BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA

TUESDAY, AUGUST 14, 2012 @ 1:30 P.M.

COMMISSIONERS CHAMBERS

515 CENTER AVENUE - 4TH FLOOR

BAY CITY, MI 48708

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, AUGUST 14, 2012 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

VI. ANNOUNCEMENTS

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

VII. UNFINISHED BUSINESS

VIII. NEW BUSINESS

IX. MISCELLANEOUS BUSINESS

X. ADJOURNMENT

The meeting, held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 1:33 P.M. Roll call was taken. All trustees are present except Mr. Brzezinski, Ms. Peltier and Mr. Ryder.

1. Moved supported and carried to approve the minutes, as printed, from June 12, 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 July 2, 2012. The value today is $234 million.

Trustee Peltier arrives at 1:35 p.m.

3. Moved, supported and carried to receive the portfolio reports from the money managers on watch status: Denver Investments and Marvin & Palmer ending 5/31/12.

4. Moved, supported and carried to receive portfolio reports from Cornerstone, Eagle Asset, Hotchkis & Wiley, Loomis Sayles, and MacKay Shields all ending 5/31/12.

5. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 5/31/12.

6. Moved, supported and carried to receive Refunds/Retirements for the month ending 6/30/12.

ANNOUNCEMENTS:

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

UNFINISHED BUSINESS:

A. REPORT FROM BECKER, BURKE ASSOCIATES - ANALYSIS OF INVESTMENT MANAGER SEARCH PROJECTS

Present today is our consultant, Rick Potter. His analysis was provided to all Trustees via the website, and paper copies available today. Trustees had asked Mr. Potter to provide a comparison of performance results between the previous money manager and the one that replaced them. The report was broken down into five areas. 1. All searches they completed between 1996 and the present. 2. Performance of the current managers compared with managers they replaced. 3. A reference table indicating Bay County's actual manager results compared to the composites used. 4. Investment results from December 31, 1994 through March 31, 2012, the period of time that Becker, Burke has served as consultant to BCERS. 5. A table showing data history for the fund beginning December 31, 1984. A number of the searches were undertaken not to replace a manager, but rather to diversify the Fund.

Regarding the question of how the replacement managers have performed in comparison to the managers they replaced. In the consulting industry all institutional managers (which is what we have) have composite results and they manage all their institutional portfolios to match that composite. We can't see results on the managers we terminated because they no longer manage our money. But, we can look at their composite and compare that to the composite of the new manager. In total there are seven replacement managers on this report. Eagle Asset has substantially outperformed Batterymarch as a replacement. Baring Asset has managed money for us for two years now, and compared to Invesco, they have performed better. Integrity replaced Ariel five years ago. At the five year result, Integrity is a little below Ariel, but looking at the year by year performance, we see that Ariel's performance all comes from the year 2009 where they were up 64%. Comparing the other years, Integrity outperformed Ariel in four other years. Because of the volatility in Ariel, Mr. Potter states this was a good change to make, indicating that Integrity has produced some consistent year by year results for us.

Several of the managers we once had do not manage money anymore. Marvin & Palmer replaced Forstmann Leff. Forstmann Leff no longer exists. Baird replaced Alliance Bernstein and the results are similar to one another. Wentworth Hauser and Violich replaced Independence. Independence is no longer in business. Mackay Shields replaced Froley Revy. Froley Revy merged with another firm (SSI Investment). The composite between Mackay Shields and SSI is similar.

The changes we have made were of necessity to replace managers that were no longer in business and to replace managers that were under performing. On balance, these changes have worked out.

In the eighteen years that Becker, Burke has been our consultant our fund has grown substantially from $88 million to just under $250 million today. The return on investment during this time was $262,253 million. This time period had two of the worst down markets in U.S. stocks since the 1930's. Overall, this is a remarkable record of accumulated investments and benefits. The driver behind all of this has been manager diversification and good selection of money managers on the part of this Board of Trustees.

7. Moved, supported and carried to excuse Trustees Brzezinski and Ryder.

8. Moved, supported and carried to receive the report presented today by Becker, Burke Associates.

NEW BUSINESS:

Trustee Starkweather asked if it would be possible to receive a rough estimate on a monthly basis, of the Net External Growth figures that we pay out to employees. Ms. Wright will look into this request, and report back to the Board in August.

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

9. Moved, supported and carried to adjourn the meeting at 2:04 p.m.

Respectfully submitted,

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE
July 10, 2012

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:33 P.M.

OTHER PRESENT: RICK POTTER, DANEAN WRIGHT, CRYSTAL HEBERT

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

◆Mgr Mix w/ Accruals

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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	0.00	141,771.10	26,501,646.64	0.00	0.00	0.00	26,643,417.74
2608694	0.00%	0.53%	99.47%	0.00%	0.00%	0.00%	11.16%
*BAYCO - BAIRD -SL	0.00	802,520.42	0.00	21,651,334.05	0.00	0.00	22,453,854.47
2618668	0.00%	3.57%	0.00%	96.43%	0.00%	0.00%	9.40%
*BAYCO - SCHRODERS -SL	0.00	217.18	8,694,196.40	0.00	0.00	0.00	8,694,413.58
2618669	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	3.64%
*BAYCO - MARVIN & PALMER -SL	0.00	592,942.48	24,786,414.25	0.00	0.00	56,815.76	25,436,172.49
2620611	0.00%	2.33%	97.45%	0.00%	0.00%	0.22%	10.65%
*BAYCO - MACKAY SHIELDS -SL	0.00	780,718.13	2,368,996.59	13,382,787.45	0.00	0.00	16,532,502.17
2622490	0.00%	4.72%	14.33%	80.95%	0.00%	0.00%	6.92%
*BAYCO - HOTCHKIS & WILEY -SL	0.00	175,658.27	9,859,704.83	0.00	0.00	11,254.76	10,046,617.86
2622536	0.00%	1.75%	98.14%	0.00%	0.00%	0.11%	4.21%
*BAYCO - WENTWORTH -SL	0.00	116,399.96	28,300,954.90	0.00	0.00	0.00	28,417,354.86
2624493	0.00%	0.41%	99.59%	0.00%	0.00%	0.00%	11.90%
*BAYCO -CASH -SL	0.00	2,181,367.64	0.00	0.00	0.00	0.00	2,181,367.64
2639953	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.91%
*BAYCO - DENVER INV ADV -SL	0.00	1,647,409.52	17,445,958.53	0.00	0.00	-367,752.84	18,725,615.21
2639956	0.00%	8.80%	93.17%	0.00%	0.00%	-1.96%	7.84%
*BAYCO - LOOMIS SAYLES -SL	0.00	1,171,068.20	0.00	28,506,048.70	0.00	-310,974.83	29,366,142.07
2641401	0.00%	3.99%	0.00%	97.07%	0.00%	-1.06%	12.30%
*BAYCO - INTEGRITY -SL	0.00	528,475.87	18,162,339.66	0.00	0.00	-30,521.86	18,660,293.67
2653308	0.00%	2.83%	97.33%	0.00%	0.00%	-0.16%	7.81%
*BAYCO - CORNERSTONE REALES-SL	0.00	226,335.40	9,382,903.22	0.00	0.00	8,649.69	9,617,888.31
2663296	0.00%	2.35%	97.56%	0.00%	0.00%	0.09%	4.03%
*BAYCO - EAGLE ASSET -SL	0.00	145,745.40	8,704,355.99	0.00	0.00	5,639.69	8,855,741.08
2695063	0.00%	1.65%	98.29%	0.00%	0.00%	0.06%	3.71%
BAYCO- BARINGS	304,536.94	0.00	12,872,415.96	0.00	24,149.29	9,847.64	13,210,949.83
BYC03	2.31%	0.00%	97.44%	0.00%	0.18%	0.07%	5.53%

◆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
Total for consolidation	**304,636.94**	**8,510,629.67**	**167,079,886.97**	**63,540,170.20**	**24,149.29**	**-617,041.99**	**238,842,330.98**
% for consolidation	**0.13%**	**3.56%**	**69.95%**	**26.60%**	**0.01%**	**-0.26%**	**100.00%**

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PORTFOLIO VALUE
YEAR 2011-2012

2011	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	20,282,960.21	13,469,271.01	7,855,559.51	19,762,481.35	9,645,338.48	12,667,242.55	25,230,006.97	20,108,917.03	24,994,751.61	18,109,791.23	9,929,904.74	24,607,913.78	28,277,844.81	2,673,640.73	237,615,624.01
FEB	20,333,087.68	13,922,984.92	8,264,845.83	20,614,690.78	10,044,714.40	13,401,835.32	25,465,286.67	20,565,524.39	25,880,455.91	18,791,456.29	10,024,545.75	26,272,034.16	29,133,677.99	1,842,702.27	244,557,842.36
MARCH	20,338,046.29	13,791,629.18	8,160,328.04	21,041,574.54	10,417,776.60	13,710,768.82	25,441,342.42	20,589,176.19	26,017,933.98	19,175,661.26	10,133,968.96	26,547,672.38	29,369,026.18	1,460,447.93	246,195,352.77
APRIL	20,531,160.45	14,759,861.53	8,672,226.56	21,861,559.61	10,821,594.23	13,742,747.04	25,888,405.68	20,889,745.65	26,527,300.60	19,653,573.42	10,682,992.63	26,977,768.13	29,783,582.01	750,286.51	251,542,804.05
MAY	20,801,325.34	14,371,003.44	8,781,889.42	21,622,019.01	10,909,579.86	12,989,460.66	26,326,540.44	20,709,828.84	25,685,035.85	19,556,119.61	10,540,028.79	26,121,450.00	29,107,106.99	2,172,230.00	249,693,618.25
JUNE	20,746,853.51	14,093,143.90	8,503,482.37	21,251,465.03	10,892,723.30	12,859,047.57	26,042,704.52	20,546,880.50	25,814,849.82	19,123,828.91	10,372,670.61	25,601,680.47	28,739,352.00	1,407,744.35	245,996,426.86
JULY	21,030,598.96	14,384,481.05	8,662,959.36	20,366,711.86	9,323,347.21	11,469,557.51	26,708,858.23	20,308,927.94	25,442,416.08	18,602,263.27	10,199,254.37	24,588,472.00	28,489,107.66	2,705,007.78	242,281,963.28
AUG	21,509,686.73	13,465,576.09	8,115,763.25	18,275,359.08	8,531,450.27	10,286,657.96	26,712,989.79	19,537,498.25	23,807,045.25	16,868,962.09	9,162,690.99	22,966,123.98	26,670,298.95	1,927,477.25	227,837,579.93
SEPT	21,741,103.61	11,982,478.89	7,201,533.12	16,125,643.44	7,584,663.03	8,793,553.07	26,566,206.54	18,911,469.23	21,278,377.67	15,247,790.74	8,309,250.23	21,275,774.49	23,492,818.77	1,092,326.87	209,602,989.70
OCT	21,643,579.55	13,139,773.53	8,245,388.04	18,797,578.54	8,681,458.89	9,163,191.41	27,104,990.39	18,827,420.73	24,257,439.07	17,410,938.54	8,798,592.88	24,178,426.92	27,126,697.42	2,444,668.93	229,820,144.84
NOV	21,753,740.49	12,627,824.56	7,950,084.76	18,612,916.80	8,559,755.97	9,035,696.56	26,612,318.31	18,730,254.14	23,786,091.54	17,539,617.31	8,473,339.92	24,255,078.32	26,944,261.78	1,694,119.06	226,575,099.52
DEC	21,916,052.96	12,342,393.91	8,337,705.77	18,311,975.78	8,452,714.39	8,826,395.44	27,225,128.57	17,647,770.24	23,378,006.41	17,682,043.61	8,206,892.15	24,563,301.47	26,155,516.87	2,999,353.89	226,045,251.46

2012	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	22,037,372.94	13,205,317.06	8,880,607.54	19,505,222.66	9,091,184.15	9,616,762.28	27,887,347.36	18,323,036.47	24,478,549.21	18,661,170.80	8,855,756.68	25,494,523.89	28,270,329.85	2,418,984.84	236,726,165.73
FEB	21,981,851.09	13,860,652.41	8,776,050.96	20,468,720.54	9,547,651.49	10,040,742.50	28,210,710.54	18,585,218.68	25,577,643.20	19,284,116.96	9,453,796.51	26,691,840.34	29,660,986.67	1,593,093.65	243,733,277.54
MARCH	21,884,667.68	13,655,740.21	9,223,973.24	20,929,328.69	9,414,543.74	10,269,614.64	27,993,659.78	18,597,935.13	26,486,213.09	19,302,589.37	9,461,279.08	27,837,072.61	28,853,719.95	3,172,275.40	247,102,612.61
APRIL	22,125,101.56	13,591,442.81	9,493,422.11	20,254,819.11	9,163,567.10	10,108,048.67	28,389,418.92	18,476,888.37	26,410,651.70	19,189,547.12	9,451,149.38	27,305,074.31	28,163,034.04	2,728,791.13	244,850,956.33
MAY	22,340,285.29	12,023,002.95	9,012,107.33	18,100,309.10	8,302,504.11	9,514,710.70	28,531,331.25	17,817,593.00	25,079,794.12	17,885,656.50	8,316,247.94	25,193,030.07	25,807,231.53	2,119,399.73	230,043,203.62
JUNE	22,332,110.80	12,683,536.96	9,502,878.80	18,355,465.35	8,596,741.70	10,029,760.40	28,701,192.21	18,213,023.01	25,584,665.85	18,402,526.81	8,652,162.15	26,249,626.46	26,796,484.17	1,588,662.82	235,688,837.49
JULY	22,526,652.66	12,858,006.65	9,697,971.18	18,072,227.04	8,598,409.58	9,903,353.54	29,517,025.90	16,394,421.41	25,221,067.68	18,252,917.66	8,575,420.96	26,149,886.06	27,633,640.24	3,198,205.19	236,599,205.75
AUG															0.00
SEPT															0.00
OCT															0.00
NOV															0.00
DEC															0.00

2012	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
1ST QTR	16,414.00	30,262.08	13,836.11	33,981.04	20,004.88	24,939.26	22,491.64	22,145.00	49,664.59	39,529.00	19,684.73	34,754.46	37,354.00		365,060.79
2ND QTR		31,936.23	14,254.32			24,706.50	22,936.85	23,366.00	47,963.80			32,764.95			197,928.65
3RD QTR															0.00
4TH QTR															
2012 YTD	16,414.00		28,090.43	33,981.04		49,645.76	45,428.49	45,511.00	97,628.39	39,529.00	19,684.73	67,519.41	37,354.00	0.00	562,989.44

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

INVESTMENT MANAGER FEE SCHEDULES

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

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PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments

375 - BAY COUNTY MI EMP RET SY

World

As of: June 30, 2012

Statement of Changes

	Current Month	Current Quarter
Beginning Market Value	18,100,787	20,926,403
Net Additions/Withdrawals	0	(44)
Income Received	9,108	29,463
Change in Accrued Income	5,965	(2,612)
Change in Unrealized Gain/Loss	501,167	(2,369,660)
Realized Gain/Loss	(266,635)	(233,157)
Ending Market Value	18,350,392	18,350,392

Portfolio Composition

	Market Value	% of Total
Total Fund	18,350,392	100.00
Equity and Related	17,077,204	93.06
Cash and Equivalents	1,273,188	6.94

Performance Summary

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Total Fund	(12.31)	0.20	(13.66)	17.10	0.36	7.81
Equity and Related	(12.36)	0.66	(12.88)	18.11	0.99	8.01
Cash and Equivalents	0.02	0.02	0.05	0.15	1.28	3.32

Benchmark Indices

	Quarter to Date	Calendar Year To Date	12 Months	3 Year	5 Year	Inception Annualized
Russell Midcap Growth W/Inc	(5.60)	8.10	(2.99)	19.01	1.90	6.79
S&P Midcap 400 W/Income	(4.93)	7.90	(2.32)	19.37	2.56	10.29
Nasdaq Composite	(5.06)	12.66	5.82	16.95	2.43	5.49
S&P 500 W/Inc	(2.75)	9.49	5.45	16.40	0.22	6.42
Russell Midcap W/Inc	(4.40)	7.97	(1.65)	19.44	1.06	8.86

**Inception Date: May 31, 1996*

Returns greater than one year are annualized
Report printed on: 7/9/2012 @ 9:34 AM

PERFORMANCE COVER SHEET (STATEMENT OF CHANGES)

Denver Investments

375 - BAY COUNTY MI EMP RET SY

World

As of: June 30, 2012

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Statement of Changes

	Current Month	Current Quarter	Fiscal Year to Date	Inception to Date
Beginning Market Value	18,100,787	20,926,403	18,312,310	10,000,000
Net Additions/Withdrawals	0	(44)	1,297	(10,938,168)
Income Received	9,108	29,463	75,235	1,840,883
Change in Accrued Income	5,965	(2,612)	1,966	12,150
Change in Unrealized Gain/Loss	501,167	(2,369,660)	(629,973)	(1,380,256)
Realized Gain/Loss	(266,635)	(233,157)	589,558	18,815,783
Ending Market Value	18,350,392	18,350,392	18,350,392	18,350,392

Portfolio Composition

	Market Value	% of Total
Total Fund	18,350,392	100.00
Equity and Related	17,077,204	93.06
Cash and Equivalents	1,273,188	6.94

Performance Summary

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Total Fund	1.38	(12.31)	(12.31)	0.20	0.20	7.81
Equity and Related	1.60	(12.36)	(12.36)	0.66	0.66	8.01
Cash and Equivalents	0.01	0.02	0.02	0.02	0.02	3.32

Benchmark Indices

	Current Month	Quarter to Date	3 Months	Calendar Year To Date	Fiscal Year to Date	Inception Annualized
Russell Midcap Growth W/Inc	1.90	(5.60)	(5.60)	8.10	8.10	6.79
S&P Midcap 400 W/Income	1.89	(4.93)	(4.93)	7.90	7.90	10.29
Nasdaq Composite	3.81	(5.06)	(5.06)	12.66	12.66	5.49
S&P 500 W/Inc	4.12	(2.75)	(2.75)	9.49	9.49	6.42
Russell Midcap W/Inc	2.81	(4.40)	(4.40)	7.97	7.97	8.86

**Inception Date: May 31, 1996*

Returns greater than one year are annualized
Report printed on: 7/9/2012 @ 9:34 AM

APPRAISAL SUMMARY
375 - BAY COUNTY MI EMP RET SY
June 30, 2012

	Total Cost Value	Total Market Value	Unrealized Gain/Loss	Indicated Annual Income	%PF	Current Yield
Equity	17,151,712.17	17,065,054.37	(86,657.80)	98,065.25	93.00%	0.58
Cash	1,273,187.90	1,273,187.90	0.00	127.33	6.94%	0.01
Total Investments:	***18,424,900.07***	***18,338,242.27***	*(86,657.80)*	***98,192.58***	***99.93%***	***0.54***
Accrued Income:		***12,149.50***			***0.07%***	
Total Account:	***18,424,900.07***	***18,350,391.77***	*(86,657.80)*	***98,192.58***	***100.00%***	***0.54***

MARVIN & PALMER®
ASSOCIATES, INC.
GLOBAL EQUITY MANAGEMENT

July 18, 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 2.0% during June while the Russell 1000 Growth Index rose 2.7%.

After declining for most of the quarter, the market rallied in June. There were no major changes in the outlook as the European debt issues remain and economic data out of the U.S. and China continues to be a concern. There was a particularly strong rally at the end of the month driven by expectations of an agreement at the European summit. Unfortunately, the results were seen as lackluster and Europe corrected sharply in early July.

The telecommunications service and financial sectors led the market this month, while the utility and consumer discretionary sectors lagged. The portfolio's performance was hurt by our heavy weight in the consumer discretionary sector as well as our underweight in the materials and financials sectors.

Our outlook remains cautious as the world continues to search for some solution to Europe's sovereign crisis. In addition to uncertainty in Europe, the political situation in the U.S. appears to be weighing on markets with the Presidential election coming in November. There is also the unresolved issue of the "fiscal cliff" coming at the end of the year due to the end of the Bush tax cuts. As these issues get resolved, we believe there is room for the markets to move higher but we remain defensively positioned in the near term.

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

Sincerely,

Jay F. Middleton

Jay F. Middleton
Portfolio Manager – Principal

JFM/jam

Attachment

1201 N. Market Street, Suite 2300, Wilmington, DE 19801-1165 U.S.A. • Tel. 302-573-3570 • Facsimile 302-573-2545 • www.marvinandpalmer.com

PERFORMANCE SUMMARY

Bay County Employees' Retirement System

Portfolio Value on June 30, 2012: 25,580,547

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
June 2012	2.00	1.81	2.72	-0.72
Quarter to Date	-3.42	-3.60	-4.02	0.60
Year to Date	9.42	9.01	10.08	-0.65
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	Value Added
1 Year	-0.90	-1.64	5.76	-6.66
2 Years	17.34	16.46	19.49	-2.15
3 Years	15.08	14.22	17.50	-2.42
5 Years	-0.69	-1.44	2.87	-3.56
Since Inception	1.00	0.25	5.28	-4.27

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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MARVIN & PALMER ASSOCIATES, INC.
GLOBAL EQUITY MANAGEMENT

July 5, 2012

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

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

Dear Board of Trustees:

Please find the preliminary investment returns for the periods ending June 30, 2012 in the table below:

Time Weighted Total Return
Gross of Fees

	June 2012	Quarter-to-Date	Year-to-Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	3.83%	-7.18%	7.73%	0.70%	13.46%	0.71%	4.45%
S&P 500	4.12%	-2.75%	9.49%	5.45%	16.40%	0.22%	4.48%

*Since Inception Date 03/18/04

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

Best regards,

Jeffrey C. Coburn, CFA

Cc: Richard Potter

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

July 27, 2012

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

RE: Bay County Employees' Retirement System

Dear Danean:

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

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

Portfolio	**3 Months Ended 6/30/12**	**6 Months Ended 6/30/12**	**Since Inception 3/18/04**
Bay County Employees' Retirement System	-7.13%	7.79%	43.52%
Relevant Benchmark			
Standard & Poor's 500 Composite	-2.75%	9.49%	43.76%

Following two consecutive quarters of double digit gains for U.S. indices, returns in the second quarter were negative. This performance is indicative of a return to the risk-off scenario, precipitated by the continued turmoil in the euro zone, renewed fears about China's economic growth and new evidence of a slowdown in the U.S. economy. A summary of total return performance for broad market indices during the second quarter and first six months of 2012 are included in the table below:

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Select Market Indices	3 Months Ended 06/30/12	YTD Ended 06/30/12
Large Cap - Standard & Poor's 500 Index	-2.75%	9.49%
Mid Cap - S&P 400 Index	-4.93%	7.90%
Small Cap - Russell 2000 Index	-3.47%	8.53%
International - MSCI EAFE Index	-7.13%	2.96%
Emerging Markets - MSCI Emerging Markets Index	-8.89%	3.93%

The WHV Large Cap Core Strategy underperformed in the second quarter. The primary reason for the performance shortfall during the quarter was our pro-cyclical, global growth bias during periods of risk-off trading.

A standard sector attribution analysis suggests that one third of this quarter's shortfall was allocation driven while the other two thirds were stock specific. However, a deeper, more detailed examination of industry level results shows allocation accounted for 80% of the shortfall while stock selection accounted for the remaining 20%. The industry allocations that were most detrimental to performance included overweight positions to Energy Equipment & Services, Diversified Financials, Machinery, Trading Co.'s & Distribution, Auto Components and Metals & Mining, – most of which are levered towards global growth. To a lesser extent, performance was also hindered by underweight positions in Diversified Telecommunication Services, Beverages, Electric Utilities, Computers & Peripherals, REIT's, Pharmaceuticals and Multi Utilities – most of which are predominantly domestic in nature. This analysis suggests that our long held pro-cyclical, global growth bias was the primary driver of underperformance.

Additionally, the 2.75% decline in the benchmark S&P 500 during the quarter suggests a "risk off" trading pattern. Further evidence of this includes the performance of high versus low beta stocks and high versus low yielding stocks. Specifically, the highest beta stocks were the worst performers while the lowest beta stocks were the best performers. The stocks with the highest dividends were the best performers while the stocks that did not pay dividends were the worst performers. By the very nature of having a pro-cyclical, global growth position your portfolio is skewed towards higher beta, lower dividend paying stocks.

As stated above, an industry level attribution analysis suggests that 20% of the quarter's underperformance was driven by stock selection. An analysis of the top and bottom contributing stocks (shown in table below) further suggests a global growth undertone. All five of the bottom contributors have significant exposure to the global economy. And the three top contributing stocks during the quarter (Dollar Tree Stores, Direct TV, and CVS Caremark) derive greater than 80% of their revenues domestically. The largest detractor, JPMorgan, was sold due to the uncertainty created by a major trading loss coupled with the immense pressure their core business is under given the low interest rate environment and anemic global growth.

Top Contributors*	Weight (%)	Total Return (%)	Contribution (%)	Bottom Contributors*	Weight (%)	Total Return (%)	Contribution (%)
Dollar Tree Inc.	3.2	13.87	0.40	Occidental Petroleum Corp.	2.2	-14.83	-.56
CVS Caremark Corp.	3.3	4.70	0.15	Qualcomm Inc.	3.0	-17.83	-0.59
Direct TV	1.0	5.79	0.14	EMC Corp.	4.0	-14.22	-0.61
Pfizer Inc.	4.1%	2.56	0.12	National Oilwell Varco Inc.	3.7	-18.77	-0.71
ASML Holding N.V.	2.2	3.59	0.11	JP Morgan Chase & Co.	1.8	-25.00	-0.83

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

On a year-to-date basis, the pro-cyclical growth bias that positively contributed to performance during the first quarter (as well as the fourth quarter of 2011) did not outweigh the negative contribution during the second quarter. As a result, the same theme that defined second quarter performance also defined the first half performance. An analysis of industry level attribution shows the pro-cyclical, global growth theme was the primary driver of the underperformance during the first half of 2012. The negative industry allocation effect was partially offset by positive stock selection. Specifically, overweight exposure to Energy Equipment & Services, Metals & Mining, Auto Components and Machinery were the largest detractors from performance. The stocks that helped contribute to the positive stock selection on a year-to-date basis along with a complete list of the top five and bottom five contributors are included in the table below:

Top Contributors*	Weight (%)	Total Return (%)	Contribution (%)	Bottom Contributors*	Weight (%)	Total Return (%)	Contribution (%)
Apple Inc.	4.8	44.20	1.88	Google Inc.	2.3	-10.19	-.27
CF Industries Holdings Inc.	1.3	23.55	0.99	Occidental Petroleum Corp.	3.2	-12.97	-.42
Dollar Tree Inc.	3.0	29.47	0.74	Borg Warner Inc.	1.3	-23.21	-0.49
EMC Corp.	3.9	18.99	0.61	Oil States International Inc.	1.2	-18.85	-0.50
Wells Fargo & Co.	2.9	22.99	0.54	Helmerich & Payne Inc.	1.5	-22.82	-0.53

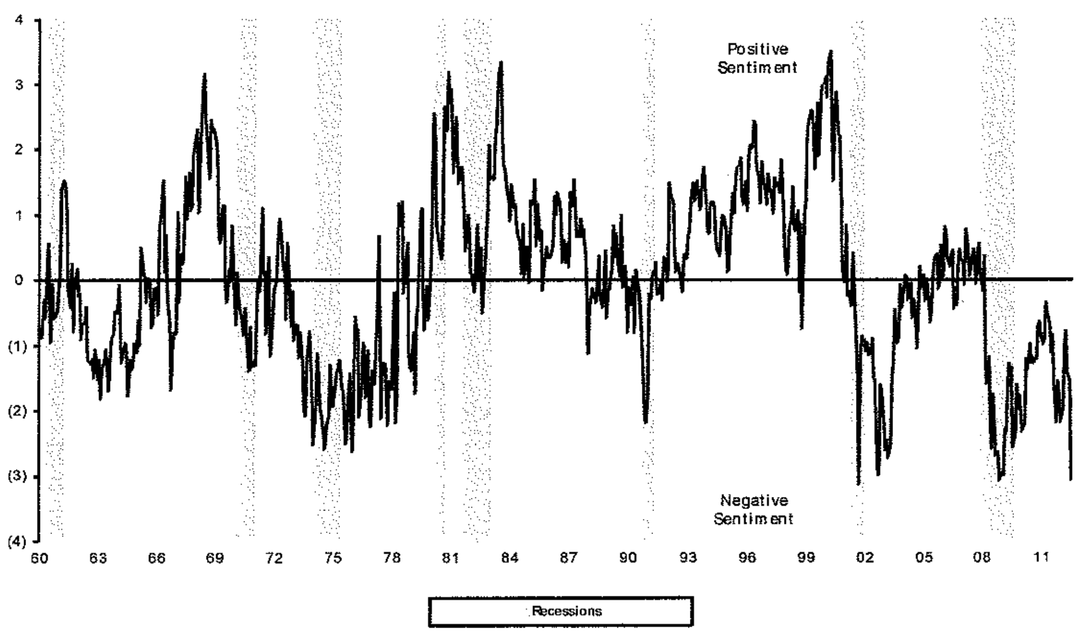
**The top and bottom contributors are based on a model portfolio representative of the equity holdings in your portfolio. Your portfolio's results may vary depending on client specific restrictions, timing of initial investment, capital appreciation and/or other factors. You may contact your portfolio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

The equity markets' over the last couple of years have experienced numerous periods of both extreme risk seeking and extreme risk aversion. A large part of this has been driven by the European sovereign debt crisis. US investors' reduced appetite for uncertainty regarding their investments is at an all time high (depicted in the graph below). This increased anxiety level is not solely attributed to Europe and has in fact been increasing since the middle of 2007. We believe there are secular factors behind US investors' risk aversion. Of particular note are the lingering memories of the 2008-9 financial crisis, the "lost decade" for US equity performance between 2000 and 2010 and the effect of the Baby Boomer cadre reaching its retirement years.

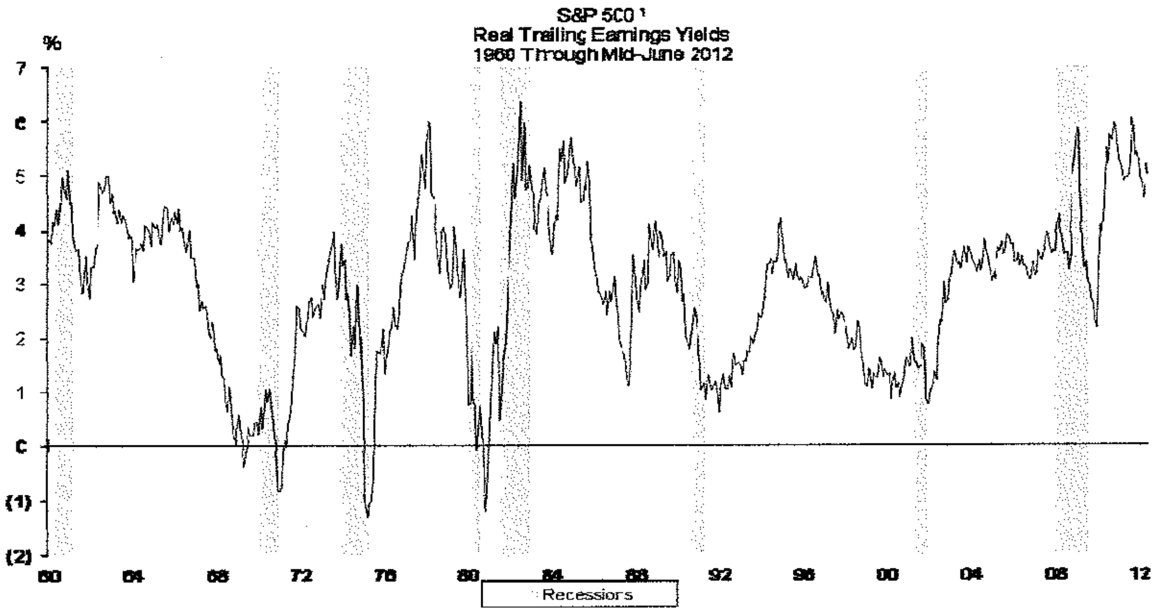
We believe individuals' increasingly risk-averse attitude toward investing has been the most significant secular trend in the investment landscape during the last five years. That risk aversion has been manifested by individuals reducing direct investment in stocks versus bonds or cash and choosing safer stocks when they do buy equities. According to a poll done this year by the Gallup organization, retail investors are more disposed to invest in gold or real estate than stocks. In fact, the same poll revealed that these investors were as likely to select saving accounts as the best asset class for investment, as they were to choose equities, despite the fact that yields on saving accounts and certificates of deposit are at or near all time lows.

The first graph below shows that US investors' attitude toward stocks is as negative as it has been during the last fifty years. As investors' attitude toward stocks has declined, so has the relative valuation of equities. As shown in the second graph, the real earnings yield of the S&P 500 has risen to nearly match the highest levels of the last fifty years. The dividend yield of the S&P 500 is approximately 60 basis points higher than the yield on the ten year Treasury bond.

The U.S.
Investor Sentiment Index
1960 Through Mid-June 2012

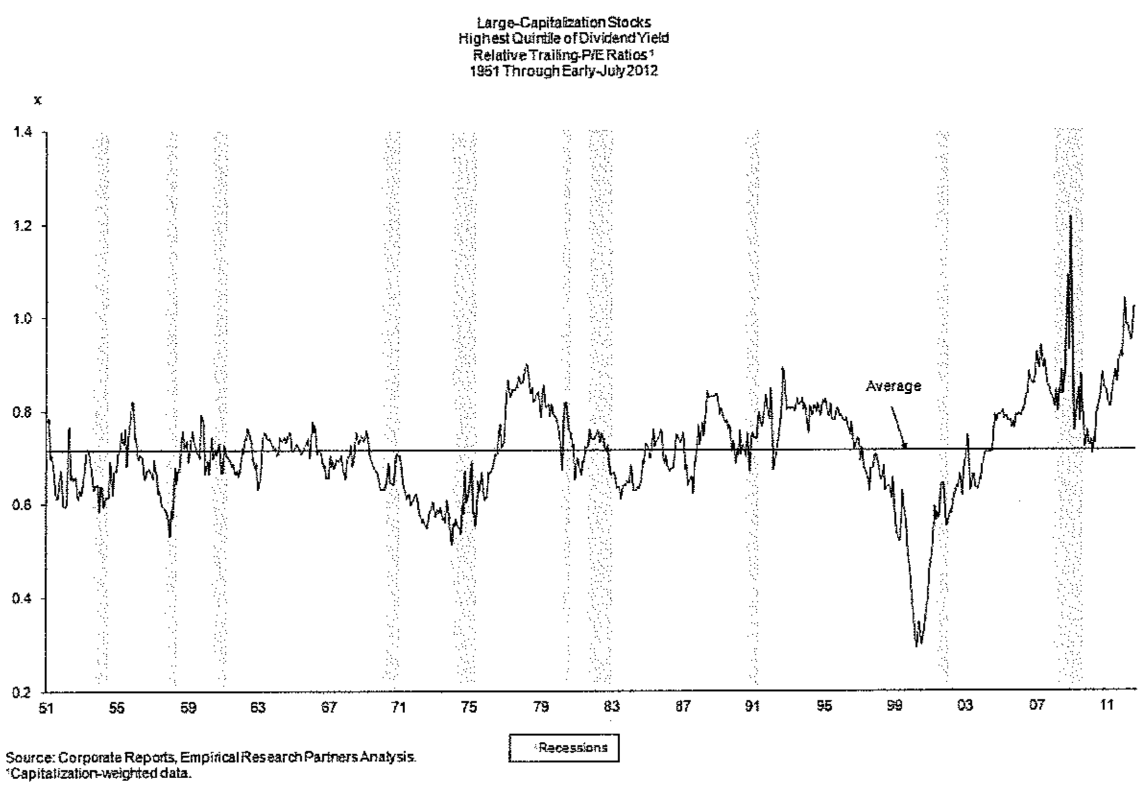


Source: Baker, M. and Jeff Wurgler, 2007. Investor Sentiment in the Stock Market. *Journal of Economic Perspectives*, 21, pp. 129-151, National Bureau of Economic Research, Empirical Research Partners Analysis.



Source: Robert Shiller, Standard and Poors, Corporate Reports, Empirical Research Partners Analysis.
[1] Capitalization-weighted data. Trailing earnings yields less the core CPI.

Risk aversion has increased within the stock market as well. One indication of this is the increasing preference for dividend yield versus earnings yield. As the graph below shows, the highest yielding stocks trade at an all-time high relative valuation to the lowest yielding stocks.



Source: Corporate Reports, Empirical Research Partners Analysis.
[1] Capitalization-weighted data.

Although we are primarily bottom up investors, we believe that with risk aversion so richly priced today, embracing some risk is the correct investment strategy. Eventually, assets should sell for what they are worth. If companies do well, they can increase their dividend payouts and/or repurchase stock. Dividend payouts by large US companies are near all time lows (less than 30%), while the return on equity for the S&P 500 companies remains at a historically high 17%, well in excess of what is needed to fund sales and dividend growth.

Our "aversion to risk aversion" is most prominently manifested in our allocation to economic sectors (Energy, Materials, Information Technology, and Industrials) that benefit most from the growth of emerging economies. The current relative allocation to these sectors in the WHV Large Cap Core Strategy is approximately 19%, the highest it has been in the past 10 years. To put this in perspective, over the past 10 years the WHV Large Cap Core Strategy has had an average overweight to these sectors of +7% with a low of negative 3%. In the context of a primarily bottom-up strategy, this is an indication of where we see the most attractive combination of valuation and fundamentals.

We remain willing to accept some risk in pursuit of greater return and continue to believe that the greatest long term economic opportunities are in the developing economies, despite the negative impact those positions have had on our short and medium term performance.

For a more in-depth analysis of the current economic environment, we encourage you to read our REVIEW AND OUTLOOK- Summer 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.

August 6, 2012

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

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

Dear Board of Trustees:

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

Time Weighted Total Return
Gross of Fees

	July 2012	Quarter-to-Date	Year-to-Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	3.12%	3.12%	11.15%	4.80%	12.01%	2.08%	4.80%
S&P 500	1.39%	1.39%	11.01%	9.13%	14.13%	1.13%	4.61%

*Since Inception Date 03/18/04

In this month's letter we would like to discuss the following in more detail, which reviews performance and outlines why we are confident results will improve in the future:

- **Recent performance**
- **Differentiated Firm, Team and Investment Process**
- **Compelling Portfolio Positioning**

Recent Performance

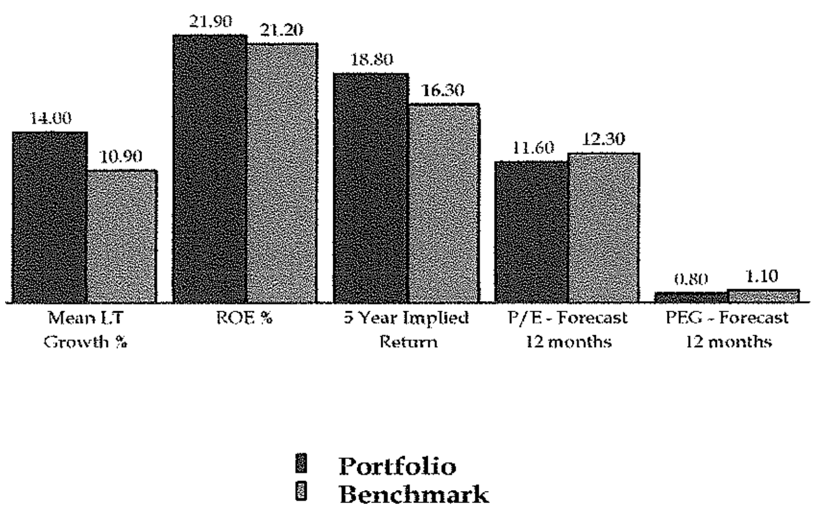
Results on an absolute and relative basis have improved in the month of July reflecting significantly improved market sentiment. This brings your year-to-date performance to 14 basis points over the benchmark. On a sector basis, the outperformance of the portfolio during the month of July was driven by positive earnings surprises and improved company guidance in the Energy and Information Technology sectors. In our second quarter letter, which we are attaching for your reference, we discussed how increased risk aversion or the "risk off" market environment negatively impacted your portfolio's results due to the overweight in industries levered to pro-cyclical, global growth. Through the end of July, a year-to-date attribution by GICS Industry classification shows 232 basis points of detraction from allocation effect with the largest negative effect coming from the overweights to the Metals &

Mining, Auto Components and Machinery industries. However, an offsetting positive stock selection effect has resulted in the portfolio slightly ahead for the year-to-date time period.

Differentiated Firm, Team and Investment Process

WHV believes a portfolio of high quality, reasonably valued large capitalization securities provides the optimum vehicle for generating above-benchmark returns over a full market cycle. As the chart below illustrates, your portfolio has higher overall growth characteristics than the S&P 500 while selling at a lower valuation.

Portfolio Profile



Additionally, we believe the following competitive advantages set the WHV Large Cap Core Strategy apart from its peers.

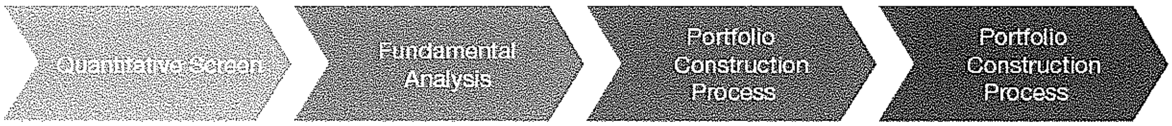
1) **Seasoned investment team-** Five person investment team with a mix of Senior Portfolio Managers and Analysts, including the firm's Chief Investment Officer and Director of Research, averaging 13 years with the firm and 28 years investment experience

2) **High conviction, best idea portfolio-** Focused portfolio of 34-38 stocks, with a high active share ratio and a solid history of preserving capital in bear markets[1]

3) **Disciplined investment process-** Includes a rigorous sell discipline where if a stock underperforms by 20% relative to the benchmark the position will either be sold outright or the investment in the holding will be increased

[1] Past performance is not a guarantee of future results.

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



Multi-factor ranking GARP Model

- Universe: > $2 Billion Market Cap
- Active Working List Top Two Quintiles

Three Dimensional Stock Selection Approach

- Strong Fundamentals
- Compelling Valuation
- Catalyst for Growth

Seasoned Investment Team

- Bottom-up Process with Top-down Overlay
- Risk Management Controls Embedded into Process
- Rigorous Sell Discipline

High Conviction,Best Idea Portfolio

- 34 - 38 Stocks
- High Active Share Ratio

To provide a better understanding of the strategy's longer-term performance the table below shows the number of rolling five year periods during which the WHV Large Cap Core Equity Strategy composite outperformed its benchmark, the S&P 500, since October of 1994 (GIPS compliant start date). Furthermore, in periods of past underperformance, defined as the strategy's three year return below that of the benchmark, we have historically rebounded in the following three years with an average annualized alpha of 385 basis points. We continue to use the same basic investment approach and methodology that we have over the past seventeen years.

Time Horizon	Number of Periods	Number of Periods Outperforming	Percentage of Periods Outperforming
Rolling 5 Years (Quarterly)	52	40	77% [2]

Compelling Portfolio Positioning

Despite a predominantly bottom-up investment process, the largest drivers of performance have been macro related over the past year. Thus, we believe it is imperative to understand why we have your portfolio positioned toward global growth and why we continue to believe this is the correct positioning going forward. Ultimately, the positioning is an output of where we find the most attractive combination of fundamentals, growth opportunities and valuations. However, given that there is a common bias toward growth cyclicals, we can convey broad statements supporting our views. Our belief that there will be positive global growth assumes 1) the euro zone debt crisis does not lead to a Lehman Brothers type event, 2) China will not have a "hard" landing, and 3) the U.S. economy will avoid falling off the "fiscal cliff."

As the global economy is showing signs of continued slow growth, we anticipate investors will eventually pay an increased premium for growth. According to IMF projections, the emerging and developing economies are expected to grow 5.6/5.9% in 2012/13. This compares to 2.0/2.3% for the U.S. and -0.3/0.7% for the euro area over the

[2] For the complete performance history of the WHV Large Cap Core Equity strategy, please see the enclosed GIPS-compliant presentation. Past performance is not a guarantee of future results.

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

same period. The market has been focused on China's slowing growth, but to put it in perspective, if China's economy grows at the new targeted rate of 7.5% in 2012, the growth alone will equal the size of the entire Chinese economy in 1994. In our opinion, China has the right combination of fiscal and monetary resources, favorable demographics and political will to ensure that growth continues.

The infrastructure needed to support emerging market growth in the form of new roads, bridges, railways, and airports will consume massive amounts of natural resources. Energy and natural resources are constrained in the long term due to finite supplies, high capital intensity, environmental restrictions, long lead times and political impediments. We anticipate the continuation of the secular trend in commodity pricing due to growing demand and constrained supplies. Our stock selection is biased toward faster growth in emerging economies. In the Energy sector we have had a proclivity to invest in service companies as they address the depletion issue. Other examples of stocks levered to global growth include Borg Warner, an automotive component supplier, and United Technologies, a diversified industrial company with exposure to the construction and aerospace end markets.

The vast amount of uncertainty in the world, coupled with other secular factors has resulted in a reduced appetite for risk over the past five years. Investor sentiment is at an all time low, valuations are approaching all time lows and perceived safety, as measured by dividend yielding stocks, appears richly priced. Given today's relative valuations and fundamentals, we believe the reward for owning growth cyclicals with the opportunity for future earnings growth and multiple expansion, far outweigh the near-term risks and uncertainty present in today's market environment.

Naturally, if you would like to discuss performance, our outlook or the investment process in more detail we would welcome the opportunity to appear in front of the board. WHV truly values our relationship with the Bay County Employees' Retirement System and would like to thank you for your continued confidence in WHV Investment Management.

Best regards,

Jeffrey C. Coburn, CFA

Cc: Richard Potter

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

Charles B. Groeschell
Managing Director
Senior Portfolio Manager
Baird Advisors

July 24, 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 June 30, 2012 for the Bay County Employees' Retirement System Portfolio managed by Baird Advisors.

Market Review
Slower economic growth in the U.S. and renewed concerns about the European debt crisis drove Treasury yields sharply lower in the 2nd quarter and yield spreads on non-Treasury sectors widened. As a result, U.S. Treasuries enjoyed very strong performance and, while all other spread sectors were weaker, their returns were still positive and the bond market overall generated strong returns for the quarter. Please find attached a copy of our June Bond Market Comments which provide a more detailed review of the market.

Performance Update
The Bay County Employees' Retirement System Portfolio exceeded the return of its benchmark in the 2nd quarter and produced strong results for the first half of 2012. The Portfolio's emphasis on longer Treasuries, which performed very well, contributed to relative performance even though the Portfolio was underweight to Treasuries overall (our underweight was to the shorter maturities in your benchmark). Also, an emphasis on shorter corporate issues and financials in particular mitigated the effects of spread widening. Lastly, the Portfolio's underweight to Agency mortgage pass-throughs (which had a weak quarter) also added to relative results. We remain confident in the Portfolio's overall structure and are optimistic regarding relative performance for the remainder of 2012.

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

Sincerely,

Charles B. Groeschell

Charles B. Groeschell

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

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Fax 414 298-1078
Email cgroeschell@rwbaird.com
www.rwbaird.com

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

03/31/06 through 06/30/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	4.80%	4.85%
2007		6.89%	7.78%
2008		8.81%	10.36%
2009		3.41%	1.79%
2010		5.31%	5.46%
2011		7.59%	7.62%
2012	1st Quarter	-0.22%	-0.28%
	2nd Quarter	1.98%	1.86%
	Year-to-Date	1.76%	1.58%
Total Return 03/31/06-06/30/12		**45.31%**	**46.34%**
Annualized Return		**6.16%**	**6.28%**

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.

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

03/31/06 through 06/30/12

Year		Fixed Income Portfolio	Customized Benchmark
2006	Year-to-Date	5.04%	4.85%
2007		7.20%	7.78%
2008		9.13%	10.36%
2009		3.72%	1.79%
2010		5.63%	5.46%
2011		7.91%	7.62%
2012	1st Quarter	-0.14%	-0.28%
	2nd Quarter	2.05%	1.86%
	Year-to-Date	1.91%	1.58%
Total Return 03/31/06-06/30/12		**48.04%**	**46.34%**
Annualized Return		**6.48%**	**6.28%**

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

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BARINGS

Bay County Employee Retirement System

Quarterly Investment Review

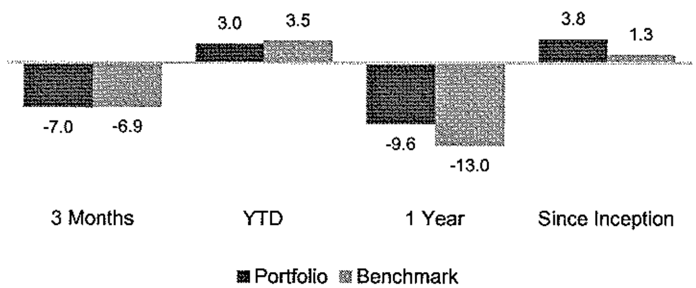
Q2 2012

Contents

www.barings-us.com

Summary

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



Portfolio Value (USD)	
31 March 2012	13,636,106
30 June 2012	12,667,929

Inception: 30 October 2009
Source: Barings / MSCI, gross of fees
Periods over 1 year are annualized
Benchmark: MSCI EAFE (net) + 1% p.a.

International equity markets had a poor quarter with the MSCI EAFE index falling by 7.1 %.

All regions fell in absolute terms in the quarter. Europe ex UK was the worst performing EAFE region falling by 9.3%. Emerging Markets fell 8.9% in the quarter.

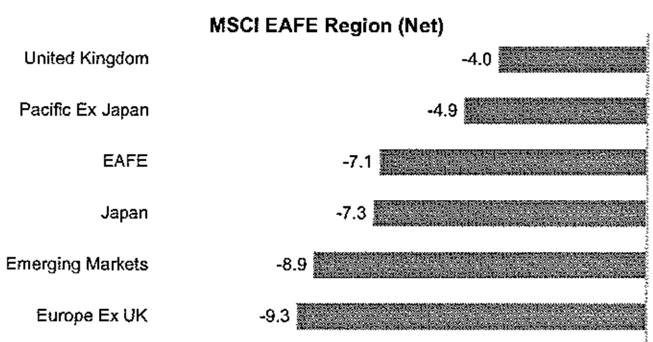
Information Technology and Materials sectors were the worst performing sectors falling by 14.2% and 13.2% respectively. Health Care was the only sector that rose in the quarter rising by 0.8%.

Our performance was 0.1% ahead of the benchmark in the quarter. We saw strong selection offset weak asset allocation in the period. By sector our overweight to Technology and our underweight to Consumer Staples each detracted from performance by 0.4%.

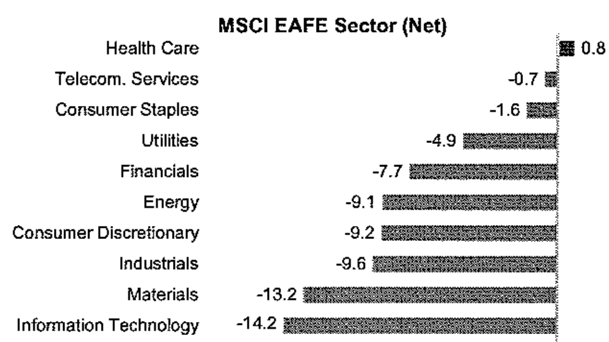
By region our allocation to Emerging Market stocks, which includes a Canadian listed stock, detracted from performance by a combined 0.6%.

Stock selection by sector and by region was positive. We had good stock selection in Europe ex UK and in the Materials and Industrials sectors.

Market Review - In USD Terms - Q2 2012



Source: MSCI, Barings



Source: MSCI, Barings

International equity markets had a poor quarter falling by 7.1%.

By region, Europe ex UK was the worst performing EAFE region falling by 9.3%. This was followed by Japan which fell by 7.3%.

The Emerging Markets underperformed the MSCI EAFE index in the quarter falling by 8.9 %.

The United Kingdom was the best performing region but still fell by 4.0% in the quarter.

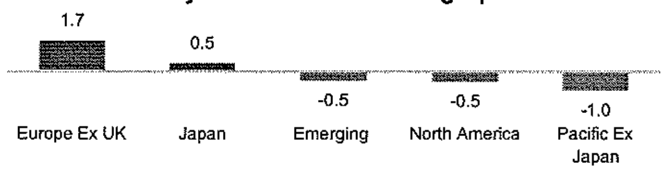
The Information Technology sector was the worst performing sector falling by 14.2% in the quarter. This was followed by the Materials sector which fell by 13.2%.

The Health Care sector was the best performing sector in the quarter rising by 0.8 %. This was the only sector to rise in the quarter.

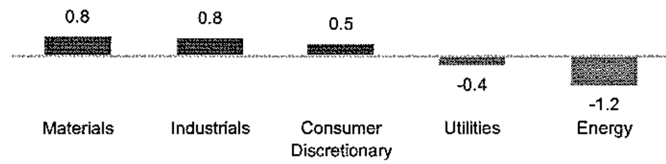
Performance - Q2 2012

Total Relative Contributions (%)

Key Contributions - Geographic



Key Contributions - Economic Sector



	Allocation		Selection	Total
Europe Ex UK	0.3	UW	1.4	1.7
Japan	0.0	UW	0.4	0.5
Cash	0.2	OW		0.2
Middle East	-0.2	OW	0.2	0.0
United Kingdom	0.1	OW	-0.3	-0.2
Emerging	-0.1	OW	-0.3	-0.5
North America	-0.5	OW		-0.5
Pacific Ex Japan	-0.1	UW	-0.9	-1.0
Total	-0.4		0.5	0.1

	Allocation		Selection	Total
Materials	-0.3	OW	1.1	0.8
Industrials	0.1	UW	0.6	0.8
Consumer Discretionary	0.1	UW	0.4	0.5
Cash	0.2	OW		0.2
Information Technology	-0.4	OW	0.4	0.0
Financials	0.0	UW	0.0	-0.1
Health Care	0.2	OW	-0.3	-0.1
Consumer Staples	-0.4	UW	0.3	-0.1
Telecom. Services	0.0	OW	-0.3	-0.2
Utilities	-0.1	UW	-0.3	-0.4
Energy	-0.1	OW	-1.1	-1.2
Total	-0.6		0.7	0.1

OW: Overweight UW: Underweight

Region & Sector definitions are based on MSCI classifications. Economic exposure may differ.

Performance Summary

We outperformed the benchmark by 0.1% over the quarter.

By region our asset allocation was negative detracting from performance by 0.4%. Our Emerging Markets holdings, which include a Canadian listed stock, detracted a combined 0.6 % from performance.

Stock selection was positive in the quarter. Stock selection in Europe ex UK added 1.4%.

This was partially offset by weak stock selection in Pacific ex Japan which subtracted 0.9% from performance. Uranium miner Paladin Energy and gold miner Newcrest Mining were the main factors here.

By sector our asset allocation was negative. The main factors were our overweight to Technology and our underweight to Consumer Staples with each detracting from performance by 0.4%.
This was offset somewhat by our overweight to the Health Care sector.

Stock selection was positive. Good stock selection in the Materials sector came from our holdings in agricultural commodity companies and precious metals miners. We also had good stock selection in Industrials.

This was offset by weak stock selection in the Energy sector. A reserve writedown from E&P company Niko Resources and a weak performance from Paladin Energy were the main factors.

Major Stock Contributions To Relative Return (%)

Positive	Contribution	Country	Sector
Marine Harvest	0.4	Norway	Consumer Staples
Randgold Resources	0.3	United Kingdom	Materials
Societe BIC	0.2	France	Industrials
Keyence	0.2	Japan	Information Technology
America Movil S.A.B.	0.2	Mexico	Telecommunication Services
Negative	**Contribution**	**Country**	**Sector**
Niko Resources	-0.5	Canada	Energy
Paladin Energy	-0.5	Australia	Energy
Newcrest Mining	-0.4	Australia	Materials
Suez Environnement	-0.3	France	Utilities
China Unicom (Hong Kong)	-0.3	China	Telecommunication Services

Source: Barings

Aggregated Holding

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Investment Strategy

Major Portfolio Positions Relative To Benchmark - 30 June 2012 (%)

Geographic

	Portfolio	B'Mark	Relative Weight 30 Jun	Relative Weight 31 Mar
Emerging	7.9		7.9	*7.9*
United Kingdom	28.0	23.2	4.8	*2.2*
Middle East	3.9	0.6	3.3	*3.5*
Cash	2.3		2.3	*1.3*
North America	0.4		0.4	*0.9*
Japan	20.6	21.8	-1.2	*-0.1*
Pacific Ex Japan	8.2	13.7	-5.5	*-4.3*
Europe Ex UK	28.7	40.7	-12.0	*-11.3*
Total	100.0	100.0		

Economic Sector

	Portfolio	B'Mark	Relative Weight 30 Jun	Relative Weight 31 Mar
Information Technology	9.3	4.5	4.8	*5.4*
Materials	14.0	9.6	4.4	*3.5*
Health Care	13.3	10.1	3.2	*2.3*
Energy	11.5	8.4	3.1	*4.0*
Cash	2.3		2.3	*1.3*
Telecom. Services	6.1	5.6	0.4	*-0.2*
Financials	20.7	22.6	-1.9	*-0.4*
Consumer Discretionary	7.9	10.6	-2.6	*-2.5*
Utilities	1.1	4.2	-3.1	*-2.9*
Industrials	8.4	12.5	-4.1	*-4.1*
Consumer Staples	5.3	11.9	-6.6	*-6.5*
Total	100.0	100.0		

Region & Sector definitions are based on MSCI classifications. Economic exposure may differ.

Largest Positive & Negative Positions Relative To Benchmark - 30 June 2012

Positive	Active Position (%)	Country	Sector
Randgold Resources	2.3	United Kingdom	Materials
Keyence	2.2	Japan	Information Technology
Fresnillo	2.1	United Kingdom	Materials
Deutsche Boerse	2.0	Germany	Financials
Fresenius	2.0	Germany	Health Care
Negative	**Active Position (%)**	**Country**	**Sector**
Nestle	-2.0	Switzerland	Consumer Staples
BHP Billiton#	-1.7	Australia	Materials
HSBC	-1.6	United Kingdom	Financials
Vodafone Group	-1.5	United Kingdom	Telecommunication Services
Novartis	-1.3	Switzerland	Health Care

Aggregated Holding

We did not make very many changes to the portfolio in the quarter.

We sold our holding in UK oil major BP plc. The stock had been a good performer since we added to it in the portfolio in the summer of 2010. However, we became increasingly concerned about their Russian strategy and their fractious relations with their Russian JV partner.

We used the proceeds from this sale to purchase holdings in Cairn Energy and Royal Dutch Shell. Cairn Energy has a strong balance sheet and some highly prospective exploration acreage which we believe can drive growth for the company.

Royal Dutch Shell has been disciplined in their capital spending this cycle and that has led to attractive free cash flow growth for the business.

We added a holding in UK pharmaceutical company GlaxoSmithKline in the quarter. The company is attractively valued with a good pipeline of new products. We have also been impressed with Glaxo's increasingly disciplined capital allocation and focus on returns.

Source: Barings

Investment Outlook

International equities were unable to follow through on the strong performance seen in the first quarter. The MSCI EAFE index fell by 6.9% in the quarter, and even that result was flattered by a sharp rally on the last day of the quarter.

Nonetheless we finish the first six months of this year with international markets ahead by 3.4%. Given all of the economic uncertainty that the world currently faces this is a good result.

There were a number of drivers of the recent weak equity market performance. The first, and most prominent one, was the ongoing European crisis. The depth and breadth of the European crisis grew on a number of fronts in the quarter.

European economies, particularly in peripheral Europe continued to weaken. Unemployment in Spain and Greece is approaching 25% with youth unemployment significantly higher. This cannot continue without social unrest ensuing.

The knock-on effect of the weak economy has been to undermine fiscal revenues. Government budget deficits across Europe have been widening. For the weaker economies this has led to ballooning interest rates. All eyes remain on Spain and Italy where 10 year interest rates have risen over the quarter to the current levels of 6.5% and 5.8% respectively.

With the current weak economic growth outlook these borrowing costs are unlikely to be sustainable. What was disappointing over the quarter was that the reduction in Spanish and Italian yields brought about by the Long Term Refinancing Operation (LTRO) did not maintain.

Part of the reason for this has been the nexus of European sovereigns and European banks. The weakening peripheral European economies have made investors aware of the weak solvency positions of peripheral European banks. Peripheral European countries are expected to backstop their banking systems and this has therefore increased the sovereign default risk and also contributed to rising peripheral bond yields.

As grim as all this is, on the final day of the quarter the communique coming out of the European summit did give us a ray of hope that this nexus might be broken. The Europeans have a general agreement to allow the European Stability Mechanism (ESM) to be used to directly fund bank capital shifting the burden off of weak peripheral governments.

This does not suddenly get Europe out of the woods. There is much work to be done to get from a general agreement to a formal agreement, and it will take time, which Europe doesn't have a lot of. There is also still the issue of the stronger European governments being willing to fund the ESM and effectively take the burden of weak peripheral banks onto their balance sheets. Yet, it is a first step toward a longer term solution.

The second driver of the weak second quarter international equity market was the ongoing weakening of the Chinese economy. This is happening on two fronts. One is general weakness in infrastructure spending, particularly focused on the housing market. To us, this looks like a necessary step in the rebalancing of the Chinese economy away from fixed asset investment and toward domestic consumption. We continue to expect weaker demand from China in infrastructure related materials and equipment.

The other area of weakness is in manufacturing. Weak global growth is hurting demand for Chinese products. This is particularly being felt with demand from Europe. The resolution to the European crisis would have knock-on benefits around the world.

We expect the Chinese authorities to continue to ease monetary and fiscal policy, and to direct it toward domestic consumption. However, we do not expect a spending program similar to what China implemented in 2009. As China progresses toward leadership change later this year there is an increasingly vocal recognition that the 2009 program led to over investment and contributed to China's current economic imbalances.

Finally, recent US economic data has been considerably weaker than what was seen at the start of the year and this has also weighed on equity markets. As we highlighted in our first quarter report, we believe US economic growth earlier this year was flattered by the unseasonably warm winter that much of the US enjoyed. Part of what we are seeing in the second quarter is payback for the economic activity that was brought forward by the earlier warm weather. However, we believe another part is the genuine weakening of growth possibly brought on by the European turmoil.

For many regions of the world it is apparent that economic growth is disappointing and it isn't obvious how this turns around. However, equity returns are not only about economic growth; monetary policy and valuations have a big impact as well.

In the current weak economic growth environment, with highly indebted western households and governments, we remain convinced that monetary policy will remain very loose until we see autonomous economic recovery or until the inflation problem becomes acute. Neither of these are apparent now.

We also believe that the valuation of many equities are quite attractive right now. The exception we would make is for the companies that are apparently cheap but that are operating at peak margins in weakening industries. As margins revert to the mean we feel these stocks will be subject to earnings downgrades.

However, we feel companies operating in growth areas, where margins are sustainable will perform well under the current loose monetary conditions. Our focus for the portfolio remains to identify stocks operating in these areas.

Some areas that we have focused on, or are investigating, as having a good growth outlook despite the weak economic environment include US and German housing related plays, US auto plays, agricultural commodity stocks, precious metals miners, North American LNG plays, North American petrochemical plays and companies that benefit from the communication revolution.

Where valuations justify the growth outlook we also continue to like defensive growth companies such as quite a number of Health Care companies.

ColumbiaManagement

Alan J. Puklin
Vice President
Institutional Client Service

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New York, NY 10017
Tel: 212.850.1612
Fax: 212.682.6460
alan.puklin@ampf.com

July 20, 2012

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

Re: **Bay County Retirement 2nd Quarter 2012**

Dear Danean:

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

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

	Market Value as of 06/30/2012	Quarter ended 06/30/2012	6 months ended 06/30/2012	Since Inception*
Total Portfolio	$26,211,956.81	-5.70%	6.87%	4.45%
Russell 1000 Value Index +1% annually		-1.95%	9.21%	4.76%
S&P 500 Index		-2.75%	9.49%	1.99%

* Inception Date: January 26, 2001

The U.S. stock market pulled back sharply in a volatile second quarter of 2012. After posting solid gains in the first 3 months of the year the markets pulled back significantly mostly tied to the problems in the eurozone as well as a weaker than expected employment picture in the United States. Health Care, Telecommunication Services, and Utilities were the only positive sectors in the Russell 1000 Value Index for the quarter while Financials, Information Technology and Energy were the worst performing sectors. Most of the decline in the quarter occurred in May while the market rose sharply in June but not enough to offset a dismal quarter. Overall the U.S. economy slowed during the quarter ending the first half of the year with a sub 2% GDP and coupled with a slowing growth in China and a weak U.S. employment picture little has been done to attract investors back into stocks.

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

Financials, which comprised 26% of the portfolio and the Russell 1000 Value Index, had a brutal quarter primarily as a result of the steady bad news from Europe. On the surface, banks and insurance companies have over the past several years trued up reserves, improved their balance sheets and lending practices thus making them levered to any improvement in the economy. However, this did not stop investors from selling their bank holdings during the quarter in spite of a healthier balance sheet. Among the worst performing stocks in the quarter was bank holding company JPMorgan Chase. The stock was down 22% during the quarter largely as a result of the news that a bad bet by a rogue trader had caused the bank to take a loss (estimated to possibly reach $9.0 billion). Although this loss is not life threatening to JP Morgan by any means but it did shed light on the lack of risk controls by the bank and perhaps the industry as a whole and will most likely lead to further regulations to prevent this from happening again. Our other banking holdings, Citigroup, and Bank of America both struggled during the quarter. The bright spot in the sector was U.S. Bancorp and Well Fargo which both generally avoided the problems of the money center banks. The Insurance sector also struggled during the quarter particularly Unum which was down approximately 22% for the quarter. Our other holdings, MetLife and Prudential also had a tough quarter. We are confident in these positions we and do not plan on making any changes to the financial sector stocks at this time. We believe that financial stocks will continue to generate considerable alpha going forward and we need a healthy banking sector for the U.S. economy to continue to improve.

Consumer Staples was the one sector that was the rare positive performer in the quarter. Investors generally sought out safety and the names in this sector tend to be more defensive. Among our holdings in this sector were Altria Group, Costco, and Food companies General Mills, and Tyson Foods. During the quarter we added a position in Bunge Ltd, which engages in the agriculture and food businesses worldwide. We have an overweight position in Consumer Staples relative to the Russell 1000 Value Index and we plan on maintain our position.

The weakness in health care was largely a result of the Supreme Court's affirmation of the President's health care mandate. The affirmation of the law had a negative impact on the health insurer's share price. Among our holdings in this sector is Humana Inc, the Medicare insurer which was down 16% for the quarter. We believe that Humana is well positioned to navigate through health care reform and we do not plan on making any changes to our holdings at this time.

Outlook

Economic growth throughout the world is generally in a slowing pattern. The problems in Europe continue to drag down the rest of the developed world. U.S. stocks will continue to be impacted by the news out of the eurozone and we seem to be in a macro driven market were stock prices are moving based on news flow rather than company fundamentals. Corporate cash levels remain at record highs and as the economy improves, companies will both increase capital expenditures, and raise dividends. We continue to be concerned about the high unemployment rate, although we are seeing some signs recovery. As employment numbers get better this should be a driver of stock gains over the balance of the year. Our overall view has not changed and we are believers in U.S. stocks

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

Sincerely,

Alan J. Puklin
Enclosure

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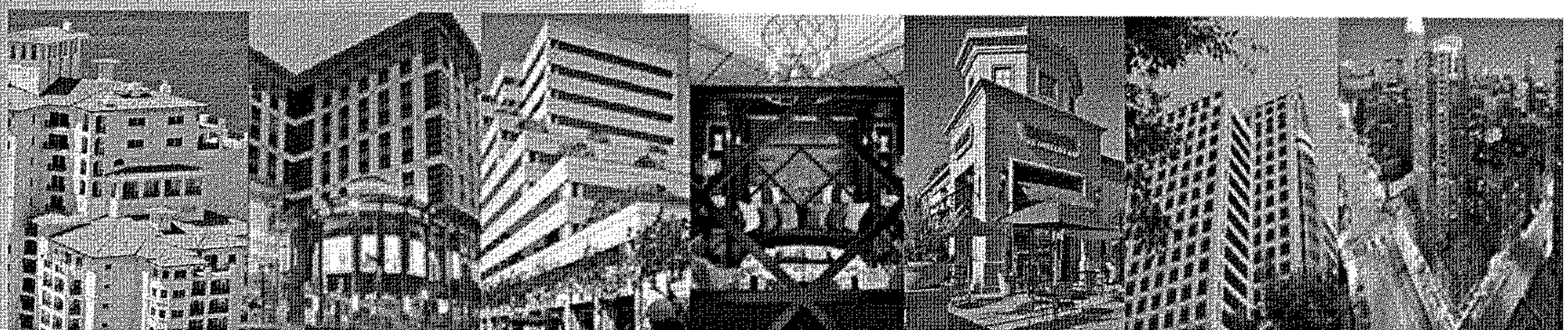
CORNERSTONE



Bay County Employees' Retirement System

Real Estate Securities

Quarterly Report

Quarter Ended June 30, 2012

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CORNERSTONE

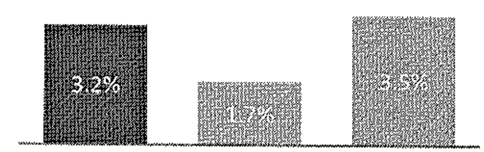
PERFORMANCE HISTORY
Bay County Employees' Retirement System

Total Return as of 6/30/12

Time Period	Portfolio Returns Gross	Portfolio Returns Net	FTSE/NAREIT Equity Index
Q2 2012	3.02%	2.87%	3.71%
1 Year	11.75%	11.09%	12.92%
3 Year	33.18%	32.40%	32.41%
Since Inception	20.51%	19.79%	18.02%

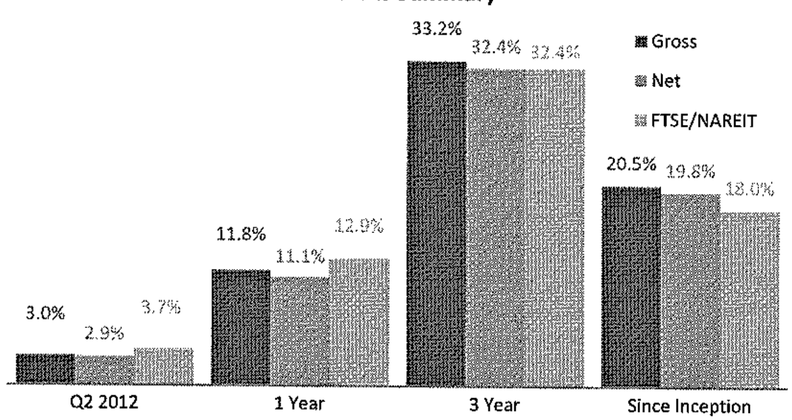
*Inception Date 10/21/2008

Dividend Yields*

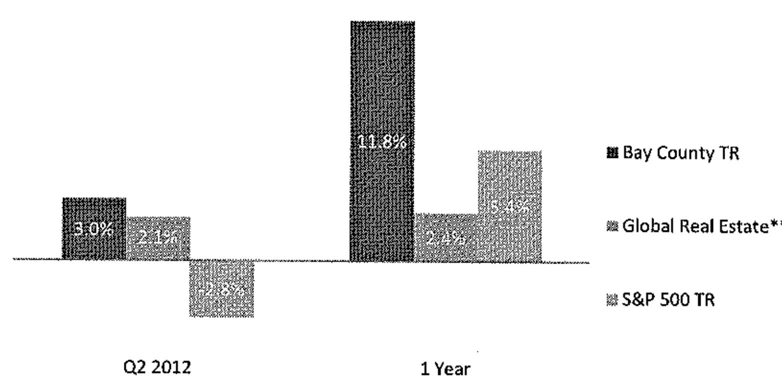


† All forward yields

Returns Summary



Capital Markets & Real Estate Comparison



** FTSE EPRA/NAREIT Developed Index

PORTFOLIO VALUATION AND STATEMENTS

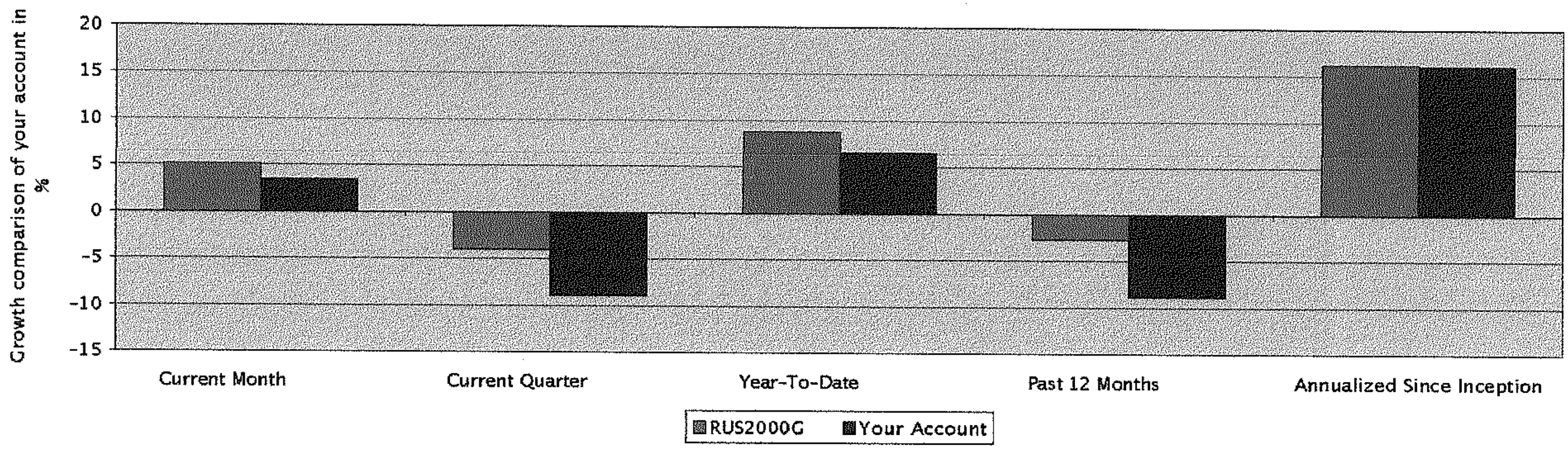
Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

AS OF 06/30/2012

CURRENT PERIOD STARTED ON: 06/01/2012
CURRENT QUARTER STARTED ON: 04/01/2012
YEAR-TO-DATE STARTED ON: 01/01/2012
INCEPTION DATE: 09/03/2010

ANALYSIS OF RATES OF RETURN

	CURRENT MONTH	CURRENT QUARTER	YEAR-TO-DATE	PAST 12 MONTHS	ANNUALIZED THREE-YEARS	ANNUALIZED FIVE-YEARS	ANNUALIZED SINCE INCEPTION
TOTAL MANAGED ASSETS	3.50%	-8.92%	6.61%	-8.82%	N/A	N/A	16.14%
Russell 2000 Growth Index	5.16%	-3.94%	8.81%	-2.71%	N/A	N/A	16.24%



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EAGLE | Asset Management
880 Carillon Parkway | St. Petersburg, FL 33716 | p: 800.237.3101

STATEMENT

PORTFOLIO VALUATION AND STATEMENTS

Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

AS OF 06/30/2012

CURRENT PERIOD STARTED ON: 06/01/2012
CURRENT QUARTER STARTED ON: 04/01/2012
YEAR-TO-DATE STARTED ON: 01/01/2012
INCEPTION DATE: 09/03/2010

SUMMARY

CONTRIBUTIONS THRU 06/01/2012	$6,020,589
DEPOSITS MADE DURING STATEMENT PERIOD	
SECURITIES	$0
CASH	$0
WITHDRAWALS MADE DURING STATEMENT PERIOD	
SECURITIES	$0
CASH	$0
TOTAL CONTRIBUTIONS THRU 06/30/2012	$6,020,589
MARKET VALUE OF ACCOUNT AS OF 06/30/2012	$8,593,027

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value — Total Market Value: $10,029,795 (1.3% Cash) — Quarter Ended June 30, 2012

Performance Returns - Gross of Fees

	MTD	QTD	YTD	Since Incept.
Portfolio - Total Return	5.42 %	-2.32 %	13.65 %	6.55 %
Portfolio - Equity Only	5.51	-2.37	13.79	6.36
Russell 2000 Value Index	4.82	-3.01	8.23	5.72
Russell 2000 Index	4.99	-3.47	8.53	5.89
S&P 500 Index	4.12	-2.75	9.49	5.10

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

Weighted Average Portfolio Characteristics

	Portfolio	Rus 2000 V	Rus 2000
Projected P/E Ratio (FY2)	10.0x	11.4x	12.5x
Price / Cash Flow Ratio	4.3x	6.7x	8.0x
Price / Book Ratio	1.1x	1.2x	1.7x
Dividend Yield	1.3%	2.2%	1.4%
Market Capitalization (mm)	$1,551	$1,028	$1,193
# of Holdings / 1-Yr Turnover	57 / 37%		

Top and Bottom Five Contributors to Performance

	End Wgt	Ttl Ret.	Contr.
Arris Group Inc.	3.84 %	23.10 %	0.92 %
Lincare Holdings Inc.	1.42	49.34	0.52
Con-Way Inc.	4.68	11.05	0.51
Geo Group Inc.	2.97	19.52	0.38
PHH Corp.	3.00	12.99	0.37
First Horizon National Corp.	2.04 %	-16.56 %	-0.38 %
Noranda Aluminum Hldg	1.63	-19.82	-0.39
Cobalt Int'l Energy Inc.	0.84	-21.74	-0.41
Hudson Global Inc.	2.80	-22.49	-0.81
Quiksilver Inc.	2.90	-42.33	-1.87

Trading Data

Major Buy(Sell) *New buy/final sell	+/-
Comverse Technology Inc.	1.9% *
Argo Group Intl Hldgs Ltd.	1.4% *
Geo Group Inc.	1.3%
Quiksilver Inc.	1.2%
DeVry Inc.	1.0% *
(Alliant Techsystems Inc.)	-0.7%
(EMCOR Group Inc.)	-0.8% *
(Arris Group Inc.)	-1.0%
(Symetra Financial Corp.)	-1.2%
(Terex Corp.)	-1.2% *

Top Ten Stocks - Total Portfolio

	End Wgt
Valassis Communications	5.6 %
Con-Way Inc.	4.7
Huntington Ingalls Ind. Inc.	3.9
Arris Group Inc.	3.8
Great Plains Energy Inc.	3.8
Miller Industries Inc.	3.5
CNO Financial Group Inc.	3.3
PHH Corp.	3.0
Rent-A-Center Inc.	3.0
Geo Group Inc.	3.0

Performance Attribution

	Portfolio		Russell 2000 Value		Allocation		
	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.	Sector	Stock	Total
Information Technology	8.11 %	4.15 %	10.52 %	-10.05 %	0.24	1.18	1.43
Industrials	31.88	-1.98	14.57	-6.57	-0.66	1.48	0.83
Utilities	7.09	7.44	6.92	3.48	0.02	0.28	0.30
Health Care	2.97	7.25	4.91	1.32	-0.07	0.29	0.23
Materials	1.97	-19.82	4.75	-9.86	0.19	-0.17	0.03
Telecommunication Services	0.00	0.00	0.59	-6.98	0.02	0.00	0.02
Financials	28.00	1.40	38.43	0.81	-0.42	0.19	-0.23
Energy	4.03	-14.97	4.47	-11.54	-0.09	-0.15	-0.25
Consumer Staples	1.79	-12.67	2.94	-0.18	-0.03	-0.24	-0.27
Consumer Discretionary	14.17	-14.05	11.90	-4.72	-0.04	-1.47	-1.51
					-0.82	1.39	0.57

Top Ten Industries - Total Portfolio

	End Wgt
Insurance	14.3 %
Aerospace & Defense	7.0
Commercial Banks	6.9
Electric Utilities	6.5
Media	6.5
Machinery	6.3
Communications Equip.	6.3
Road & Rail	6.2
Professional Services	5.3
Health Care Prov. & Srvcs	4.0

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.

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value
Investment Review

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Quarter Ended
June 30, 2012

Hotchkis & Wiley

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

June 30, 2012

Assets

Total Market Value:	$10,029,795
Total Equity Value:	$9,887,386
Total Cash Value:	$135,129
Total Accrued Value:	$7,280
% Cash of Portfolio:	1.3%

Transactions Summary

Total Purchases:	$1,387,374
Total Sales:	$1,182,655
Total Commissions:	$3,772
Average Transaction Cost/Share:	$0.020

Performance Returns

Commencement of Portfolio
December 1, 2003

	MTD	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception
Portfolio - Total Return	5.42 %	-2.32 %	13.65 %	-2.39 %	27.26 %	0.69 %	6.55 %
Portfolio - Equity Only	5.51	-2.37	13.79	-2.15	27.81	0.00	6.36
Russell 2000 Value Index	4.82	-3.01	8.23	-1.44	17.43	-1.05	5.72
Russell 2000 Index	4.99	-3.47	8.53	-2.08	17.80	0.54	5.89
S&P 500 Index	4.12	-2.75	9.49	5.45	16.40	0.22	5.10

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

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June 30, 2012

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MARKET REVIEW AND OUTLOOK

Market Commentary

U.S. equities retreated in the second quarter, a disappointing encore to the best first quarter in nearly fifteen years. The Russell 2000 Index returned -3.5% and the Russell 2000 Value Index returned -3.0%. In the U.S., indicators of economic recovery continue to emerge in a reassuring manner, albeit slowly. Even housing and employment, which have both been stubbornly slow to improve, demonstrated encouraging signs of progress. Corporate earnings and cash flows continue to be robust, with an increasing amount of capital finding its way into shareholder hands. With so much attention being paid to Europe, many of these positive developments are being overlooked, or at the very least, are underappreciated. In time, we believe these fundamental improvements will be acknowledged. Unfortunately, "in time" is not today, so we expect to endure bouts of volatility in the interim. During the quarter, investor anxiety seemed to ebb and flow with almost-predictable repetition. The VIX ("Fear") Index began the quarter at 15.5, rose 72% to 26.7, and then fell 36% to end the quarter at 17.1—with considerable oscillation along the way. Rapid stock price swings have not reflected proportionate changes in the underlying value of the companies in which we invest. While the ups and downs can be vexing, they can also produce uncommon valuation opportunities without commensurate risk.

With few exceptions (e.g. natural gas) commodity prices weakened during the quarter. One of the largest declines was crude oil, with WTI falling 18% and Brent falling 19%. Consequently, energy and materials were considerable laggards. Utilities, healthcare, and financials were the only positive-performing sectors in the Russell 2000 Value Index.

Our research has shown that the average correlation across U.S. stocks reached record highs last year—this tends to occur when investor behavior is heavily influenced by the macroeconomic and/or geopolitical environments. Early in 2012, these correlations briefly declined to normal levels, before increasing again in the second quarter. Macro/Fear-driven markets tend not to be conducive to our style as everything moves in the same direction regardless of valuation, operating results, or other fundamental qualities. History has shown repeatedly, however, that fundamentals ultimately triumph—in the meantime, we monitor portfolio risk closely.

June 30, 2012

Attribution: Q2 2012

The Hotchkis & Wiley Small Cap Value portfolio outperformed the Russell 2000 Value Index for the quarter. Positive stock selection in technology, industrials, and utilities contributed to performance in the quarter. The largest individual contributors were Arris Group, Con-Way, and Geo Group. Stock selection in consumer discretionary and materials, along with the underweight in financials detracted from performance in the quarter. The largest individual detractors were Quiksilver, Hudson Global, and Cobalt International Energy.

Portfolio Activity: Q2 2012

We reduced our overweight position in industrials by trimming/exiting a few strong-performers. We also trimmed an outperforming energy stock whose market cap crept into the mid cap space. The proceeds for these sales were invested in a handful of stocks, including a technology company and a healthcare company—this helped portfolio diversification as we had been underweight both of these sectors.

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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 6/30/12 and may not be accurate reflections of their opinions after that date. There is no guarantee that any forecasts made will come to pass. Accounts may not continue to hold the securities mentioned and H&W has no obligation to disclose purchases or sales of these securities. Past performance is no guarantee of future results.

June 30, 2012

Weighted Average Portfolio Characteristics

	Portfolio	Russell 2000 Val	Russell 2000
Projected P/E Ratio	10.0x	11.4x	12.5x
Earnings Yield	10.0%	8.8%	8.0%
Dividend Yield	1.3%	2.2%	1.4%
Price / Book	1.1x	1.2x	1.7x
Price / Sales	0.5x	0.8x	1.0x
Mkt Cap (mm)	$1,551	$1,028	$1,193
Median Mkt Cap (mm)	$1,503	$419	$473

Top 10 Stocks - Total Portfolio

Company Name	Sector	Industry	Weight (%)
Valassis Communications	Consumer Discretionary	Media	5.6
Con-Way Inc.	Industrials	Road & Rail	4.7
Huntington Ingalls Ind. Inc.	Industrials	Aerospace & Defense	3.9
Arris Group Inc.	Information Technology	Communications Equipment	3.8
Great Plains Energy Inc.	Utilities	Electric Utilities	3.8
Miller Industries Inc.	Industrials	Machinery	3.5
CNO Financial Group Inc.	Financials	Insurance	3.3
PHH Corp.	Financials	Diversified Financial Srvcs	3.0
Rent-A-Center Inc.	Consumer Discretionary	Specialty Retail	3.0
Geo Group Inc.	Industrials	Commercial Srvcs & Supplies	3.0

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July 20, 2012

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

Dear Danean:

Enclosed please find the quarterly portfolio review as of June 30, 2012 for the Bay County Employees' Retirement System account.

If you have any questions or require additional information, please let me know.

Best regards,

Andrea

Andrea E. Leistra
Senior Investment Manager

AEL/wjk
Enclosure
cc: Mr. Richard L. Potter

Bay County Employees' Retirement System

As of 6/30/12

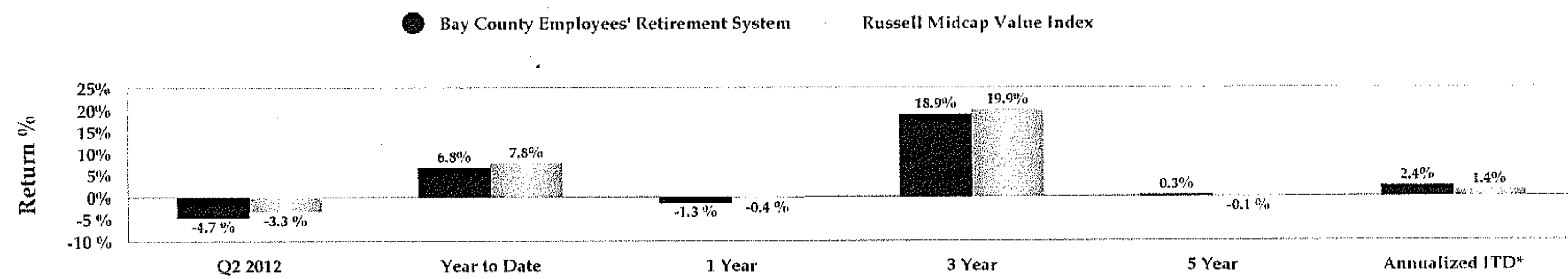
Account Performance

For the quarter ending June 30, 2012, your portfolio returned -4.66% versus the Russell Midcap® Value index, which returned -3.26%.

Stock selection in Financials and Energy and an underweight to Utilities resulted in underperformance. The biggest positives were stock selection in Consumer Staples, Materials and Health Care. Utilities have been the best performing group by a good margin and our modest underweight hindered relative performance.

Performance Review (Annualized)

Gross of Fees



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Portfolio Performance	Q2 2012	Year to Date	1 Year	3 Year	5 Year	Annualized ITD*
Bay County Employees' Retirement System	-4.66%	6.77%	-1.28%	18.91%	0.32%	2.37%
Russell Midcap Value Index	-3.26%	7.78%	-0.37%	19.92%	-0.13%	1.38%
Relative Performance	**-1.40%**	**-1.01%**	**-0.91%**	**-1.01%**	**0.45%**	**0.99%**

* *Since Inception 1/3/07*

Bay County Employees' Retirement System

As of 6/30/12

Market Review & Outlook

"I wake up every day, right in Punxsutawney, and it's always February 2nd, and there's nothing I can do about it." Phil from the movie Groundhog Day.

The markets have a feeling of Groundhog Day, both the movie and the holiday. Like the movie, we find ourselves reliving the same market from last year. Like the holiday, we are waiting for someone to tell us if the market's cold snap is over or if we're in for six more weeks of panic.

Macro concerns are again dominating the market as Europe's issues are taking a toll on its economy. Furthermore, China, the world's perpetual growth engine, has begun to slow. The United States has not escaped either with the world's growth woes combined with continued uncertainty over taxes, the fiscal cliff, banking regulations, persistent unemployment and the election weighing on business and consumer confidence.

These macro issues have manifested themselves as we would expect in the midcap universe with defensive and domestically focused stocks outperforming and global cyclicals underperforming. When the market has sold off, investors have sold/shorted globally exposed companies while preferring to buy/own companies with more domestic exposure in up markets.

Certainly, the macro issues facing the market are not to be dismissed. Additionally, we are somewhat concerned as we enter the earnings season as forward estimates for many companies will likely have to come down. However, there has been a tremendous amount of liquidity injected into world economies with 203 stimulative policy responses over the last ten months, according to Ed Hyman at ISI. This keeps us to the optimistic side of neutral as we believe we may get a replay of last year with a better economy and market for the second half of the year.

Our plan is to continue looking for value and not pay up for safety. We have recently added to our Energy holdings and continue to look at this beaten-down space as a source of potential ideas. Technology and Industrials are two other groups that have been relatively poor performers, and we are combing these sectors for good value ideas. We believe the dichotomy in performance among the defensive domestic stocks and global cyclicals in the benchmark cannot continue indefinitely, and we look to take advantage of it when it reverses. That said, we hope the groundhog doesn't see his shadow.

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Portfolio Summary

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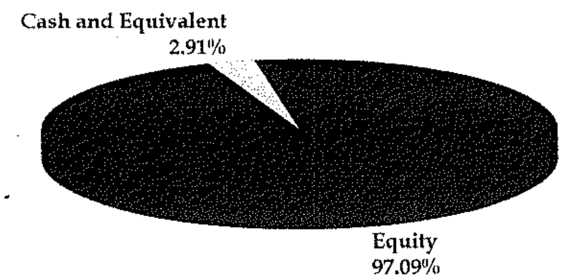
Current Asset Allocation



Asset Class		Market Value	Percent of Assets
Equity	$	17,866,630.71	97.09%
Cash and Equivalent	$	535,546.20	2.91%
TOTAL	**$**	**18,402,176.91**	**100.00%**

Portfolio Summary

Bay County Employees Ret System
4407N1

Date Run: 07/16/2012
Period Covered: 05/31/2012 to 06/30/2012

Portfolio Composition as of 06/30/2012

	Total Market Value	% of Total
Bonds	27,322,799	95.20%
Cash and Equivalents	1,032,610	3.60%
Accrued Income	343,556	1.20%
Total	28,698,965	100.00%

Statement of Changes

Total Market Value at 05/31/2012	28,528,711
Net Additions/Withdrawals	-39
Income Earned	110,310
Portfolio Appreciation/Depreciation	59,983
Total Market Value at 06/30/2012	28,698,965

Performance Returns (Supervised Assets)

	1Mth	3Mths	YTD	1 YR	3 YRS*	5 YRS*
Total	0.60	2.55	5.42	10.21	12.15	8.17
Barclays U.S. Corporate Investment Grade	0.35	2.52	4.42	9.41	10.04	7.56

* - Returns are annualized

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

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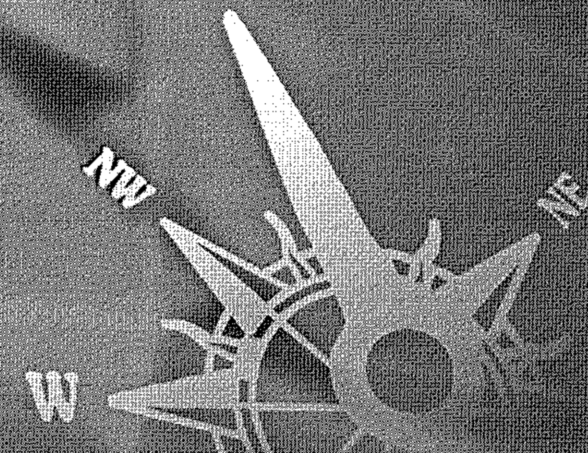

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Quarterly Report
June 30, 2012

SECOND QUARTER 2012 – OVERVIEW OF QUARTERLY PERFORMANCE

MARKET OVERVIEW

The US convertible market, as measured by the BofA Merrill Lynch All Convertible Index, was down 3.29% in the second quarter, while underlying equities declined 7.57%. Year-to-date, the All Convertible Index is up 6.59%, while underlying equities are up 8.91%. Investment-grade convertible bonds outperformed speculative-grade convertible bonds during the quarter. The BofA Merrill Lynch Investment Grade Convertible Index decreased 2.85%, while speculative-grade convertibles decreased 3.12%. Year-to-date, investment grade convertibles are up 5.75%, while speculative-grade convertibles have climbed 6.95%.

The equity market cooled considerably in May following a strong first quarter and continued to be volatile through most of the second quarter. On June 29th, the last trading day of the quarter, the markets soared after European leaders came to a surprise agreement providing the Euro zone with more efficient tools to fight the crisis. The S&P Index closed up 2.9% that day and commodities rallied as well.

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The overall volatility that characterized much of the second quarter was likely due to reoccurring concerns tied to the global economy, including China's decreasing rate of growth, Europe's unresolved long-term debt and budgetary problems, as well as the mixed economic indicators coming from the United States, including employment and stagnant wages. We continue to believe that convertible bonds and stocks are attractive and should continue to perform well, barring some geopolitical shock combined with sharply higher energy prices.

Transportation was the best performing sector in the quarter, followed by Utilities, up 12.08% and 2.56%, respectively. The worst performing sector was Materials, which declined 8.51%. Year-to-date, the Transportation sector, up 26.55%, has outpaced all others, while the Materials sector is experiencing the largest lag, down 8.58%.

There were twenty-one new convertible bond issues in the second quarter. The largest convertible bond deal of the month came from industrial company, United Technologies, which issued $1.1 billion of convertible preferred shares. The sectors represented in these new convertible bond issues included Utilities, Consumer Discretionary, Financials, Healthcare, Materials, Industrials and Technology. The amount of new issues for the quarter totaled $7.1 billion, which brings the total amount of new convertible bond issues for the year to $10.86 billion. The average size convertible bond deal in the second quarter was $337.71 million.

PERFORMANCE

The convertibles of Costco, SBA Communciations and Wells Fargo were leading contributors during the second quarter of 2012. In June, Costco announced its purchase of the remaining fifty percent interest in its Mexican joint venture from its partner, Controladora Comercial Mexicana. This joint venture operates thirty-two warehouses in Mexico and presents Costco with an opportunity to accelerate growth in Central and South America. Also, given Costco's continued solid cash balance position, the stability of its earnings base (80% from membership fees), and international growth, the company should continue to outperform. Additionally, owner and operator of wireless communications infrastructure throughout the United States, SBA Communications' convertible bonds were leading contributors in the portfolio this past quarter. Earlier in the second quarter, company management reported good results for the first quarter and raised its 2012 outlook. Leasing activity continues to be strong and the company continues to expand its tower portfolio. Also, in the latter half of June, SBA announced its acquisition of the fifth largest independent tower portfolio from TowerCo, which adds 3.252 towers to the company's existing portfolio of 12,961 towers. The convertible preferred shares of financial institution, Wells Fargo, also performed well this past quarter. This is mainly a result of the bank's reoccurring earnings, consistent management and business strategy, strong capital levels and ample liquidity. Additionally, compared to the other largest banks in the United States, Wells Fargo's exposure to Europe is modest and the risk associated with peripherals in this region is also manageable.

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Conversely, leading detractors included the convertible bonds of EMC Corporation, Danaher, and Citigroup. In the second quarter of 2012, EMC's convertible bonds declined likely due to disappointing earnings guidance from its leading competitor Netapp in May. Still, EMC continues to indicate that it can add to recent market share gains in enterprise storage. Also, EMC maintains its leadership position in enabling hybrid (public/private) cloud computing through infrastructure and application transformation. The company also continues to display strength in their VMware and security capacities. As global short-cycle industrial companies face steep challenges in Europe and China, the convertible bonds of multi-industry company, Danaher Corp., underperformed. Both of these markets account for 35% of Danaher's sales. Still, in public appearances through June, Danaher management provided bullish commentary on near-term demand, particularly in China throughout the second half of 2012. Additionally, the integration of Beckman Coulter remains on track, which will help boost revenue as well as cut costs. Last, the convertible bonds of financial institution, Citigroup, were leading detractors in the portfolio this past quarter. This is likely due to news earlier in the year. First, early in 2012 Citi reported fourth quarter expenses that were higher than expected, then in March the Fed refused to approve Citi's capital return plan given what they considered inadequate capital supply. Still, Citi's credit metrics continue to improve and the firm sees a flight-to-quality effect in global markets given the instability in European financial markets.

OUTLOOK

We remain convinced that convertible bonds and equities are undervalued in the current slow growth environment, with interest rates and bond yields at near-record lows. While at the onset of 2012 stocks responded to increasingly favorable economic conditions and mostly positive first quarter earnings reports and management outlooks, we are now seeing stocks go through a period of weakness, primarily as a result of the reoccurring macro fears, mainly stemming from Europe. However, stocks remain inexpensive based on various measures such as price to earnings, price to cash flow, or price to free cash flow, particularly when compared to other investment options such as U.S. Treasury and investment grade corporate bonds. We expect convertible bond and stock prices to be higher in the coming twelve to eighteen months.

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

SECOND QUARTER 2012 — OVERVIEW OF QUARTERLY PERFORMANCE

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BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Portfolio Composition and Performance — Account 1256
June 30, 2012

Composition	Market Value	Percent of Total
Fixed Income	15,252,345	83.46
Equity	2,323,343	12.71
Cash & Equivalents	698,674	3.82
Total Portfolio	**$18,274,362**	**100.00%**

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Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	2.17%	-2.24%	3.15%	-1.35%	8.56%	2.24%	55.66%	5.18%
Merrill Lynch Convertible Inv Grade	1.57%	-3.03%	5.34%	-1.47%	7.65%	4.05%	52.45%	4.93%
ML Convt Inv Grade BDS (Inc Mandatory)	1.87%	-2.85%	5.75%	-1.23%	8.65%	-0.99%	25.89%	2.66%

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

MacKayShields

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Summary Report — Account 1256
June 30, 2012

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	13,867,635	86.29	1.65	15,202,236	83.19	1.51	229,142
Stocks	2,203,163	13.71	5.14	2,315,705	12.67	4.89	113,239
Cash & Equivalents	0	0.00		698,674	3.82	0.09	629
Accrued Income				57,747	0.32		
Total Portfolio	**$16,070,798**	**100.00%**	**2.13**	**$18,274,362**	**100.00%**	**1.88**	**$343,010**

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Schroders

Bay County Employees' Retirement System

Investment Report – Schroder International Small Companies Fund

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Important Information

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Any sectors mentioned are for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

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The opinions stated in this document include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized.

Further information about Schroders can be found at www.schroders.com/us.

875 Third Ave – 22nd Floor, New York, NY 10022
(212) 641 3800

Schroders

Bay County Employees' Retirement System

Overview

Fund Valuation

Value at 31 March 2012	Net Cash Flow	Value at 30 June 2012
US$ 9,481,069	US$ -	US$ 8,651,951

Performance

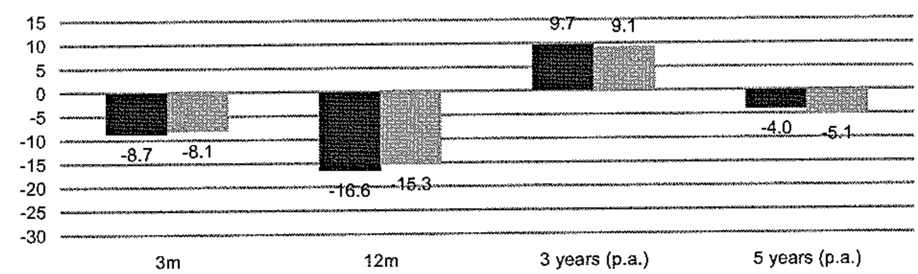
Periods to 30 June 2012

Total returns (US$)	3 months %	12 months %	3 years % p.a.	5 years % p.a.	S.I.** % p.a.
Fund	**-8.7**	**-16.6**	**+9.7**	**-4.0**	**+1.5**
Index*	-7.7	-13.8	+10.6	-3.6	+1.7
S&P EPAC SmallCap	-8.1	-15.3	+9.1	-5.1	+0.2
Value added rel Index*	**-1.0**	**-2.8**	**-0.9**	**-0.4**	**-0.2**
Difference	**-0.6**	**-1.3**	**+0.6**	**+1.1**	**+1.3**

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

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

Performance versus benchmark (%)



Summary

It has been a difficult quarter for international equities, and the gains of the first half have been substantially reversed. There has been a co-ordinated downturn in the global economy, not just in the debt laden developed world, but also among emerging markets where economic growth expectations have come under widespread downward adjustment. Tensions within the euro remain largely unresolved, and although some co-ordinated monetary action is increasingly expected, doubts over its lasting efficacy are understandable.

Smallcap has modestly underperformed, primarily thanks to its more cyclical sector composition (higher in industrials, I.T. and consumer cyclicals, lower in health care and telecoms). Of the major regions, only in Japan did smaller companies outperform their larger peers.

The Fund underperformed the benchmark in the second quarter, primarily due to stock selection shortfalls in Asia, most notably in Hong Kong and Australia. Selection also lagged in Japan and the United Kingdom, but added value in continental Europe.

The performance shortfall over the last twelve months is due to stock selection in Japan, Pacific ex Japan and the United Kingdom, partly offset by added value in continental Europe (notably in Italy and Germany). Regional allocation was a modest negative, with the benefit of the underweighting in continental Europe offset by the underweighting in Japan (which outperformed) and the overweighting in Pacific ex Japan (mainly Hong Kong).

The current slowdown in the global economy is universal, with expectations in many emerging markets deteriorating at a similar pace to those in the more structurally challenged developed world. The Eurozone will continue to get most of the attention, though the situation in China will also be closely watched. Equities continue to look reasonable value (of whatever size) and monetary condition will remain loose, and likely to become more so in the emerging and Asian regions. We remain overweight the latter, balanced by underweights in Europe and Japan.

Bay County Employees' Retirement System

Market Summary

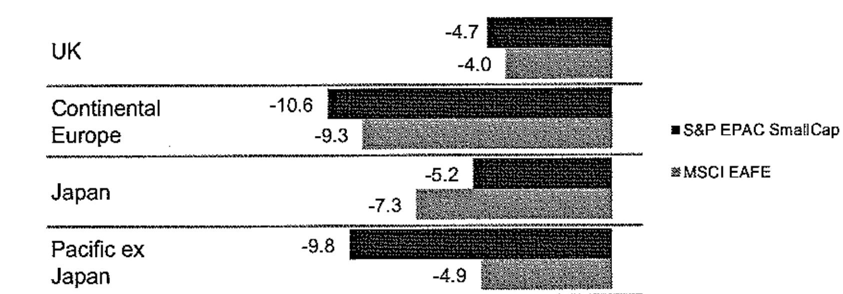
Following a positive start to the year, investor sentiment deteriorated during the second quarter. Risk appetite weakened as the effects of the ECB's LTRO faded and macroeconomic data disappointed. It was a challenging quarter for eurozone equity markets amid growing concerns about the risks to political and economic stability in the region. Spain's debt burden was called into question as the country struggled to prop up its flailing banking sector, while a change of leadership in France and possible Greek exit added to the uncertainty. Later in the quarter, the EU summit in Brussels produced a deal to allow the eurozone's rescue funds to recapitalise Spanish banks and to buy sovereign bonds in the market. The agreement prompted a brief rally in equity markets and the euro's largest daily gain in eight months.

Asian equity markets struggled to find momentum in the second quarter, ending the period in negative territory as the turmoil in Europe was compounded by fears that the US recovery was running out of steam. China, in turn, stepped up efforts to stimulate its economy amid flagging GDP growth and expectations that manufacturing activity in June had expanded at its slowest pace in seven months. Smaller companies were particularly weak with smallcap energy, health care and industrials the main culprits.

UK equities remain in positive territory year to date despite a turbulent second quarter, in which smallcaps under-performed modestly. The much-feared UK double-dip recession was confirmed in April, although the contraction in output was moderate. As the quarter progressed, central bank rhetoric became progressively more dovish, culminating in the Bank of England's plans to adopt targeted credit easing for small and medium sized businesses.

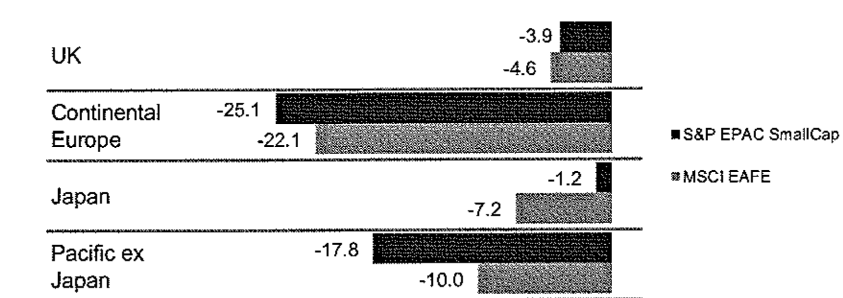
Japan has proved quite resilient, despite some disappointment at the lack of follow through on BoJ monetary action, which has allowed the yen to rally. There has also been confirmation of the government's determination to raise sales taxes from 5% to 10% in two stages over the next three years.

S&P & MSCI returns by major region US$ 3 months to 30 June 2012



Source: S&P, MSCI

S&P & MSCI returns by major region US$ 12 months to 30 June 2012



Source: S&P, MSCI

Bay County Employees' Retirement System

Performance

Performance attribution – Periods to 30 June 2012

Total returns	3 months %	12 months %	3 years % p.a.	5 years % p.a.
Stock selection	-1.2	-1.5	+1.5	+1.2
Country weightings	-0.1	-0.1	-0.8	0.0
Currency hedging	0.0	0.0	0.0	0.0
Residual	+0.7	+0.3	-0.1	-0.1
Total value added	**-0.6**	**-1.3**	**+0.6**	**+1.1**

Source: Schroders

The Fund underperformed the benchmark in the second quarter, primarily due to stock selection shortfalls in Asia, most notably in Hong Kong and Australia. Selection also lagged in Japan and the United Kingdom, but added value in continental Europe.

In Asia key areas of weakness included holdings exposed directly to domestic demand in China, including **Parkson**, **Ports Design** and **Comba Telecom Systems**. A number of resource related names also detracted in Australia, including **Iluka Resources, Sims Metal** and **Mineral Deposits**. Other detractors included Hong Kong industrials (**Leoch, EVA Precision**) and **Myer**, the Australian retailing group.

In Japan, the key areas of relative weakness were in the consumer cyclical and industrial sectors. In the former, auto part stocks continued to languish, including **Musashi Seimitsu, Unipres,** and **Exedy**. Among industrials, those companies with more of a capital spending tilt suffered as global growth expectations faded, including **Nippon Thompson**, and **Toyo Tanso**.

The key area of weakness in the United Kingdom was in the energy sector, reflecting in part the retracement in energy prices. Key underperformers included **Lamprell** (following a profits warning), and **Exillon Energy**. Among materials, **Yule Catto** was weak due to margin pressures in the nitrile division in Asia.

Stock selection was positive in continental Europe, notably in health care (**Oridion** thanks to an offer for the company from **Covidien** of the United States, **Stratec Biomedical,** and **Pronova Biopharma**) and information technology (**Lectra, LBi International, Wirecard**). Other notable contributors included **Azimut** on strong results, and **freenet.**

The performance shortfall over the last twelve months is due to stock selection in Japan, Pacific ex Japan and the United Kingdom, partly offset by added value in continental Europe (notably in Italy and Germany). Regional allocation was a modest negative, with the benefit of the underweighting in continental Europe offset by the underweighting in Japan (which outperformed) and the overweighting in Pacific ex Japan (mainly Hong Kong).

Stock and Country Selection Impact – 3 months to 30 June 2012

	Stock selection %	Country allocation %	Total* %
UK	-0.3	-0.1	-0.4
Japan	-0.2	-0.1	-0.3
Continental Europe	+0.4	-0.2	+0.2
Pacific ex Japan	-1.1	+0.1	-1.0
Cash	-	+0.2	+0.2

* Contribution to performance relative to S&P EPAC SmallCap

Source: Schroders

Bay County Employees' Retirement System

Fund Activity

Country Changes – 3 months to 30 June 2012

Continental Europe	We have remained underweight in continental Europe over the period. Some cash has been released through M & A activity among our holdings, and other stock specific factors. Although the macro headwinds are well aired, the region offers strong valuation attractions, and a broad opportunity set from which we believe it is possible to identify attractive smallcap stocks. These tend to be in the core northern European markets, though we have overweightings in Ireland and Italy among the periphery. Key sector overweightings include consumer discretionary, information technology and telecom services.
UK	We have (again) been somewhat surprised by the continued resilience of United Kingdom smallcap equities. They have, perhaps, derived some benefit from the supposed "safe-haven" status of the economy and its asset markets, perhaps on the principle that "in the land of the blind, the one-eyed man is King". 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	The underweighting in Japan is primarily accounted for by the minimal exposure to financials. This has cost us over the last twelve months, but we continue to see better value elsewhere, mostly among more global/export oriented sectors and companies. Although there many seemingly cheap smaller companies, true crystallization of value through a sea-change in the attitude to shareholders appears as remote as ever.
Pacific ex Japan	We remain overweight based on the long term attractions of the region in terms of growth, financial strength and the increased room to manoeuvre on the policy front given rapidly declining inflation. Slowing growth presents considerable challenges to corporate margins, but consensus expectations have fallen to more realistic levels (although individual shortfalls are being harshly treated) and valuations look increasingly compelling. We look to add in coming months.

Country Weightings versus Benchmark Index* at 30 June 2012

Fund (%)	Index (%)			3 month change in active weight (%)
23.7	18.4	Pacific ex. Japan	5.3	-0.7
19.0	21.2	UK	-2.2	+0.2
35.5	38.5	Continental Europe	-3.0	-0.2
17.9	21.9	Japan	-4.0	0.0
3.9	0.0	Cash	3.9	+0.7

* S&P EPAC SmallCap Index

Bay County Employees' Retirement System

Policy

After a relatively bright start to the year the world economy is losing momentum again. Caution on global growth stems from surveys showing a deceleration in manufacturing activity in Europe and Asia, while in the US consumer spending has slowed and the labour market has softened. Economic data continues to surprise on the downside and cyclical commodity prices (energy and metals) remain weak. Alongside a sharp fall in the cyclically sensitive currencies of the major emerging economies, (the Brazilian real and Indian rupee both fell 10% against the US dollar over the quarter) the evidence suggests that we have yet to hit a turning point in global activity.

The latest slowdown is typical of the pattern seen since the financial crisis where a fundamentally weak world economy is buffeted by shocks which generate fluctuations in activity. The revival at the turn of the year was in part a reflection of a rebound in global supply chains which had been disrupted earlier by the Japanese earthquake. An unwind of the surge in commodity prices also helped lift spending as consumers benefited from lower inflation. The latter is still helping as commodity prices have fallen further; however the fading of the supply chain effect is weighing on growth through the inventory cycle and the Western consumer (with the recent exception of the United States where household saving has been falling) still shows a propensity to save.

Another factor weighing on activity is the continuing crisis in the Eurozone where member governments are struggling to agree a solution. Such uncertainty is likely to be weighing on business sentiment and the willingness of companies to increase employment and investment. Corporates are currently sitting on significant cash piles, but have become too risk averse to spend. The danger is that developed economies fall into a self-fulfilling cycle of low confidence, weak spending and weak growth.

Concern over the developed economies is being augmented by the growing doubt over the growth outlook for Asian and Emerging markets. Those dependent upon commodity prices face obvious challenges, but even in the Asian markets where such weakness should, if anything, be a tail wind for growth, other doubts are emerging. Export dependent sectors face a challenging time, although inventory levels are generally under tight control, while domestic growth drivers are challenged by poor consumer sentiment and more specific challenges for the "Big 2" – credit and investment fatigue in China and infrastructure bottlenecks in India.

In the case of Asia ex Japan, the counter-point to slowing activity is a return of policy flexibility. Inflation round the region is coming down rapidly, exemplified by China where headline inflation, having peaked above 6% last summer, is now just above 2%. While we do not anticipate dramatic fiscal and monetary measures in the short term, the direction as shown in recent months is definitely set for easing. We therefore feel very comfortable with the overweighting in Pacific ex Japan, and look to add to this as specific stock opportunities arise.

While easing policy is a question of will rather than ability for Asia, the picture remains very different for Europe where the political disconnect at the heart of the euro project continues its agonising path. Successive deals have flattered to disappoint, and market have been friendless since the ending of the LTRO programme which provided temporary relief for liquidity, but does not address the solvency issues faced by both banks and the peripheral countries. We remain somewhat gloomy about an imminent solution, but believe that some sort of debt mutualisation is the only viable route; the uncertainty is what conditions they can extract from other governments in terms of fiscal and budgetary co-ordination.

Bay County Employees' Retirement System

Meanwhile, we believe there is a lot of value in the European equity markets, a view that has had some recent validation from a notable increase in acquisition activity, which prompted the disposal of two holding in the quarter, **Oridion** and **Statoil Fuel and Retail**. Other sales included **Royal Imtech** (on working capital and cash flow concerns) and **Tom Tom** on strength following a licensing deal with Apple. New holdings included **Mediq,** a Dutch provider of home healthcare service, **D'Ieteren** where low valuation fail to reflect the long term growth prospect of the global Belron subsidiary, and **Schibsted**, the Norwegian on-line media group.

Although there has been some fraying at the edges, the UK government's resolve to address fiscal profligacy remains sufficient to re-assure bond investors. The Bank of England continues to co-ordinate a liberal monetary stance in tandem with fiscal retrenchment, but the result is an economy in stagnation; we expect zero growth for 2012. We remain underweight particularly in the financial and consumer cyclical sectors which remain challenged by the absence of significant household income growth. New holdings included **TalkTalk Telecom,** the highly cash generative broadband provider, and **QinetiQ** a science and technology research group.

Japan has been largely on the sidelines in terms of investor attention. Perhaps no bad thing, while economic expectations for have quietly improved, aided by the perception that the chronic strength of the yen has been effectively staunched. The one new holding was in **Unipres** the auto body parts manufacturer with strong competitive advantage in the adoption of high tensile steel.

Fund Analysis

Top Ten Holdings at 30 June 2012

	Country	Fund %
freenet	Germany	1.3
STX OSV	Singapore	1.3
Azimut	Italy	1.3
Delta Lloyd	Netherlands	1.2
Yuexiu Transport Infrastructure	China	1.2
Helvetia	Switzerland	1.1
Fletcher Building	New Zealand	1.1
gategroup	Switzerland	1.1
Rheinmetall	Germany	1.0
DCC	Ireland	1.0
Total		**11.6**

Fund Characteristics at 30 June 2012

		Fund %	Index* %
Number of securities		204	3,357
P/E 12mths Fwd (x)		11.0	13.1
Dividend yield (%)		2.9	2.8
Price/book (x)		1.3	1.2
3 year earnings growth (%) p.a.		26.8	25.7
Return on equity (%)		12.4	12.0
Market capitalization (%)	>$5 billion	1.6	6.4
	$1-5 billion	37.2	45.6
	<$1 billion	61.2	48.0
5 Yrs Standard Deviation (%)		25.3	25.6
5 Yrs Historic Tracking Error (%)		3.6	

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

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

Bay County Employees Retirement System USD Commission recapture wire rebates for June 2012

RecaptureServicesStatementGroup@convergex.com
Sent: Tuesday, July 17, 2012 12:01 AM
To: Danean Wright
Attachments: LSS_P_23803_11873_2012_06.pdf (707 KB)

ConvergEx Group
Execution Solutions

Hello:

Please be advised that the June 2012 commission recapture rebate for Bay County Employees Retirement System USD was processed on 07/16/2012. Our internal wire reference number is : 41960. If you do not have the funds within 3 days of the processed date or if you have any questions please feel free to contact your Client Service Representative, Jennifer A. Fabiszewski at 1.212.497.1533 or jfabiszewski@convergex.com.

Attached please find the details.

Regards,
Convergex Recapture Services

ConvergEx Group, Floor 48, 1633 Broadway, New York, New York 10019

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ConvergEx Group
Execution Solutions

Recapture Services

Bay County Employees Retirement System

Plan Trading Summary (US Dollars)

January 01, 2012 - June 30, 2012

Ref#: 23803

Manager		Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity					
Columbia Management Advisors, LLC		0.00	0.00	430.50	301.35
Denver Invmt Advisors		1,380.00	966.00	10,090.84	7,063.59
Eagle Asset Management		9.09	6.36	302.65	211.86
Eagle Asset Management	Execution	51.01	0.00	519.40	0.00
Hotchkis & Wiley		0.00	0.00	0.00	0.00
Integrity Asset Management		25.60	17.92	25.60	17.92
Marvin & Palmer Associates, Inc.		2,383.50	1,668.45	8,826.48	6,178.54
Marvin & Palmer Associates, Inc.	Events	0.00	0.00	1,744.00	1,220.80
WHV Investment Management		0.00	0.00	1,514.00	1,059.80
Totals for Equity		**3,849.20**	**2,658.73**	**23,453.47**	**16,053.85**
Revenue Type: Correspondent Equity					
Integrity Asset Management		0.00	0.00	23.40	16.38
Integrity Asset Management	Corrsp Broker	0.00	0.00	11.70	0.00
Totals for Correspondent Equity		**0.00**	**0.00**	**35.10**	**16.38**
Revenue Type: International Correspondent					
Baring Asset Management Ltd.		0.00	0.00	0.00	0.00
Schroder Investment Management Ltd		0.00	0.00	0.00	0.00
Totals for International Correspondent		**0.00**	**0.00**	**0.00**	**0.00**
Grand Totals		**3,849.20**	**2,658.73**	**23,488.57**	**16,070.23**

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ConvergEx Group
Execution Solutions

Recapture Services

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

Ref#: 23803

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Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	3,849.20	2,658.73	21,709.47	14,833.05
Correspondent Equity	0.00	0.00	23.40	16.38
Correspondent Broker Fees	0.00	0.00	11.70	0.00
International Correspondent	0.00	0.00	0.00	0.00
Correspondent Broker Fees	0.00	0.00	0.00	0.00
Fixed Income	0.00	0.00	0.00	0.00
12B-1 fees	0.00	0.00	0.00	0.00
Events	0.00	0.00	1,744.00	1,220.80
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
TOTAL	**3,849.20**	**2,658.73**	**23,488.57**	**16,070.23**

Account Balance

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			4,355.93
January 2012	3,942.91	2,641.68	0.00	4,355.93	2,641.68
February 2012	3,767.11	2,569.90	0.00	0.00	5,211.57
March 2012	3,311.28	2,203.60	0.00	0.00	7,415.17
April 2012	6,367.53	4,437.18	0.00	7,415.17	4,437.18
May 2012	2,250.54	1,559.14	0.00	0.00	5,996.32
June 2012	3,849.20	2,658.73	0.00	0.00	8,655.05
July 2012	0.00	0.00			
August 2012	0.00	0.00			
September 2012	0.00	0.00			
October 2012	0.00	0.00			
November 2012	0.00	0.00			
December 2012	0.00	0.00			
TOTAL	**23,488.57**	**16,070.23**	**0.00**	**11,771.10**	
				Current Balance	**8,655.05**

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

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

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

This statement represents trades through Posted Date June 30, 2012 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions

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

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

BILLING DATE: 07/06/2012
BILLING PERIOD: 06/01/2012 - 06/30/2012

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: BYC03					
ACCOUNT NAME: BAYCO- BARINGS					
OPEN CASH	0.00	0.00	0.00	148.06	148.06
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	3.13	3.13
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	151.19	151.19
TOTAL REBATES	0.00	0.00	0.00	320.99-	320.99-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	472.18	472.18
BANK FEES	0.00	0.00	0.00	188.84	188.84
NET INCOME	0.00	0.00	0.00	283.34	283.34
ACCOUNT NUM.: 1799220					
ACCOUNT NAME: *TNT-LDN-BYC03-BAYCO-BARING-SL					
OPEN CASH	0.00	0.00	0.00	216.70	216.70
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	216.70	216.70
TOTAL REBATES	0.00	0.00	0.00	11.23	11.23
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	205.47	205.47
BANK FEES	0.00	0.00	0.00	81.90	81.90
NET INCOME	0.00	0.00	0.00	123.57	123.57
ACCOUNT NUM.: 2608694					
ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT					
OPEN CASH	0.00	1,535.43	0.00	0.00	1,535.43
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	1,535.43	0.00	0.00	1,535.43
TOTAL REBATES	0.00	344.57	0.00	0.00	344.57
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,190.86	0.00	0.00	1,190.86
BANK FEES	0.00	476.15	0.00	0.00	476.15
NET INCOME	0.00	714.71	0.00	0.00	714.71

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

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2618668					
ACCOUNT NAME: *BAYCO - BAIRD -SL					
OPEN CASH	2,089.89	0.00	0.00	0.00	2,089.89
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	2,089.89	0.00	0.00	0.00	2,089.89
TOTAL REBATES	1,391.95	0.00	0.00	0.00	1,391.95
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	697.94	0.00	0.00	0.00	697.94
BANK FEES	279.07	0.00	0.00	0.00	279.07
NET INCOME	418.87	0.00	0.00	0.00	418.87
ACCOUNT NUM.: 2620611					
ACCOUNT NAME: *BAYCO - MARVIN & PALMER -SL					
OPEN CASH	0.00	1,298.53	0.00	0.00	1,298.53
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	1.58	0.00	0.00	1.58
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,300.11	0.00	0.00	1,300.11
TOTAL REBATES	0.00	266.22	0.00	0.00	266.22
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,033.89	0.00	0.00	1,033.89
BANK FEES	0.00	413.12	0.00	0.00	413.12
NET INCOME	0.00	620.77	0.00	0.00	620.77
ACCOUNT NUM.: 2622490					
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS -SL					
OPEN CASH	1,068.45	183.83	8.55	0.00	1,260.83
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,068.45	183.83	8.55	0.00	1,260.83
TOTAL REBATES	552.42-	449.80-	2.34	0.00	999.88-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,620.87	633.63	6.21	0.00	2,260.71
BANK FEES	648.18	253.32	2.48	0.00	903.98
NET INCOME	972.69	380.31	3.73	0.00	1,356.73

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

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2622536					
ACCOUNT NAME: *BAYCO - HOTCHKIS & WILEY -SL					
OPEN CASH	0.00	1,450.86	0.00	55.20	1,506.06
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,450.86	0.00	55.20	1,506.06
TOTAL REBATES	0.00	293.35	0.00	11.39	304.74
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,157.51	0.00	43.81	1,201.32
BANK FEES	0.00	461.12	0.00	17.32	478.44
NET INCOME	0.00	696.39	0.00	26.49	722.88
ACCOUNT NUM.: 2624493					
ACCOUNT NAME: *BAYCO - WENTWORTH -SL					
OPEN CASH	0.00	1,325.82	0.00	318.65	1,644.47
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,325.82	0.00	318.65	1,644.47
TOTAL REBATES	0.00	281.48	0.00	71.67	353.15
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,044.34	0.00	246.98	1,291.32
BANK FEES	0.00	417.56	0.00	98.74	516.30
NET INCOME	0.00	626.78	0.00	148.24	775.02
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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010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 4

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

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	0.00	1,690.49	0.00	179.65	1,870.14
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	1,690.49	0.00	179.65	1,870.14
TOTAL REBATES	0.00	6.32-	0.00	38.54	32.22
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,696.81	0.00	141.11	1,837.92
BANK FEES	0.00	677.79	0.00	56.37	734.16
NET INCOME	0.00	1,019.02	0.00	84.74	1,103.76

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

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	1,412.63	0.00	303.53	0.00	1,716.16
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	1,412.63	0.00	303.53	0.00	1,716.16
TOTAL REBATES	233.35	0.00	65.14	0.00	298.49
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,179.28	0.00	238.39	0.00	1,417.67
BANK FEES	471.24	0.00	95.19	0.00	566.43
NET INCOME	708.04	0.00	143.20	0.00	851.24

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

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
OPEN CASH	0.00	1,918.05	0.00	42.04	1,960.09
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	1,918.05	0.00	42.04	1,960.09
TOTAL REBATES	0.00	347.81	0.00	7.77	355.58
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,570.24	0.00	34.27	1,604.51
BANK FEES	0.00	626.89	0.00	13.68	640.57
NET INCOME	0.00	943.35	0.00	20.59	963.94

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

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2663296					
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SL					
OPEN CASH	0.00	1,475.98	0.00	4.14	1,480.12
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	1,475.98	0.00	4.14	1,480.12
TOTAL REBATES	0.00	298.42	0.00	0.84	299.26
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,177.56	0.00	3.30	1,180.86
BANK FEES	0.00	469.97	0.00	1.27	471.24
NET INCOME	0.00	707.59	0.00	2.03	709.62
ACCOUNT NUM.: 2695063					
ACCOUNT NAME: *BAYCO - EAGLE ASSET -SL					
OPEN CASH	0.00	1,775.26	0.00	72.32	1,847.58
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	2.14	0.00	0.00	2.14
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,777.40	0.00	72.32	1,849.72
TOTAL REBATES	0.00	543.39-	0.00	270.46-	813.85-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,320.79	0.00	342.78	2,663.57
BANK FEES	0.00	925.96	0.00	136.93	1,062.89
NET INCOME	0.00	1,394.83	0.00	205.85	1,600.68
GRAND TOTAL					
OPEN CASH	4,570.97	12,654.25	312.08	1,036.76	18,574.06
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	3.72	0.00	3.13	6.85
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	4,570.97	12,657.97	312.08	1,039.89	18,580.91
TOTAL REBATES	1,072.88	832.34	67.48	450.01-	1,522.69
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,498.09	11,825.63	244.60	1,489.90	17,058.22
BANK FEES	1,398.49	4,721.88	97.67	595.05	6,813.09
NET INCOME	2,099.60	7,103.75	146.93	894.85	10,245.13

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REFUNDS: FOR THE MONTH ENDED JULY 31, 2012

EMPLOYEE/BENEFICIAR'	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Gaines, Bruce	17,967.27	7/24/12	BABH	05/30/12
Adcock, Roger	438.02	7/27/12	BABH	01/17/12
TOTAL REFUNDS:	18,405.29			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Mendoza, Rosa	80,801.35	Sheriff-CFO	06/03/12
Wesolowski, Jeanne	93,187.21	BABH	06/23/12
Bauer, Charlene	61,134.27	District Court	06/30/12
Laurus, Marilyn	23,620.73	Health Dept.	06/30/12
Hill, Robert	83,815.27	Environm Hlth.	06/30/12
Miller, Connie	75,854.16	Sheriff	07/15/12

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

THOMAS L. HICKNER
Bay County Executive

July 25, 2012

Mr. Tim McAvoy
Marvin & Palmer
1201 N. Market Street, Suite 2300
Wilmington, DE 19801-2300

Dear Tim:

There is a need for the Bay County Employees' Retirement System to rebalance its asset allocation therefore, I am requesting that Marvin & Palmer divest themselves of $500,000 (five hundred thousand dollars) deposit said cash within the System's Short-Term Investment Fund Reserve account at The Northern Trust Company no later than Tuesday, July 31, 2012.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

VIA E-MAIL-ORIGINAL TO BE SENT SURFACE MAIL

cc: Bay County Employees' Retirement System Board of Trustees
Richard Potter, Becker Burke Associates
Bernard Walsh, The Northern Trust Company
Danean Wright, Retirement Administrator/ Accountant

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
BAY COUNTY BUILDING
515 CENTER AVENUE, SUITE 706
BAY CITY, MICHIGAN 48708-5128

THOMAS L. HICKNER
Bay County Executive

July 25, 2012

Ms. Beth Griper
Mackay Shields
9 West 57th Street
New York, NY 10019

Dear Beth:

There is a need for the Bay County Employees' Retirement System to rebalance its asset allocation therefore, I am requesting that Mackay Shields divest themselves of $2,000,000 (two-million dollars) and deposit said cash within the System's Short-Term Investment Fund Reserve account at The Northern Trust Company no later than Tuesday, July 31, 2012.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Crystal Hebert

Crystal Hebert
Finance Officer/Secretary

VIA E-MAIL -ORIGINAL TO BE SENT SURFACE MAIL

cc: Bay County Employees' Retirement System Board of Trustees
Richard Potter, Becker Burke Associates
Bernard Walsh, The Northern Trust Company
Danean Wright, Retirement Administrator/Accountant

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

July 24, 2012

Ms. Danean Wright
Staff Accountant
Bay County
515 Center Avenue, Suite 706
Bay City, Michigan 48708-5128

Subject: 5-Year Experience Analysis for the Bay County Employees' Retirement System

Dear Board Members:

As requested, we prepared an engagement letter describing the scope and fees for conducting an experience study for the above named plan for the 5-year period 2007 through 2011.

As you know, the plan costs developed in the annual actuarial valuations are based upon various assumptions about future occurrences. The results of the valuation are reliable only if the underlying assumptions are reasonable. These assumptions are recommended by the actuary for consideration by the Board. No single set of assumptions will be suitable indefinitely. Periodically the actuary should be authorized to review the assumptions for reasonableness by comparing them to actual experience. This type of analysis is called an experience study. The last experience study was performed in 2002. Since it has been almost 10 years since the last study, we recommend an experience analysis be conducted following the 2011 actuarial valuation.

Scope

Gabriel, Roeder, Smith & Company will provide an analysis of plan experience with respect to the assumptions and methods on the following page.

	Assumptions/Methods
Economic Assumptions:	- Investment Return - Rate of Pay Inflation
Non-Economic Assumptions:	- Mortality (pre and post retirement) - Retirement - Salary increases due to merit and longevity - Disability - Termination (other than retirement, disability) - Lump Sum Payments (for sick leave/vacation) utilization - Administrative expenses
Other:	- Asset smoothing method - Amortization method/policy - Alternate assumptions for optional forms of payment

We will summarize the results of our analysis in a report including the following:

- An analysis of non-economic assumptions and proposed changes
- An analysis of alternative economic assumptions
- The impact of proposed changes as of 12/31/2011 including a comparison with existing valuation results

This report will be presented to the Retirement Board.

Data

The study would be based on retirement system data reported to the actuary for the five year period ending December 31, 2011. This study will not include the impact of any recommended changes on the County's retiree health program.

Consulting Fees

Gabriel, Roeder, Smith & Company's consulting fees are based on the time spent by our associates in performing the services for you. Our proposed fees for this project fall in the range of $18,000 - $22,000. This fee includes illustrating the results based on 2 to 3 alternative set of economic assumptions. This fee includes one meeting with the Board to discuss the results of the study. During the course of our engagement, we will advise you promptly if as a result of unforeseen circumstance our fees will exceed this estimate.

Timing

Upon approval to proceed with this project, we will discuss timing with you.

Gabriel, Roeder, Smith & Company appreciates the opportunity to be of service to you. Please let us know of your decision regarding this project. In the meantime, if you have any questions do not hesitate to call me.

Sincerely,

Mark Buis

Mark Buis, EA, FSA, MAAA

MB:sc

cc: James Anderson - GRS