

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, MARCH 12, 2013 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

PAGE	I.	CALL TO ORDER
	II.	ROLL CALL
	III.	MINUTES
1 - 5	A.	FEBRUARY 12, 2013
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
	A.	INTEGRITY ASSET MGMT (MID CAP VALUE)
		1. ANDREA LEISTRA AND ADAM FRIEDMAN
6- 9	B.	PORTFOLIO VALUE - 1/1/12 - 3/6/13
	C.	MONEY MANAGERS ON WATCH - (EFFECTIVE DATE)
10.	1.	WENTWORTH HAUSER & VIOLICH - (9/14/10) PORTFOLIO ENDING 2/28/13
	D.	MONEY MANAGER REPORTS
		1. CORNERSTONE - ENDING 1/31/13
		2. EAGLE ASSET MGMT - ENDING 1/31/13
11 - 20		3. HOTCHKIS & WILEY - ENDING 1/31/13
		4. LOOMIS SAYLES - ENDING 1/31/13
		5. MFS INVESTMENT - ENDING 1/31/13
		6. MACKAY SHIELDS - ENDING 1/31/13
	E.	RECAPTURE SERVICES
21 - 23	1.	CONVERGEX - ENDING 1/31/13
	F.	NORTHERN TRUST
24 - 29	1.	SUMMARY EARNINGS ENDING 1/31/13
30	G.	REFUNDS/RETIREMENTS FOR FEBRUARY 2013
31	H.	NOTICE OF PUBLIC MEETINGS - SECOND AMENDED
	I.	CORRESPONDENCE TO HOTCHKIS & WILEY
32	1.	REBALANCE OF ASSET ALLOCATION

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA
TUESDAY, MARCH 12, 2013 @ 1:30 P.M.
COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708

- J. PURCHASE OF MILITARY SERVICE CREDIT
 - 33 1. CHARLES JENNETT - BAY ARENAC BEHAVIORAL HEALTH
- 34 K. CORPORATION COUNSEL LEGAL OPINION REGARDING AMENDED LANGUAGE FOR BCERS INVESTMENT POLICY
- VI. ANNOUNCEMENTS
 - A. NEXT REGULAR MEETING - TUESDAY, APRIL 9, 2013 AT 1:30 P.M. - **COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708**
- VII. UNFINISHED BUSINESS
- VIII. NEW BUSINESS
 - A. BARRACK, RODOS & RACINE LAW FIRM, PHILADELPHIA
 - 37 - 47 1. SECURITIES FRAUD MONITORING
- 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 1:31 p.m. Roll call was taken. All trustees are present except Ms. Peltier.

1. Moved, supported and carried to excuse Trustee Peltier.
2. Moved, supported and carried to approve the minutes, as printed, from the December 11, 2012 meeting.
3. Moved, supported and carried to approve the minutes, as printed, from the January 8, 2013 meeting.

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

Present today is Mr. Richard Potter, Consultant, Becker, Burke Associates, Chicago, Illinois to present the quarterly investment performance report for the period ending December 31, 2012. A copy was provided to all Trustees in advance via the web.

Mr. Potter will be reviewing not only the 4th quarter for 2012, but the entire year. It was a very good year for equities. The highest area of performance for the year was non U.S. Stocks. The EAFE Index was up 17.3%, the U.S. Small and Mid Cap Stocks were up 16.3% and the S&P 500 was 16.0%. Overall, we had a very good Total Fund result for the year because of the strong performance in equities.

For the quarter, the markets headed in different directions. International continued its recovery with 6.6%, Small Mid Cap were positive 1.9% and Large Cap stocks were up (0.4)%. Looking at the managers we have a mix of Large, Small, and Mid-Cap. So when looking at the results we see the positive effect of the diversification strategy.

Mr. Potter reviewed the performance for Bonds, Equities, International and Real Estate. Our best performing managers were Mid and Small Cap managers. Barings (International) underperformed for the quarter. They are a manager that focuses on more conservative type of stock and this is an environment where more aggressive managers tended to do better. The Barings return was offset by very good results from Schroder at 5.5%. Fixed Income was 1.1% for the quarter. The Index was 0.2%, Loomis Sayles which handles Corporate Bonds was 1.8%, and Government Bonds handled by Baird was 0%. So we have the diversification in the Bond strategy working for us here. Real Estate was 2.7% for the quarter which was about equal to the Index of 2.6%.

Mr. Potter discussed the One Year Return rates. Total Plan had a return of 13.4% which is well above the actuarial assumption in accumulating assets for this time period. The best performing manager was Hotchkis & Wiley at 26.1%.

They are a Small Cap Value Manager. Integrity had a return of 18% and Eagle had a return of 18.3%. In International the one year return was 14.7%. In Fixed Income (Bonds) we made 8.1%. In Real Estate the return for the year was 17.4%

From an absolute return standpoint, we had a very good year. When we look at performance by investment managers style there are no real holes. We have made some changes regarding underperforming managers and our current list of managers are looking reasonably solid.

Mr. Potter passed out a supplemental exhibit to everyone. The exhibit shows the Return of Growth of Assets of the Fund since Becker, Burke has been working as our consultant. The second page shows the Return and Growth of Assets since the day they started the analysis. Becker, Burke started here at year end of 1994. At year end of 1994 Total Asset Value was \$88 million. In this period of time we have paid out \$110 million in benefits more than any contributions made. We had earned investments of \$268.7 million. \$90 million of that came from income, \$178 million came from market value gains, so that brings us back to the \$246,973 million at the end of the quarter. Translating that into returns, it is a 9% per year return which is well above our actuarial assumption. The above average returns overall come from manager diversification, good manager selection and making changes when they are necessary.

Mr. Potter comments that given all the negativity we hear in the media, these returns indicate that with patient, diversified investment management using skilled managers, we can work our way through it and produce very desirable results at reasonable levels of risk. If we look at the next page on the exhibit, it shows the complete history of the Fund since they started doing an analysis. This page goes back to 1984 showing 28 years of history of returns. Mr. Potter commended the Board on doing a remarkable job over the years.

Mr. Potter discussed some of the managers that had poor years but were able to rally and currently are outperforming the Index. He credited the Board with having patience and using good judgment in regards to these managers. Cornerstone, in a lousy period for straight stocks, had a big return of 32% in 2009 and 29.3% in 2010. This illustrates the benefit of diversification. Overall, 4% of the Pension Fund is in real estate.

He discussed the comparisons of Public Defined Benefit Plans. They take the big universe of all kinds of pension plans and pull out only those that are public defined benefit funds. For the quarter we were a little below average, on a one year basis, we were in the 35th percentile and on a five year basis we were in the 35th percentile. In addition to outperforming our Policy Index we are outperforming close to two thirds of public funds.

Mr. Potter answered question from Trustees and concluded his presentation.

4. Moved, supported and carried to receive the fourth quarter report for 2012 from Becker, Burke Associates.

5. Moved, supported and carried to receive Portfolio Value from January 31, 2012 to February 6, 2013. The value today is \$258.4 million.
6. Moved, supported and carried to receive the portfolio reports from WHV Investment ending 1/31/12 and 1/31/13, and correspondence.
7. Moved, supported and carried to receive portfolio reports from Baird, Barings, Columbia, Cornerstone, Eagle Asset, Hotchkis & Wiley, Integrity Asset, Loomis Sayles, MFS Investment, and MacKay Shields, all ending 12/31/12.
8. Moved, supported and carried to receive the report from ConvergeEx ending 12/31/12.
9. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 12/31/12.
10. Moved, supported and carried to receive Refunds/Retirements for the month ending 1/31/13.
11. Moved, supported and carried to approve the Notice of Public Meeting schedule - Amended.

Discussion: Two special meetings are scheduled for April 25 and October 24 both to start at 9:00 a.m. rather than the stated time of 1:30 p.m. in the notice.

12. Moved, supported and carried to amend the Notice of Public Meeting-Amended schedule to reflect the correct starting time for April 25 and October 24.
13. Moved, supported and carried to approve non-duty disability retirement for Shirley Lijewski, Sheriff Department.

Ms. Wright explained the procedures on how non-duty disability works according to the Ordinance.

14. Moved, supported and carried to approve non-duty disability retirement for Kim Withrow, Bay Arenac Behavioral Health.
15. Moved, supported and carried to approve non-duty disability retirement for Vita Garcia, Bay Medical Care Facility.
16. Moved, supported and carried to receive correspondence sent to Baring Asset, Columbia, Eagle Asset, Hotchkis & Wiley, MFS Investment, Integrity Asset, and WHV Investment regarding commission recapture.
17. Moved, supported and carried to receive correspondence to MacKay Shields regarding the rebalance of asset allocation.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, March 12, 2013 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

UNFINISHED:

Trustee Starkweather inquired about real estate allocations. Mr. Potter responded that it was for the VEBA only. Trustee Starkweather suggests we should consider moving closer to the 7% for real estate in the BCERS Fund, which is currently at 4%. Trustee Deaton questioned the additional 3% and how that would be allocated. Mr. Potter responds there are two ways to invest in real estate, one is REIT where we own stocks that own real estate, and the other is a big pool fund which is used to buy properties. Trustee Pett questions the percentage for real estate. According to the Investment Policy it is 5% not 7%.

Trustee Deaton commented on the situation at McLaren Bay Regional Hospital which was recently in the news due to miscalculations regarding retirement benefits over a ten year period of time. He inquired as to what procedures we have in place to avoid a similar situation. Ms. Wright explained that our Actuary reviews all submissions for retirement.

NEW BUSINESS: None

MISCELLANEOUS BUSINESS None

ADJOURNMENT:

18. Moved, supported and carried to adjourn the meeting at 2:23 p.m.

Respectfully submitted,

Crystal Hebert
Finance Officer/Secretary

MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE
FEBRUARY 12, 2013

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 1:32 P.M.

OTHER PRESENT: RICK POTTER, DANEAN WRIGHT, CRYSTAL HEBERT

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

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

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

PORTFOLIO VALUE
YEAR 2012-2013

2012	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	GENEVA	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	22,037,372.94	13,205,317.06	8,880,607.54	19,505,222.66	9,091,184.15	0.00	9,616,762.28	27,887,347.36	18,923,008.47	24,478,549.21	0.00	18,661,170.80	8,855,756.68	25,494,523.89	28,270,329.85	2,418,984.84	236,726,165.73
FEB	21,981,851.08	13,860,852.41	8,776,050.96	20,468,720.54	9,547,651.49	0.00	10,040,742.50	28,210,710.54	18,885,218.68	25,577,643.20	0.00	19,284,116.98	9,453,796.51	26,891,840.34	29,660,988.67	1,593,093.65	243,733,277.54
MARCH	21,884,667.68	13,655,740.21	9,223,973.24	20,926,328.69	9,414,543.74	0.00	10,289,614.64	27,893,659.78	18,697,935.13	26,486,213.09	0.00	18,302,568.37	9,481,278.08	27,837,072.61	28,863,719.95	3,172,275.40	247,102,612.61
APRIL	22,125,101.56	13,551,442.81	9,483,422.11	20,254,819.11	9,183,567.10	0.00	10,108,048.67	28,389,418.92	18,476,888.37	26,410,651.70	0.00	19,189,547.12	9,451,149.38	27,305,074.31	28,163,034.04	2,728,791.13	244,850,866.33
MAY	22,340,285.29	12,023,002.95	9,012,107.33	18,100,309.10	8,302,504.11	0.00	9,514,710.70	28,531,331.25	17,817,559.00	25,079,784.12	0.00	17,868,656.50	8,316,247.94	25,193,930.07	25,807,231.53	2,119,389.73	230,043,203.62
JUNE	22,332,110.80	12,693,536.96	8,502,878.80	18,356,465.35	8,586,741.70	0.00	10,029,760.40	28,701,192.21	18,213,023.01	25,584,665.85	0.00	18,402,526.81	8,652,162.15	26,249,628.46	28,796,484.17	1,588,662.62	233,688,837.49
JULY	22,526,652.66	12,858,006.65	8,697,971.18	18,072,227.04	8,588,409.58	0.00	9,903,383.54	29,517,025.90	16,394,421.41	25,221,067.68	0.00	18,252,917.66	8,575,420.96	26,149,866.06	27,633,640.24	3,188,205.19	238,589,205.75
AUG	22,555,628.46	13,217,881.51	9,700,053.45	18,942,714.63	8,919,842.79	0.00	10,228,481.16	29,689,516.98	16,651,517.03	110,694.13	25,583,213.52	18,978,401.93	8,807,347.86	27,089,903.18	28,534,349.38	2,248,291.41	241,248,548.40
SEPT	22,589,320.84	13,883,509.03	9,452,119.75	19,251,047.40	9,269,774.41	0.00	10,584,167.91	30,012,507.11	16,871,366.46	24,574.97	26,485,271.20	19,372,849.55	9,215,665.74	27,711,817.11	29,223,246.90	557,451.80	244,614,689.98
OCT	22,589,856.25	13,743,037.56	9,457,228.74	18,967,771.56	9,006,780.04	0.00	10,557,411.06	30,365,706.50	15,265,868.58	24,278.57	25,620,871.83	19,221,364.95	9,225,258.92	27,733,612.83	27,343,970.22	3,622,368.30	242,727,483.91
NOV	22,627,236.76	13,728,074.92	9,457,644.15	19,035,506.60	9,217,565.61	0.00	10,717,314.34	30,487,046.77	15,348,823.56	24,280.85	26,323,255.13	19,650,278.22	9,286,180.79	27,834,734.92	27,231,893.91	2,923,588.79	243,893,416.32
DEC	22,583,357.10	13,814,730.19	9,789,010.61	19,412,939.51	9,503,155.34	0.00	11,127,938.04	30,510,363.39	15,434,506.34	0.34	26,583,053.91	20,337,318.59	9,675,251.87	28,347,470.99	28,006,866.44	1,844,370.54	246,970,353.20
2013	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	GENEVA	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MARVIN PALMER	MFS	INTEGRITY	SCHRODER	COLUMBIA	WENTWORTH	CASH	TOTAL
JAN	22,420,682.07	14,361,871.89	10,128,089.75	1,013.55	10,057,763.88	20,525,062.80	12,082,863.14	30,322,286.54	15,789,752.23	0.00	27,874,477.87	21,879,596.30	10,183,373.77	30,362,702.28	29,603,346.66	988,076.89	256,550,961.62
FEB	22,528,215.48	13,899,938.23	10,178,606.05	830.06	10,158,593.40	20,812,377.88	10,755,129.02	30,560,229.50	15,291,938.07	0.00	28,264,426.42	22,188,021.99	10,208,675.71	30,642,040.58	29,308,336.94	2,624,568.58	257,511,327.71
MARCH																	0.00
APRIL																	0.00
MAY																	0.00
JUNE																	0.00
JULY																	0.00
AUG																	0.00
SEPT																	0.00
OCT																	0.00
NOV																	0.00
DEC																	0.00

6

◆ **Mgr Mix w/ Accruals**

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
*BAYCO - COLUMBIA MANAGEMENT 2608634	0.00 0.00%	52,078.34 0.17%	31,239,519.91 98.83%	0.00 0.00%	0.00 0.00%	0.00 0.00%	31,285,598.25 12.04%
*BAYCO - BAIRD -SL 2618668	0.00 0.00%	861,576.60 3.83%	0.00 0.00%	21,636,803.80 96.17%	0.00 0.00%	0.00 0.00%	22,498,380.40 8.66%
*BAYCO - SCHRODERS -SL 2618669	0.00 0.00%	217.18 0.00%	10,289,165.93 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	10,289,383.11 3.96%
*BAYCO - MACKAY SHIELDS -SL 2622480	0.00 0.00%	1,373,476.71 8.90%	2,682,833.96 17.39%	11,450,375.60 74.23%	0.00 0.00%	-81,528.30 -0.53%	15,425,257.97 5.94%
*BAYCO - HOTCHKIS & WILEY -SL 2622536	0.00 0.00%	67,663.47 0.62%	10,920,922.91 99.34%	0.00 0.00%	0.00 0.00%	4,918.02 0.04%	10,993,524.30 4.23%
*BAYCO - WENTWORTH -SL 2624493	0.00 0.00%	201,130.08 0.67%	29,699,345.40 99.33%	0.00 0.00%	0.00 0.00%	0.00 0.00%	29,900,475.46 11.51%
*BAYCO - CASH -SL 2639953	0.00 0.00%	1,383,904.98 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	1,383,904.98 0.53%
*BAYCO - DENVER INV ADV -SL 2639956	0.00 0.00%	830.23 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	830.23 0.00%
*BAYCO - LOOMIS SAYLES -SL 2641401	0.00 0.00%	406,550.06 1.33%	0.00 0.00%	30,585,684.44 100.27%	0.00 0.00%	-488,233.33 -1.60%	30,504,001.17 11.74%
*BAYCO GENEVA CAPITAL MGMT -SL 2649057	0.00 0.00%	280,513.19 1.33%	20,876,178.30 98.67%	0.00 0.00%	0.00 0.00%	0.00 0.00%	21,156,689.49 8.14%
*BAYCO - INTEGRITY -SL 2653308	0.00 0.00%	453,593.89 2.01%	22,167,524.54 98.18%	0.00 0.00%	0.00 0.00%	-41,939.01 -0.19%	22,579,169.21 8.69%
*BAYCO - CORNERSTONE REALES-SL 2663286	0.00 0.00%	217,859.56 2.09%	10,100,570.71 97.12%	0.00 0.00%	0.00 0.00%	81,694.87 0.79%	10,400,325.14 4.00%
*BAYCO - MFS INVESTMENTS -SL 2663854	0.00 0.00%	420,222.77 1.46%	28,429,184.49 98.59%	0.00 0.00%	0.00 0.00%	-12,739.63 -0.04%	28,836,667.63 11.10%
*BAYCO - EAGLE ASSET -SL 2695063	0.00 0.00%	85,394.75 0.82%	10,384,987.61 99.22%	0.00 0.00%	0.00 0.00%	-3,749.85 -0.04%	10,465,632.51 4.03%

◆ **Mgr Mix w/ Accruals**

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
BAYCO-BARINGS	199,966.73 1.42%	0.00 0.00%	13,984,965.96 99.05%	0.00 0.00%	15,909.39 0.11%	-81,622.85 -0.58%	14,119,239.25 5.43%
BYC03							
Total for consolidation	199,966.73	5,805,021.50	190,769,317.64	63,672,863.84	15,909.39	-623,000.08	259,840,078.12
% for consolidation	0.08%	2.23%	73.42%	24.50%	0.01%	-0.24%	100.00%

9



March 5, 2013

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 February 28, 2013 in the table below:

Time Weighted Total Return
Gross of Fees

	February 2013	Year to Date	One Year	Three Year Annualized	Five Year Annualized	Since Inception* Annualized
Bay County Employees' Retirement System	-1.00%	4.67%	7.71%	11.77%	5.29%	5.59%
S&P 500	1.36%	6.61%	13.46%	13.50%	4.94%	5.57%

*Since Inception Date 03/18/04

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

Best regards,

Jeffrey C. Coburn, CFA

Cc: Richard Potter

10



PERFORMANCE HISTORY
Bay County Employees' Retirement System

**Percent Return
 Per Period**

Time Period	1/31/2013	Portfolio		FTSE/NAREIT
		Gross	Net	Equity REIT Index
1 Month		3.46%	3.41%	3.74%
YTD		3.46%	3.41%	3.74%
1 Year		14.05%	13.38%	15.00%
3 Year		22.25%	21.53%	21.43%
Inception (October 21, 2008)		19.22%	18.51%	17.10%

PORTFOLIO VALUATION AND STATEMENTS

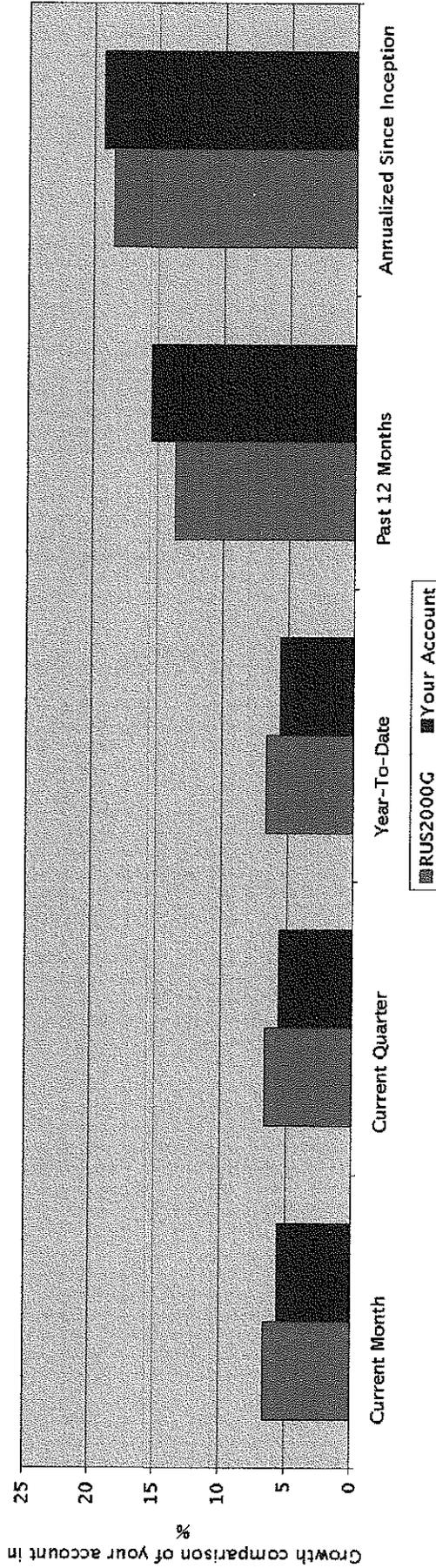
Bay County Employees' Retirement System
 05231100/
 SmallCap Growth Equity

CURRENT PERIOD STARTED ON: 01/01/2013
 CURRENT QUARTER STARTED ON: 01/01/2013
 YEAR-TO-DATE STARTED ON: 01/01/2013
 INCEPTION DATE: 09/02/2010

AS OF 01/31/2013

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	5.61%	5.61%	5.61%	15.49%	N/A	N/A	19.24%
Russell 2000 Growth Index	6.58%	6.58%	6.58%	13.63%	N/A	N/A	18.42%



12

Bay County Employees' Retirement System
05231100/
SmallCap Growth Equity

PORTFOLIO VALUATION AND STATEMENTS

CURRENT PERIOD STARTED ON: 01/01/2013
CURRENT QUARTER STARTED ON: 01/01/2013
YEAR-TO-DATE STARTED ON: 01/01/2013
INCEPTION DATE: 09/02/2010

AS OF 01/31/2013

SUMMARY

CONTRIBUTIONS THRU 01/01/2013	\$6,020,589
DEPOSITS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	\$0
CASH	
WITHDRAWALS MADE DURING STATEMENT PERIOD	\$0
SECURITIES	\$0
CASH	
TOTAL CONTRIBUTIONS THRU 01/31/2013	<u>\$6,020,589</u>
MARKET VALUE OF ACCOUNT AS OF 01/31/2013	<u>\$10,055,756</u>

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

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value Total Market Value: \$12,052,839 (2.1% Cash) Month Ended January 31, 2013

	Performance Returns - Gross of Fees			Weighted Average Portfolio Characteristics			
	MID	OID	YID	Since Incept.	Portfolio	Rus 2000 V	Rus 2000
Portfolio - Total Return	8.31 %	8.31 %	8.31 %	8.26 %	Projected P/E Ratio (FY2)	12.2x	14.4x
Portfolio - Equity Only	8.53	8.53	8.53	8.14	Price / Cash Flow Ratio	3.7x	8.5x
Russell 2000 Value Index	5.96	5.96	5.96	7.02	Price / Book Ratio	1.1x	1.8x
Russell 2000 Index	6.26	6.26	6.26	7.01	Dividend Yield	1.4%	1.4%
S&P 500 Index	5.18	5.18	5.18	6.01	Market Capitalization (mm)	\$1,792	\$1,415
<i>Commencement of portfolio: 12/1/03. Periods over one year are average annualized returns.</i>							
<i># of Holdings / 1-Yr Turnover</i>							
						58 / 44%	

	Top and Bottom Five Contributors to Performance			Trading Data		Top Ten Stocks - Total Portfolio	
	End Wgt	Ttl Ret.	Contr.	Major Buy(Sell)	*New Buy/final sell	+	-
Quiksilver Inc.	3.91 %	53.88 %	2.00 %	JetBlue Airways Corp.		1.0% *	5.1 %
Con-Way Inc.	5.08	12.80	0.64	Health Management Assoc.		0.8%	4.9
LifePoint Hospitals Inc.	2.97	15.79	0.43	Great Plains Energy Inc.		0.6%	3.9
Valassis Communications	4.89	8.84	0.43	Avis Budget Group Inc.		0.6%	3.9
CNO Financial Group Inc.	3.90	10.08	0.35	(Employers Holdings Inc.)		-0.7%	3.7
Symmetricon Inc.	0.40 %	-6.59 %	-0.03 %	(Fortune Brands Home & Security)		-1.6% *	3.3
JetBlue Airways Corp.	0.91	-2.68	-0.04	(Quiksilver Inc.)		-2.0%	3.0
Meritor Inc.	0.85	-3.59	-0.04				3.0
Global Indemnity PLC	1.88	-4.61	-0.08				2.9
PHH Corp.	2.76	-3.82	-0.10				2.8

	Performance Attribution			Allocation		
	Portfolio	Russell 2000 Value	Equ. Ret.	Sector	Stock	Total
Consumer Discretionary	14.50 %	20.21 %	7.61 %	0.04	1.70	1.74
Health Care	5.71	12.42	5.94	0.00	0.36	0.35
Industrials	29.21	7.13	6.26	0.06	0.27	0.33
Information Technology	8.71	7.61	4.72	0.05	0.25	0.29
Telecommunication Services	0.00	0.00	-4.14	0.05	0.00	0.05
Energy	2.51	6.04	6.03	0.00	0.01	0.01
Consumer Staples	1.54	4.62	5.50	0.01	-0.01	0.00
Materials	1.59	-2.92	3.83	0.09	-0.10	-0.02
Utilities	6.29	5.03	5.90	0.01	-0.05	-0.04
Financials	29.93	5.79	6.24	-0.01	-0.13	-0.14
				0.29	2.30	2.59

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

14

Portfolio Summary

Date Run: 02/13/2013
 Period Covered: 12/31/2012 to 01/31/2013
 Base Currency: USD

Bay County Employees Ret System
 4407N1

Portfolio Composition as of 01/31/2013

	Total USD Market Value	% of Total
Bonds	29,439,345	97.09%
Cash and Equivalents	565,813	1.87%
Accrued Income	316,661	1.04%
Total	30,321,819	100.00%

Statement of Changes

Total Market Value at 12/31/2012	30,509,469
Net Additions/Withdrawals	-48
Income Earned	104,841
Portfolio Appreciation/Depreciation	-292,443
Total Market Value at 01/31/2013	30,321,819

Performance Returns (Supervised Assets)

	1Mth	3Mths	YTD	1 YR	3 YRS*	5 YRS*
Total	-0.61	-0.14	-0.61	8.71	9.52	8.55
Barclays U.S. Corporate Investment Grade	-0.89	-1.11	-0.89	6.39	7.92	7.24

* - 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 1/31/2013

15

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





CLIENT	Bay County Employees' Retirement System
ACRONYM	BCSE
DATA AS OF	31 January 2013

PERFORMANCE

	MTD	QTD	Rolling 3 months	YTD 1 Year	3 Year	5 Year	*Since Inception
Bay County Employees' Retirement System (Gross)	4.86	4.86	8.82	4.86	N/A	N/A	8.92
Bay County Employees' Retirement System (Net)	4.80	4.80	8.66	4.80	N/A	N/A	8.65
Russell 1000 Growth Index	4.29	4.29	6.00	4.29	N/A	N/A	4.93

Spar Returns

* Performance Inception Date: 09/04/2012

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

For more information, please contact the Global Client Service Team at 1.877.960.6077 toll free from the U.S. and Canada or 1.617.954.4801.

16

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM
Monthly Report

.....
January 31, 2013
.....



MARKET OVERVIEW

The U.S. convertible market, as measured by the BofA Merrill Lynch All Convertible Index, rose 3.87% in January, 2013, while underlying equities rose 6.56%. During the month, investment-grade convertibles, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, rose 3.00%, underperforming speculative-grade convertibles, which rose 4.75% during the same time period.

The equity market was strong during the month of January, with the S&P 500 Index rising 5.18% during the period. The market was buoyed by several items. Economic data in the United States continues to show a decline in new unemployment applications, increasing home prices in a majority of real estate markets, and most recently, a sharp decline in the trade imbalance due to shrinking imports of energy. In addition, the economic distress in Europe shows signs of being contained. China's growth appears to be accelerating and investors have high hopes that fiscal stimulus in Japan will end that country's multi-decade slump. Lastly, individual investors appear to finally be showing an interest in equities. Retail investor flows in stock mutual funds have finally turned positive after years of pulling money out of equities in favor of fixed income. We continue to believe that equities and equity-linked securities, such as convertibles, are attractively valued, particularly when compared to the yields on pure fixed income securities, Treasury and investment grade bonds. We maintain that in a slow growth environment, at current valuations, convertible bonds and stocks are attractive and should continue to perform well, barring some geopolitical shock combined with sharply higher energy prices.

With the exception of the Materials sector, which declined 0.27%, every benchmark sector rose during the month. Energy (up 7.21%) was the best performing sector in January. Industrials, Financials, and Healthcare also outperformed, up 4.63%, 4.18% and 4.03%, respectively.

There were 8 new convertibles issued in January. A diverse array of sectors was represented in these new issues, including Health Care, Materials, Consumer Discretionary and Energy. Together, the new convertible issuance raised \$1.6 billion. The average size convertible bond deal in the month was \$195 million.

PERFORMANCE

The convertible bonds of Danaher, Schlumberger and Gilead Sciences, were leading contributors during the month. Danaher Corp. performed well in January after the company announced fourth quarter, 2012 earnings which exceeded the company's guidance, which itself was recently raised. In addition, Becton Dickinson's (which was recently acquired by Danaher) laboratory supply results were strong and the company is seen as a beneficiary of an improving macro-economy given that many of its industrial business lines are leveraged to the overall level of economic activity. The Schlumberger synthetic convertible bond issued by J.P. Morgan was a strong performer during the month flowing the company's fourth quarter earnings report on January 18th. The company's results were slightly ahead of estimates, but more importantly, the company stated that it expected improving results in North America throughout 2013. North America has been a drag on the earnings of most energy service companies due to the decline in the price of natural gas following a long period of increased supply of the fuel. Gilead Sciences also rose during the month. The company continues to report excellent data from its drug trials for the treatment of the hepatitis C virus. Furthermore, Gilead is advancing its efforts to develop a single pill HIV treatment to replace its current multi-pill therapy.

Conversely, exposure to the convertible bonds of Newmont Mining, EMC and Amgen weighed on performance during month. Newmont Mining declined as the company continues to be hampered by higher than expected costs and lower than expected output at one of its larger mines. More importantly, perhaps, is the recent decline in the price of gold, Newmont's main product, as investors sell the metal, seen as a safe haven, to purchase riskier assets. EMC Corp. declined after VMware, a vendor of virtualization storage and software products, which spun-off from EMC but is still thirty-three percent owned by the company, reported weaker than expected fourth quarter, 2012 results and gave disappointing guidance for 2013. Last, although Amgen Corp. reported fourth quarter, 2012 results that were

relatively in-line with analyst estimates, and forward guidance in-line with expectations, the company's common stock and convertible bonds declined. It is our opinion that investors may have expected an earnings beat and raised guidance as occurred following the release of earnings throughout much of 2012.

OUTLOOK

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

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

This material contains the opinions of the Convertibles team of Mackay Shields LLC but not necessarily those of Mackay Shields LLC. The opinions expressed herein are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of Mackay Shields LLC. ©2013, Mackay Shields LLC.

BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY SHIELDS

Portfolio Composition and Performance – Account 1256

January 31, 2013

Composition	Market Value	Percent of Total
Fixed Income	12,251,062	77.48
Equity	2,511,066	15.88
Cash & Equivalents	1,048,885	6.63
Total Portfolio	\$15,811,014	100.00%

Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	1.69%	3.26%	1.69%	5.95%	6.90%	3.01%	65.73%	5.55%
Merrill Lynch Convertible Inv Grade	2.58%	3.93%	2.58%	7.01%	6.18%	5.34%	63.24%	5.38%
ML Conv. Inv Grade BDS (Inc Mandatory)	3.00%	4.09%	3.00%	9.31%	7.17%	0.86%	37.20%	3.44%

20

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



Recapture Services

Bay County Employees Retirement System
 Plan Trading Summary (US Dollars)
 January 01, 2013 - January 31, 2013

Ref#: 23803

Execution Solutions

Manager	Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
Revenue Type: Equity				
Columbia Management Advisors, LLC	90.00	63.00	90.00	63.00
Denver Invmt Advisors	0.00	0.00	0.00	0.00
Eagle Asset Management	30.92	0.00	30.92	0.00
Geneva Capital Management Ltd	33.16	23.21	33.16	23.21
Hotchkiss & Wiley	0.00	0.00	0.00	0.00
MFS Investment Management Co.	0.00	0.00	0.00	0.00
WHV Investment Management	0.00	0.00	0.00	0.00
Totals for Equity	154.08	86.21	154.08	86.21
Revenue Type: Correspondent Equity				
Integrity Asset Management	15.60	10.92	15.60	10.92
Integrity Asset Management	10.00	0.00	10.00	0.00
Totals for Correspondent Equity	25.60	10.92	25.60	10.92
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	179.68	97.13	179.68	97.13

21

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

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

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

This statement represents trades through Posted Date January 31, 2013 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
 PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.



Execution Solutions

Recapture Services
 Bay County Employees Retirement System
 Plan Activity Summary and Balance
 January 01, 2013 - January 31, 2013

Ref#: 23803

Summary by Revenue Type

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	120.92	63.00	120.92	63.00
Correspondent Equity	15.60	10.92	15.60	10.92
Correspondent Broker Fees	10.00	0.00	10.00	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	33.16	23.21	33.16	23.21
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
TOTAL	179.68	97.13	179.68	97.13

Account Balance

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			2,682.15
January 2013	179.68	97.13	0.00	2,682.15	97.13
February 2013	0.00	0.00			
March 2013	0.00	0.00			
April 2013	0.00	0.00			
May 2013	0.00	0.00			
June 2013	0.00	0.00			
July 2013	0.00	0.00			
August 2013	0.00	0.00			
September 2013	0.00	0.00			
October 2013	0.00	0.00			
November 2013	0.00	0.00			
December 2013	0.00	0.00			
TOTAL	179.68	97.13	0.00	2,682.15	

22

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

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

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

This statement represents trades through Posted Date January 31, 2013 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
 PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

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

view your statements online @ clients.convergex.com

Current Balance	97.13
-----------------	-------

23

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

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

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

This statement represents trades through Posted Date January 31, 2013 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions
PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

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

view your statements online @ clients.convergex.com

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

010000237 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM SUMMARY EARNINGS STATEMENT CURRENCY: USD PAGE 1

BILLING DATE: 02/07/2013
 BILLING PERIOD: 01/01/2013 - 01/31/2013

ACCOUNT NUM.: BYC03	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NAME: BAYCO- BARINGS					
OPEN CASH	0.00	0.00	0.00	127.86	127.86
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	2.96	2.96
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	130.82	130.82
TOTAL REBATES	0.00	0.00	0.00	31.34-	31.34-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	162.16	162.16
BANK FEES	0.00	0.00	0.00	64.84	64.84
NET INCOME	0.00	0.00	0.00	97.32	97.32

ACCOUNT NUM.: 1799220	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NAME: *TNT-LDN-BYCO3-BAYCO-BARING-SL					
OPEN CASH	0.00	0.00	0.00	300.22	300.22
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	13.50	13.50
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	0.00	0.00	313.72	313.72
TOTAL REBATES	0.00	0.00	0.00	19.65-	19.65-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	0.00	0.00	333.37	333.37
BANK FEES	0.00	0.00	0.00	133.15	133.15
NET INCOME	0.00	0.00	0.00	200.22	200.22

ACCOUNT NUM.: 2608694	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NAME: *BAYCO - COLUMBIA MANAGEMENT					
OPEN CASH	0.00	1,255.41	0.00	0.00	1,255.41
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	1,255.41	0.00	0.00	1,255.41
TOTAL REBATES	0.00	228.30	0.00	0.00	228.30
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,027.11	0.00	0.00	1,027.11
BANK FEES	0.00	410.48	0.00	0.00	410.48
NET INCOME	0.00	616.63	0.00	0.00	616.63

24

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2618668					
ACCOUNT NAME: *BAYCO - BAIRD	-SL				
OPEN CASH	1,744.89	0.00	0.00	0.00	1,744.89
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	1,744.89	0.00	0.00	0.00	1,744.89
TOTAL REBATES	770.23	0.00	0.00	0.00	770.23
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	974.66	0.00	0.00	0.00	974.66
BANK FEES	389.81	0.00	0.00	0.00	389.81
NET INCOME	584.85	0.00	0.00	0.00	584.85

ACCOUNT NUM.: 2620611					
ACCOUNT NAME: ZBAYCO - MARVIN & PALMER	-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

ACCOUNT NUM.: 2622490					
ACCOUNT NAME: *BAYCO - MACKAY SHIELDS	-SL				
OPEN CASH	651.91	103.20	0.00	0.00	755.11
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	651.91	103.20	0.00	0.00	755.11
TOTAL REBATES	294.86	346.07	0.00	0.00	640.93
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	946.77	449.27	0.00	0.00	1,396.04
BANK FEES	378.51	179.63	0.00	0.00	558.14
NET INCOME	568.26	269.64	0.00	0.00	837.90

25

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2622536					
ACCOUNT NAME: *BAYCO - HOCHKIS & WILEY --SL					
OPEN CASH	0.00	1,830.46	0.00	161.63	1,992.09
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	1,830.46	0.00	161.63	1,992.09
TOTAL REBATES	0.00	168.57	0.00	28.70	197.27
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,661.89	0.00	132.93	1,794.82
BANK FEES	0.00	662.94	0.00	52.90	715.84
NET INCOME	0.00	998.95	0.00	80.03	1,078.98

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2624493					
ACCOUNT NAME: *BAYCO - WENTWORTH --SL					
OPEN CASH	0.00	1,478.76	0.00	307.93	1,786.69
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,478.76	0.00	307.93	1,786.69
TOTAL REBATES	0.00	269.04	0.00	718.44	449.40
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,209.72	0.00	1,026.37	2,236.09
BANK FEES	0.00	483.62	0.00	410.50	894.12
NET INCOME	0.00	726.10	0.00	615.87	1,341.97

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2639956					
ACCOUNT NAME: *BAYCO - DENVER INV ADV --SL					
OPEN CASH	0.00	945.28	0.00	20.59	965.87
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	945.28	0.00	20.59	965.87
TOTAL REBATES	0.00	94.30	0.00	3.21	91.09
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,039.58	0.00	17.38	1,056.96
BANK FEES	0.00	415.10	0.00	6.94	422.04
NET INCOME	0.00	624.48	0.00	10.44	634.92

26

THE NORTHERN TRUST COMPANY

	US FLXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2641401					
ACCOUNT NAME: *BAYCO - LOOMIS SAYLES -SL					
OPEN CASH	1,509.20	0.00	516.12	0.00	2,025.32
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	1,509.20	0.00	516.12	0.00	2,025.32
TOTAL REBATES	274.77	0.00	66.00	0.00	340.77
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,234.43	0.00	450.12	0.00	1,684.55
BANK FEES	493.18	0.00	179.86	0.00	673.04
NET INCOME	741.25	0.00	270.26	0.00	1,011.51

	US FLXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2649057					
ACCOUNT NAME: *BAYCO GENEVA CAPITAL MGMT -SL					
OPEN CASH	0.00	1,308.60	0.00	0.00	1,308.60
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	1,308.60	0.00	0.00	1,308.60
TOTAL REBATES	0.00	207.92	0.00	0.00	207.92
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,100.68	0.00	0.00	1,100.68
BANK FEES	0.00	439.69	0.00	0.00	439.69
NET INCOME	0.00	660.99	0.00	0.00	660.99

	US FLXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2653308					
ACCOUNT NAME: *BAYCO - INTEGRITY -SL					
OPEN CASH	0.00	2,182.36	0.00	99.12	2,281.48
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,182.36	0.00	99.12	2,281.48
TOTAL REBATES	0.00	345.14	0.00	17.83	362.97
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,837.22	0.00	81.29	1,918.51
BANK FEES	0.00	733.66	0.00	32.45	766.11
NET INCOME	0.00	1,103.56	0.00	48.84	1,152.40

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUM.: 2663296					
ACCOUNT NAME: *BAYCO - CORNERSTONE REALES-SL					
OPEN CASH	0.00	1,501.18	0.00	0.00	1,501.18
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,501.18	0.00	0.00	1,501.18
TOTAL REBATES	0.00	258.85	0.00	0.00	258.85
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,242.33	0.00	0.00	1,242.33
BANK FEES	0.00	496.09	0.00	0.00	496.09
NET INCOME	0.00	746.24	0.00	0.00	746.24

	--SL				
ACCOUNT NUM.: 2663854					
ACCOUNT NAME: *BAYCO - MFS INVESTMENTS					
OPEN CASH	0.00	1,614.37	0.00	167.77	1,782.14
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	1,614.37	0.00	167.77	1,782.14
TOTAL REBATES	0.00	27.14	0.00	92.75	119.89
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,641.51	0.00	260.52	1,902.03
BANK FEES	0.00	656.04	0.00	104.12	760.16
NET INCOME	0.00	985.47	0.00	156.40	1,141.87

	--SL				
ACCOUNT NUM.: 2695063					
ACCOUNT NAME: *BAYCO - EAGLE ASSET					
OPEN CASH	0.00	1,920.88	0.00	90.41	2,011.29
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,920.88	0.00	90.41	2,011.29
TOTAL REBATES	0.00	597.67	0.00	443.44	1,041.11
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,518.55	0.00	533.85	3,052.40
BANK FEES	0.00	1,004.25	0.00	213.44	1,217.69
NET INCOME	0.00	1,514.30	0.00	320.41	1,834.71

28

THE NORTHERN TRUST COMPANY

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
GRAND TOTAL					
OPEN CASH	3,906.00	14,140.50	516.12	1,275.53	19,838.15
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	16.46	16.46
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	3,906.00	14,140.50	516.12	1,291.99	19,854.61
TOTAL REBATES	750.14	412.64	66.00	1,255.88-	27.10-
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,155.86	13,727.86	450.12	2,547.87	19,881.71
BANK FEES	1,261.50	5,481.50	179.86	1,018.34	7,941.20
NET INCOME	1,894.36	8,246.36	270.26	1,529.53	11,940.51

29

3/6/2013

REFUNDS: FOR THE MONTH ENDED FEBRUARY 28, 2013

EMPLOYEE/BENEFICIAR	CONTRIBUTIONS REFUNDED	PROCESSED ON	DEPARTMENT TERMINATED	TERMINATION DATE
Meyer, Maureen	4,915.80	02/04/13	BABH	01/07/13
Domitrovich, Maria	5,320.45	02/13/13	BABH	12/20/12
Klenk, Greg	<u>19,618.42</u>	02/14/13	BABH	01/06/12
TOTAL REFUNDS:	29,854.67			

RETIREE	CONTRIBUTIONS TRANSFERRED	DEPARTMENT	EFFECTIVE DATE
Webb, Daniel	16,549.80	BMCF - Deferred	02 21 13
Galke, Frances	28,091.97	Sheriff - Deferred	03 08 13
Corl, Dolores	42,584.80	BMCF	01 05 13
Duso, David	51,464.32	BMCF	01 12 13
Kaszubowski, Mabel	49,710.94	BMCF	01 05 13
Norman, Leonard	14,734.84	Non Union	01 23 13
Kinde, Robert	24,059.20	USWA	01 26 13
Super, Robert	23,935.20	BCAMPS	01 04 13
Anderson, Robert	17,119.96	USWA	01 02 13
Weiler, Penny	82,075.91	USWA	02 05 13

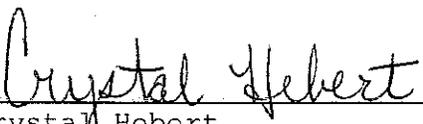
NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
BECKER, CASSIDY	55.28	BMCF	1/28/13
RODEL, ANN	8,243.63	BMCF	1/25/13
SAKON, DOMINIC	2,013.72	BMCF	1/15/13
SCHULTZ, SAMANTHA	1,389.40	BMCF	1/23/13
	<u>11,702.03</u>		
	=====		

NOTICE OF PUBLIC MEETINGS
SECOND AMENDED

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

JANUARY 8, 2013
FEBRUARY 12, 2013
MARCH 12, 2013
APRIL 9, 2013
* APRIL 25, 2013 - 9:00 A.M.
MAY 14, 2013
JUNE 11, 2013
JULY 9, 2013
AUGUST 13, 2013
SEPTEMBER 10, 2013
OCTOBER 8, 2013
* OCTOBER 24, 2013 - 9:00 A.M.
NOVEMBER 12, 2013
DECEMBER 10, 2013

2/21/2013
Date



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

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



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

Crystal Hebert
Finance Officer/Secretary

BOARD OF TRUSTEES
Steven Gray, Chairperson
Richard Brzezinski
Ann Carpenter
Kim Coonan
William Deaton
Tom Herek
Shari Peltier
Matthew Pett
Thomas Starkweather

February 20, 2013

ADMINISTRATIVE STAFF
Danean Wright
Tiffany Jerry
(989) 895-4030
TDD (989) 895-4049
FAX (989) 895-4113

Ms. Anna Marie Lopez
Hotchkis & Wiley
725 S. Figueroa St. - 39th Floor
Los Angeles, CA 90017

Dear Anna Marie:

There is a need for the Bay County Employees' Retirement System to rebalance its asset allocation therefore, I am requesting that Hotchkis & Wiley divest themselves of 1,500,000 (one million five-hundred thousand) and deposit said cash within the System's Short-Term Investment Fund Reserve account at The Northern Trust Company no later than Thursday, February 28, 2013.

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

Sincerely,

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

PURCHASE OF MILITARY SERVICE CREDIT

EMPLOYEE NAME: CHARLES JENNETT

DEPARTMENT	Bay Arenac Behavioral health
JOB TITLE	Senior Analyst
DATE APPROVED BY PERSONNEL COMMITTEE	February 19, 2013
RESOLUTION NUMBER	5
TIME BEING PURCHASED	Four Years
ACTIVE MILITARY SERVICE:	FROM: March 2, 1977 TO: March 1, 1981
CERTIFIED COPY OF FORM DD214 ON FILE?	Yes
DOES APPLICANT HAVE MINIMUM OF 8 YEARS SERVICE CREDIT IN BAY COUNTY EMPLOYEE RETIRE. SYSTEM?	Yes
AFFIDAVIT ON FILE DECLARING INELIGIBILITY TO DRAW MILITARY PENSION?	Yes
GROSS EARNINGS ON DATE OF APPROVAL:	\$82,000.00
ADJUSTMENTS TO GROSS EARNINGS FOR THIS CALCULATION:	\$
OVERTIME:	\$
ESTIMATED GROSS ANNUAL COMPENSATION	\$82,000.00
5% OF GROSS ANNUAL COMPENSATION	\$4,100.00
YEARS & MONTHS OF MILITARY SERVICE BEING PURCHASED	Four years (4.0)
AMOUNT DUE RETIREMENT SYSTEM	\$16,400.00
PAYMENT MUST BE COMPLETED BY:	February 19, 2014 or prior to retirement, whichever is earlier

Prepared by: Danean Wright, Retirement Administrator/Accountant February 25, 2013

DEPARTMENT OF CORPORATION COUNSEL

BAY COUNTY

MARTHA P. FITZHUGH
Corporation Counsel/Risk Manager
fitzhughm@baycounty.net

THOMAS L. HICKNER
County Executive

DEBRA A. RUSSELL
Legal Coordinator/Administrative Assistant
russelld@baycounty.net

To: Chair Steve Gray and the Bay County
Employees' Retirement System

From: Corporation Counsel Martha P. Fitzhugh *MF*

Re: Review of Amended language for the Bay
County Employees' Retirement System
Statement of Investment Policy

Date: March 1, 2013

On January 8, 2013, two amendments to the Bay County Employees' Retirement System Statement of Investment Policy (Policy) were approved by the Bay County Employees' Retirement System (BCERS) Board of Trustees contingent upon legal review by Corporation Counsel. I have since undertaken legal review of the language amending Section IV(B)- Investment Guidelines and Section VI - Review Process. I have concluded that both of these changes are permitted within legal parameters relating to investment activities under this Policy. I have updated the Policy to incorporate these changes.

In addition, on January 8, 2013 the BCERS Board approved investment guideline changes pertaining to Mackay Shields, LLC and Loomis, Sayles & Co. Before BCERS can require that those changes become effective, the contracts with those 2 firms will need to be amended. I will provide Amendments as necessitated by the Board's action approving these changes.

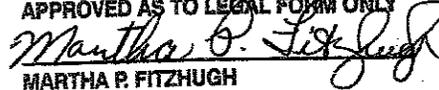
Att: Policy

515 Center Avenue, Suite 402, Bay City, MI 48708-5125 (989) 895-4131
FAX (989) 895-7658 TDD (hearing impaired) (989) 895-4049

IPS Section IV – Sub-Section B) Fixed Income Minimum Rating/Duration Standards

No individual Fixed Income Investment shall have a Moody's investment rating below ~~"Baa3"~~ **"B3"**, or a Standard & Poor's rating below ~~"BBB"~~ **"B"**. The total fixed income portfolio of each fixed income manager shall have an average rating of ~~"A"~~ **"Baa3"** or **"BBB"** respectively or better from either rating agency. The effective duration of the portfolio may not vary more than +/- two (2) years from the effective duration of the ~~Barelay's Capital Aggregate Bond Index~~ **fixed income benchmark to which the manager is assigned.**

APPROVED AS TO LEGAL FORM ONLY



MARTHA P. FITZHUGH
BAY COUNTY CORPORATION COUNSEL
DATE: 2/28/13

IPS Section VI) Review Process

The Trustees will conduct a quarterly review of the plan and each manager's results. The managers will be required to submit written quarterly reports and to meet with the Trustees at least *annually once every 24 months, or more frequently at the ongoing discretion of the Trustees*. During these *annual periodic* reviews, the following topics will be discussed by the Investment Manager(s):

- Fund rate of return on a quarterly, year-to-date, annual, and long-term basis relative to the stated benchmarks.
- Current portfolio holdings relative to the manager's style and the plan's guidelines.
- Market expectations and portfolio strategy.
- Changes in the manager's organizational structure, ownership, or personnel.

Each manager is expected to act in a prudent fashion and in compliance with this Policy. Any perceived conflict between a manager's fiduciary responsibility and guidance given by the Board of Trustees should immediately be brought to the attention of the Trustees.

APPROVED AS TO LEGAL FORM ONLY



MARTHA P. FITZHUGH
BAY COUNTY CORPORATION COUNSEL

DATE: 2/28/13

UNFINISHED BUSINESS: None

NEW BUSINESS:

Item A. Minutes from BCERS meetings of September 12, 2006, November 14, 2006, and December 12, 2006.

23. Moved, supported and carried to receive minutes from BCERS meetings of September 12, November 14, and December 12 of 2006 for informational purposes.

Item B. Representatives from Barrack, Rodos & Bacine law firm of Philadelphia, Kelly Keenan and Scott Freda are here today to give a presentation regarding Securities fraud monitoring. They are here at the request of County Commissioner Brian Elder.

Mr. Keenan introduces himself and advises that he is actually a consultant to Barrack Law firm. Mr. Freda is employed by Barrack law firm. Mr. Freda states his firm has been in existence for over 30 years and practices securities litigation as well as anti-trust cases. Prior to new legislation the first one to the courthouse to file a case regarding financial investments or the number of shares you owned, you would become the lead plaintiff. Washington passed new legislation saying by the time you are identified and file, you have to be the largest shareholder. As one of the firms that has been in the forefront of the business since the beginning, we were quick to determine that the largest shareholder in any type of matter would be an institution whether it is a city, state, municipality, or labor union. We were the first to file on behalf of Pennsylvania Fund, which everybody caught on quickly, which is the business you see today. They filed on behalf of the pension fund. You have to be the largest shareholder to become the lead plaintiff. There are a lot of cases out there that are not as important or significant as others.

We have offices across the country. We are headquartered in Philadelphia, we are in San Diego, California; New York City, New York and Newark, New Jersey. Apollo, which is the first case in the State of Arizona that went to a Grand Jury, we were awarded 100% allowable by law by the Grand Jury. After the decision was made by the jury, the Judge came back six months later and took it all off the table. With due diligence we brought it to a three judge panel and actually had it reversed. It is important because it has never been done in that district, in that court in Arizona before. Three things we look for in filing a case, 1) is there a government investigation, that is always a good standard to go by, 2) is there insider trading or misleading statements 3) is there insider trading, which unfortunately, as long as there is money, there is going to be greedy people that will cut corners. That is what we do, we watch them all day, every day.

Everything and anything that we do is free of charge, you are never liable for a penny. If we work on a case together we advance all costs. If we lose, it is at our expense. If we win, we would approach you with an amount we think would be fair to petition the court for and attorney fees. It does not come out of your share, it comes out of the global settlement. So if it settles for 100 million dollars, we would ask for 10% of that. We have flexible fees, we do not do the 33% fees that folks are customary to hearing. We don't do 20%.

7

37

Question: How do you determine the percentage? Mr. Freda responds that there is a sliding scale. They do not work for one day or one year, or one case, but rather look for a long-term relationship. You don't get anything more by filing as lead plaintiff, you get to work with our firm and other firms to determine what is an appropriate settlement. In corporate government issues we cannot force, we can only recommend. You have to sign off on them, for us to be able to petition the court and work with defense counsel. Without corporate governance the malicious acts will continue to happen forever and they still do today. I have been in the business just about 10 years and the same issues that happened back in Cendant And Worldcom are happening today.

Kelly referred to the Barrack Evaluation and Monitoring System which is what we created in the year 2000. Today, we are asking to patent this program. We monitor every single case and investment that you have. What we do require in the beginning is that you allow us to contact your custodian and they give us on-line data. I cannot manipulate it, it is a "read only" format which we download into our data base which is then created to a written program that takes the data and calculates it on a first in, first out and the last and first out method which tells you your purchases and sales in a class period of alleged wrong doing. We will determine what your financial interest is. In some cases, you will have \$10,000 or less, sometimes you may have a few hundred thousand, or you may have a couple of million. Every case is different, but regardless of your financial interest, the reason we monitor every single case from start to finish is to make sure you are getting the money back you are entitled to. You don't have to file for lead plaintiff or be involved in litigation to get your fair share. You do share responsibility with your custodian, and part of the contract they sign says that when a case settles that they will file your claim so that you receive your fair share in any settlement. If they neglect to do that, everyone else gets your money. There is a report in the booklet passed out today, written by Professor James D. Cox. The report covers instances where custodians have not done their work.

By utilizing our system, we are the check and balance for as long as you want us. I can tell you the day it was signed, the day it was mailed, the day you receive your funds back in your account. Prior to you knowing that information there is a little process that goes on. When the case settles, 30 days before the claim form is due, my office sends out a letter to you, the client, and to the custodian, saying our mutual client has a financial interest here based on the calculation with the court, this is what they are entitled to. Up to the 30 days are over, our office will work with you too to make sure it is done. If they don't, or provide proof to us that they have done it, I will do it. That way you are guaranteed every part of your fair share as long as we have a relationship together.

Question: Do you only do it if our custodians did not do it, is that what you are saying? Mr. Freda responds: Yes, for the reason they signed a document with you saying they are legally responsible. It is their fiduciary responsibility, I don't have that responsibility, and I don't want to take that on, however, if they don't do it, I am a check and balance system. I will make sure they do it. We work with all the custodians across the country, and we have a very close relationship with a lot of them. There are some that are more responsive than others but ultimately we get our information. There are many times we end up filing the claim form. We are not here to complain about it, we want to offer

our services and to make sure you get your money. You could lose twice, once in the market, and again in litigation because someone did not file a claim form.

We are a very customer service oriented firm. We don't ask you to get involved in litigation that is not of the highest quality. We do not file as many cases as some of our competitors but we have less cases that do not pass the Motion to Dismiss than anyone in the field. All of our cases pass Motion to Dismiss and very few cases go to trial. We have recovered probably over 20 billion dollars for our clients. I know some funds are concerned about lawyers pitching every single case and getting involved in too much litigation. Because of our standards we have had certain clients with multi billions of dollars and we have not filed a case with them because the case has not been right, their loss has not been significant enough, or we have significant larger loss. It is not in the best interest of the client to go in front of the court and petition it, where we think they are going to lose. The Judges don't like it and that is not good service to our clients.

Rick Potter: The largest individual equity manager here has 26 million dollars. Say, if the manager has 5% or 6% in a single stock that makes the largest stock division less than a million and half dollars, what is the likelihood of anybody being a lead plaintiff with that kind of investment?

Mr. Freda: It depends on the company, it could be a small company with a significant investment. I will say that we will monitor for you and make sure that a claim form is filed because I know it is going to litigation, but I would not recommend you file that case. If you were a 10 billion dollar fund, I wouldn't really look at anything unless you hit over a million dollars for a variety of reasons.

Rick Potter: This is a 215 million dollar retirement fund.

Mr. Freda: I don't like to set thresholds, but you need to look at a significant loss, certainly \$300,000 to \$500,000. But that might not be enough. It might be an opportunity to get involved and institute significant corporate governance changes, but you may have to partner with another fund which is very, very common today. Very rarely do we see one fund appointed as plaintiff. But also, the size of your fund, I can't tell you that you will have many opportunities to file. It could be this year, next year, or five years. There is a contract in front of you that talks about the services we provide. There is no charge, ever.

Mr. Drzyga: So, it would be a contractual relationship. A formal contract?

Mr. Freda: Yes. It basically protects the Board. If we were to file an action on your behalf, and hypothetically, which has never happened before, but never say never, but say an action comes against the Board, it basically protects you, because we will represent you, free, and that is what is stated in the contract. We have to have some type of relationship because we are protecting private program and the Board will need one for their records.

Mr. Drzyga: Would there be any involvement by staff?

Mr. Freda: The BEAMS Program (Barrack's Evaluation And Monitoring System) was put together specifically to help eliminate client involvement. I would think that

90% of it is taken away. The 10% is that someone on your staff is going to want to look at what is going on. If your fund is being monitored you will want to see what claim forms are being filed and what type of financial investment you have it in, whether 10 million or 40 million, you want to know. All of that is on the system. Once a case is identified and there is a class appearance that is filed with the court, within 48 hours I already know what your loss is. It is automatically posted, you won't go a week without knowing a number, I promise you that. If it is a day, that is a long time. We can arrange for a demonstration to show you how this works. They did a demonstration for Michigan Employees Retirement System (MERS) and they were quite impressed on how quickly the information can be seen. The BEAMS Program eliminates hours of someone going through paperwork. With the press of two buttons, he showed all the cases that had been settled in the last year. It eliminates all the paper, and processing. The automation reduces significantly the amount of time that any one person, or group of people are spending trying to put together a report as to what has been filed and what hasn't, what money has come in and what hasn't.

There is no other check and balance system out there to the best of our knowledge. We have spent a lot of time trying to determine who does what. Everyone has a monitoring system, but I would love to meet the person that has a program similar to what we have right here. We spend millions of dollars on it, we continue to update it. We can customize it any way you want it. Whatever you think works, that is what we will make work. We just need to know what your needs are, and then we can be more helpful.

We have seen in the last two years a lot of hostile takeovers, or buyouts. Those are very important, because when it happens, if there is an increase in the value of the stock or dollar per stock you don't necessarily know how your portfolio is going to respond based on your equity manager. The outcome and the corporate governance that are put in here is going to be more important to the fund and the length of time you are involved in the stock rather than just pulling out or buying more. If you buy a stock for \$15.00 per share and there is a takeover and we get the company that is trying to acquire them to raise it to \$20.00 a share, well you just made a significant amount of money, but don't know about it. That is how we not only work with you, the Board, but we invest time with the equity manager to alert him to what we are doing and what the new information is so they can make an educated decision as to what is best for the fund.

Question: How many class action lawsuits are out there right now?

Mr. Freda: From 1996 through 2002 there were probably 200 a year. Since then I have seen them go down significantly. About two years ago there was 125, last year there were 150. I think that is the typical range. Of those that are of institutional quality that will pass a Motion to Dismiss is significantly lower. Some will file lawsuits because of a bad business model. We don't believe in that. I will promise you that if I ever approach you with a case it is not going to be because someone has a bad business model. We will show you on paper, we can come out and give a demonstration or legal representation as to the merits of the case and why we think it is important. I don't think it happens that often because of the size of the fund, but it will happen. In my opinion, there is about 75 real cases, but that is just securities.

[Handwritten mark]

Question: If you have a \$200 million pension what is the likelihood that you would have a company in there?

Mr. Freda: Maybe one a year, if that. To win, and to be a part of litigation that I would recommend, I would probably suggest that you partner with another pension fund. Maybe, I don't know. We cannot sign off on a settlement agreement unless you say yes. If you say no, we go back to work. We will give you recommendations but ultimately it is your call.

Rick Potter: If they own a stock that somebody else is lead plaintiff, they and all the other participants get the same settlement, is that correct?

Mr. Freda: No. You get a settlement, but you get a portion of your overall investment. As long as you have a financial interest, you will receive something.

Mr. Dryzga: That portion is the same if you are lead or not.

Mr. Freda: It is. If you file your claims form.

Mr. Freda: The more people that file, the less you get. The less people that file, the more you get. So, there are always fluctuations. I can't say Northern Trust is not doing it, I would never say that. However, I will guarantee you a check and balance system for free.

Mr. Dryzga: Any questions or comments for Mr. Freda?

24. Moved, supported and carried to receive report from Barrack, Rodos & Bacine.

Mr. Dryzga: We are going to put this issue on next month's agenda for discussion.

Mr. Freda: We can provide an on-line demonstration, or we will come in person if you want us to.

Mr. Freda and Mr. Mr. Keenan leave.

MISCELLANEOUS BUSINESS: None

25. Moved, supported and carried to adjourn the meeting at 3:38 P.M.

Respectfully submitted,

Tim Quinn
Secretary

member is the Sheriff/Library member. But there is also a new member with Behavioral Health and the General Fund. We have three elections coming up.

Board Member: When Mr. Deaton's term is up, he could run again if he so chooses, however, someone from Behavioral Health will have the same opportunity. If we have two candidates, the one with the highest votes will be on the Board.

Mr. Deaton: Understood, but under the old system I got votes from Mental Health. I represented Mental Health.

Mr. Dryzga: But you also represented the Library. We are cutting the Library off and the Deputies. Behavioral Health and General Fund will still be less than one Board member (currently, Mr. Deaton).

Mr. Deaton: So, he was not asking to see if just Mental Health would be elected independently?

Ms. Peltier: No, we know that there is going to be one person representing the County and Mental Health.

20. Moved, supported and carried to receive correspondence to Marvin and Palmer regarding watch status.

Mr. Potter advised that he had a meeting about Marvin and Palmer in his office with his manager's research group. Then he had a conference call with them. Their thoughts are to keep them on watch and see if anything develops within the next year.

Board Member: Did Marvin and Palmer have anything to say about their company?

Mr. Potter: Basically, they are saying that it was a period of time where their strategy was not in favor and very low quality stocks had very strong returns, and they just weren't there.

They have all kinds of historical proof why the types of stocks they buy can be expected to do better over the long term. They have had a record to do that but at some point, if it doesn't happen, it doesn't happen and a year is enough time.

ANNOUNCEMENTS: Next regularly scheduled meeting will be Tuesday, July 13, 2010 at 2:00 P.M. in this location.

UNFINISHED BUSINESS:

Item 1: Status of Eagle Asset Management Contract.

Mrs. Wright: I talked with Marty and Chuck Hewitt about the contract. I am hoping to have them funded by the middle of July.

* Item two: Barack, Rodos & Racine. Presentation on securities class actions. Board member moves to receive it, but not get into it with them at this time, because Northern Trust is providing the same benefit and he sees no purpose in it.

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

June 8, 2010

PAGE 6

Mrs. Wright: She spoke with Northern Trust. They will be sending a representative in September to make a presentation to this board. Their Claims Management Team is made up of twelve individuals. They make all the claims for us and do the following up. This Board will have the opportunity to ask questions of Northern Trust at the September meeting.

21. Moved, supported and carried to receive the report of Barack, Rodos and Racine.

Mr. Potter comments that there is no particular advantage to us being a lead plaintiff. He would be surprised if they were to ask us to be lead-plaintiff. More and more, the courts want the largest investors to be the lead plaintiff. Whatever settlement is negotiated everyone else in the class gets the same amount, so there is just no benefit to it.

NEW BUSINESS:

Mr. Potter: We had some discussion in the past few meetings about what the long term return of the fund has been. What I have done is go back and look at your performance from the period of time our analysis work started, which was December 31, 1984 through March 31, 2010. In that period of time you have had an annualized return of 10.4%. Your actuarial assumption is 7.5%. So, one of the reasons your fund is so well funded is that you have significantly out performed your actuarial assumption over a long period of time here. If you look at your equity return in this time period, it has been 12.9%. That is domestic and international together. Domestic equities were 13.3%. In the early part of this time period you did not have any international equities. In this time period the S&P 500 has earned 10.6%, so your domestic equity side of the fund has been almost 2.5% per year over the S&P 500. That is really a function of two things: 1) First and foremost, investment manager diversification. You always have had a policy of spreading money out to different strategies and diversifying the fund. 2) It is a result of you having some very good selection of investment managers over time. When we look at these quarterly reports, we see managers blow hot and some blow cold. We have been looking at Marvin and Palmer lately in terms of under performance, but all said and done you have done very well in equities, well above the market index.

If you look at the fixed income side of the fund you have made 8.5% per year and the Barclay's aggregate was 8.1% per year. So, you outperformed the index on the fixed income side also.

The other component of this total fund return is percentage commitment to equities. You always had a fairly highly committed fund at commitment to equities. That has been part of your strategy and your philosophy throughout. That has paid off for you in this time period. If you had been all in bonds, you would have made 8.5% per year for this 26-year time period, and the expenses of the fund would be way up in terms of money required to be contributed. Your high equity commitment policy has served the fund well and your diversification of investment managers has served the fund well.

This is one long time period, what does it look like in shorter time periods? What I did in the next exhibit is take that time period and break it into five

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

October 12, 2010

PAGE 4

We look for companies that generate strong free cash flow that give them the ability to raise dividends, buy back stock, make acquisitions, or expand internationally. Companies like United Technologies which we have owned for you since the inception of the account, and it has doubled for you. Others are Honeywell and General Dynamics.

Page 14, Top 10 Holdings in the Portfolio: The largest company is Unum Group which is a disability insurance company. They have managed their business extremely well over the last several years. The top ten covers Financials, Health Care (2) Energy, Industrials, Information Technology, Consumer Staples, Industrials (3).

Gains and Losses are discussed. A board member wanted to know what was their biggest hit and biggest miss. Columbia responds they have several stocks that are up 30%+ year to date. Morgan Stanley is up 30%, Tyson is up 30%, U.S. Bank is up 30%. The biggest loser this year was Baxter International. They make blood plasma and plasma products. Historically they have steady, predictable earnings. There has been an issue of fewer hospital visits, an oversupply of blood plasma, and artificial blood plasma, which temporarily dented pricing.

Mr. Puklin and Mr. Rosen conclude their presentation at 2:10 p.m. and leave.

Also present today is Nancy Giraldi, Relationship Manager for the Bay County Employees' Retirement System, and Patrick Krull, Class Actions Team Manager, from Northern Trust Custodian Bank. They presented a handout to the Board.

Nancy provided an overview of the company. Northern Trust is a market leader of asset servicing and asset management solutions for institutions and private clients around the globe. Assets under custody are currently \$3.6 trillion. Assets under administration are \$977.3 billion. The handout shows businesses that they are NOT in, and also state the growth they have achieved has been sourced from organic growth (growth from within, not through acquisitions). She reviewed the services they offer regarding Asset management, enhancement, reporting, administration, and processing. They service clients around the world in more than 40 countries. Employees of Northern Trust have an interest in the success of the business, with 75% owning stock in the company. Ms. Giraldi discussed trends in the public pension fund industry, trend implications and Northern Trust solutions to these implications. She stated that Bay County is a securities lending client, and can therefore access the securities lending dashboard provided by Northern Trust. If we are interested in knowing how our securities lending is doing, we can go to the dashboard and click on our reports to see how much is out on loans with each investment manager, we can see securities held for collateral, among other things.

Discussion about their administrative duties. Ms. Giraldi explains that as

3

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

October 12, 2010

PAGE 5

our custodian they keep all of our assets in custody. As the investment managers are buying and selling, they custody those assets for us. Northern Trust knows what each manager holds in their portfolios and they can see their trading. The assets are held at the Northern Trust Bank, with a separate account for each portfolio. They can look at each account and see what is held in that account on a daily basis, or monthly basis. We submit our reports to you on a quarterly basis.

Mr. Krull proceeds to discuss Class Actions Overview. He has been with the company since 1998. Northern Trust provides a lot of oversight to their clients. We have a vendor called Broadrich that every night is a record date for particular assets in their general meetings. We pass your positions to them every night within that specific list of securities. That creates a proxy ballot that the investment managers typically oversee and vote based on the agreement you have with them. We don't get overly involved with that, but all the voting is accomplished by your investment manager.

An individual or a group can bring a case to court against a particular entity or company without any real ramifications. There are hundreds of thousands of cases that are introduced into the U.S. court systems every year. My group, while we hire vendors to notify us, we hone in on something called the settled class actions. The defendant is usually the company, the plaintiff can be an individual, a pension fund, it could be a State, or anyone that held that security. A judge at the federal level oversees the case. When all three parties come to terms of what they feel is a fair settlement, that's where the first step settlement takes place. We will have a list of securities included with that settlement, we will know a class period which is two dates, typically a "to date" and a "from date" where you had trading activity within that asset. We will know things like a general settlement fund, are they going to pay cash or stock to those harmed, and other things like vital deadlines for claims to be filed, exclusion deadlines and objection deadlines. The main vendor used is ISS, Institutional Shareholder Services. Other vendors they used are Mondaq.com and Stanford Law School Securities Class Action Clearinghouse. All of these cases are processed through a group called the claims administrators. They are the third party hired by the court system to process all of these millions of claims. We are in constant contact with multiple vendors.

Comment: One of the reasons we have been approached by different entities is the claim they get all the cases that Northern Trust misses.

Mr. Krull: There have been many published reports that the custodian bank is not doing what they should, they have left money on the table, they are not processing everything, etc. I can't honestly say that I disagree with some of the things said. There are some custodians out there that perform

6

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

October 12, 2010

PAGE 6

subpar and I can't defend that. If you ask any claims administrators they will routinely tell you that we are the best at what we do and we are one of the top three filers in general,

Comment: The class action law firms talk about being the lead plaintiff. The position the Board took was if there is no advantage to being a lead plaintiff as opposed to a member of a class, what is the benefit to being a lead plaintiff?

Mr. Krull: These law firms will tell you things like "your custodian is not doing what they should, therefore allow us to monitor all of your securities activities for you." Sometimes they say they will do it for free, sometimes they will say there is a charge for their services. The reason they do that is they want you as a lead plaintiff. If you felt you were harmed within a particular security, and they have you as a lead plaintiff, and that case gets settled, i.e., Enron which was settled for \$8 billion, how do you think that law firm did? They will make 20-30% of whatever that settlement is. So, is it good or bad? I will leave that up to you.

They will address things perhaps at an earlier stage. So, if you think you are harmed in a security and that litigation has not been settled yet, or no litigation yet, and your losses were severe enough that you felt you might have ramifications for that, it might not be a bad idea. But a lot of cases are thrown out of court. We deal only with those cases that have survived the test of time (years) and are now paying out. Some clients that have used these firms where they were the lead plaintiff, have told me they will never do it again. We file for the clients that were lead plaintiffs anyway. The law firms don't do anything special aside from getting the case settled. We do all the leg work.

Before these cases become settled, they could be in the system for eight to ten years. A lot of what I am filing dates back to early 2000's. It takes that long to come to a settlement. After the settlement occurs, you are looking at another five to seven years before the payments are made.

As a custodian we know every single transaction that took place for you while you are a client. We pull all that data and file it. We actually notify first. The notifications go out to those investment managers because they typically have the investment decision authority of your account. The notification is to advise we are of this litigation and we are going to file unless someone comes to us and tells us otherwise.

In the U.S., class actions are an "opt out." So you, as an owner of securities are included in that legal settlement whether or not you want to be. That is why we have the exclusion deadline where you can remove yourself to preserve your legal rights. If other custodians don't file

7

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES

October 12, 2010

PAGE 7

you still have that right and you are a class member. By default you waive that right. You simply chose not to file. If a custodian does not file on behalf of their client, their client loses that right to sue that company at a later time. So we make sure we do not miss anything.

Mr. Krull discussed the filing of claims, posting proceeds to client portfolios, and closing the class action event. This class action service is included in the custodial fees that Bay County pays to Northern Trust.

Question: Can you tell us on average what we earned per year?

Mr. Krull: I did some additional research, but I cannot remember the exact number, but the year to date I believe we processed for you about \$290,000.00. There was one case where I think you received a check for \$130,000.00 but I cannot remember the case. Ms. Giraldi advised she could send an email regarding that distribution.

Mr. Krull states they file about 125 to 150 new cases every year. On average his group will receive and process about \$500 million. Page 28 of the handout shows Class Action Event Summary. Page 30 shows Class Action Event Detail. The actual report can be 1,800 pages and shows every single class event that we knew about and every single asset that we pulled historical activity for.

Mr. Krull talked about Class Action Filed Activity reports on Page 31. This is a lengthy report which gives general details, and shows our exposure in that particular litigation. Mr. Krull talked about the class action against Enron and the eight different types of settlements involved in that case. Mr. Krull also explained where the money comes from for these monetary settlements. It can come from liquidation of assets and from insurance policies they had. He also talked about disgorgement. A disgorgement is the SEC or Department of Justice paying out money that they have already received through fines they had levied against the company.

Mr. Krull also discussed global class actions. There are some court systems around the world that come near our litigation process, and the Canadian law system is one. We don't see a lot of global class actions, but a few have cropped up and a few have actually reached a settlement stage. Within those non-U.S. litigations where we, as the custodian, are allowed to file on your behalf, we will. We will collect those monies and process them as we normally would. When we can't, we will send out a notification process just to let you, or your investment managers, know that there is something out there.

Mr. Krull and Ms. Giraldi conclude their presentation and leave.

