

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
TUESDAY, MAY 8, 2012 @ 1:30 P.M.  
**COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR**  
**BAY CITY, MI 48708**

PAGE	I.	CALL TO ORDER
	II.	ROLL CALL
	III.	MINUTES
1 - 8 .....	A.	APRIL 10, 2012 REGULAR MEETING
	B.	APRIL 17, 2012 MONEY MANAGER PRESENTATIONS
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
9 - 12 .....	A.	PORTFOLIO VALUE - 1/1/12 - 5/2/12
	B.	BECKER, BURKE ASSOCIATES - RICK POTTER
	1.	FIRST QUARTER REPORT
	C.	MONEY MANAGERS ON WATCH - (EFFECTIVE DATE)
	1.	DENVER INVESTMENTS - (12/15//09) PORTFOLIO ENDING 3/31/12
13 - 20 .....	2.	MARVIN & PALMER - (6/1/10) PORTFOLIO ENDING 3/31/12
	3.	WENTWORTH HAUSER & VIOLICH - (9/14/10) PORTFOLIO ENDING 3/31/12
	D.	MONEY MANAGER REPORTS
	1.	BAIRD - ENDING 3/31/12
	2.	COLUMBIA - ENDING 3/31/12
	3.	CORNERSTONE - ENDING 3/31/12
21 - 47 .....	4.	EAGLE ASSET MGMT - ENDING 3/31/12 AND CORRESPONDENCE FROM PRESIDENT/ CO-CEO
	5.	HOTCHKIS & WILEY - ENDING 3/31/12
	6.	INTEGRITY ASSET - ENDING 3/31/12
	7.	LOOMIS SAYLES - ENDING 3/31/12
	8.	SCHRODERS - ENDING 3/31/12
	E.	NORTHERN TRUST
48 - 52 .....	1.	SUMMARY EARNINGS ENDING 3/31/12
53 .....	F.	REFUNDS/RETIREMENTS FOR APRIL 2012
	G.	MONEY MANAGER REPLACEMENT
54 .....	1.	MFS TO REPLACE J P MORGAN

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
TUESDAY, MAY 8, 2012 @ 1:30 P.M.  
**COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR**  
**BAY CITY, MI 48708**

VI. ANNOUNCEMENTS

- A. NEXT REGULAR MEETING - TUESDAY, JUNE 12, 2012 AT  
9:00 A.M. - **COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708**

VII. UNFINISHED BUSINESS

55 .....

- 1. MONEY MANAGER SPEAKER SCHEDULE  
DATE TO BE DETERMINED

VIII. NEW BUSINESS

IX. MISCELLANEOUS BUSINESS

X. ADJOURNMENT

**MINUTES** BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES  
April 10, 2012  
PAGE 1

The meeting, held in the Bay County Commission Chambers, 4<sup>th</sup> Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 1:42 P.M. Roll call was taken. All trustees are present.

1. Moved supported and carried approve the minutes, as printed, from March 13, 2012 regular meeting.

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

2. Moved, supported and carried to receive the Portfolio Value from January 1, 2012 to April 4, 2012. The value today is \$242 million.
3. Moved, supported and carried to receive the portfolio reports from the three money managers on watch status: Denver Investments, Marvin & Palmer and Wentworth Hauser & Violich.
4. Moved, supported and carried to receive portfolio reports from Baird, Cornerstone, Eagle Asset, Hotchkis & Wiley, Loomis Sayles, and MacKay Shields, all ending 2/29/12.
5. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 2/29/12.
6. Moved, supported and carried to receive Refunds/Retirements for the month ending 3/31/2012.
7. Moved, supported and carried to receive correspondence sent to Eagle Asset, Wentworth Hauser and Violich, and Integrity regarding asset allocation.

**ANNOUNCEMENTS:**

- A. Next regularly scheduled meeting will be Tuesday, May 8, 2012 at 1:30 P.M. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE - 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708.

**UNFINISHED BUSINESS:**

- A. Trustee had a question regarding the new contract with J. P. Morgan. Ms. Wright advised that Corporation Counsel is still working on the contract. Some changes were made in the contract and were sent to J. P. Morgan for their review and approval.

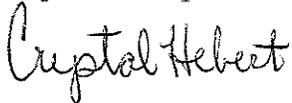
**NEW BUSINESS:** None

**MISCELLANEOUS BUSINESS:** None

**ADJOURNMENT:**

8. Moved, supported and carried to adjourn the meeting at 1:54 p.m.

Respectfully submitted,



Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Naomi Wallace

# MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE

## April 10, 2012

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:42 P.M.

OTHER PRESENT: DANEAN WRIGHT, CRYSTAL HEBERT

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

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

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

The meeting, held in the Bay County Commission Chambers, 4<sup>th</sup> Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 9:05 A.M. Roll call was taken. All trustees are present except Mr. Coonan.

1. Moved, supported and carried to excuse Trustee Coonan.

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

Today's meeting is to hear from four money managers and have them present the current status of our investment portfolios. Rick Potter from Becker Burke provided a handout outlining the four presenters today. Mr. Potter calculated, on a preliminary basis, results through March 31, 2012 and gave a brief review of their performance. Baring after two full years with a bench mark of 3% per year, had a return was 5.9%, so they exceeded their benchmark. Columbia's return is 4.1%, their bench mark was 0.2%. Baird was slightly below their policy index with 6.3% vs. 6.4%. Integrity was right at their benchmark of 2.8%.

The first presenter is Barbara Cassidy representing Baring Asset Management, Large Cap International Equity, based in Boston, Massachusetts. Ms. Cassidy gave a brief overview of the company stating their history dates back to 1762. They have out performed the index and she attributes that to stock selection. She explained the performance by Sector, and by Country/Region, where the growth came from, and some areas that were weaker. She discussed the top ten contributors as well as the bottom ten contributors, and reasons why they will keep them, or not keep them in the portfolio. They look for unrecognized growth as their style is growth at a reasonable price which is consistent across all their equity strategy. They look for companies that are at a discount but have projections to be growth names. They have a strategic policy group that looks at top down and bottom up factors which gives the company insight and an advantage over some of their competitors. She discussed the global markets and their ongoing problems as well as opportunities. She concludes her presentation and departs.

A five minute break is taken. Back on the record at 9:45 a.m.

The next presenters are Alun Puklin and Rich Rosen representing Columbia Management, Large Cap Deep Value, based in New York City, New York. They have been managing our portfolio since January of 2001. Rich and his partner have been managing portfolios in the same style and process for over twenty five years, so there is consistency in what they do and one of the things they are very proud of. They have been able to manage successfully in multiple environments both good and bad.

Value can be defined in many ways but what is paramount for them is they look to identify 30-35 ideas in the portfolio that have the ability to grow their earnings faster than the markets. On the price side of the equation they want

to pay a multiple that is at, or less than, the market. That is the value proposition they look at. Last year, 2011, was tough year in the market but it was driven by events outside the United States. The activity in the European markets had an impact on the U.S. economy. They have seen our economy pick up a little with corporate profitability extremely strong. Corporations are in the best position they have been in a long time. Earnings grew rapidly last year but they are seeing a slow down this year. Unemployment is still high, but getting better.

They are optimistic going forward as their performance has been relatively good. They had an excellent first quarter in 2012 in the overall market, and in our portfolio. For the first quarter of 2012 they outperformed the benchmark. They outperformed the benchmark for the one year, three year, five year, seven year, and since inception. They conclude their presentation and depart.

Trustees have a handout from Becker, Burke and Associates regarding Eagle Asset Management. Eagle Asset is requesting a modification in their policy guidelines. Jeff Black explains that Eagle is requesting a slight change to their investment focus which was capped at \$3 billion. They are seeing some stocks that are now above that in their investment universe. Becker Burke feels that is consistent with the mandate they were hired to fill, that being small cap growth, and therefore should have the opportunity to invest in all stocks that represent the small cap universe. Becker Burke is proposing that we move the firm dollar limit of \$3 billion that they can now invest in any stock that falls in the Russell 2000. This should potentially result in better returns.

2. Moved, supported and carried to strike the language "market capitalization of 3 billion or less" and replace it with "within the market cap range of the Russell 2000 index."

Discussion: Trustees have some questions for Becker Burke regarding the impact of this language change and other general questions regarding their performance. Jeff Black advises that Eagle has expressed their plan is to maintain the purity of the style and retain the overall portfolio to fit in the small cap category. Becker Burke feels comfortable with that and will monitor Eagle Asset on an ongoing basis.

A recess is taken for lunch. The meeting resumes at 1:00 p.m. Trustee Peltier is not present for the afternoon session.

3. Moved, supported and carried to excuse Trustee Peltier from the afternoon session.

The next presenters are Warren Pierson and M. Sharon deGuzman representing Baird Advisors, Governmental Fixed Income, based in Milwaukee, Wisconsin. Mr. Pierson gave a brief overview of the company. The firm is employee owned, privately held, with very little leverage. This has been a good combination for them in this environment. The firm continues to do well. They have had no turnover in their staff, have added two members since last year and will add more this year, so they continue to grow.

The hallmark of their approach is risk control. They add incremental value through a multi-step, risk-controlled process. The sector allocation is mostly government and government mortgages. They spend about 80-90% of their time on a daily basis looking at securities that they think have good prospects for out performing securities in our benchmark or that are already in the portfolio. As a smaller company they feel they add a lot of their value from the bottom up approach by finding securities and building the portfolio one security at a time, as opposed to a top down approach. They feel that approach has been a competitive advantage for them over time.

He commented on the U.S. economy, inflation, housing markets, and financial markets. Volatility is still prevalent, but also opportunities. They explained their risk control discipline regarding our portfolio and summarized our investment objectives and portfolio guidelines. They monitor compliance on a daily basis to insure they are complying with our guidelines. They reviewed our portfolio characteristics as of March 31, 2012 and discussed gross and net performance. They summed up by saying the portfolio is doing what it is supposed to do. They conclude their presentation and depart.

The final presenters are Adam Friedman and Andrea Leistra representing Munder Capital Management the parent company of Integrity Asset Management, Mid Cap Value, based in Birmingham, Michigan. They had a good fourth quarter, finishing flat with the index, but pretty good in a tough year. They started out in 2012 up about 70 some basis points. There have been no changes in their philosophy or in the investment team. Mr. Friedman reviewed their investment process of looking for a universe of mid cap value stocks that are liquid, stock selection within that universe, risk controls, disciplined sell decisions that gives them their consistent long term track record. He discussed their recent acquisitions, the current housing market issues, and the activity in the energy markets. Integrity has a little over \$3 billion in assets right now and about \$300 million in mid cap. They conclude their presentation and depart.

4. Moved, supported and carried to receive the reports from Baring, Columbia, Baird, and Integrity Asset.

**ANNOUNCEMENTS:**

- A. Next regularly scheduled meeting will be Tuesday, May 8, 2012 at 1:30 P.M. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE - 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708.

**UNFINISHED BUSINESS:**

Mr. Potter asked for feedback on this new format of money manager presentations. The next four presentations are scheduled for September 25, 2012. There were several suggestions made from Trustees ranging from having all four in the morning, to scheduling three in the morning, and one after lunch, to scheduling them in the morning of the regular Trustee meeting.

5. Moved, supported and carried to schedule three managers in the morning, and one in the afternoon.

There was some discussion on this motion and an amendment was made.

Amendment to the Motion: schedule four presentations on the same day as the regular Board of Trustees meeting with the details to be determined by the Chairman. This amendment is supported and carried.

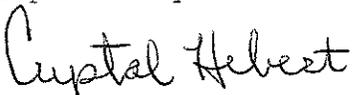
**NEW BUSINESS:** None

**MISCELLANEOUS BUSINESS:** None

**ADJOURNMENT:**

6. Moved, supported and carried to adjourn the meeting at 2:35 p.m.

Respectfully submitted,



Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Naomi Wallace

**MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE**  
April 17, 2012

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 9:06 A.M.

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

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

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

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

◆ **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%	86,087.02 0.31%	27,301,259.12 99.69%	0.00 0.00%	0.00 0.00%	0.00 0.00%	27,387,346.14 11.20%
*BAYCO - BAIRD -SL 2618668	0.00 0.00%	1,234,449.41 5.56%	0.00 0.00%	21,705,074.03 98.07%	0.00 0.00%	-806,702.94 -3.64%	22,132,820.50 9.05%
*BAYCO - SCHRODERS -SL 2618669	0.00 0.00%	217.18 0.00%	9,452,530.33 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	9,452,747.51 3.86%
*BAYCO - MARVIN & PALMER -SL 2620611	0.00 0.00%	776,551.41 2.92%	25,831,100.25 97.14%	0.00 0.00%	0.00 0.00%	-15,842.25 -0.06%	26,591,809.41 10.87%
*BAYCO - MACKAY SHIELDS -SL 2622490	0.00 0.00%	403,472.91 2.18%	2,414,549.07 13.04%	15,694,574.96 84.78%	0.00 0.00%	-159.51 0.00%	18,512,437.43 7.57%
*BAYCO - HOTCHKIS & WILEY -SL 2622536	0.00 0.00%	203,106.80 2.00%	9,979,924.00 98.06%	0.00 0.00%	0.00 0.00%	-5,649.26 -0.06%	10,171,381.55 4.16%
*BAYCO - WENTWORTH -SL 2624493	0.00 0.00%	165,437.72 0.58%	28,150,486.32 99.42%	0.00 0.00%	0.00 0.00%	0.00 0.00%	28,315,923.04 11.58%
*BAYCO - CASH -SL 2639953	0.00 0.00%	1,667,172.09 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	1,667,172.09 0.68%
*BAYCO - DENVER INV ADV -SL 2639956	0.00 0.00%	308,585.78 1.52%	19,815,260.12 97.87%	0.00 0.00%	0.00 0.00%	123,120.95 0.61%	20,246,966.85 8.28%
*BAYCO - LOOMIS SAYLES -SL 2641401	0.00 0.00%	348,912.37 1.23%	0.00 0.00%	26,219,534.03 99.28%	0.00 0.00%	-143,168.49 -0.50%	28,425,277.91 11.62%
*BAYCO - INTEGRITY -SL 2653308	0.00 0.00%	970,485.76 5.03%	18,463,179.41 95.73%	0.00 0.00%	0.00 0.00%	-146,904.39 -0.76%	19,286,760.78 7.89%
*BAYCO - CORNERSTONE REALES-SL 2663296	0.00 0.00%	122,251.07 1.27%	9,392,776.22 97.88%	0.00 0.00%	0.00 0.00%	80,879.71 0.84%	9,595,907.00 3.92%
*BAYCO - EAGLE ASSET -SL 2695063	0.00 0.00%	122,638.40 1.32%	9,155,964.20 98.77%	0.00 0.00%	0.00 0.00%	-8,722.47 -0.09%	9,269,880.13 3.79%
BAYCO - BARINGS BYCO3	211,788.45 1.56%	0.00 0.00%	13,347,298.94 98.55%	0.00 0.00%	20,486.14 0.15%	-39,882.60 -0.29%	13,539,670.93 5.54%

**Favorites**

02 MAY 12

Account number 8765

FAMILY CODE FAM8765

◆ **Mgr Mix w/ Accruals**

Page 2 of 2

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
Total for consolidation	211,788.45 0.09%	6,408,367.92 2.62%	173,288,326.98 70.86%	65,619,183.02 26.83%	20,466.14 0.01%	-863,031.24 -0.39%	244,696,101.27 100.00%
% for consolidation							

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	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
2012															
1ST QTR		30,262.08	13,836.11	0.00		24,939.26	22,481.64	22,145.00	49,664.59	0.00	0.00	0.00	0.00	0.00	163,338.68
2ND QTR															0.00
3RD QTR															0.00
4TH QTR															0.00
2012 YTD	0.00	30,262.08	13,836.11	0.00		24,939.26	22,481.64	22,145.00	49,664.59	0.00	0.00	0.00	0.00	0.00	163,338.68

BAIRD  
 BARING  
 COLUMBIA  
 CORNERSTONE REAL ESTATE  
 DENVER INVESTMENT  
 EAGLE  
 HOTCHKIS & WILEY  
 INTEGRITY  
 LOOMIS SAYLES  
 MACKAY SHIELDS  
 MARVIN PALMER  
 SCHRODER  
 WENTWORTH

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  
 SMALL CAP VALUE 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

MARVIN PALMER .75% - ON ALL ASSETS UNDER MANAGEMENT

SCHRODER .75% - UP TO \$10 MILLION  
 .50% - UP TO \$100 MILLION

WENTWORTH .80%-FIRST \$2 MILLION  
 .60%-NEXT \$6 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: March 31, 2012

**Statement of Changes**

	Current Month	Current Quarter	Fiscal Year to Date	Inception to Date
Beginning Market Value	20,467,850	18,312,310	18,312,310	10,000,000
Net Additions/Withdrawals	1,387	1,341	1,341	(10,938,124)
Income Received	10,815	45,772	45,772	1,811,421
Change in Accrued Income	6,400	4,578	4,578	14,762
Change in Unrealized Gain/Loss	314,707	1,739,687	1,739,687	989,405
Realized Gain/Loss	125,245	822,715	822,715	19,048,940
Ending Market Value	20,926,403	20,926,403	20,926,403	20,926,403

**Portfolio Composition**

	Market Value	% of Total
Total Fund	20,926,403	100.00
Equity and Related	20,259,018	96.81
Cash and Equivalents	667,385	3.19

**Performance Summary**

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Total Fund	2.23	14.27	14.27	14.27	14.27	8.84
Equity and Related	2.22	14.86	14.86	14.86	14.86	9.05
Cash and Equivalents	0.00	0.00	0.00	0.00	0.00	3.37

**Benchmark Indices**

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Russell Midcap Growth W/Inc	2.22	14.52	14.52	14.52	14.52	7.29
S&P Midcap 400 W/Income	1.88	13.50	13.50	13.50	13.50	10.82
Nasdaq Composite	4.20	18.67	18.67	18.67	18.67	5.92
S&P 500 W/Inc	3.29	12.59	12.59	12.59	12.59	6.71
Russell Midcap W/Inc	2.24	12.94	12.94	12.94	12.94	9.31

\*Inception Date: May 31, 1996

**PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)**

*Denver Investments*  
**375 - BAY COUNTY MI EMP RET SY**

*World*

As of: March 31, 2012

**Statement of Changes**

	Current Month	Current Quarter
Beginning Market Value	20,467,850	18,312,310
Net Additions/Withdrawals	1,387	1,341
Income Received	10,815	45,772
Change in Accrued Income	6,400	4,578
Change in Unrealized Gain/Loss	314,707	1,739,687
Realized Gain/Loss	125,245	822,715
Ending Market Value	20,926,403	20,926,403

**Portfolio Composition**

	Market Value	% of Total
Total Fund	20,926,403	100.00
Equity and Related	20,259,018	96.81
Cash and Equivalents	667,385	3.19

**Performance Summary**

	Calendar Year To				Inception Annualized
	Quarter to Date	Date	12 Months	3 Year	
Total Fund	14.27	14.27	(0.54)	29.91	8.84
Equity and Related	14.86	14.86	0.50	31.77	9.05
Cash and Equivalents	0.00	0.00	0.06	0.21	3.37

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**Benchmark Indices**

	Calendar Year To				Inception Annualized
	Quarter to Date	Date	12 Months	3 Year	
Russell Midcap Growth W/Inc	14.52	14.52	4.42	29.16	7.29
S&P Midcap 400 W/Income	13.50	13.50	2.00	28.55	10.82
Nasdaq Composite	18.67	18.67	11.16	26.46	5.92
S&P 500 W/Inc	12.59	12.59	8.54	23.42	6.71
Russell Midcap W/Inc	12.94	12.94	3.31	29.13	9.31

\*Inception Date: May 31, 1996



**MARVIN & PALMER®**  
**ASSOCIATES, INC.**  
 GLOBAL EQUITY MANAGEMENT

April 16, 2012

Danean Wright  
 Retirement Accountant  
 Bay County Employees' Retirement System  
 Bay County Building  
 515 Center Avenue, Suite 706  
 Bay City, Michigan 48708-5128

Dear Danean:

Your portfolio gained 3.6% during March while the Russell 1000 Growth Index rose 3.3%.

The market built on January and February's strong gains in March as all sectors made absolute gains with the exception of energy. The information technology sector led the market, followed by financials, consumer discretionary and healthcare. The energy, industrials, materials and utilities sectors posted the weakest returns for the month.

Market participants are presently concerned about the degree of economic slowdown in China, as well as the continuing sovereign problems in Europe. The election cycle in the United States will also be important during the second half of this year. We believe the market has the potential to have further gains in 2012.

Your portfolio and performance since inception are attached for your interest.

Sincerely,

Jay F. Middleton  
 Portfolio Manager – Principal

JFM/jam

Attachment

**PRINCIPALS**  
 David F. Marvin  
 Stanley Palmer  
 Karen T. Buckley  
 Jon A. Stiklorius  
 Terry B. Mason  
 Jay F. Middleton  
 Todd D. Marvin  
 David L. Schaan  
 Christopher A. Luft  
 James W. Ryerson  
 Jonathan T. Friedman  
 Stephen D. Marvin  
 Douglas D. Sanna  
 Jennifer A. Mattes  
 Gilbert Hahn  
 Thomas B. McAvoy  
 Lisa H. Capretto  
 Peter Crivelli  
 Lorraine H. Berends  
 Scott D. Palmer  
 C. Porter Schutt  
 S. Richard Siple  
 Mary L. Moglioni  
 Brian D. Marvin  
 Ezekiel R. Maki  
 Bobbie V. Davies  
 Jane M. Motley  
 Adam T. Taylor  
 Shuoqi (Joyce) Li

**ADVISORY BOARD**  
 Irving S. Shapiro  
*In Memoriam 1986-2001*

The Rt. Hon. Lord Moore, P.C.  
 Prof. Dr.-Ing. Klaus G. Lederer  
 Dr. Pedro Aspe  
 Alan D. Schwartz  
 Madelyn Smith  
 The Hon. Sam Nunn  
 The Hon. James A. Kelly  
 James J. McNulty

# PERFORMANCE SUMMARY

## Bay County Employees' Retirement System

Portfolio Value on March 31, 2012: 26,487,684

Benchmark: Russell 1000 Growth Index with Gross Dividends  
 Reporting Currency: US Dollars  
 Inception Date: May 19, 2006

Period	RETURN %			
	M&P Gross	M&P Net	Benchmark	Value Added
March 2012	3.56	3.36	3.29	0.27
Quarter to Date	13.30	13.09	14.69	-1.39
2011	-3.85	-4.57	2.64	-6.49
2010	20.23	19.32	16.71	3.52
2009	18.10	17.23	37.21	-19.11
2008	-45.96	-46.37	-38.44	-7.52
2007	25.87	24.94	11.81	14.07
Inception Year	4.61	4.13	10.02	-5.41

Period	ANNUALIZED RETURN %		
	M&P Gross	M&P Net	Benchmark
1 Year	3.76	2.98	11.02
2 Years	12.40	11.56	14.58
3 Years	20.24	19.34	25.28
5 Years	1.09	0.34	5.10
Since Inception	1.65	0.89	6.25

Note 1: Performance is compared to the Russell 1000 Growth Index for reporting purposes. The actual benchmark is the Russell 1000 Growth Index plus 1%.

Note 2: The Russell 1000 Growth® Index is a trademark/service mark of the Russell Company. Russell® is a trademark of the Russell Company.

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April 27, 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 Danean:

Enclosed, please find the March 31, 2012 appraisal for your investment portfolio managed by WHV Investment Management, and our commentary on the overall economic outlook.

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

<u>Portfolio</u>	<b>3 Months Ended <u>3/31/12</u></b>	<b>Since Inception <u>3/18/04</u></b>
<b>Bay County Employees' Retirement System</b>	16.06%	54.54%
<u>Relevant Benchmark</u>		
Standard & Poor's 500 Composite	12.59%	47.83%

Following better than expected economic data and risk averse valuation levels in early October of last year, the major U.S. indices posted double digit gains for the second quarter in a row. A summary of total return performance for broad market indices during the first quarter of 2012 is included in the table below.

<b>Select Market Indices</b>	<b>3 Months Ended 03/31/12</b>	<b>YTD Ended 03/31/12</b>
Large Cap - Standard & Poor's 500 Index	12.59%	12.59%
Small Cap - Russell 2000 Index	12.44%	12.44%
Mid Cap - S&P 400 Index	13.50%	13.50%
International - MSCI EAFE Index	10.86%	10.86%
Emerging Markets - MSCI Emerging Markets Index	14.08%	14.08%

The WHV Large Cap Core Strategy outperformed in the first quarter. Outperformance was driven by positive stock selection in seven of the eight invested sectors. Stock selection was strongest in the Information Technology, Energy, Materials, and Health Care sectors. Overall, the active sector weights were essentially neutral to relative performance. However, the portfolio benefitted from an underweight in the defensive, high yielding sectors of Utilities, Telecommunication Services and Consumer Staples, and was hindered by the overweight in Energy and underweight in Financials. Additionally, not owning some of the largest blue chip stocks such as Bank of America, Exxon Mobil and Microsoft detracted from the portfolio's relative performance. The following are the top five and bottom five contributors to performance by holding during the quarter:

<b>Top Contributors*</b>	<b>Weight (%)</b>	<b>Total Return (%)</b>	<b>Contribution (%)</b>	<b>Bottom Contributors*</b>	<b>Weight (%)</b>	<b>Total Return (%)</b>	<b>Contribution (%)</b>
Apple Inc.	5.1	48.04	2.12	Check Point Software Technologies Ltd.	0.1	-2.25	-.04
EMC Corp.	3.9	38.72	1.32	Google Inc. Cl A	2.3	-0.72	-.05
Cf Industries Holdings Inc.	2.6	23.55	1.06	Colgate Palmolive Co.	0.8	-1.52	-.06
JPMorgan Chase & Co.	2.9	39.27	1.01	Oil States International Inc.	0.2	-4.31	-.11
National Oilwell Varco Inc.	4.1	17.06	0.83	Helmerich & Payne Inc.	1.5	-9.28	-.16

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

In last quarter's letter we outlined our views on the three key areas of concern for the market: the U.S. economy, the European debt crisis, and a slowdown in the emerging market economies. On all three fronts the data points or news flow in the quarter was generally positive. The U.S economy added 635,000 nonfarm payroll jobs in the first three months of the year. The European debt crisis was not solved but disappeared from the front page of the headlines as the risk of a sovereign default, as measured by credit default swaps, decreased. China grew at a rate of 8.1% in the first quarter while lowering the long-term GDP growth target to 7.5%. With \$3.2 trillion in foreign

reserves and a savings rate of 32% we believe the 7.5% is achievable. Macro uncertainty has and will likely continue to lead to volatility in the markets.

An additional risk often cited which we have not discussed in prior letters is the potential for operating margins to mean revert. Excluding a major decline in revenues or a large increase in the dollar, we believe there are structural reasons that will allow for a continued high level of margins. Currently, S&P 500 operating margins of 13.7% are close to their all time high of 13.8%. The 20-year average operating margin for the S&P 500 is 11.7% and the five-year average is 12.2%, which is 0.7% below the five-year average in 2006. Technology advances, productivity increases, globalization, mix shift and positive leverage all lead us to believe margins are sustainable. In particular, the impact of globalization on margins is worth discussing. Approximately 60% of S&P profits are tied to manufacturing.<sup>i</sup> Manufacturing has had a strong recovery, but output is still below prior peaks suggesting some positive leverage still to come. Additionally, lower input costs, mainly from the emerging markets, have helped drive margins. Wages have been a large driver as jobs were outsourced to low wage countries. However, some of these jobs are moving back onshore with factories opening in the southern U.S. where "right to work" laws and a large labor force have kept wage inflation low.

While the markets reflected an alleviation of fears surrounding the aforementioned risks, there is still reason to question the strength of the recovery and future direction. In the beginning of 2013, if no action is taken by Congress there are tax increases and spending cuts mandated that account for approximately 3.5% of GDP. This is a significant amount in the context of current expectations, which are for 2.6% GDP growth in 2013.<sup>ii</sup> As a result, future policy decisions will be critical to keeping the economy on the road to recovery and the upcoming elections are of great importance.

Our baseline assumption is for continued modest economic growth in the U.S., a continued recession in the euro-zone, and strong growth from developing economies. In a scenario of 3-4% global GDP growth, we believe stocks remain attractive given the compelling valuations that still exist. Corporate profits and cash flows remain strong and balance sheets are extremely healthy. There are large amounts of cash on corporate balance sheets and in money markets that will need to earn a return for investors over time. We believe markets will move higher as money moves into the stock market in the form of flows (which were net negative for domestic equities in the quarter) or mergers & acquisitions.

The equity markets' performance for the quarter reflected a greater risk appetite by investors but risk aversion remains high with the dividend yield of the S&P 500 approximately equal to the yield on the 10-year Treasury. In 2011, fundamentals did not matter and the S&P 500 was flat while generating sales per share growth and earnings per share growth of 9.2% and 16.1%, respectively.<sup>iii</sup> In the first quarter of 2012, the disconnect between fundamentals and valuation narrowed but still remains.

Capital growth going forward appears to be a more favorable option over current income given potential tax rate increases on dividends next year, unless Congress decides to act. Capital gains tax rates are expected to increase to 20%, which is more constructive than the potential 39.6% for dividends. Investors have been chasing yield as evidenced by strong flows into equity income funds and high valuations for high-yielding stocks. Our focus on companies that have solid growth

prospects coupled with attractive valuations appears to be a good place to invest in this environment.

For a more in-depth analysis of the current economic environment, we encourage you to read our REVIEW AND OUTLOOK- Spring 2012, which is included with this mailing. As always, if you have any questions or comments, we welcome your inquiry.

Sincerely,



Jeffrey C. Coburn, CFA  
Vice President, Portfolio Manager

JCC/cgs

Enclosures

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

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

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<sup>i</sup> Empirical Research Partners

<sup>ii</sup> Blue Chip Economic Indicators, Vol. 37, No. 4, April 10, 2012

<sup>iii</sup> Source: Factset Research Systems

Charles B. Groeschell  
Managing Director  
Senior Portfolio Manager  
Baird Advisors

April 25, 2012

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

Dear Danean:

Enclosed please find a summary review as of March 31, 2012 for the Bay County Employees' Retirement System Portfolio managed by Baird Advisors.

### Market Review

The improving economic picture for the U.S. along with positive developments in Europe pushed up Treasury yields and encouraged investors to seek out additional yield in the non-Treasury spread sectors of the bond market. As a result, all spread sectors outperformed equal duration U.S. Treasuries. Investment grade corporate bonds and CMBS performed particularly well during the quarter. No imminent change in Fed policy is expected as wage pressure is almost non-existent and the U.S is only just showing signs of coming to the end of the long, rocky bottoming process in the housing market. Please find attached a copy of our March Bond Market Comments which provide a more detailed review of the market.

### Performance Update

The Bay County Employees' Retirement System Portfolio had a very good start to the year with positive absolute as well as relative returns versus the benchmark in the 1st quarter. The Portfolio benefited from an underweight to Treasuries, exposure to non-agency mortgage-backed issues which continued to perform well. We remain confident in the Portfolio's overall structure, and with the yield advantage are optimistic regarding relative performance this year.

Please let us know if you have any questions as you review this information. Finally we have enclosed a copy of the Baird Advisor ADV brochure supplement.

Again, we sincerely appreciate the opportunity to serve as your fixed income investment manager.

Sincerely,



Charles B. Groeschell

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

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

[www.rwbaird.com](http://www.rwbaird.com)

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

03/31/06 through 03/31/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	5.04%	4.85%
2007		7.20%	7.78%
2008		9.13%	10.36%
2009		3.72%	1.79%
2010		5.63%	5.46%
2011		7.91%	7.62%
2012	1st Quarter	-0.14%	-0.28%
	Year-to-Date	-0.14%	-0.28%
<b>Total Return 03/31/06-03/31/12</b>		<b>45.06%</b>	<b>43.66%</b>
<b>Annualized Return</b>		<b>6.39%</b>	<b>6.22%</b>

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

Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on security valuations provided by client's custodian for purposes of performance reports.

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

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

03/31/06 through 03/31/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	4.80%	4.85%
2007		6.89%	7.78%
2008		8.81%	10.36%
2009		3.41%	1.79%
2010		5.31%	5.46%
2011		7.59%	7.62%
2012	1st Quarter	-0.22%	-0.28%
	Year-to-Date	-0.22%	-0.28%
<b>Total Return</b> 03/31/06-03/31/12		<b>42.50%</b>	<b>43.66%</b>
<b>Annualized Return</b>		<b>6.08%</b>	<b>6.22%</b>

The performance is presented on a cumulative basis. All returns are calculated on a time weighted, total return basis. The results shown should not be considered representative of future investment returns. The 50% Barclays Capital Government & 50% Barclays

Capital MBS Index is an unmanaged portfolio of specific securities. The portfolio does not invest in all the securities traded in the index. Direct investment in the index is not available. Client should review all account statements provided by its custodian and compare those account statements to any account statement provided by Baird Advisors. Baird Advisors relies on securities valuations provided by client's custodian for purposes of performance reports.

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

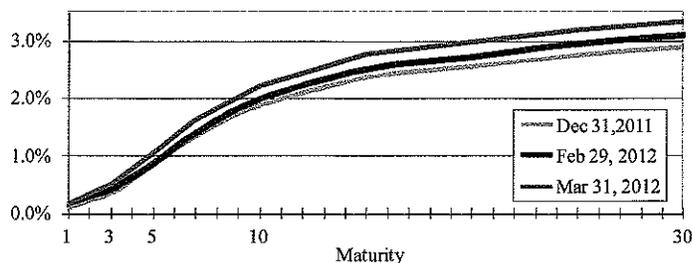
**Baird Advisors**  
**Fixed Income Market Comments**  
**March 2012**

**Treasury Yields Continued to Move Higher**

Treasury yields rose by as much as 25 bps on the 30-year during March bringing the quarter's increase to 44 bps. The yield curve also continued to steepen with the 2-year rising only 4 bps. U.S. economic data showed additional signs of improvement with jobless claims consistently coming in below 400,000 (at their lowest level since April 2008) and with U.S. payrolls up more than 200,000 for the fourth month in a row, the longest such run since 2000. Consumer confidence is improving and even the housing market is showing signs that we are coming to an end of the long, rocky bottoming process that has been underway since early 2009. The better news on the U.S. economic front coupled with positive developments in Europe encouraged investors to seek out additional yield in spread sectors of the bond market.

**Treasury Yields**

Source: Bloomberg



Maturity	Dec 31, 2011	Feb 29, 2012	Mar 31, 2012	Q1 Change
1	0.10%	0.16%	0.17%	0.07
2	0.24%	0.29%	0.33%	0.09
3	0.35%	0.41%	0.50%	0.15
5	0.83%	0.86%	1.04%	0.21
7	1.34%	1.38%	1.61%	0.26
10	1.88%	1.97%	2.21%	0.33
30	2.89%	3.09%	3.34%	0.44

**Spreads Tighten Sharply**

Corporate issuance was also very strong with the first quarter of 2012: net supply was 49% higher than in 2011. Robust supply coupled with healthy relative returns indicates very strong demand for these issues; a statement as to the attractive relative value of the sector.

With corporate balance sheets and earnings very healthy, these solid credit fundamentals are a good indicator that this sector still has some legs. For example, though financial spreads narrowed 110 bps in the first quarter they remain above their 10 year average of 194 bps.

**Treasuries Lose Ground; Spread Sectors Remain Strong**

The U.S. Credit sector had a great relative start to the year. According to Barclay's data, the first quarter of 2012 was the 3<sup>rd</sup> best quarter of excess returns (total return above U.S. Treasuries) since the firm began tracking such data in 1988.

The U.S. Treasury pullback in the quarter (-1.29%) was in stark contrast to other sectors. Corporates (+2.08%) performed well

with financials (+5.07%) again leading the sector. CMBS (+3.46%) posted another very strong quarter as supply technicals remain favorable and absolute yields on CMBS continue to look attractive when compared to other spread sectors. Municipals lost ground in March (-0.65%) as the increased supply overwhelmed demand. High yield (+5.34%) has bested its 2011 full year return (+4.98%) in this first quarter as prices moved in tandem with higher equity markets.

**Option-Adjusted Spreads (in bps)**

	12/31/11	3/31/12	Q1 Change	10 yr Avg OAS
U.S. Aggregate Index	87	64	-23	71
U.S. Agency (non-mortgage) Sector	33	20	-13	38
Mortgage and ABS Sectors				
U.S. Agency Pass-Throughs	75	52	-23	56
Asset-Backed Securities	99	65	-34	150
CMBS	308	221	-87	239
Corporate Sectors				
U.S. Investment Grade	234	176	-58	175
Industrial	184	148	-36	164
Utility	186	159	-27	171
Financial Institutions	337	227	-110	194
U.S. High Yield	699	576	-123	596

Source: Barclays Capital

**Total Returns of Selected Barclays Capital Indices and Subsectors**

Index/Sector	March 2012	YTD 2012
BC Aggregate Index	-0.55%	0.30%
BC Gov't/Credit Index	-0.86%	0.08%
BC Int. Gov't/Credit Index	-0.36%	0.61%
BC 1-3 yr. Gov't/Credit Index	0.01%	0.36%
US Treasury Sector	-1.00%	-1.29%
Gov't Agency Sector	-0.24%	0.24%
Corporate Sector	-0.97%	2.08%
CMBS Sector	0.23%	3.46%
MBS Sector	0.06%	0.57%
ABS Sector	-0.21%	0.83%
High Yield Sector	-0.14%	5.34%
Municipal Sector	-0.65%	1.75%
TIPS	-1.07%	0.86%

## INVESTMENT COMMENTARY

### **Economic Comment**

Equities extended their gains in the first quarter as fears of a European collapse receded, and economic data from the US improved.

### **Portfolio Performance**

On a gross of fee basis, the Seligman Large-Cap Value portfolio outperformed the Russell 1000 Value benchmark for the quarter ended March 31, 2012. All sectors in the portfolio were positive performers. Top sector-level contributors to relative return included financials and utilities (due to stock picking and an underweight position, respectively). Top sector-level detractors to relative return were consumer staples and information technology.

### **Portfolio Sector Allocation**

During the quarter, the top portfolio sector weights included financials, consumer staples, and energy.

Financial stocks were the top-performers in the benchmark and the portfolio during the quarter, rallying on improving news from Europe, passing marks on the most recent US government stress tests, and an announced settlement on mortgage relief with the Department of Housing and Urban Development. Diversified bank holdings such as JPMorganChase and Bank of America rallied on the news. We added to our bank holdings during the quarter, initiating a position in Citigroup. Citi was selling at an appreciable discount to tangible book value and presents yet another opportunity to gain from the rebuilt and renewed financial sector. There is no doubt that revenue models will have to be re-tooled to reflect the new regulatory realities in the sector, but we believe the long term outlook for banks and the financial sector is very positive. Portfolio holding Bank of America, which struggled last quarter on litigation related to its mortgage business, recovered nicely during the first quarter.

Consumer Staples were lagging performers in the quarterly rally, as investors turned away from more defensive issues. Diversified food products providers such as General Mills and Tyson Foods hurt relative return during the period. In addition to the swing to higher-risk assets, additional drags on these stocks included declining quarterly sales volumes at General Mills and weakness in beef sales (due to rising costs) at Tyson. We believe the outlook for both stocks remains positive despite the short term setbacks. We continue to like the consumer staples sector as steady businesses and high dividends continue to act as a hedge against overall market volatility.

Energy stocks were among the bottom performers in the benchmark during the period. The sector usually trade in line with the price of oil, but the surging price (above \$100/barrel at quarter end) actually acted to discourage investment in Energy in the first quarter, as investors worried that higher prices would ultimately sink demand. We don't see any sustained drop off in demand for oil in the future. The new car market in China is on track to exceed 20 million vehicles in 2012, and demand from China (which has little oil production of its own) and other emerging markets is likely to keep the price of energy high.

### **Market Commentary and Outlook**

US stocks saw their strongest first quarter performance in more than a decade as uncertainty over the prospects for the US economy and the Eurozone diminished, if not disappeared. Stocks rallied globally, largely fueled by sustained global monetary easing: we continue to see low interest rates around the world.

## INVESTMENT COMMENTARY

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While equity gains in the first quarter were substantial (any further gains will likely to be less than what we saw in the first quarter), we must continue to deal with the economic slack in the US and elsewhere, high oil prices, and less fiscal stimulus as we move forward. In the US, the employment picture and housing market is improving but at a slow pace. We are not out of the woods, but we believe the US economy will continue to muddle through.

It seems unlikely that companies will be able to sustain the level of earnings that we have seen over the past 18 months. That said, we believe that future stock gains may be fueled by expanding P/Es, particularly in the low interest rate/low inflation environment. It appears that many investors missed out on the swift first quarter rally, holding money on the sidelines; if this is the case, further gains may be amplified by investors trying to play catch-up.

Any client portfolio holdings information provided is proprietary and confidential. In receiving holdings data, clients and their authorized agents agree that the data is not being obtained in order to effect securities transactions based upon such information or to provide such information to another party. References to specific securities should not be considered a recommendation to purchase or sell a particular security but rather an illustration of investment management strategy. Complete holdings information is available in client statements.

Columbia Management Investment Advisers, LLC is an SEC-registered investment adviser that offers investment products and services under the names Columbia Management Investments, Columbia Management Capital Advisers, and Seligman Investments.

The views expressed are as of the date provided and are subject to change at any time based upon market and other factors. There is no guarantee that investment objectives will be achieved or that any particular investment will be profitable. **Past performance does not guarantee future results.**  
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**SUMMARY OF SECURITY HOLDINGS**

	Total Cost	Total Market Value	Percent of Holdings
Currency: USD			
Cash	75,287	75,287	0.27 %
Equity	19,285,171	27,728,283	99.73 %
Total	19,360,458	27,803,570	100.00 %

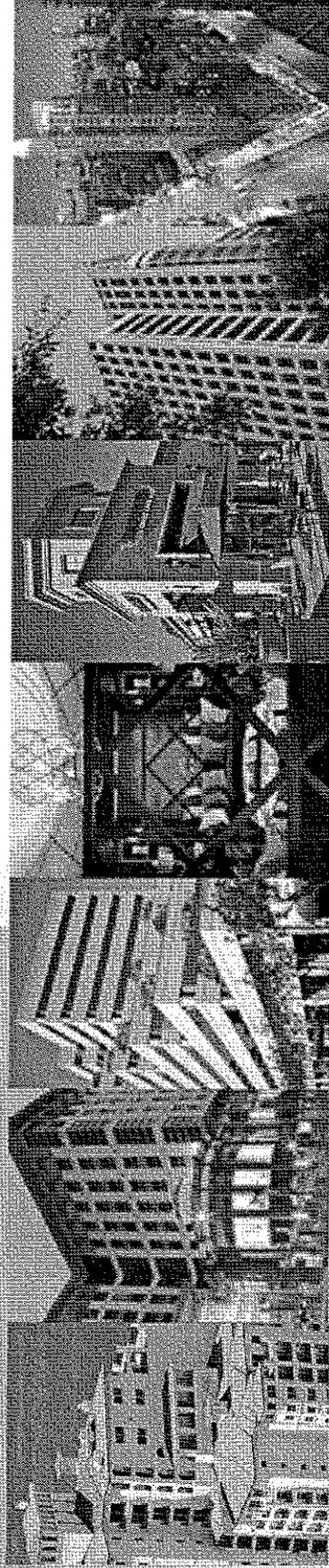
**SUMMARY OF INVESTMENT RESULTS**

	Latest 3 Months	Year to Date	Since Incept 01/26/2001 Annualized
Total Account	13.33	13.33	5.10
Equity Only	13.29	13.29	5.06
S&P 500 Index	12.59	12.59	2.29
Russell 1000 Value + 1% Annually	11.39	11.39	5.06

Unless otherwise noted, performance returns calculated before fees.

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

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**Bay County Employees' Retirement System  
Real Estate Securities  
Quarterly Report  
*Quarter Ended March 31, 2012***



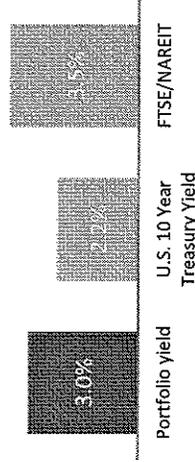
**PERFORMANCE HISTORY**  
**Bay County Employees' Retirement System**

**Total Return**

Time Period	Portfolio Returns		FTSE/NAREIT Equity Index
	Gross	Net	
Q1 2012	10.63%	10.47%	10.79%
1 Year	13.06%	12.39%	12.83%
3 Year	44.72%	43.88%	42.35%
Since Inception	21.09%	20.38%	18.19%

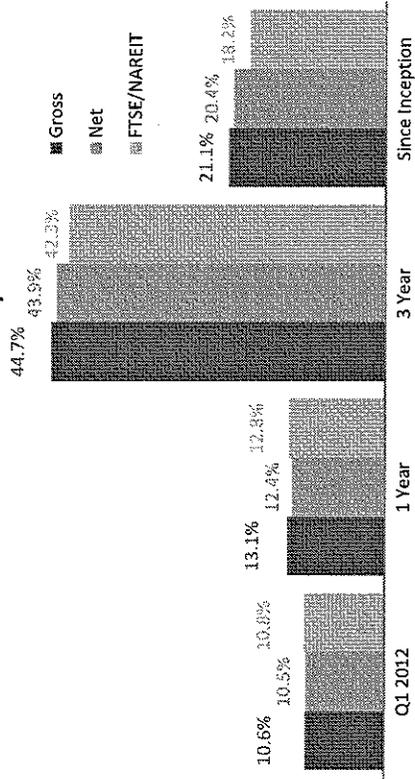
\* Inception Date 10/21/2008

**Dividend Yields\***

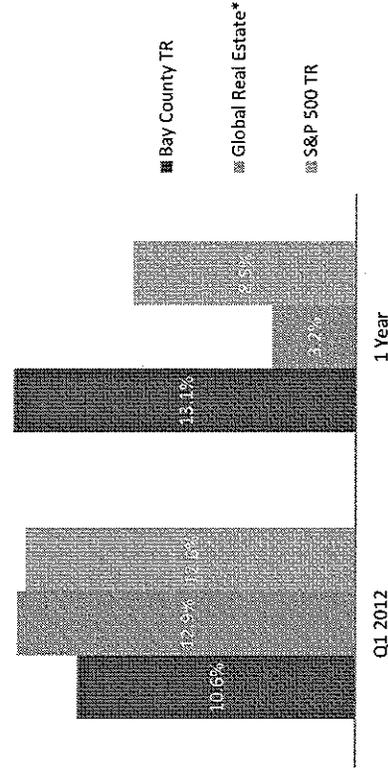


\* All forward yields

**Returns Summary**



**Capital Markets & Real Estate Comparison**



\* FTSE EPRA/NAREIT Developed Index

29



**PERFORMANCE HISTORY**  
**Bay County Employees' Retirement System**

Time Period	3/31/2012	Percent Return Per Period		FTSE/NAREIT Equity Index
		Gross	Portfolio Net	
1 Month		5.11%	5.05%	5.16%
YTD		10.63%	10.47%	10.79%
1 Year		13.06%	12.39%	12.83%
3 Year		44.72%	43.88%	42.35%
Inception (October 21, 2008)		21.09%	20.38%	18.19%

PORTFOLIO VALUATION AND STATEMENTS

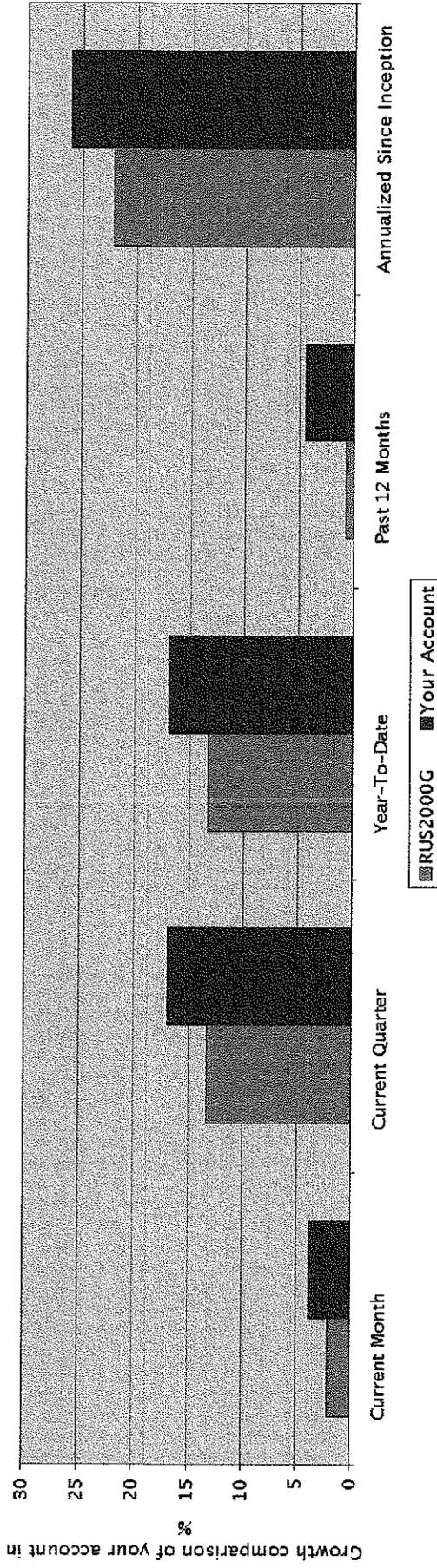
Bay County Employees' Retirement System  
 05231100/  
 SmallCap Growth Equity

CURRENT PERIOD STARTED ON: 03/01/2012  
 CURRENT QUARTER STARTED ON: 01/01/2012  
 YEAR-TO-DATE STARTED ON: 01/01/2012  
 INCEPTION DATE: 09/03/2010

AS OF 03/31/2012

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	3.74%	16.95%	16.95%	4.41%	N/A	N/A	26.08%
Russell 2000 Growth Index	2.03%	13.28%	13.28%	0.68%	N/A	N/A	22.09%



Bay County Employees' Retirement System  
05231100/  
SmallCap Growth Equity

PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 03/01/2012  
CURRENT QUARTER STARTED ON: 01/01/2012  
YEAR-TO-DATE STARTED ON: 01/01/2012  
INCEPTION DATE: 09/03/2010

AS OF 03/31/2012

SUMMARY

CONTRIBUTIONS THRU 03/01/2012	\$6,520,181
DEPOSITS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	\$408
CASH	
WITHDRAWALS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	<u>\$(500,000)</u>
CASH	
TOTAL CONTRIBUTIONS THRU 03/31/2012	<u>\$6,020,589</u>
MARKET VALUE OF ACCOUNT AS OF 03/31/2012	<u>\$9,414,062</u>

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.

April 9, 2012

Bay County Employees' Retirement System  
Danean Wright  
515 Center Ave  
Bay County Building  
Bay City, MI 48708

RE: Research Coverage Shift – Eagle Small Cap Growth and Mid Cap Growth

Dear Danean:

Eagle's Small and Mid Cap Growth team is implementing a research coverage shift.

Andy Adebonojo, CFA, who joined Eagle in 2011 for additional coverage of certain healthcare industries, will continue to do so as well as add financials – a sector he also covered prior to joining Eagle – to his research area. Jay Daniel, CFA, who covered financials, left Eagle at the end of March to pursue other opportunities.

Eagle anticipates this change will not affect the investment process or clients in any way. We have an evergreen mission to ensure our portfolio-management teams have the appropriate resources they need in their efforts to provide clients strong investment results.

If you have any questions about this change, please contact Clay Lindsey at 727-567-4911 or [clay.lindsey@eagleasset.com](mailto:clay.lindsey@eagleasset.com).

Sincerely,



Richard Rossi  
President and Co-Chief Operating Officer  
Eagle Asset Management

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value

Total Market Value: \$10,269,606 (3.0% Cash)

Quarter Ended March 31, 2012

	Performance Returns - Gross of Fees			Weighted Average Portfolio Characteristics			
	MID	QTD	YTD	Since Incept.	Portfolio	Rus 2000 V	Rus 2000
Portfolio - Total Return	2.28 %	16.35 %	16.35 %	7.05 %	10.2x	12.1x	13.2x
Portfolio - Equity Only	2.32	16.55	16.55	6.86	3.0x	7.3x	8.8x
Russell 2000 Value Index	3.10	11.59	11.59	6.29	1.1x	1.3x	1.8x
Russell 2000 Index	2.56	12.44	12.44	6.52	1.2%	2.1%	1.4%
S&P 500 Index	3.29	12.59	12.59	5.61	\$1,670	\$1,172	\$1,358
<i>Commencement of portfolio: 12/1/03. Periods over one year are average annualized returns.</i>							
					55	/	35%

	Top and Bottom Five Contributors to Performance			Trading Data			Top Ten Stocks - Total Portfolio	End Wgt
	End Wgt	Ttl Ret.	Contr.	Major Buy/Sell	*New buy/final sell	+/-		
Cobalt Int'l Energy Inc.	1.81 %	93.49 %	2.55 %	Fortune Brands Home & Security		1.5% *	Valassis Communications	5.0 %
Huntington Ingalls Industries	4.47	28.64	1.29	Marriott Vacations Worldwide		1.0% *	Con-Way Inc.	4.5
Valassis Communications	4.97	19.60	1.07	Miller Industries Inc.		0.9%	Huntington Ingalls Industries	4.5
PHH Corp.	2.95	44.58	0.98	Geo Group Inc.		0.9%	Great Plains Energy Inc.	3.8
Symetra Financial Corp.	3.59	27.95	0.83	Con-Way Inc.		0.8%	Symetra Financial Corp.	3.6
Global Indemnity PLC	3.05 %	-1.71 %	-0.03 %	(Con-Way Inc.)		-0.8%	Hudson Highland Group	3.5
Circor International Inc.	1.52	-5.67	-0.05	(Stone Energy Corp.)		-0.8%	Miller Industries Inc.	3.4
PharMerica Corp.	0.99	-18.12	-0.26	(Valassis Communications)		-0.9%	Quiksilver Inc.	3.4
Great Plains Energy Inc.	3.75	-5.98	-0.30	(MI Developments Inc.)		-2.2%	Alliant Techsystems Inc.	3.3
Alliant Techsystems Inc.	3.27	-12.02	-0.39	(Cobalt Int'l Energy Inc.)		-2.9%	Arris Group Inc.	3.2

	Performance Attribution			Allocation			End Wgt
	Portfolio	Russell 2000 Value	Equ. Ret.	Sector	Stock	Total	
Energy	6.76 %	44.82 %	8.08 %	0.04	2.32	2.36	13.8 %
Financials	28.04	19.40	11.86	-0.02	1.93	1.91	8.2
Industrials	30.77	15.42	12.31	0.14	0.93	1.07	7.3
Materials	2.56	35.12	13.71	-0.07	0.52	0.45	6.8
Consumer Staples	1.66	21.29	10.15	0.05	0.17	0.22	6.6
Consumer Discretionary	13.47	16.21	17.25	0.09	-0.07	0.02	6.6
Telecommunication Services	0.00	0.00	12.91	0.01	0.00	0.01	5.9
Utilities	7.40	-3.71	-1.71	-0.11	-0.19	-0.30	5.9
Information Technology	6.72	7.83	13.19	-0.04	-0.30	-0.34	4.6
Health Care	2.61	-6.83	12.41	-0.01	-0.50	-0.51	3.7
				0.07	4.81	4.88	

Data source: FactSet daily buy-and-hold, gross of fees. Returns calculated using this buy-and-hold methodology could differ from actual portfolio returns when there is a significant difference between the trade price and the closing price of any given security (e.g., IPOs, corporate transactions or closing price conventions). 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.

UF

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value  
Investment Review

Quarter Ended  
March 31, 2012



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

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

March 31, 2012

<u>Assets</u>		<u>Transactions Summary</u>
Total Market Value:	\$10,269,606	Total Purchases: \$906,322
Total Equity Value:	\$9,955,923	Total Sales: \$1,096,323
Total Cash Value:	\$304,891	Total Commissions: \$2,163
Total Accrued Value:	\$8,792	Average Transaction Cost/Share: \$0.019
% Cash of Portfolio:	3.0%	

## Performance Returns

Commencement of Portfolio  
December 1, 2003

	<u>MTD</u>	<u>QTD</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>Since Inception</u>
Portfolio - Total Return	2.28 %	16.35 %	-2.74 %	42.63 %	2.35 %	7.05 %
Portfolio - Equity Only	2.32	16.55	-2.51	43.82	1.70	6.86
Russell 2000 Value Index	3.10	11.59	-1.07	25.36	0.01	6.29
Russell 2000 Index	2.56	12.44	-0.18	26.90	2.13	6.52
S&P 500 Index	3.29	12.59	8.54	23.42	2.01	5.61

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

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

March 31, 2012

## MARKET REVIEW AND OUTLOOK

### Market Commentary

The U.S. equity market delivered its best opening quarter since 1998, as the S&P 500 Index posted a 12.6% return and the Russell 2000 Index posted a 12.4% return. The market's advance was prompted by continued signs of a strengthening U.S. economy and the absence of new negative global macroeconomic developments. Consequently, the VIX Index (i.e. the "Fear Index") declined from well above its historical average at the beginning of the quarter, to well below its historical average at the end of the quarter. As short-term fears subsided and became a less prominent driver of investor behavior, we observed shift in the market's focus toward underlying fundamentals and valuations of individual stocks. This type of shift tends to reduce the correlation of returns across stocks and forms an environment conducive for bottom-up, fundamental value investors.

During the quarter, cyclical sectors outperformed non-cyclical sectors. Small cap consumer discretionary and technology stocks were among the leaders while small cap utilities and consumer staples stocks were among the laggards. The small cap growth indices outperformed small cap value indices, primarily due to the larger weight in the strong-performing technology sector and the smaller weight in the weak-performing utilities sector. Large, mid, and small cap stocks performed similarly.

Going forward, we remain optimistic regarding the equity market's prospects due to considerable fundamental improvements exhibited across the corporate sector. Despite modest economic growth, companies have generated robust earnings and cash flows, which have been predominately used to reduce debt. Valuations continue to be compelling even after this quarter's appreciation. Also, we believe the market's affection for Treasuries is likely to recede as real yields at/below zero will eventually erode the purchasing power of institutional and individual investors alike. The 30 basis point rise in 10-year Treasury yields over the first quarter may well be a harbinger of this cautionary message.

During periods of elevated volatility, we have found that the changes in security prices (i.e. volatility) are often not commensurate with the changes in real risk. Our experience has shown us that focusing on corporate fundamentals is the most effective course when navigating erratic waters; we attempt to mitigate risk through sound valuation support and an exhaustive assessment of underlying company risks (excessive/hidden financial leverage, for example).

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

March 31, 2012

## Attribution: Q1 2012

The Hotchkis & Wiley Small Cap Value portfolio outperformed the Russell 2000 Value Index for the quarter. Positive stock selection drove the outperformance – it was strongest in energy, financials, and industrials. Cobalt International Energy, Huntington Ingalls Industries, and PHH Corporation were the largest individual contributors. Stock selection in healthcare and technology was the primary performance detractor for the quarter; Alliant Techsystems, Great Plains Energy, and Global Indemnity were the largest individual detractors.

*Performance comparison is based on gross of management fee returns. The portfolio characteristics and attribution in this commentary are based on a representative Small Cap Value portfolio. Certain client portfolio(s) may or may not contain the securities discussed in this commentary due to different restrictions, cash flows and other relevant considerations. The commentary is for information purposes only and is not intended to be, and should not be, relied on for investment advice. The opinions expressed are those of the portfolio managers as of 3/31/12 and may not be accurate reflections of their opinions after that date. There is no guarantee that any forecasts made will come to pass. Accounts may not continue to hold the securities mentioned and H&W has no obligation to disclose purchases or sales of these securities. Past performance is no guarantee of future results.*

# Bay County Employees' Retirement System

As of 3/31/12

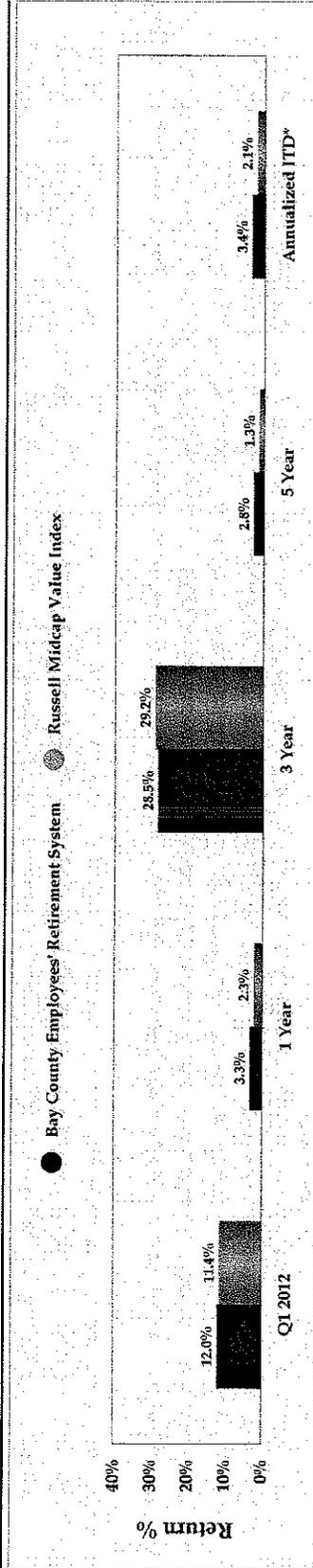
## Account Performance

For the quarter ending March 31, 2012, your portfolio returned 11.99% versus the Russell Midcap® Value index, which returned 11.41%.

The Mid Cap Value Equity composite outperformed the Russell Midcap® Value index by 63 basis points. Stock selection in Technology, Consumer Discretionary and Financials was largely responsible for the good relative performance. Additionally, an underweight to Utilities helped as the group has been the worst performing sector to start 2012. The weakest areas of performance were in Industrials and Consumer Staples. Positive style attributes included a smaller market cap, a higher beta and higher momentum.

## Performance Review (Annualized)

### Gross of Fees



Portfolio Performance	Q1 2012	1 Year	3 Year	5 Year	Annualized ITD*
Bay County Employees' Retirement System	11.99%	3.25%	28.52%	2.80%	3.42%
Russell Midcap Value Index	11.41%	2.28%	29.18%	1.26%	2.09%
Relative Performance	0.58%	0.97%	-0.66%	1.54%	1.33%

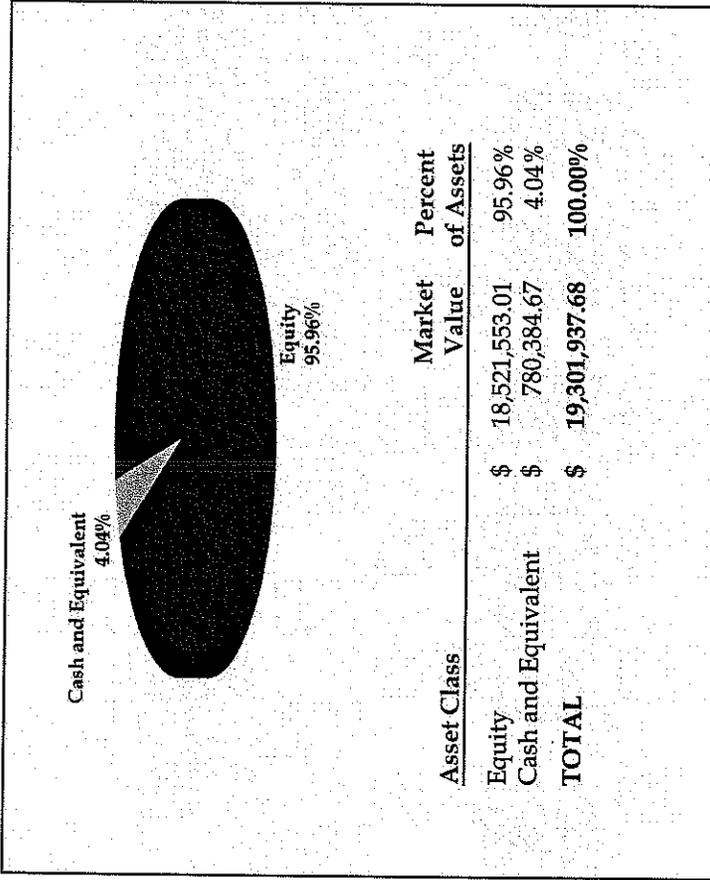
\* Since Inception 1/3/07

# Bay County Employees' Retirement System

As of 3/31/12

## Portfolio Summary

### Current Asset Allocation



**Portfolio Summary**

Bay County Employees Ret System  
4407N1

Date Run: 04/13/2012  
Period Covered: 02/29/2012 to 03/31/2012

**Portfolio Composition as of 03/31/2012**

	<b>Total Market Value</b>	<b>% of Total</b>
Bonds	27,182,581	97.13%
Cash and Equivalents	469,777	1.68%
Accrued Income	334,268	1.19%
<b>Total</b>	<b>27,986,626</b>	<b>100.00%</b>

**Statement of Changes**

Total Market Value at 02/29/2012	28,208,185
Net Additions/Withdrawals	0
Income Earned	115,453
Portfolio Appreciation/Depreciation	-337,011
<b>Total Market Value at 03/31/2012</b>	<b>27,986,626</b>

**Performance Returns (Supervised Assets)**

	<b>1Mth</b>	<b>3Mths</b>	<b>YTD</b>	<b>1 YR</b>	<b>3 YRS*</b>	<b>5 YRS*</b>
Total	-0.79	2.81	2.81	9.99	15.22	7.51
Barclays U.S. Corporate Investment Grade	-0.97	1.85	1.85	9.38	12.25	6.87

\* - Returns are annualized

<sup>a</sup>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 3/31/2012

This report is a service provided to customers of Loomis Sayles. It is for informational purposes only. It is not a recommendation to buy or sell securities. Past performance is not a guarantee of future results. Loomis Sayles believes information contained herein is reliable but we do not guarantee its accuracy.



# Bay County Employees' Retirement System

## Overview

### Fund Valuation

Value at 31 December 2011	Net Cash Flow	Value at 31 March 2012
US\$ 8,206,681	-	US\$ 9,481,069

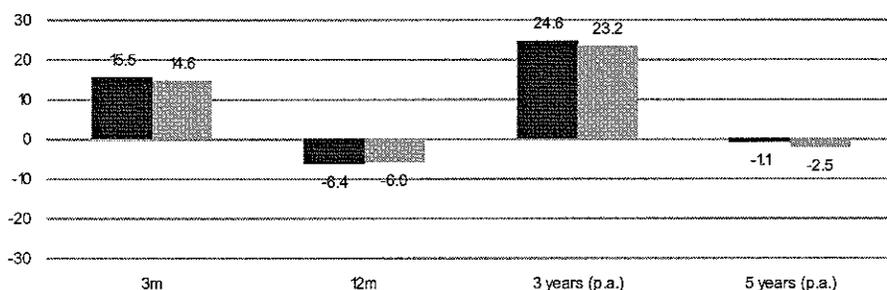
### Performance

Periods to 31 March 2012

Total returns (US\$)	3 months %	12 months %	3 years % p.a.	5 years % p.a.	Since Inception** % p.a.
Fund	+15.5	-6.4	+24.6	-1.1	+3.2
Index*	+14.9	-4.5	+24.7	-1.0	+3.2
S&P EPAC SmallCap	+14.6	-6.0	+23.2	-2.5	+1.7
Value added rel Index*	+0.6	-1.9	-0.1	-0.1	0.0
Difference	+0.9	-0.4	+1.4	+1.4	+1.5

Source: Schroders. Gross of fees. \* S&P EPAC SmallCap Index plus 150 basis points \*\* Inception June 30, 2006  
All subsequent performance comments and numbers are relative to S&P EPAC SmallCap Index

### Performance versus benchmark (%)



## Summary

Global equities have enjoyed a strong start to the year. It has been co-incident (and possibly connected with) further evidence of monetary stimulus in Europe (LTRO), Japan and the United Kingdom, and signs of a more accommodative policy in a number of emerging market in response to declining headline inflation and slowing activity. Economic news has generally been better than expectations.

Smallcaps have generally outperformed, recovering most of the underperformance seen in the second half of 2011. However, the bulk of this has been in Europe while they underperformed in Japan, partly a function of their greater domestic focus during a rare period of yen weakness.

The key contributions to excess return over the quarter have been relative strength in continental Europe and Pacific ex Japan, with a partial offset from selection in the United Kingdom. Japan had little impact either way as the negative from stock selection was offset by the benefit of our underweight stance.

The main headwinds on a twelve month view include the overweighting in Pacific ex Japan (most notably in Hong Kong) and stock selection in Japan, offset partially by country positioning and stock election in continental Europe. The underweighting of, and stock selection in, the United Kingdom both detracted from relative performance.

There are some unnerving parallels with twelve months ago. We close the first quarter as we did in 2011; in the wake of a period of rapid upward revisions in growth expectations hand in hand with further rounds of monetary easing. As with last year, strains within the euro bloc have been (temporarily?) papered over and investor sentiment, while far from euphoric, is at least in positive territory. All this makes us a bit cautious in the short-term given the broader structural constraints to growth in the developed world. One marked difference however, is that the emerging world is generally at a more benign stage in the cycle than a year ago. Key regional positions have remained relatively stable through the quarter as we continue to focus on companies with attractive growth prospects, strong management and relatively good balance sheets.

# Bay County Employees' Retirement System

## Market Summary

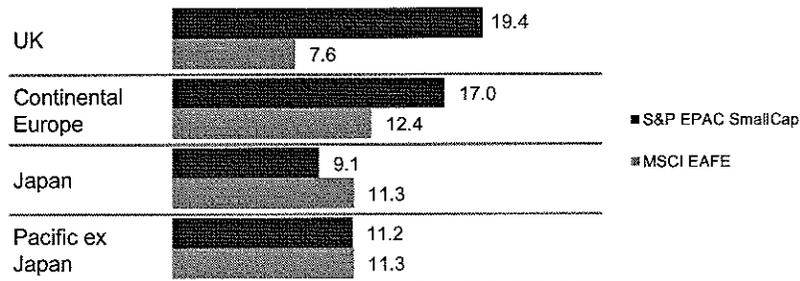
Markets have taken a turn for the better over the past quarter with the S&P 500 recording one of its strongest starts since 1928. Underpinning this has been an improvement in the macro data with business surveys strengthening and the US labour market adding nearly three quarters of a million jobs over the past three months.

Yet, whilst the improving economic backdrop will have helped, another important factor behind the rally in risk assets has been action by policymakers. In the Eurozone, the ECB (European Central Bank) has now held two auctions of three year liquidity where the banking sector has drawn down a cumulative €1 trillion. The effect has been to head off a credit crunch and help push down peripheral bond yields.

Liquidity injections will not solve the problems of the Eurozone, as banks and governments still need to de-leverage, however they do buy time. Meanwhile, central banks elsewhere have continued to bear down on long yields through "operation twist" in the US and Quantitative Easing (QE) in the UK. The net effect of these measures has been to reduce tail risk in the world economy, encouraging investors to add more risk.

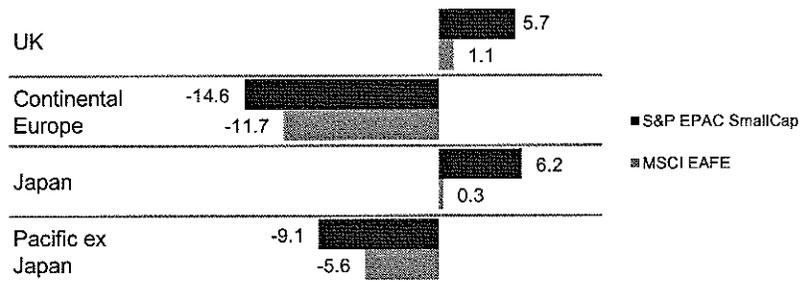
Smallcap equities have shared fully in this rally, reversing much of the underperformance seen in the second half of 2011. This is consistent with the more risk tolerant sentiment, which has also been reflected in the type of sectors which have led the rally including consumer cyclicals, information technology, and industrials. The only major sector where smallcaps underperformed was in financials where larger cap names were seen as the primary beneficiaries of the easing in availability of official sources of credit.

**S&P & MSCI returns by major region US\$ 3 months to 31 March 2012**



Source: S&P, MSCI

**S&P & MSCI returns by major region US\$ 12 months to 31 March 2012**



Source: S&P, MSCI

# Bay County Employees' Retirement System

## Performance

Performance attribution –  
Periods to 31 March 2012

Total returns	3 months	12 months	3 years	5 years
	%	%	% p.a.	% p.a.
Stock selection	-0.2	-0.1	+2.0	+1.3
Country weightings	+1.1	-0.4	-0.1	+0.3
Currency hedging	0.0	0.0	0.0	0.0
Residual	0.0	+0.1	-0.5	-0.2
<b>Total value added</b>	<b>+0.9</b>	<b>-0.4</b>	<b>+1.4</b>	<b>+1.4</b>

Source: Schroders

The key contributions to excess return over the quarter have been relative strength in continental Europe and Pacific ex Japan, with a partial offset from selection in the United Kingdom. Japan had little impact either way as the negative from stock selection was offset by the benefit of our underweight stance.

The contribution from continental Europe has been a combination of country positioning (underweight Spain, Sweden, Switzerland and overweight Ireland) and stock selection. Strong stock selection was mainly in the industrial (**gategroup**, **Rheinmetall**), consumer cyclical (**BYGGmax**, **Kuoni**, **SAF-Holland**) and financial (**Azimut**, **IFG Group**, **Jyske Bank**) sectors.

Relative returns in Pacific ex Japan benefitted from the under representation in South Korea, and stock selection in health care (**Starpharma**, **Biosensors**), materials (**Fletcher Building**, **Iluka**) and information technology (**Shanda Games**). Energy related industrials were also a feature including **STX OSV** and **Sembcorp Marine**.

Our overall bias towards quality did not help us in the United Kingdom; more specific areas of relative weakness included financials (**Candover**, **Grainger**), information technology (**SDL**) and consumer cyclicals (**Dignity**, **Berkeley Group**). Selection in materials (**Elementis**) and industrials (**Keller**, **SIG**) provided modest offsets.

The main headwinds on a twelve month view include the overweighting in Pacific ex Japan (most notably in Hong Kong) and stock selection in Japan, offset partially by country positioning and stock selection in continental Europe. The underweighting of, and stock selection in, the United Kingdom both detracted from relative performance.

Stock and Country Selection  
Impact – 3 months to 31  
March 2012

	Stock selection	Country allocation	Total*
	%	%	%
UK	-0.8	-0.1	-0.9
Japan	-0.3	+0.3	0.0
Continental Europe	+0.6	+1.0	+1.6
Pacific ex Japan	+0.3	+0.3	+0.6
Cash	-	-0.4	-0.4

\* Contribution to performance relative to S&P EPAC SmallCap

Source: Schroders

# Bay County Employees' Retirement System

## Fund Activity

Country Changes – 3 months to 31 March 2012

Continental Europe	It has been a period of relative calm in the region with strains within the single currency relieved by the liquidity operations of the ECB, a seemingly successful negotiation of a Greek debt deal, and a bounce in leading indicators. Corporate results have generally met or exceeded expectations. We have not chased the strength in more cyclical and riskier sectors which has attended this backdrop, and have raised cash from the region dictated by specific stock specific situations. We remain cautious of most peripheral euro markets with Ireland the only significant exception, while favouring core markets such as Germany and the Netherlands. Main sector exposures remain consumer cyclicals, industrials (though slightly reduced over the last three months) and financials (though underweight).
UK	The exposure was reduced relative to the benchmark marginally over the first quarter, again for mainly stock specific reasons. The shape of the portfolio remains oriented towards steady growth companies, early stage energy, strong niche exporters and a selective number of inexpensive domestic stock where the challenging environment appears adequately reflected in cheap valuations.
Japan	Overall growth is still set to be quite robust in 2012 courtesy of easy earthquake impacted comparisons and spending on reconstruction. The shift in the stance of the Bank of Japan over inflation, and by implication the yen, is potentially very significant, though we would be sceptical of this marking a shift of radical proportions as is anticipated in some quarters. A reasonably robust currency and cheap domestic borrowing costs are important supports to an economy with the demographics and high, but essentially stagnant, wealth levels of Japan. The domestic sectors hold few attractions for us given our bias towards companies exhibiting growth and pricing power.
Pacific ex Japan	The region continues to be the main area of overweighting, particularly in the consumer cyclical, industrial and material (primarily in Australia/NZ) sectors. Despite the rally seen in the quarter, valuation continue to look attractive, with our exposure balance between companies benefiting from domestic growth (likely to be supported by declining inflation round the region) and selected export oriented stocks where scope for share gains and margin expansion appear under-appreciated by investors.

Country Weightings versus Benchmark Index\* at 31 March 2012

Fund (%)	Index (%)		3 month change in active weight (%)
24.7	18.7	Pacific ex. Japan 6.0	+0.6
18.2	20.6	UK -2.4	-1.2
36.9	39.7	Continental Europe -2.8	-0.9
17.0	21.0	Japan -4.0	+0.2
3.2	0.0	Cash 3.2	+1.3

\* S&P EPAC SmallCap Index

# Bay County Employees' Retirement System

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## Policy

Although better economic data have been a major support to equity markets in the first quarter of the year, we believe the global economy still faces a challenging 2012 with overall growth likely to be at subdued levels. This implies that markets will need to undergo a re-setting of expectations which may mirror that of last year which also started with a period of (subsequently disappointed) optimism over economic activity. This leaves to one side the inevitably less predictable geo-political risks surrounding the situation in the Middle East and tensions over Iran.

However, it is undeniable that policy makers have been more aggressive than expected in loosening monetary policy. As a result, the economic outlook for Europe looks slightly less grim. Although tighter fiscal policy and banking sector deleveraging remains a feature, Germany has proved to be more resilient than forecast whilst the long-term repo operations (LTRO) liquidity measures by the ECB are expected to head off the worst effects of the credit crunch.

Against this backdrop, global monetary policy is likely to remain loose with central banks in the major developed economies expected to keep interest rates low for an extended period. There is also the prospect of the Federal Reserve (Fed) implementing QE 3 if the economy loses momentum. In the UK, we assume further QE whilst in the Eurozone we see the ECB continuing to offer long term liquidity to the banking system. For emerging markets, 2012 should see cuts in interest rates and bank reserve ratios. China, India and Brazil are already moving in that direction. Given the increased contribution that emerging markets make to global growth, this loosening should support sentiment even if growth forecasts for the developed world are tending to be revised lower.

Given the expected environment, we remain biased towards companies with relatively strong balance sheets, focused management and visible growth forecasts. This does not mean that the portfolio is unduly defensive given, even on our lower than consensus expectations, there should be reasonable global expansion of around 3% in real terms.

The key area of overweighting has been in Pacific ex Japan, although we have not added materially over the quarter. There have been a number of new holdings including **Sembcorp Marine** a Singapore based builder of oil rigs, **Johnson Electric** (micro-motors), **Yue Yuen Industrial** (footwear manufacturer and retailer) and **Comba Telecom** (Chinese manufacturer of wireless network enhancement equipment). However, this has been balance by sales including **Biosensors** and **James Hardie** which reached our fair value targets, and **Yanlord** which recovered in line with better sentiment in China and credit relaxation hopes.

The United Kingdom continues to face both domestic and international headwinds, though pro-business elements in the recent Budget are encouraging and monetary policy will remain accommodative. Achievement of fair value targets prompted the disposal of **Tate & Lyle** and **Hamworthy**, the latter a result of a takeover offer from **Wartsila**. New holdings included **AMEC** (oil services), **Daily Mail and General Trust** (the diversified media group) and **Yule Catto** (specialist polymers).

# Bay County Employees' Retirement System

## Policy continued

Europe remains a clear area of event risk for the global economy, but it also remains among the cheapest regions on most valuation metrics. Stock selection remains the key drivers of positioning, but at the margin macro-economic concerns augment our caution over markets such as Portugal, Greece, Spain and France. Ireland is the notable exception. In terms of stocks, we rationalised holdings with some longstanding positions reaching fair value, including **Rubis**, **Fugro**, and **Bilfinger & Berger**, while **Uster Technologies** was sold following an offer for the company from **Toyota Industries**. New purchases included **Amplifon** (hearing aids) and **UNIT4** (Dutch e-business and CRM software developer).

While Japan registered a respectable return over the first quarter, it was materially offset by the weakness in the yen. Given larger companies greater foreign exposure, they tended to perform better than smaller companies, although many of the more internationally oriented smaller cap holdings in our portfolio should be similarly favoured by the more accommodative shift in Bank of Japan policy. While re-construction spending will help economic growth, we struggle to find convincing plays on this at a stock level. Activity has been consequently low, with two new holdings (**Mitsui Sugar**, **CAPCOM**) and two sales; **Sumida Corp** and **Osaka Titanium**.

## Fund Analysis

Top Ten Holdings at 31  
March 2012

	Country	Fund %
freenet	Germany	1.5
Imtech	Netherlands	1.4
STX OSV	Singapore	1.4
Computershare	Australia	1.4
Delta Lloyd	Netherlands	1.4
Helvetia	Switzerland	1.2
Azimut	Italy	1.2
Gategroup	Switzerland	1.2
Fletcher Building	New Zealand	1.2
Rheinmetall	Germany	1.1
<b>Total</b>		<b>13.0</b>

Fund Characteristics at 31  
March 2012

	Fund %	Index* %
Number of securities	203	3,396
P/E 12mths Fwd (x)	12.7	15.0
Dividend yield (%)	2.5	2.6
Price/book (x)	1.5	1.3
3 year earnings growth (%) p.a.	19.7	20.3
Return on equity (%)	13.1	12.1
Market capitalization (%)		
	>\$5 billion	2.2
	\$1-5 billion	42.8
	<\$1 billion	55.0
5 Yrs Standard Deviation (%)	24.8	25.1
5 Yrs Historic Tracking Error (%)	3.6	

Performance figures are presented on a "gross basis" and do not reflect the deduction of investment advisory fees.

\* S&P EPAC SmallCap Index  
Source: Schroders, Factset, S&P

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: 04/05/2012  
 BILLING PERIOD: 03/01/2012 - 03/31/2012

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: BYC03					
ACCOUNT NAME: BAYCO- BARINGS					
OPEN CASH	0.00	0.00	0.00	173.86	173.86
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	173.86	173.86
TOTAL REBATES	0.00	0.00	0.00	400.33-	400.33-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	574.19	574.19
BANK FEES	0.00	0.00	0.00	229.65	229.65
NET INCOME	0.00	0.00	0.00	344.54	344.54

ACCOUNT NUM.: 1799220					
ACCOUNT NAME: *TNT-LDN-BYCO3-BAYCO-BARING-SL					
OPEN CASH	0.00	0.00	0.00	178.18	178.18
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	178.18	178.18
TOTAL REBATES	0.00	0.00	0.00	14.54	14.54
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	163.64	163.64
BANK FEES	0.00	0.00	0.00	65.15	65.15
NET INCOME	0.00	0.00	0.00	98.49	98.49

ACCOUNT NUM.: 2608694					
ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT					
OPEN CASH	0.00	1,167.07	0.00	0.00	1,167.07
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	1,167.07	0.00	0.00	1,167.07
TOTAL REBATES	0.00	134.02	0.00	0.00	134.02
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,033.05	0.00	0.00	1,033.05
BANK FEES	0.00	412.87	0.00	0.00	412.87
NET INCOME	0.00	620.18	0.00	0.00	620.18

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	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2618668					
ACCOUNT NAME: *BAYCO - BAIRD					
	-SL				
OPEN CASH	2,117.02	0.00	0.00	0.00	2,117.02
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	2,117.02	0.00	0.00	0.00	2,117.02
TOTAL REBATES	1,264.55	0.00	0.00	0.00	1,264.55
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	852.47	0.00	0.00	0.00	852.47
BANK FEES	340.86	0.00	0.00	0.00	340.86
NET INCOME	511.61	0.00	0.00	0.00	511.61

ACCOUNT NUM.: 2620611					
ACCOUNT NAME: *BAYCO - MARVIN & PALMER					
	-SL				
OPEN CASH	0.00	1,074.25	0.00	1.33	1,075.58
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	3.42	0.00	0.00	3.42
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,077.67	0.00	1.33	1,079.00
TOTAL REBATES	0.00	133.08	0.00	0.22	133.30
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	944.59	0.00	1.11	945.70
BANK FEES	0.00	377.49	0.00	0.44	377.93
NET INCOME	0.00	567.10	0.00	0.67	567.77

ACCOUNT NUM.: 2622490					
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS					
	-SL				
OPEN CASH	1,040.30	232.87	25.61	0.00	1,298.78
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	1,040.30	232.87	25.61	0.00	1,298.78
TOTAL REBATES	553.20	284.98	1.31	0.00	836.87
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,593.50	517.85	24.30	0.00	2,135.65
BANK FEES	637.21	207.07	9.72	0.00	854.00
NET INCOME	956.29	310.78	14.58	0.00	1,281.65

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	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2622536					
ACCOUNT NAME: *BAYCO - HOTCHKIS & WILEY -SL					
OPEN CASH	0.00	1,603.19	0.00	84.65	1,687.84
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	1,603.19	0.00	84.65	1,687.84
TOTAL REBATES	0.00	172.87	0.00	10.60	183.47
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,430.32	0.00	74.05	1,504.37
BANK FEES	0.00	570.43	0.00	29.47	599.90
NET INCOME	0.00	859.89	0.00	44.58	904.47

ACCOUNT NUM.: 2624493					
ACCOUNT NAME: *BAYCO - WENTWORTH -SL					
OPEN CASH	0.00	1,296.38	0.00	170.27	1,466.65
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	1,296.38	0.00	170.27	1,466.65
TOTAL REBATES	0.00	159.80	0.00	20.53	180.33
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,136.58	0.00	149.74	1,286.32
BANK FEES	0.00	454.39	0.00	59.87	514.26
NET INCOME	0.00	682.19	0.00	89.87	772.06

ACCOUNT NUM.: 2629086					
ACCOUNT NAME: ZZ*BAYCO - BATTERYMARCH -SL					
OPEN CASH	0.00	0.00	0.00	0.00	0.00
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	0.00	0.00
TOTAL REBATES	0.00	0.00	0.00	0.00	0.00
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	0.00	0.00
BANK FEES	0.00	0.00	0.00	0.00	0.00
NET INCOME	0.00	0.00	0.00	0.00	0.00

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	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2639956					
ACCOUNT NAME: *BAYCO - DENVER INV ADV -SL					
OPEN CASH	0.00	1,890.86	0.00	221.96	2,112.82
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	1,890.86	0.00	221.96	2,112.82
TOTAL REBATES	0.00	4,347.14-	0.00	23.96-	4,371.10-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	6,238.00	0.00	245.92	6,483.92
BANK FEES	0.00	2,494.36	0.00	98.26	2,592.62
NET INCOME	0.00	3,743.64	0.00	147.66	3,891.30

ACCOUNT NUM.: 2641401					
ACCOUNT NAME: *BAYCO - LOOMIS SAYLES -SL					
OPEN CASH	1,653.89	0.00	524.33	0.00	2,178.22
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	1,653.89	0.00	524.33	0.00	2,178.22
TOTAL REBATES	199.19	0.00	60.36	0.00	259.55
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,454.70	0.00	463.97	0.00	1,918.67
BANK FEES	581.17	0.00	185.44	0.00	766.61
NET INCOME	873.53	0.00	278.53	0.00	1,152.06

ACCOUNT NUM.: 2653308					
ACCOUNT NAME: *BAYCO - INTEGRITY -SL					
OPEN CASH	0.00	2,103.87	0.00	44.06	2,147.93
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	2,103.87	0.00	44.06	2,147.93
TOTAL REBATES	0.00	694.51-	0.00	4.08	690.43-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,798.38	0.00	39.98	2,838.36
BANK FEES	0.00	1,118.17	0.00	15.98	1,134.15
NET INCOME	0.00	1,680.21	0.00	24.00	1,704.21

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	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2663296					
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SI					
OPEN CASH	0.00	1,434.98	0.00	0.00	1,434.98
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.30	0.00	0.00	0.30
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,435.28	0.00	0.00	1,435.28
TOTAL REBATES	0.00	103.26	0.00	0.00	103.26
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,332.02	0.00	0.00	1,332.02
BANK FEES	0.00	531.60	0.00	0.00	531.60
NET INCOME	0.00	800.42	0.00	0.00	800.42

	-SI	EAGLE ASSET			
ACCOUNT NUM.: 2695063					
ACCOUNT NAME: *BAYCO - EAGLE ASSET					
OPEN CASH	0.00	1,764.99	0.00	92.35	1,857.34
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	13.81	0.00	0.00	13.81
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,778.80	0.00	92.35	1,871.15
TOTAL REBATES	0.00	970.32	0.00	436.41	1,406.73
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,749.12	0.00	528.76	3,277.88
BANK FEES	0.00	1,096.96	0.00	211.32	1,308.28
NET INCOME	0.00	1,652.16	0.00	317.44	1,969.60

GRAND TOTAL					
OPEN CASH	4,811.21	12,568.46	549.94	966.66	18,896.27
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	17.53	0.00	0.00	17.53
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	4,811.21	12,585.99	549.94	966.66	18,913.80
TOTAL REBATES	910.54	5,593.92	61.67	810.73	5,432.44
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,900.67	18,179.91	488.27	1,777.39	24,346.24
BANK FEES	1,559.24	7,263.34	195.16	710.14	9,727.88
NET INCOME	2,341.43	10,916.57	293.11	1,067.25	14,618.36

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5/1/2012

REFUNDS: FOR THE MONTH ENDED APRIL 30, 2012

EMPLOYEE/BENEFICIAR'	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Deyarmond, Karen	2,481.32	04/25/12	BABH	03/11/09
TOTAL REFUNDS:	2,481.32			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Garcia, Steve	53,026.65	Bldg & Grds.	03/16/12
Perkins, Mark	67,030.03	Deferred	05/02/12

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE/DEPARTMENT
Boes, Phil	Spouse	Pension	04/01/12 District Court

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
Rhule, Alyssa	230.56	BMCF	03/13/12
Plank, Jennifer	766.08	BMCF	03/01/12
Mitton, Jack	7,519.90	BCAMPS	02/10/12
Newsham, Angelita	6,982.43	GELC	02/15/12
Kolka, Traci	78.59	BMCF	04/04/12
Purchase, Heather	10.76	BMCF	04/04/12
	15,588.32		

The meeting, held in the Bay County Commission Chambers, 4<sup>th</sup> 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 Ms. Carpenter, Ms. Peltier, and Mr. Pett, all asked to be excused from today's meeting.

1. Moved supported and carried to excuse Trustees Carpenter, Peltier, and Pett.

Deviating from the agenda, Chairman Gray requests that Trustees discuss the three interviews that took place this morning. Trustees offered their analyses and then listed their number one choice, number two, and number three. Trustees Carpenter and Peltier provided their choices in advance as they could not be present today. Chairman Gray reviewed the one, two, three ratings, performed the calculation, with the lowest points being the number one choice, JP Morgan had 10 points, MFS had 12 points, and Fifth Third Bank had 20 points.

2. Moved supported and carried to approve the hiring of JP Morgan Asset Management as the new Large Cap Growth Manager to replace Marvin and Palmer.

Chairman Gray was appreciative of how Becker Burke arranged these interviews in such a timely fashion, and expressed his thanks to both Rick and Mary.

3. Moved and supported and carried to approve the minutes, as printed, from December 13, 2011.
4. Moved and supported and carried to approve the minutes, as printed, from January 10, 2012.

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

5. Moved, supported and carried to receive Portfolio Value from January 1, 2012 to February 7, 2012. The value today is \$242 million.

Present today is Mr. Richard Potter, Becker, Burke Associates to present the fourth quarter report ending December 31, 2011. A copy of the fourth quarter report for 2011 was provided to all Trustees. He pointed out which managers have performed well and which ones have not and the reasons why. The growth of the dollars in the Fund shows we have grown from \$24.7 million since inception (1985) to \$235.3 million year to date. Of that amount, \$95 million was paid out in benefits, more than has been contributed into the Fund. We were so well funded for so long, that we did not have to make any contributions. Gains/losses came mostly out of equities but when you look at the result, it is remarkable what has been accomplished by this Fund. This Board has had 100% funding and has had consistent results by paying attention to detail, being patient, making changes when necessary, and being diversified. It is a simple formula for accumulating this kind of money. Once you have this built up, it starts to build on itself through compounding. The Bay County Fund is a nice story regarding public pension plans, and one that Becker, Burke Associates is proud to be associated with. Both Rick and Mary stated that most Plans are

**RETIREMENT BOARD MEETINGS FOR 2012**  
**SCHEDULE OF SPEAKERS/CONFERENCES**

DATE	MONEY MANAGER	SPEAKER	CONFIRMED
JANUARY 10	Eagle Asset Management	Clay Lindsey	Yes
FEBRUARY 2	Manager Profiles - Large Cap Growth	Becker, Burke Assoc	
FEBRUARY 3	<b>MAPERS - One Day Conference - Dearborn</b>		
FEBRUARY 14	<b>Becker, Burke - 4<sup>th</sup> Qtr Rpt 2011 for BCERS and VEBA</b>	<b>Rick Potter</b>	
MARCH 13	No speaker	-----	-----
APRIL 10	No speaker	-----	-----
APRIL 17	9:00 Baring      10:00 Columbia 1:00 Baird      2:00 Integrity	Baring - Barb Cassidy Columbia - Alan & Rich Baird - Warren Pierson Integrity - Adam Friedman and Andrea Leistra	Yes Yes Yes Yes
MAY 8	<b>Becker, Burke - 1<sup>st</sup> Qtr Report for BCERS and VEBA</b>	<b>Rick Potter</b>	
JUNE 12	Denver Investments (watch status)		
JULY 10	No speaker	-----	-----
AUGUST 14	<b>Becker, Burke - 2<sup>nd</sup> Qtr Report for BCERS and VEBA</b>	<b>Rick Potter</b>	
	Atalanta Sosnoff - VEBA 2:30 pm		
SEPTEMBER 18	Schroders		
SEPTEMBER 25	9:00 Loomis      10:00 MacKay Shields 1:00 Cornerstone      2:00 Hotchkis & Wiley	H & W - Pat McMenamin	H&W - yes
OCTOBER 9	Wentworth Hauser & Violich (watch status)		
NOVEMBER 13	<b>Becker Burke - 3<sup>rd</sup> Qtr Report for BCERS and VEBA)</b>	<b>Rick Potter</b>	
DECEMBER 11	Dodge & Cox - VEBA 2:30 pm		