

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA

TUESDAY, APRIL 9, 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 - 3	1.	MARCH 12, 2013
	IV.	PUBLIC INPUT
4 - 5	A.	PORTFOLIO VALUE 1/31/12 - 4/4/13
6 - 7	B.	BECKER BURKE INVESTMENT POLICY UPDATE
	V.	ANNOUNCEMENTS
	A.	NEXT REGULAR MEETING - TUESDAY, MAY 14, 2013 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING @ APPROX. 2:30 P.M. COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708
	VI.	UNFINISHED BUSINESS
	VII.	NEW BUSINESS
	VIII.	MISCELLANEOUS BUSINESS
	IX.	ADJOURNMENT

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

March 12, 2013

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The meeting, held in the Bay County Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan, was called to order by Chairman, Steve Gray at 2:13 p.m. Roll call was taken. All trustees are present except Mr. Deaton and Ms. Peltier.

1. Moved, supported and carried to excuse Trustees Deaton and 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.
4. Moved, supported and carried to approve the minutes, as printed, from the February 12, 2013 meeting.

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

5. Moved, supported and carried to receive the Portfolio Value from 1/1/12 - 3/6/13. Today's value is \$33.7 million.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, April 9, 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:

- A. ASSET ALLOCATION STUDY FROM BECKER, BURKE ASSOCIATES

A copy of this study was provided to all Trustees. The directive was to figure out how to allocate money between the four existing fund managers with a target of 60% in equities.

The allocation would be 22% large cap growth, 22% large cap value, 16% to small cap and 40% to fixed income. To get there in comparison to where we were on December 31, 2012, we need to add money to large cap growth \$1.6 million, \$1.4 million to large cap value and take about \$1.1 million out of small/mid cap, and take out \$1.6 million from core fixed income and then take about \$300,000 out of cash. These moves should get us to the recommended allocations based on the 60% cap. These are December 31, 2012 numbers and as mentioned earlier, the Fund is up since that date. The percentages in these allocations aren't going to change, but the dollars can change.

Using the asset allocation model the expected return of that portfolio is 7.14%. Based on our assumptions that is the return that you would expect. The

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)
March 12, 2013
PAGE 2

Using the asset allocation model the expected return of that portfolio is 7.14%. Based on our assumptions that is the return that you would expect. The expected risk, which is a measure of volatility, is 11.22%.

Page 2 showed the differences between the Current Policy Target Allocation and the Original Recommendation with 70% Equity Including International Equity and the Expected Return/Risk. The Portfolio on page 1 is the one they are recommending at 60% Equities and distributing money based on our current managers.

- 6. Moved, supported and carried to approve the report from Becker, Burke Associates.
- B. Trustee asked about how the scanning of files was coming along. Ms. Wright gave an update the Board.

Mr. Potter asks for clarification on the approval of the asset allocation. Chairman Gray responds that the 60% policy presented on Page 1 has been approved. Chairman Gray authorized Mr. Potter to update the VEBA Investment Policy to incorporate this new policy. Jeff Black advises they will bring some recommended language to the April meeting.

NEW BUSINESS:

- A. VEBA ANALYSIS AS OF JANUARY 1, 2013

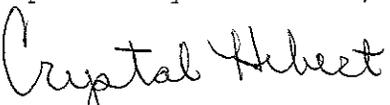
Ms. Wright provided the report as requested by Trustee Coonan. Ms. Wright answered questions from the Trustee and advised the figures could change once the year end figures are completed for 2012. Trustee Coonan requested to see those updated figures when they become available.

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

- 4. Moved, supported and carried to adjourn the meeting at 2:30 p.m.

Respectfully submitted,


Crystal Hebert
Finance Officer/Secretary

MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE
MARCH 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 2:13 P.M.

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

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

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

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	6,119,927.66	1,080,486.88	5,772,645.27	6,924,233.71	14,094,198.97	33,991,492.49
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

◆ **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%	1,080,488.08 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	1,080,488.08 3.20%
BAYCO - VEBA DODGE & COX BAL 2613001	0.00 0.00%	0.07 0.00%	6,077,967.01 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	6,077,967.08 17.98%
BAYCO-VEBA CS MCKEE 2643882	0.00 0.00%	606,972.49 4.25%	0.00 0.00%	13,495,993.44 95.37%	0.00 0.00%	48,622.58 0.34%	14,151,588.51 41.86%
BAYCO VEBA LORD ABBOTT FD 2643890	0.00 0.00%	0.00 0.00%	6,765,718.48 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	6,765,718.48 20.01%
BAYCO - VEBA ATALANTA SOSNOFF 2646570	0.00 0.00%	137,096.61 2.39%	5,597,313.10 97.61%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,734,409.71 16.96%
Total for consolidation	0.00	1,824,557.25	18,440,998.59	13,495,993.44	0.00	48,622.58	33,810,171.86
% for consolidation	0.00%	5.40%	54.54%	39.92%	0.00%	0.14%	100.00%

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Becker, Burke

A S S O C I A T E S

225 West Wacker Drive, Suite 400
Chicago, Illinois 60606

April 9, 2013

Bay County VEBA Board of Trustees
Bay County Building – 7th Floor
515 Center Ave.
Bay City, MI 48708-5122

RE: Recommended updates to the BC VEBA Investment Policy

Dear Trustee,

With respect to the asset allocation targets adopted and approved for the BC VEBA investments at the last meeting, the Investment Policy should be updated accordingly. Section VI and Section XIII of the existing policy require modification. We recommend adopting the following changes to the BC VEBA Investment Policy (shown in bold highlights) with all other sections remaining the same:

VI. ASSET ALLOCATION - TOTAL VEBA
Acceptable Ranges of Commitment

	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
<u>Equity</u>			
Large Capitalization	28 38	33 44	38 50
Mid/Small Capitalization	15 12	20 16	25 20
Total Equity	48 55	53 60	58 70
<u>Real Estate</u>			
Real Estate Investments	0	0	4
<u>Fixed Income</u>			
Investment Grade Bonds	42 35	47 40	52 45



Becker, Burke

A S S O C I A T E S

225 West Wacker Drive, Suite 400
Chicago, Illinois 60606

XIII. PERFORMANCE REVIEW

(Paragraph 2)

The VEBA is expected to perform within the top 50% of funds with a similar level of equity commitment and outperform a customized policy benchmark of market indices over at least a three to five year period. The composition of the policy benchmark is set as follows:

33% ~~44%~~ Russell 1000 Index
20% ~~16%~~ Russell 2000 Index
47% ~~40%~~ Barclays US Aggregate Bond Index

Sincerely,

Richard Potter, Principal

Jeffrey Black, Associate