

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA

TUESDAY, March 12, 2013

(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 - 4	1.	DECEMBER 11, 2012
5 - 8	2.	JANUARY 8, 2013*
9 - 16	3.	FEBRUARY 12, 2013
		* NOTE: IN THE JANUARY MINUTES PAGE 2 WAS INADVERTENTLY OMITTED WHEN ORIGINALLY SUBMITTED
	IV.	PUBLIC INPUT
17 - 18	A.	PORTFOLIO VALUE 1/1/12 - 3/6/13
	B.	MONEY MANAGER REPORTS
		NONE
	V.	ANNOUNCEMENTS
	A.	NEXT REGULAR MEETING - TUESDAY, APRIL 9, 2013 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING AT APPROXIMATELY 2:30 P.M., COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708
	VI.	UNFINISHED BUSINESS
19 - 20	A.	ASSET ALLOCATION STUDY - BECKER, BURKE ASSOCIATES
	VII.	NEW BUSINESS
21 - 22	A.	VEBA ANALYSIS AS OF 1/1/13 DANEAN WRIGHT, FUND ADMINISTRATOR
	VIII.	MISCELLANEOUS BUSINESS
	IX.	ADJOURNMENT

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

December 11, 2012

PAGE 1

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 2:26 P.M. Roll call was taken. All trustees are present, except Mr. Brzezinski and Mr. Deaton.

1. Moved, supported and carried to excuse Trustees Brzezinski and Deaton.
2. Moved, supported and carried to approve the minutes, as printed, from November 13, 2012 regular meeting.

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

Present today via tele-conference is Matthew Beck, from Dodge & Cox, Large Cap Equity Manager based in San Francisco, California. His report was provided in advance to all Trustees.

He reviewed the change regarding moving from a Balanced Fund to a Stock Fund. From a due diligence standpoint, none of the details have changed. The portfolio has between 70-90 stocks. These are large, recognizable names in the portfolio. They are valuation sensitive and understand this is a high error rate business. This is a low turnover strategy with 15-20% per year. Again, their approach and philosophy remains the same.

He reviewed their performance year to date compared to the S&P 500. He discussed the correlation of the "news of the day" and its impact both positively and negatively on the markets and portfolio performance. He discussed the global economy, social conflicts in the middle east, and the "fiscal cliff" and how these threatening headlines seem to be contrary to what they are hearing from corporations. Corporations are exceedingly healthy and strong. He discussed the changes companies have made since 2008 to make themselves more profitable.

From a fiduciary standpoint he shared that there have been no changes to the attributes that we have come to expect from them. They have low turnover in personnel. Mr. Beck concluded his presentation and ended the telephone conference.

3. Moved, supported and carried to receive the performance report from Dodge & Cox.
4. Moved, supported and carried to receive the Portfolio Value from 1/1/12 through 12/5/12. The value today is \$131 million.
5. Moved, supported and carried to approve the Notice of Public Meetings for 2013.

Jeff Black, from Becker Burke provided a handout on the 2013 Asset Allocation Study for the Bay County VEBA Plan. Mr. Black reiterated that about a year and half ago they had a recommendation to move out of the balanced fund and go into

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

December 11, 2012

PAGE 2

individually managed asset class type of structuring. They have come to accept that there will be less opportunities to generate returns than we have had in the past. They have lowered some of their assumptions and that has effectively caused us to expect the current portfolio allocation to not achieve the 7% target return. They took current assumptions and tried to identify a couple of portfolios that do achieve 7% and also it would be an appropriate time to consider adding another manager to the mix, specifically a manager to handle International Equities.

They identified four different portfolios and indicated the risk/return compared to the current policy. He compared Portfolio C to the current policy target allocation and what changes they would recommend. They would increase the percent of Large Cap Growth and Value stocks, reduce Small/Mid cap from 20% to 15%, would add a new category of International Stocks, and reduce Fixed Income from 47% to 30%. One of the problems with Fixed Income is the limited return options because interest rates are so low. If the rates should rise, it has a direct negative impact for the return of the bond portfolio. That leaves an option of equities. Although the growth outlook is not great, it is really the only place we can go to accomplish our return goals.

Trustee had a question about investing in real estate. Mr. Black explained that real estate is such a small portion of the investments that they did not complete an analysis on that sector. They can do that if the Board so desires. Mr. Black stated that real estate as represented in the S&P 500 or the stock market in general is probably less than 5%. Mr. Potter commented that if we were to consider investing in real estate we need to keep it in proportion in terms of what it is and its position in the overall asset pool.

Another Trustee questioned adding another manager when we are barely keeping up with the 17 we already have. Is it possible to move some assets from C.S. McKee to Atalanta Sosnoff? Mr. Potter responds that International managers invest in a whole different group of companies, which he feels is a benefit that outweighs the nuisance factor of an additional manager. As a practical matter, it would be a Mutual Fund of some kind, which are the least labor intensive type of money manager that we can deal with.

Due to the absence today of two Trustees, the Chairman asked that this topic be tabled to next month.

6. Moved, supported and carried to adjourn the discussion of asset allocation for the VEBA Fund to the January 2013 meeting.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, January 8, 2013 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

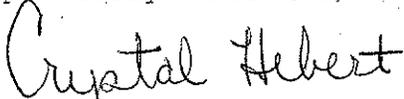
NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

7. Moved, supported and carried to adjourn the meeting at 3:08 p.m.

Respectfully submitted,



Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE
December 11, 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 2:26 P.M.

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

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

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

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
January 8, 2013
PAGE 1

The meeting was held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. As Secretary of the Retirement Board, Ms. Crystal Hebert is responsible for conducting the election of officers. Chairman Gray turned the meeting over to Ms. Hebert, Finance Officer/Secretary. The meeting was called to order by Ms. Hebert at 2:23 P.M. Roll call was taken. All trustees are present except Ms. Carpenter and Mr. Coonan.

Mr. Tom Herek joins the Board as a new Trustee replacing Mr. Ryder.

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

Ms. Hebert opens the floor to nominations for Chairman.

2. Moved and supported to nominate Steve Gray for the position of Chairman of the VEBA.

Mr. Gray accepts.

3. Moved, supported and carried to close the nominations and cast a unanimous ballot for Steve Gray to be Chairman of the Voluntary Employees' Beneficiary Association (VEBA) Board for 2013.

Ms. Hebert asks for nominations for the position of Vice Chairman.

4. Moved and supported to nominate Richard Brzezinski for the position of Vice-Chairman.

Mr. Brzezinski accepts.

5. Moved, supported and carried to close the nominations and cast a unanimous ballot for Richard Brzezinski to be Vice-Chairman of the Voluntary Employees' Beneficiary Association (VEBA) Board for 2013.

Ms. Hebert turns the meeting over to Chairman Gray.

The minutes from the December 11, 2012 meeting are not yet available.

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

6. Moved, supported and carried to receive the Portfolio Value from 1/31/11 - 1/2/13. Today's value is \$32.3 million.
7. Moved, supported and carried to receive correspondence from C. S. McKee regarding changes in personnel.

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

January 8, 2013

PAGE 2

Jeff Black from Becker, Burke Associates is present today to discuss the 2013 asset allocation study for the VEBA. This discussion started last month and was tabled to today's meeting. Last month Becker Burke had shared with the Board their concerns that the current allocation of the VEBA Fund may not be sufficient to achieve the targeted rate of return of 7%. Currently, the Plan has a policy of 53% Equity. Under their new assumptions and portfolio calculations they expect that return to be about 6.7%. They are proposing a new policy rating of a higher equity commitment of about 65-70%.

For the benefit of one new board member, and Trustees that were absent last month, Mr. Black reviewed their five page asset allocation study with proposed changes. A copy had previously been provided to all Trustees.

They are proposing adding a new International Equity manager with an allocation of 19%. Mr. Black states that under the auspices of modern portfolio theory and trying to achieve a portfolio that has some ability to withstand the down periods, what they really would like to do is look for areas of opportunity. Right now, they believe international stocks have an attractive pricing relative to U.S. stocks. From a time aspect, it looks more advantageous to do that. From a traditional portfolio construction philosophy the more diversity we have the better. Mr. Potter added that an international would be a mutual fund which does not require the same amount of effort in legal review like a separate account manager. Mr. Potter also clarified that if this Board wanted the current international manager, Barings, to handle an account for the VEBA, it would have to be set up as a Mutual Fund with them, and the VEBA money cannot be co-mingled with the BCERS Fund.

Discussion included a request to consider adding a real estate manager since real estate has been one of our better performers. Other Trustees had concerns as to whether the VEBA is even large enough to warrant any new manager. Other concerns were future health care funding and the impact on the Fund, investing internationally as opposed to domestic, fiduciary responsibilities to the Fund, and market volatility. Mr. Black suggested that they could do some additional research and see what the portfolio would look like with no international or with international and real estate.

8. Moved, supported and carried to have Becker Burke do additional research on the portfolio splitting 70/30 comparing Portfolio C with international, and international/real estate.
9. Moved, supported and carried to approve the Notice of Public Meetings for 2013.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, February 12, 2013 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.

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January 8, 2013
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UNFINISHED BUSINESS: None

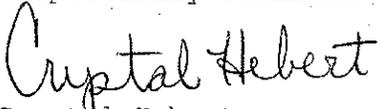
NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

10. Moved, supported and carried to adjourn the meeting at 3:01 p.m.

Respectfully submitted,


Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE
January 8, 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 2:23 P.M.

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

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

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

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)
February 12, 2013
PAGE 1

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 2:25 p.m. Roll call was taken. All trustees are present except Ms. Peltier.

1. Moved, supported and carried to excuse Trustee Shari Peltier.
2. Moved, supported and carried to table the minutes for December 11, 2012 and January 8, 2013 to the March 12 meeting.

Mr. Gray called for public input. Seeing no one from the public is 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 site.

The current program we have in place with specialized roles of the managers started nine months ago, so he will be discussing the recent nine months when looking at results. Asset allocation as of December 31, 2012 indicates U.S. Equity had 53.8%, Fixed Income had 45%. The original asset allocation target was 50%. Jeff did an asset allocation analysis at the end of last year which recommended 60% in Equities, which we will be discussing later. Atalanta Sosnoff is 17% of the Fund, Lord Abbett is 19%, Dodge & Cox 17.5% and C.S. McKee is 45%.

Total Fund Performance indicates combined results for the nine months we made 4.0% and ranked 68. The relative rankings are below average and the primary reason for that is below average Equity commitment. When we look at the managers individually they have been doing reasonably well. Dodge and Cox has had a big recovery and Atalanta Sosnoff has come back. Dodge & Cox for three quarters was 8.1% and in the top 5% of the universe. Atalanta Sosnoff was a little below average for three quarters at 1.9% and Lord Abbett, a new manager, had a decent quarter at 4.0%, ranking 16, for three quarters they were 1.7% and ranked 66.

Mr. Potter discussed performance in relation to peer group and relation to style. The results are decent with the advent of the new program. Mr. Potter concludes his fourth quarter VEBA report.

3. Moved, supported and carried to receive the report from Becker, Burke Associates.

The next item on the agenda is asset allocation for the VEBA Fund. Mr. Potter has some data for the Board to review. Mr. Potter gave some background on when they did their original asset allocation study which was presented in December, we talked about a number of different scenarios, and we concluded that it would make sense to increase the Equity exposure of the Fund and add an International money manager. They came out with an investment policy target of 19% Large

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)
February 12, 2013
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Growth, 17% Large Value, 15% Mid/Small Cap, 19% International, and 30% Fixed Income. Those were the policy targets that would produce an expected return of about 7.5%.

At the following meeting the question was asked about the impact of real estate, so Becker, Burke included some real estate in these simulations. When they look at real estate over the long haul they consider it a stabilizing influence in terms of return. It is something that lowers volatility but may not produce as high a return as Equities. If you look at the period of time that Cornerstone had real estate in the pension fund there were some very strong returns. Those returns as we look at them from a very long term perspective are an anomaly in that they really had something to do with the flight and panic in the Bond and Equity markets.

Overall, the goal of the asset allocation study was to figure out what strategy can we take to increase our expected return for the VEBA. If you look at the column of expected return it starts at 6.46% and goes as high as 8.95%. If you go across into the asset classes you see the Large Growth Value Small and Mid Cap non U.S. Real Estate Fixed Income. You see percentages associated with each asset.

We could add real estate at 3% but it involves some administrative dealings and we need to ask ourselves if that would be worth it. If we chose only one, Becker Burke would recommend non U.S. Equities because it is a big part of the market. If we want to add real estate, they would recommend 3 to 4%.

4. Moved, supported and carried to receive the asset allocation report from Becker, Burke Associates.

Discussion: In terms of the performance report presented earlier, we are 53% Equities and within that class we have zero in International. The asset allocation study done in December, Becker, Burke recommended increasing Equity commitment. One of the model portfolios was Portfolio C which is 70% Equities overall, and within that 70%, 19% would be International. A slightly more conservative portfolio was model Portfolio B, which was 17% International. The most conservative model had 16% International. From a standpoint of any analysis of asset allocation, International is something that makes sense to add. The current expected return for the VEBA is 6.7%. If we wanted to get to 7.5% expected return, it would be Portfolio C, which was 70% Equities. Ms. Hebert, Finance Officer, inquires as to the overall investment performance for 2012. Mr. Potter advises that it was 11.9% which was above the Policy Index which came in at 10.7%. Trustee Coonan inquires about the differences in investment policy regarding Equities between the BCERS Pension Fund and the VEBA Fund.

Changing the Investment Policy is not a difficult thing to do, the Board just needs to decide on what changes they want to make. This Board would set a Target Return and in a period of time where Equities are appreciating, our overall Equity commitment will appreciate and increase by what is happening in the market. As it approaches the upper limit of the Target then we start

taking money away. In a down market, we would be falling below the target then we need to make a decision to leave it alone, or more logically, start to put more money back into the Equities to bring it closer to target. If the Board decides to add an International Manager, we can do a manager search and change the Investment Policy concurrently.

The Fund Administrator, Ms. Wright, states that not all groups are contributing to the VEBA Fund. Out of five outside groups, only two are currently contributing to this Fund. There are no benefits being paid out, but there is not much money going in. When we do a money manager search it will cost \$20,000. Mr. Potter states that Becker, Burke did not charge a retainer in the past because the VEBA Fund was so small. The difference between what we saved by not being on a retainer and what manager searches have costs us, and will cost us here, we are money ahead.

Ms. Wright also advises that having a Target Rate of Return is fine, but the VEBA is so underfunded that when we have the actuary come in to do the actuary presentation we will see that 7.5% is irrelevant.

Chairman Gray goes back to the Motion on the floor made by Trustee Coonan that this Board amend the investment policy to target a 60%, maximum of 70% in Equities.

5. Moved, supported and carried to amend the VEBA Investment Policy to change the Target Maximum of 60% Equities with a maximum of 70%.

Discussion: Mr. Starkweather offers an amendment to this motion to include language that we do not exceed 4% in real estate. Trustee Coonan does not agree to this amendment to his motion. Trustee Starkweather responds that we already have a real estate manager with Cornerstone, and we would not have to pay for a manager search. Also, he is not saying we have to put money in real estate, but rather since the Investment Policy is being revised, that we incorporate a provision for real estate that will not exceed 4%. Mr. Coonan responds that he does not have problem with having this provision in the Investment Policy.

Trustee Deaton feels that this Board should not make any changes at this time. He would like to review this again in another year. Mr. Coonan states we can revise the Investment Policy to give flexibility to implement changes, but this Board does not have to make any immediate changes. Trustee Brzezinski inquired about the percentages for each group. Ms. Wright states that Behavioral Health is actually funded.

Trustee Brzezinski commented on figures he has seen regarding stock performance and states he has not seen any evidence that International is doing any better than the general stock fund. Trustee also commented that if we want to get closer to model B or model C we should take money out of Fixed and put it into the Stock Funds. He does not think we need to spend \$20,000 to establish an International Fund. We already have International managers, which he feels could be utilized.

Trustee Herek commented that the motion before us is to go 70/30. He feels it is a positive move because we don't want to address this issue again in a few months. He feels we should allow for flexibility to work more or less with Equities and Bonds as needed. Trustee Starkweather clarified that the Motion has been amended where it is 50% not to exceed 4% of real estate.

Trustee Carpenter asks for clarification on the function of the VEBA. Fund Administrator, Ms. Wright provides an overview of the function of the VEBA. It does not have to be fully funded, there is no rule in place regarding that. Current retirees that have health insurance will use that money to pay for health insurance premiums..

6. Moved, supported and carried to establish a target of 60% in Equities with a maximum of 70% with a possibility of a maximum of up to 4% in Real Estate.

Chairman Gray asked for a roll call.

Roll Call:

Mr. Brzezinski - no
Ms. Carpenter - yes
Mr. Coonan - yes
Mr. Deaton - no
Mr. Gray - yes
Mr. Herek - yes
Ms. Peltier - excused
Mr. Pett - no
Mr. Starkweather - yes

Motion passes.

Mr. Potter had a question regarding the in-depth 60% Equities. Are we going to develop some guidelines for percentages on Growth Stocks, Value Stocks, Small and Mid-Cap Stocks, and Fixed Income? If we are going to start increasing Equity commitment we have to resolve where we are going to move the dollars from and to. He thinks it needs to be fine-tuned within that broad 60% Equities.

Trustee Starkweather makes a recommendation that a sub-committee be appointed to analyze his fund argument including Mr. Brzezinski, and Chairman Gray, and make a recommendation/presentation for the next meeting in March.

Trustee Brzezinski states that we have three Equity Managers and one Bond Manager for \$30 million dollars compared to sixteen money managers for \$260 million. He feels we can use our existing money managers by taking from the one Bond Manager and balance it with the Equity Managers.

Trustee Pett, referring to the Amended VEBA Policy of 2011 states that the current target in the VEBA is 53% Equity and 47% Fixed Income. Currently our

Large Cap is 33% and Mid/Small Cap at 20%. We could take the 7% and divide it 3 ½ to Large Cap and 3 ½ to Mid/Small Cap.

7. Motion is made that we take 7% from Fixed Income from current policy and divide it among the Large Cap and Mid/Small Cap distributions of 3 ½ percent each. There is no support for this Motion.

Trustees review the Investment Policy available to them on the web site and there is more discussion. Mr. Potter recommends putting more in Large Cap as Mid/Small Cap is a much more volatile sector in the market, so he would weight Large Cap more heavily.

Apparently, there is a Motion on the table to change the policy to 5% to Large Cap and 2% to Mid/Small Cap and there is support. Discussion continues. Trustee wants input from our Consultant regarding this policy change and what would be suitable. Mr. Potter reiterated the discussion and review that was held at the December 2012 meeting, and what was discussed was 65-70% Equities. An analysis for 60% was already completed. Mr. Potter states that we have increased the Target and the Maximum, does this Board want to leave the Minimum the same, or change it? Currently, the Minimum is 48% Equities. Chairman Gray requests a decision on the Motion via a roll call and then come back to this subject afterward.

8. The Motion before the Board is to increase Total Equity by 7%, with 5% to Large Cap Equity and 2% to Mid/Small Cap Equities.

Roll Call:

Mr. Brzezinski - yes
Ms. Carpenter - yes
Mr. Coonan - no
Mr. Deaton - no
Mr. Gray - yes
Mr. Herek - no
Ms. Peltier - excused
Mr. Pett - yes
Mr. Starkweather - no

Motion fails.

9. Motion to table this question for one year and revisit this question one year from today's date. There is no support for this motion.

Trustee Coonan comments that we should allow our Consultant to review this issue and come back to the Board with a recommendation and vote then. Question if this recommendation would include non U.S. Equity. Mr. Potter comments that when the analysis was done back in December, we talked about moving \$5 million dollars into non U.S. Equities. If we were to move that amount of money into non U.S. Equities he states from a strict due diligence point of view we should research the field and look at alternatives, rather than just

turning over the money to someone that happens to work with us. That is an important part of running a Fund. Trustee asks if we really need a non U.S. Equity. Mr. Potter responds that the analysis shows that non U.S. Equity makes sense for this fund and gets us participating in companies and in economies that are not currently present.

10. A motion is made to include non U.S. Equities in the recommendation for reallocation of funds. There is no support for this motion.
11. Moved, supported and carried to have Mr. Potter return in March with a recommendation of how we can re-allocate money in the VEBA among the existing four money managers.

Discussion: Mr. Herek was not on the Board in December so asks for clarification on some points. Mr. Potter responds that no action was taken on original asset allocation study. Trustees had discussion on whether to add real estate, and a new International manager. Trustees asked Becker, Burke to provide another analysis, which he presented today. If Trustees are asking Becker, Burke to re-do the study, they would be coming back with the same data. If Trustees are asking for an analysis with no real estate, and no International, the report will look different than this one.

Chairman Gray clarifies that the Motion is to re-allocate funds among the existing four money managers, which does not include real estate or International.

Roll Call:

Mr. Brzezinski - yes
Ms. Carpenter - yes
Mr. Coonan - yes
Mr. Deaton - yes
Mr. Gray - yes
Mr. Herek - no
Ms. Peltier - excused
Mr. Pett - yes
Mr. Starkweather - yes

Motion passes.

12. Moved, supported and carried to receive the Portfolio Value from 1/31/11 - 2/6/13. Today's value is \$33,100 million.
13. Moved, supported and carried to receive the report from Atalanta Sosnoff ending 12/31/12.
14. Moved, supported and carried to receive correspondence from C. S. McKee regarding the retirement of a portfolio manager.
15. Moved, supported and carried to approve the Notice of Special Meeting scheduled for March 22, 2013 at 10:00 a.m.

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION **(VEBA)**
February 12, 2013
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This special meeting is with the Actuary, Gabriel, Roeder, Smith to present the bi-annual review of the VEBA.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, March 12, 2013 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:

Trustee Coonan requests that a calculation be completed, on the General Fund only, indicating when money can be removed for retiree health care. This report to be available for the March meeting, if possible.

NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

- 16. Moved, supported and carried to adjourn the meeting at 3:50 p.m.

Respectfully submitted,

Crystal Hebert
Finance Officer/Secretary

Transcribed by: Naomi Wallace

MEETING OF THE V.E.B.A. 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 2:25 P.M.

OTHER PRESENT: RICK POTTER, DANEEAN WRIGHT, CRYSTAL HEBERT

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

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

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

blank spaces indicate there was no support for this motion

◆ 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%	1,003,900.50 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	1,003,900.50 3.00%
BAYCO - VEBA DODGE & COX BAL 2613001	0.00 0.00%	0.07 0.00%	6,000,277.29 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	6,000,277.36 17.91%
BAYCO-VEBA CS MCKEE 2643882	0.00 0.00%	398,494.95 2.83%	0.00 0.00%	13,697,540.40 97.43%	0.00 0.00%	-37,222.33 -0.26%	14,058,813.02 41.55%
BAYCO VEBA LORD ABBOTT FD 2643890	0.00 0.00%	0.00 0.00%	6,733,284.91 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	6,733,284.91 20.09%
BAYCO - VEBA ATALANTA SOSNOFF 2646570	0.00 0.00%	142,984.92 2.50%	5,592,233.96 97.87%	0.00 0.00%	0.00 0.00%	-21,536.74 -0.38%	5,713,680.14 17.05%
Total for consolidation	0.00	1,545,380.44	18,325,805.16	13,697,540.40	0.00	-58,761.07	33,509,965.93
% for consolidation	0.00%	4.61%	54.59%	40.88%	0.00%	-0.18%	100.00%

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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>
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	5,332,143.99	318,414.45	5,929,910.87	5,216,474.90	14,100,074.44	30,897,018.65
DEC	5,476,853.70	336,925.05	5,268,580.73	6,070,413.01	14,078,467.83	31,231,240.32

	<u>DODGE & COX</u>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
2013						
JAN	5,813,821.72	973,027.66	5,521,741.71	6,531,548.24	14,006,372.20	32,846,511.53
FEB	5,856,055.05	1,003,898.82	5,584,735.85	6,636,024.19	14,078,939.69	33,159,653.60
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

VEBA Allocation - 60% Domestic Equity

	December 31, 2012 Allocation	Asset Transfers	60% Equity Portfolio
Large Cap Growth	17%	\$1,602,278	\$6,870,859 22%
Large Cap Value	18%	\$1,394,005	\$6,870,859 22%
Small/Mid Cap	19%	(\$1,073,425)	\$4,996,988 16%
Core Fixed Income	45%	(\$1,635,933)	\$12,442,471 40%
Cash	1%	(\$286,925)	\$50,000 0%
Total Assets			\$31,231,177
Expected Return			7.14%
Expected Risk			11.22%

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BAY COUNTY VEBA
Asset Allocation Study

March 12, 2013

	Current Policy Target Allocation	Original Recommendation w/ 70% Equity including International Equity
Large Cap Growth	16.5%	19%
Large Cap Value	16.5%	17%
Small/Mid Cap	20%	16%
International	0%	18%
Core Fixed Income	47%	30%
Expected Return	6.77%	7.64%
Expected Risk	9.91%	12.47%

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VEBA ANALYSIS AS OF 1/01/13
(PRELIMINARY)

	GENERAL	SHERIFF	ROAD	BMCF	BABH	DWS	LIBRARY	TOTALS
12/31/12 RESERVE BALANCE	\$6,629,670.35	\$1,964,182.68	\$638,763.04	\$4,632,579.84	\$9,779,543.55	\$2,947,124.36	\$1,121,358.64	\$27,713,222.46
2012 EMPLOYER CONT.	<u>0.00</u>	<u>141,051.94</u>	<u>0.00</u>	<u>695,074.87</u>	<u>0.00</u>	<u>145,694.97</u>	<u>0.00</u>	<u>981,821.78</u>
PRELIMINARY 12/31/12 RESERVE BALANCE *	6,629,670.35	2,105,234.62	638,763.04	5,327,654.71	9,779,543.55	3,092,819.33	1,121,358.64	28,695,044.24
2010 RET HEALTH INS COST	1,134,931.70	261,910.08	1,086,268.39	1,524,171.96	120,855.04	307,325.76	64,448.43	<u>4,499,911.36</u>
2010 RET HLTH INS COST 7 X'S	7,944,521.90	1,833,370.56	7,603,878.73	10,669,203.72	845,985.28	2,151,280.32	451,139.01	31,499,379.52
PRELIMINARY 12/31/12 RESERVE BALANCE *	6,629,670.35	2,105,234.62	638,763.04	5,327,654.71	9,779,543.55	3,092,819.33	1,121,358.64	28,695,044.24
AVAILABLE TO USE	NO	YES	NO	NO	YES	YES	YES	YES

*PRELIMINARY FIGURES PRIOR TO INTEREST DISTRIBUTION

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- (c) Each Employer shall promptly provide the Trustees with true copies of any resolutions or collective bargaining agreements which determine and specify a VEBA contribution.
- (d) Contributions described in this Section 2.2 shall be deposited to the VEBA no less frequently than quarterly.

Sec. 2.3 Restrictions on Use of Contributions.

(a) Except as otherwise provided in this Section 2.3, the Trust Fund shall not be used to purchase retiree health (or other) benefits for retirees, but shall be accumulated until the first January 1 on which the VEBA Trustees reasonably believe that the Trust Fund has assets greater than or equal to 7 times the second previous Plan Year's medical costs for retirees under the Plan. At such time as the VEBA assets meet the requirements of the preceding sentence, the Trust Fund shall be used to provide medical benefits under the Plan (or other benefits permitted by the VEBA). The Trust Fund shall then pay 100% of the cost of medical benefits under the Plan, less the cost-sharing portion required of the Retirees under the Plan, if any.

* (b) If the Trust Fund has begun to pay benefits under the Plan, but as of any January 1 thereafter, the VEBA Trustees reasonably believe the Trust Fund has assets less than 5 times the second previous Plan Year's retiree medical costs, then as of that January 1 the Trust Fund shall no longer be used to pay for medical benefits under the Plan and the Trust Fund shall again accumulate assets until the first January 1 thereafter on which the VEBA Trustees reasonably believe that 7 times the second previous Plan Year's retiree medical costs have again accumulated, at which time the Trust Fund shall again be used to provide medical benefits under the Plan or other benefits permitted by the VEBA.

(c) In a given Plan Year, if the Trust Fund is being used to pay benefits under the Plan, but during such Plan Year the Trust Fund's assets drop below the minimum threshold described at (b) above, the Trust Fund shall continue to be used to provide medical benefits under the Plan or other benefits provided by the VEBA only until the end of that current Plan Year, at which time the Trust Fund shall cease such payment.

(d) For purposes of Sections 2.3(a) and (b) above, the term "second previous Plan Year" means the Plan Year that ended on the second previous December 31 (for example, for the Plan Year ending December 31, 2001, the second previous Plan Year ended December 31, 1999).

(e) The thresholds described in this Section 2.3 shall be applied by the Trustees separately to Bay County and to each Adopting Unit.

(f) Notwithstanding the preceding provisions of this Section 2.3, if at least 75% of the Trustees agree, the Trust Fund may be used for the County or an Adopting Unit sooner or