonds remain an excellent vehicle through which to participate in further equity advances, especially given the significant macro uncertainty stemming from Europe. At the current attractive valuations of convertible bonds, they should participate in the majority of the stock market's advances but less than half of any decline in the event that our outlook for equities is wrong.

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BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Portfolio Composition and Performance — Account 1256
October 31, 2012

Composition	Market Value	Percent of Total
Fixed Income	12,378,702	80.84
Equity	2,691,128	17.57
Cash & Equivalents	242,641	1.58
Total Portfolio	\$15,312,471	100.00%

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Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	-1.02%	1.69%	6.37%	5.42%	6.54%	1.11%	60.51%	5.34%
Merrill Lynch Convertible Inv Grade	-0.77%	2.06%	8.53%	5.87%	5.34%	3.63%	57.06%	5.09%
ML Convnt Inv Grade BDS (Inc Mandatory)	-0.43%	3.62%	10.72%	8.24%	6.50%	-0.88%	31.81%	3.08%

Expressed in USD
Past performance is not indicative of future results.

Next presenters are Beth Griper and Ed Silverstein from MacKay Shields, our Convertible Bond Manager, based out of New York City, New York.

Ms. Griper gave an update on the company which has been in business since 1938. They had \$58 billion under management, but have grown quite a bit this year, part of it market appreciation, a good bulk being new clients that joined their firm. As of 8/31/2012 they have \$72.4 billion dollars under management. Last December they hired a new CEO. Each of the teams at MacKay set the process and philosophy of how they run their strategies, so in terms of impact on the Convertibles Division, everything is status quo. There have been no staff changes to the Convertibles Team since her last visit to Bay County.

Consultant, Rick Potter, stated there are big differences between the performance of the MacKay portfolio and Convertible Indices. Some differences were attributed to quality requirements of this portfolio versus what is in some of the indexes that they can be judged against. So regarding strategies and markets, he asked if they could expand on that aspect in their presentation today.

Mr. Silverstein described what comprises a convertible bond. Convertibles are a hybrid instrument, part bond, part stock. Your down side is protected by the bond feature where it pays you semi-annual interest, and matures at the amount that you paid for it. The up side is participation in equities because if the stock prices moves higher you have that ability to convert it to something worth significantly more than what you paid for it. What you are sacrificing with a convertible bond is the interest rate will be lower for that conversion feature. So, over the life of the bond you are sacrificing a yield in exchange for having this upside participation in stock.

* Our portfolio is a very high quality portfolio. The guidelines that were set forth when they started managing this account was it had to have an overall investment grade rating. The bonds in this account have an overall investment rating of A- which is about two notches above where investment grade is. When the market is down this portfolio tends to hold up very well because the quality is very good. It tends to underperform when the market is going up. It is basically a very conservative way of investing convertible bonds and conservative in getting equity exposure. This may explain some of the performance issues that we will be discussing.

* Mr Potter asks what would be the consequences of a change in guidelines, and what kind of change could be made that would not overly increase the amount of risk in the portfolio?

* Mr. Silverstein responds that most of the convertible bond universe, about 2/3, is non investment grade, so by segregating out this 80% requirement for investment grade and that the overall portfolio has to be a BBB+ or better, you are eliminating a lot of things that can be considered. He thinks we could move up the portfolio to maybe 25-30% being be non investment grade and still have an overall rating of say BBB- which would be the investment grade cut off. It would expand the ability to invest the portfolio without significant compromise in the quality.

* Trustee asks how we compare to other portfolios they manage. Mr. Silverstein responds that Bay County is the most conservative portfolio they manage. That does not make it wrong, as 2008 showed, ours was probably the best performing portfolio they had. The question is will we see that type of environment again, or was that a once in a multi-decade situation that is unlikely to repeat. Most of the clients they have that are considered investment grade clients allow for 25% of their portfolio to be in non investment grade convertible bonds and do not have an overall margin of investment grade rating for the portfolio. They simply require that 75% of the portfolio be invested in investment grade bonds and 25% be non investment grade.

* Mr. Silverstein went on to describe their investment process and portfolio construction. He discussed their investment team members, their backgrounds and experience. He reviewed the historical rates of return from 2003 through 2011 and explained reasons for over and under performance. Since inception they have beaten the index by a fairly wide margin for a relatively long period of time. Regarding outlook, they continue to like stocks and convertible bonds. Stocks appear inexpensive, and they are the primary driver of the performance of convertible bonds. If you look at the securities they own that have done very well it is because the underlying stock did well. If you look at the ones that have been hurt it is because the stock got hit, and in others, the stocks have not gone up or down. The focus, going forward, always has to be on what the equity markets are going to do. They see stocks as relatively attractive, companies that are well managed, the cost structure is lean, not a lot of excess capacity in manufacturing, and profits will be very good. He discussed concerns about the U.S. economy, the European economy and the impact on the markets. Mr. Silverstein and Ms. Griper answered questions and concluded their presentation.

- * 3. Moved, supported and carried to have Becker Burke conduct research on the rates of the return for MacKay Shields over time and also to evaluate the consequences of a less restrictive investment policy. Becker Burke to present at the December 11, 2012 meeting.
4. Moved, supported and carried to receive from MacKay Shields, the performance report ending 8/31/2012.
5. Moved, supported and carried to adjourn the morning session.

The meeting adjourns at 10:55 a.m. for lunch break. Meeting resumes and is back on the record at 1:03 p.m.

The next presenters are Kevin Ryan, and Scott Westphal, Cornerstone Real Estate based out of Stamford, Connecticut.

Mr. Ryan states that Bay County selected real estate securities in October 2008. About two weeks ago was the four year anniversary of Lehman Brothers going under, which was considered the beginning of the financial crisis. At the time there was much concern about what was going to happen. Bay County made the decision that this was a good allocation, jumped in, and the performance and the return we have achieved indicates it was a good decision.



Recapture Services

Bay County Employees Retirement System
 Plan Trading Summary (US Dollars)
 January 01, 2012 - October 31, 2012

Ref#: 23803

Execution Solutions

Manager	Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity				
Columbia Management Advisors, LLC	909.14	636.40	1,610.87	1,127.61
Denver Invmt Advisors	0.00	0.00	14,118.96	9,883.27
Eagle Asset Management	65.48	45.84	555.59	388.91
Eagle Asset Management	158.57	0.00	1,856.39	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.	0.00	0.00	1,744.00	1,220.80
WHV Investment Management	1,421.25	994.88	3,195.25	2,236.68
Totals for Equity	2,554.44	1,677.11	34,740.90	23,019.16
Revenue Type: Correspondent Equity				
Integrity Asset Management	0.00	0.00	143.48	100.44
Integrity Asset Management	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	2,554.44	1,677.11	34,951.30	23,119.59

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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, cpcclientservices@convergex.com

This statement represents trades through Posted Date October 31, 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.

1633 Broadway, 48th floor, New York, NY 10019

view your statements online @ clients.convergex.com



Recapture Services
Bay County Employees Retirement System
Plan Activity Summary and Balance
January 01, 2012 - October 31, 2012

Ref#: 23803

Execution Solutions

Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	2,554.44	1,677.11	32,996.90	21,798.36
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	2,554.44	1,677.11	34,951.30	23,119.59

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	6,567.53	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	2,554.44	1,677.11	0.00	5,372.26	1,677.11
November 2012	0.00	0.00			
December 2012	0.00	0.00			
TOTAL	34,951.30	23,119.59	0.00	25,798.41	

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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, crpdlientservices@convergex.com

This statement represents trades through Posted Date October 31, 2012 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
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1633 Broadway, 48th floor, New York, NY 10019

view your statements online @ clients.convergex.com

Current Balance	1,677.11
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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, crclientservices@convergex.com

This statement represents trades through Posted Date October 31, 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.

1633 Broadway, 48th floor, New York, NY 10019 [view your statements online @ clients.convergex.com](http://clients.convergex.com)

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 PAGE 1

BILLING DATE: 11/06/2012
 BILLING PERIOD: 10/01/2012 - 10/31/2012

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: BYC03					
ACCOUNT NAME: BAYCO- BARINGS					
OPEN CASH	0.00	0.00	0.00	136.55	136.55
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	136.55	136.55
TOTAL REBATES	0.00	0.00	0.00	44.27-	44.27-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	180.82	180.82
BANK FEES	0.00	0.00	0.00	72.30	72.30
NET INCOME	0.00	0.00	0.00	108.52	108.52

ACCOUNT NUM.: 1799220					
ACCOUNT NAME: *TNT-LDN-BYC03-BAYCO-BARING-SL					
OPEN CASH	0.00	0.00	0.00	307.36	307.36
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	307.36	307.36
TOTAL REBATES	0.00	0.00	0.00	22.75	22.75
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	284.61	284.61
BANK FEES	0.00	0.00	0.00	113.49	113.49
NET INCOME	0.00	0.00	0.00	171.12	171.12

ACCOUNT NUM.: 2608694					
ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT					
OPEN CASH	0.00	1,523.78	0.00	0.00	1,523.78
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	1,523.78	0.00	0.00	1,523.78
TOTAL REBATES	0.00	304.35	0.00	0.00	304.35
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,219.43	0.00	0.00	1,219.43
BANK FEES	0.00	487.45	0.00	0.00	487.45
NET INCOME	0.00	731.98	0.00	0.00	731.98

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2618668					
ACCOUNT NAME: *BAYCO -- BAIRD					
OPEN CASH	2,150.46	0.00	0.00	0.00	2,150.46
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	2,150.46	0.00	0.00	0.00	2,150.46
TOTAL REBATES	1,573.23	0.00	0.00	0.00	1,573.23
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	577.23	0.00	0.00	0.00	577.23
BANK FEES	230.76	0.00	0.00	0.00	230.76
NET INCOME	346.47	0.00	0.00	0.00	346.47

ACCOUNT NUM.: 2620611					
ACCOUNT NAME: *BAYCO - MARVIN & PALMER					
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

ACCOUNT NUM.: 2622490					
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS					
OPEN CASH	1,371.81	203.69	29.45	0.00	1,604.95
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	1,371.81	203.69	29.45	0.00	1,604.95
TOTAL REBATES	529.65	872.75	5.92	0.00	1,396.48
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,901.46	1,076.44	23.53	0.00	3,001.43
BANK FEES	760.38	430.47	9.41	0.00	1,200.26
NET INCOME	1,141.08	645.97	14.12	0.00	1,801.17

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THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2622536					
ACCOUNT NAME: *BAYCO - HOTCHKIS & WILEY -SL					
OPEN CASH	0.00	1,642.67	0.00	139.23	1,781.90
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	1,642.67	0.00	139.23	1,781.90
TOTAL REBATES	0.00	97.53	0.00	26.82	124.35
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,545.14	0.00	112.41	1,657.55
BANK FEES	0.00	615.80	0.00	44.72	660.52
NET INCOME	0.00	929.34	0.00	67.69	997.03

ACCOUNT NUM.: 2624493					
ACCOUNT NAME: *BAYCO - WENTWORTH -SL					
OPEN CASH	0.00	1,115.11	0.00	434.95	1,550.06
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	1,115.11	0.00	434.95	1,550.06
TOTAL REBATES	0.00	223.49	0.00	62.30	285.79
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	891.62	0.00	372.65	1,264.27
BANK FEES	0.00	356.43	0.00	149.02	505.45
NET INCOME	0.00	535.19	0.00	223.63	758.82

ACCOUNT NUM.: 2639956					
ACCOUNT NAME: *BAYCO - DENVER INV ADV -SL					
OPEN CASH	0.00	2,070.80	0.00	17.43	2,088.23
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	31.83	0.00	0.00	31.83
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,102.63	0.00	17.43	2,120.06
TOTAL REBATES	0.00	241.65-	0.00	3.51	238.14-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,344.28	0.00	13.92	2,358.20
BANK FEES	0.00	936.79	0.00	5.56	942.35
NET INCOME	0.00	1,407.49	0.00	8.36	1,415.85

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THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2641401					
ACCOUNT NAME: *BAYCO - LOOMIS SAYLES -SL					
OPEN CASH	1,806.52	0.00	628.29	0.00	2,434.81
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	1,806.52	0.00	628.29	0.00	2,434.81
TOTAL REBATES	459.87	0.00	117.81	0.00	577.68
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,346.65	0.00	510.48	0.00	1,857.13
BANK FEES	538.02	0.00	203.97	0.00	741.99
NET INCOME	808.63	0.00	306.51	0.00	1,115.14

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2653308					
ACCOUNT NAME: *BAYCO - INTEGRITY -SL					
OPEN CASH	2,066.44	0.00	0.00	83.75	2,150.19
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	2,066.44	0.00	0.00	83.75	2,150.19
TOTAL REBATES	309.54	0.00	0.00	16.72	326.26
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,756.90	0.00	0.00	67.03	1,823.93
BANK FEES	701.44	0.00	0.00	26.76	728.20
NET INCOME	1,055.46	0.00	0.00	40.27	1,095.73

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2663296					
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SL					
OPEN CASH	1,334.23	0.00	0.00	0.00	1,334.23
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	1,334.23	0.00	0.00	0.00	1,334.23
TOTAL REBATES	226.17	0.00	0.00	0.00	226.17
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,108.06	0.00	0.00	0.00	1,108.06
BANK FEES	442.13	0.00	0.00	0.00	442.13
NET INCOME	665.93	0.00	0.00	0.00	665.93

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THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2683854					
ACCOUNT NAME: *BAYCO - MFS INVESTMENTS -SL					
OPEN CASH	0.00	1,451.62	0.00	112.42	1,564.04
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	994.60	0.00	0.00	994.60
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,446.22	0.00	112.42	2,558.64
TOTAL REBATES	0.00	282.55	0.00	40.54-	242.01
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,163.67	0.00	152.96	2,316.63
BANK FEES	0.00	864.67	0.00	61.05	925.72
NET INCOME	0.00	1,299.00	0.00	91.91	1,390.91

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2695063					
ACCOUNT NAME: *BAYCO - EAGLE ASSET -SL					
OPEN CASH	0.00	1,891.13	0.00	85.69	1,976.82
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	1,891.13	0.00	85.69	1,976.82
TOTAL REBATES	0.00	216.98-	0.00	761.77-	978.75-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,108.11	0.00	847.46	2,955.57
BANK FEES	0.00	840.12	0.00	338.82	1,178.94
NET INCOME	0.00	1,267.99	0.00	508.64	1,776.63

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
GRAND TOTAL					
OPEN CASH	5,328.79	13,299.47	657.74	1,317.38	20,603.38
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	1,026.43	0.00	0.00	1,026.43
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	5,328.79	14,325.90	657.74	1,317.38	21,629.81
TOTAL REBATES	1,503.45	112.25	123.73	714.48-	1,024.95
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,825.34	14,213.65	534.01	2,031.86	20,604.86
BANK FEES	1,529.16	5,675.30	213.38	811.72	8,229.56
NET INCOME	2,296.18	8,538.35	320.63	1,220.14	12,375.30

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12/3/2012

REFUNDS: FOR THE MONTH ENDED NOVEMBER 30, 2012

EMPLOYEE/BENEFICIAR'	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Betson, Ashley	<u>7,492.44</u>	11/6/12	BMCF	08/15/12
TOTAL REFUNDS:	<u>7,492.44</u>			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Hool, Janet	61,469.34	BABH	10/25/12
Witzke, Morris	13,932.97	BABH	10/13/12
Beane, Julie	25,820.98	District Court	10/24/12
Kneller, Jane	57,064.62	Central Dispatch	11/03/12

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE/DEPARTMENT
Chiavaras, Carol	N/A	Pension	11/3/12 FOC

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
Cersosimo, Shannon	208.17	BABH	11/12/10
Mindykowski, Dion	47.63	Library	12/31/06
Hoke, Jaynelle	68.70	BMCF	10/31/12
O'Dell, Heather	73.00	BMCF	10/31/12
Williams, Lyndsey	<u>60.00</u>	BMCF	10/31/12
	<u>457.50</u>		

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NOTICE OF PUBLIC MEETINGS

THE BOARD OF TRUSTEES OF THE BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM, 515 CENTER AVENUE, 7TH FLOOR, BAY CITY, MICHIGAN 48708, PHONE NUMBER (989) 895-4030, HAS SCHEDULED REGULAR MEETINGS FOR 2013. ALL MEETINGS WILL BE HELD AT 1:30 P.M. IN THE BOARD OF COMMISSIONERS CHAMBERS, LOCATED IN THE BAY COUNTY BUILDING, 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708.

JANUARY 8, 2013
FEBRUARY 12, 2013
MARCH 12, 2013
APRIL 9, 2013
MAY 14, 2013
JUNE 11, 2013
JULY 9, 2013
AUGUST 13, 2013
SEPTEMBER 10, 2013
OCTOBER 8, 2013
NOVEMBER 12, 2013
DECEMBER 10, 2013

Date

Crystal Hebert
Finance Officer/Secretary
Bay County Employees' Retirement System, Board
of Trustees

The County of Bay will provide reasonable and necessary auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered the meeting, to individuals with disabilities at the meeting/hearing upon ten days notice to the County of Bay. Individuals with disabilities requiring auxiliary aids or services should contact the County of Bay by calling or writing: Michael Gray, Executive Assistant, Office of the Bay County Executive, 515 Center Avenue, Bay City, MI 48708, (989) 895-4130 or (989) 895-4049. TDD



Courthouse Erected A.D. 1932

Cynthia A. Luczak
Bay County Clerk

515 Center Ave., Suite 101
Bay City, MI 48708-5941
Phone (989) 895-4280
Fax (989) 895-4284
TDD (989) 895-4049

December 3, 2012

Bay County Retirement System
Board of Trustees
c/o Danean Wright
515 Center Avenue
Bay City, MI 48708

Dear Danean:

The filing deadline for employees wishing to serve as a representative for the Bay County Employees' Retirement System Group #1, Road Commission and Department of Water and Sewer, has lapsed with only one (1) candidate filing for the open position.

Candidate, Steven Gray, qualified by obtaining the required number of signatures on his petition.

As you know, Section XIX of the Rules of the Bay County Employees' Retirement System allows the Board of Trustees to deem a candidate elected to the position when only one (1) candidate files, therefore, it will be necessary to consider such.

The vote of at least five (5) concurring members of the Board shall waive the actual election to the office for Mr. Gray. Please advise me of your Board action taken in this regard, including a copy of your adopted resolution which would elect Mr. Gray to the office of Trustee to the Bay County Employees' Retirement System Group #1.

Sincerely,

Cynthia A. Luczak
Bay County Clerk

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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

Danean Wright
Retirement Administrator
Bay County Employees' Retirement System
515 Center Avenue
Bay City, Michigan 48708
November 29, 2012

Re: Brenda Holmes

Dear Ms. Wright:

I have reviewed the medical records of Brenda Holmes from her primary care physician and her consulting specialists. I agree with their findings that she is totally and permanently disabled and unable to do any type of work. I do not see any indication in her medical records that this will change in the future.

Sincerely,

Kirk H Herrick, D.O.



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

Danean Wright
Retirement Administrator
Bay Employees' Retirement System
515 Center Avenue
Bay City, Michigan 48708
December 5, 2012

R: Lisa Hartman

Dear Ms. Wright:

I have reviewed the medical records including laboratory and x-ray reports for Lisa Hartman. I agree with the report from her family physician and in my professional opinion, she is totally and permanently disabled from any type of gainful employment.

Sincerely,

Kirk H Herrick, D.O.

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

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RETIREMENT BOARD MEETINGS FOR 2013
SCHEDULE OF SPEAKERS - MEETINGS START AT 1:30 P.M.

D R A F T

DATE	MONEY MANAGER	SPEAKER	CONFIRMED
JANUARY 8	Eagle Asset		YES
FEBRUARY 12	Becker, Burke - 4th Qtr Rpt 2012 for BCERS (and VEBA)	Rick Potter	
MARCH 12	Integrity		
APRIL 9	no speaker	-----	-----
APRIL - special meeting	9:00 Barings 10:00 Hotchkis & Wiley 11:00 Columbia		
MAY 14	Becker, Burke - 2013 1st Qtr Report for BCERS (and VEBA)	Rick Potter	
JUNE 11	Cornerstone Real Estate		
JULY 9	no speakers	-----	-----
AUGUST 13	Becker, Burke - 2nd Qtr Report for BCERS (and VEBA)	Rick Potter	
	Atalanta Sosnoff - VEBA at 2:30 pm		
SEPTEMBER 10	Schroders		
OCTOBER 8	no speaker	-----	-----
OCTOBER special meeting	9:00 Baird 10:00 Loomis Sayles 11:00 MacKay Shields		
NOVEMBER 12	Becker Burke - 3rd Qtr Report	Rick Potter	
	MFS		
DECEMBER 10	VEBA: C.S.McKee and Lord Abbett at 2:30 p.m.		