

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA

TUESDAY, NOVEMBER 13, 2012

(Immediately Following the Retirement Board of Trustees' Meeting @ Approximately 2:30 P.M.)

COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE	
	I. CALL TO ORDER
	II. ROLL CALL
	III. MINUTES
1 - 2	I. OCTOBER 9, 2012 REGULAR MEETING
	IV. PUBLIC INPUT
	A. BECKER, BURKE ASSOCIATES - 3 RD QUARTER REPORT
	1. RICHARD POTTER, CONSULTANT
3 - 4	B. PORTFOLIO VALUE 1/1/12 - 11/7/12
	C. ATALANTA SOSNOFF (LARGE CAP EQUITY)
5 - 8	1. PORTFOLIO ENDING 9/30/12
	V. ANNOUNCEMENTS
	A. NEXT REGULAR MEETING - TUESDAY, DECEMBER 11, 2012 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING @ APPROXIMATELY 2:30 P.M. COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708
	VI. UNFINISHED BUSINESS
	VII. NEW BUSINESS
	VIII. MISCELLANEOUS BUSINESS
	IX. ADJOURNMENT

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

October 9, 2012

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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 3:15 P.M. Roll call was taken. All trustees are present.

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

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

2. Moved, supported and carried to receive Portfolio Value from January 1, 2012 to October 3, 2012. The value today is \$30,800,000 dollars.
3. Moved, supported and carried to approve the renewal of our contract with Becker, Burke Associates for the consulting services of Richard Potter. The fee for 2013 will be \$14,500.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, November 13, 2012 immediately following the Retirement Board of Trustees Meeting at approximately 2:30 p.m. in COMMISSIONER'S CHAMBERS, 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708.

UNFINISHED BUSINESS: None

NEW BUSINESS: None

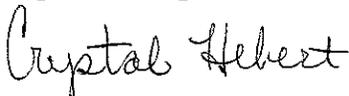
MISCELLANEOUS BUSINESS:

- A. Trustee Starkweather gave an update regarding the funding of the VEBA for Bay Medical Care Facility. Pending the successful outcome of the millage election on November 6, 2012 there will be an election of officers as there will be two new board members. They intend to put a motion forward to fund the \$574,000 of 2011 and the approximately \$480,000 of 2012 that they currently carry on the books. They hope to transfer about \$900,000 into their VEBA account.
- B. Trustee Deaton expressed his thanks to both Mr. Potter and Mr. Black for the excellent work they have done for the Board over the past years.

ADJOURNMENT:

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

Respectfully submitted,



Crystal Hebert
Finance Officer/Secretary

MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE
OCTOBER 9, 2012

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 3:15 P.M.

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

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

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

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

2

VEBA PORTFOLIO VALUE

	<u>DODGE & COX</u>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
2011						
JAN	15,922,942.49	300,739.41	11,793,776.01	0.00	0.00	28,017,457.91
FEB	16,667,670.02	581,913.36	11,986,233.04	0.00	0.00	29,235,816.42
MARCH	17,123,304.53	121,095.35	12,011,362.73	0.00	0.00	29,255,762.61
APRIL	17,675,739.11	98,063.83	12,154,202.79	0.00	0.00	29,928,005.73
MAY	17,726,476.07	212,246.98	12,036,752.17	0.00	0.00	29,975,475.22
JUNE	17,547,728.26	1,485.83	11,875,396.11	0.00	0.00	29,424,610.20
JULY	17,060,888.70	70,134.43	11,801,134.06	0.00	0.00	28,932,157.19
AUG	16,187,340.87	43,385.81	11,169,054.28	0.00	0.00	27,399,780.96
SEPT	15,063,812.72	61,454.03	10,496,973.57	0.00	0.00	25,622,240.32
OCT	16,399,592.83	89,000.37	11,196,449.88	0.00	0.00	27,685,043.08
NOV	16,237,039.28	40,026.86	11,097,347.05	0.00	0.00	27,374,413.19
DEC	16,409,981.39	65,446.74	11,130,235.36	0.00	0.00	27,605,663.49

	<u>DODGE & COX</u>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
2012						
JAN	4,744,381.74	23,341.91	4,774,929.28	5,782,203.49	13,556,991.23	28,881,847.65
FEB	4,957,686.81	141,703.43	5,003,798.19	5,958,731.82	13,575,896.75	29,637,817.00
MARCH	5,085,201.22	156,067.52	5,169,110.21	6,012,771.11	13,509,994.85	29,933,144.91
APRIL	5,991,155.39	186,068.57	5,127,801.08	5,023,538.22	13,645,204.77	29,973,768.03
MAY	4,670,417.74	207,434.25	4,752,087.80	5,468,775.64	13,750,484.96	28,849,200.39
JUNE	4,944,848.31	218,278.51	4,926,255.06	5,620,085.64	13,816,486.70	29,525,954.22
JULY	5,023,826.66	237,546.65	4,973,210.73	5,558,841.11	13,958,821.07	29,752,246.22
AUG	5,169,289.62	240,122.51	5,109,739.12	5,738,972.06	13,987,861.42	30,245,984.73
SEPT	5,324,980.74	262,359.53	5,263,322.60	5,850,653.25	14,149,694.74	30,851,010.86
OCT	5,292,298.41	293,624.23	5,171,534.01	5,847,050.63	14,060,815.46	30,665,322.74
NOV				0.00		
DEC				0.00		

◆ Mgr Mix VEBA

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-VEBA CASH 2611831	0.00 0.00%	302,603.06 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	302,603.06 0.99%
BAYCO - VEBA DODGE & COX BAL 2613001	0.00 0.00%	0.07 0.00%	5,262,302.23 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,262,302.30 17.22%
BAYCO-VEBA CS MCKEE 2643882	0.00 0.00%	520,836.82 3.70%	0.00 0.00%	13,521,976.27 96.05%	0.00 0.00%	35,959.34 0.25%	14,078,772.43 46.07%
BAYCO VEBA LORD ABBOTT FD 2643880	0.00 0.00%	0.00 0.00%	5,814,627.05 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,814,627.06 19.03%
BAYCO - VEBA ATALANTA SOSNOFF 2646670	0.00 0.00%	194,391.24 3.81%	4,905,841.08 96.19%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,101,232.32 16.69%
Total for consolidation	0.00	1,017,831.19	15,983,770.37	13,521,976.27	0.00	35,959.34	30,559,537.17
% for consolidation	0.00%	3.33%	52.30%	44.25%	0.00%	0.12%	100.00%

A

Atalanta Sosnoff

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October 1, 2012

Mrs. Danean Wright
Retirement Accountant
Bay County Voluntary Employees' Beneficiary Association
Bay County Building
515 Center Ave., Suite 706
Bay City, MI 48708-5128

Dear Mrs. Wright:

September quarterly performance tracked positively relative to composite benchmarks in both fixed income and equity indices.

Buoyancy in equity markets followed the announcement early September that the European Central Bank would buy an unlimited amount of 3-year sovereign debt, thereby keeping a lid on refinancing costs for countries like Greece, Spain and Italy. Ten-year Treasuries of Spain and Italy showed a marked decline of almost 100 basis points in yield, practically overnight.

Additionally, the Federal Reserve Board reinstated another program of bond repurchasing aimed at driving down interest rates on longer duration mortgage debt. There is no sign of inflationary bias in the country covering wages and materials. New job creation is minimal and the jobless rate holds over 8 percent, an unacceptable number.

The FRB's goal, along with the Administration's post election new initiatives, is to drive down the jobless rate by at least 2 percentage points over the next 2 years or so. Chairman Bernanke has implied that short term interest rates could remain minimal looking out into 2015, an extension from previous pronouncements.

Practically every major central bank in the western and eastern hemisphere is committed to an easy money policy. China has just announced a major infrastructure spending initiative to counteract weakening GDP numbers which could drop below the 7 percent level.

We have translated all these positive macro developments into a more aggressive portfolio construct. Of late, we have increased commitments in growth stocks, financials and some consumer non-durables and healthcare properties – with good results to date. Portfolios carry minimal cash reserves. In balanced accounts, we continue to hold lower investment grade credits in corporate bonds also with good results. Duration level is unchanged, under 5 years.

Our reading of the domestic economy is that it limps along at a below average growth rate of 2 percent for the foreseeable future (two years). Recession is highly unlikely because the most volatile sectors of GDP have already wound down to almost irreducible levels. This includes home building as well as capital goods spending.

Meanwhile, our reliance on oil imports is bound to lessen from increased production in shale oil. Home building activity shows firm evidence of a bottom along with home prices in almost every major urban market.

The net worth of individuals and families, pretty much split between real estate and financial assets, has largely recovered from the depths of the 2008-2009 credit meltdown and subsequent recession. So, we expect consumer confidence to pick up in coming months, not a consensus reading as yet. The savings rate should remain minimal, near 3 percent, while personal consumption expenditures could grow at 2 percent, thereby maintaining the country's approximate 2 percent growth rate.

The outlook for corporate profits seems benign. Leaving aside below average GDP momentum, net interest costs for creditworthy non-financial corporations are as low as they've been since the late seventies. Even more incisive is that labor costs for non-financial corporations as a percentage of GDP has fallen below the levels of the 1950's.

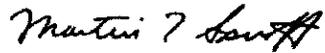
Liquidity for major non-financial corporations has never been better as measured by the high ratio of cash assets to current liabilities. Additionally, corporate free cash flow has reattained pre-recession levels of 2006 and looks to us much less volatile than in previous business cycles.

All this is reflected in corporate profits before taxes, now exceeding the 2006 previous peak. Even more cogent is that pretax profits as a percentage of GDP have taken out all records excepting the early post war numbers between 1946 and 1950.

Profit margins data show the highest level since the late sixties on both pretax and after tax measurements. Tax rates for American business remain within their long term range since 1982. A widely misconceived notion is that corporate tax rates are inordinately high, historically. In reality, corporate taxes are much lower than in the decades spanning the fifties to the seventies. Finally, the percentage spread between actual profits and normalized profits is not on a spike comparable with 2006.

This leads into our conclusion that the stock market holds here within a construct of normalized valuation. Wage inflation is unlikely and interest rates could remain minimal for years to come. Profit margins should hold robust even in a slow growth setting.

With all good wishes,



Martin T. Sosnoff



Craig B. Steinberg

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

PERFORMANCE STATISTICS

				Inception June 9, 2009 to Sep. 30, 2012	
	Three Months Ended Sep. 30, 2012	Nine Months Ended Sep. 30, 2012	Three Years Annualized Sep. 30, 2012	Total Return	Annualized Rate of Return
TOTAL	+7.04%	+14.16%	+6.62%	+33.75%	+9.18%
Composite Index (1)	+6.11%	+14.84%	+12.87%	+58.13%	+14.84%
EQUITY	+7.40%	+15.57%	+6.53%	+37.04%	+9.98%
Russell 1000 Growth Index	+6.11%	+16.79%	+14.73%	+69.27%	+17.23%
Russell 1000 Growth Index + 1.00%	+6.32%	+17.50%	+15.73%	+74.10%	+18.23%

(1) 65% RUSSELL 1000 GROWTH / 35% BC AGGREGATE BOND thru 01/20/12 ~ 100% RUSSELL 1000 GROWTH forward

