



Bay County Employees' **RETIREMENT SYSTEM**

Quarterly Investment Performance Report
Updates through December 31, 2013

BAY COUNTY EMPLOYEES' RETIREMENT

Table of Contents

| | |
|---|---------|
| Summary Commentary | Page 1 |
| Investment Market Environment | Page 3 |
| Asset Allocation vs. Target Allocation | Page 5 |
| Performance Results Summary | Page 6 |
| Columbia | |
| MFS | |
| Vanguard | |
| Integrity | |
| Geneva | |
| Hotchkis & Wiley | |
| Eagle Asset | |
| Barings | |
| Schroder | |
| MacKay Shields | |
| Cornerstone | |
| Baird | |
| Loomis Sayles | |
| Performance Evaluation Exhibits | Page 12 |

Board of Trustees
Bay County Employees Retirement System
515 Center Avenue, 7th Floor
Bay City, MI 48708-5753

Dear Trustees:

Enclosed is the quarterly summary report on the fund performance through December 31, 2013.

Market Environment: US stock markets continued their strong advance in the fourth quarter of 2013. Gains occurred despite an announcement by the U.S. Federal Reserve that it would begin to reduce economic stimulus. Large-cap indices led small and mid-cap during the quarter, while growth and value indices were about even. One-year results were exceptional, gaining over 30%, with small and mid-cap indices beating large, and growth indices ahead of value.

International developed equity also had strong results in the quarter and year, but international equity indices trailed domestic for both periods. Emerging market index returns were up slightly for the quarter but negative for the year. The results trailed developed international and domestic by a significant margin.

The index of broadly diversified core domestic bonds posted slightly negative results for the quarter and year. Longer duration bonds, especially US Government issues, fared the worst in both periods, while corporate credit, especially high yield, performed the best.

Equity REIT's were generally negative for the quarter while private real estate indices fared better. Annual performance for REIT's was slightly positive. Core US real estate property funds posted strong results for the year.

Total Fund Results: The total fund value of invested assets increased by over \$16.2 million through the quarter, despite \$2.8 million in net withdrawals. This resulted in a quarter end valuation of \$295.5 million.

Total fund performance was strong again this quarter, gaining +6.9%. This beat the policy benchmark return by 0.4% and ranked in the top quartile against funds with similar equity allocation. The one year return of +23.5% also topped the benchmark and was better than

the median return of +19.3%. The five year annualized return of +16.0% was well above the benchmark and ranked in the top decile vs similar funds.

High exposure to equities and good active manager diversification helped to generate strong relative returns. At quarter-end, the fund's equity allocation has grown to over 73%. As U.S. equities have been the main source of performance, this allocation has been the main return driver in the portfolio.

Domestic Equity Results: Combined domestic equity funds produced gains of +9.8% for the quarter. This was slightly below the return of the broad Russell 3000 Index and in line with the US Equity Pools universe. SCV manager Hotchkis & Wiley produced the highest absolute return this quarter at +12.9%, while the +4.6% return by Eagle was the lowest. On a relative basis, Hotchkis, MFS, and Columbia ranked above their respective style median.

International Equity Results: Combined international equity managers had positive performance this quarter, returning +7.3%, and ranked top decile against Intl Equity Pools. The return was above the +5.7% for the MSCI EAFE index. Barings outperformed their benchmark and ranked in the top half of the universe this quarter. Intl small cap manager Schroders produced a return of +8.5% and ranked in the top decile this quarter.

Real Estate Securities Results: Cornerstone REIT produced a +1.0% return in a difficult environment for real estate securities. The return was above the benchmark and the median REIT fund for the quarter. The one, three and five year annualized returns are all above the benchmark.

Convertible Securities Results: MacKay Shields underperformed their benchmark, but ranked in 4th percentile of the convertible securities universe for the quarter.

Fixed Income Results: Combined bond managers produced positive returns which beat both the index and the median. The +0.7% return is attributed to a +1.7% gain for Loomis and a -0.6% loss for Baird. Loomis beat their benchmark while Baird trailed slightly for the quarter.

INVESTMENT MARKET ENVIRONMENT

Periods Ending December 31, 2013

Commentary and Benchmark Index Returns

Domestic stock markets continued their strong advance in the fourth quarter, even though the FED announced that it would start to reduce economic stimulus. Small and mid-sized stocks lagged large capitalization issues during the quarter, while growth and value were about even. Annual results were excellent, with small and mid caps beating large, and growth ahead of value.

International developed market equities also had strong results in the quarter and year, but trailed domestic stocks for both periods. Emerging market returns were negative for the quarter and year and trailed developed international and domestic equities by a significant margin.

Domestic bond results for the quarter and year were generally slightly negative, with long bonds faring the worst and corporates, especially high yield, performing the best.

While REIT's were slightly negative for the quarter, private real estate posted solid returns. Annual performance for REIT's was slightly positive, while core real estate continued to post strong results.

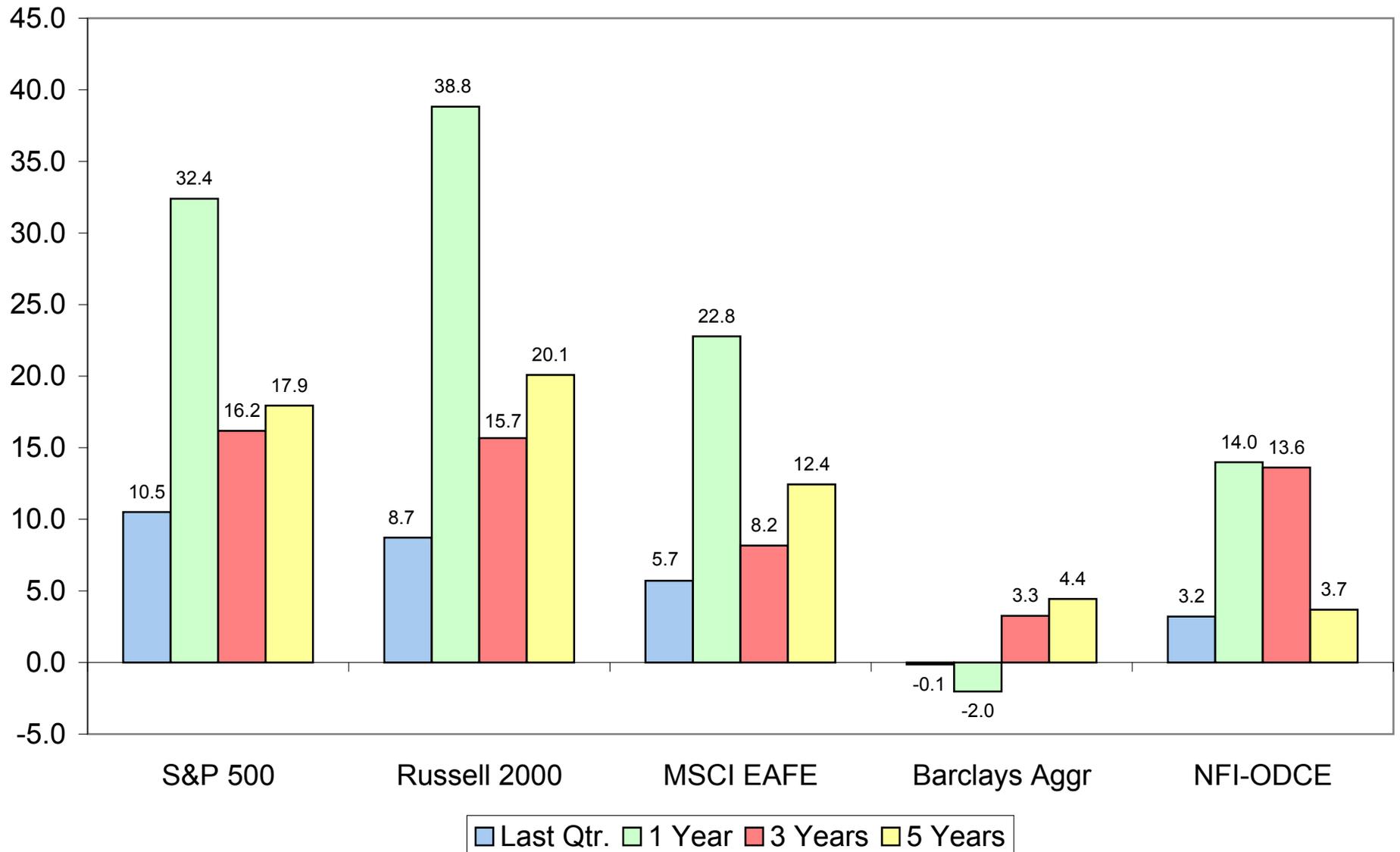
Index Returns - Periods Ending December 31, 2013

| | <u>1 Quarter</u> | <u>1 Year</u> | <u>3 Years</u> | <u>5 Years</u> | <u>10 Years</u> |
|-----------------------------------|------------------|---------------|----------------|----------------|-----------------|
| S&P 500 | 10.5 % | 32.4 % | 16.2 % | 17.9 % | 7.4 % |
| S&P Mid Cap | 8.3 | 33.5 | 15.6 | 21.9 | 10.4 |
| Russell 2000 | 8.7 | 38.8 | 15.7 | 20.1 | 9.1 |
| MSCI EAFE | 5.7 | 22.8 | 8.2 | 12.4 | 6.9 |
| ACWI Ex US | 4.8 | 15.3 | 5.1 | 12.8 | 7.6 |
| MSCI Emerging Markets | 1.8 | -2.6 | -2.1 | 14.8 | 11.2 |
| Barclays Aggregate | -0.1 | -2.0 | 3.3 | 4.4 | 4.5 |
| Barclays Govt/Credit | 0.0 | -2.4 | 3.6 | 4.4 | 4.5 |
| Barclays Govt/Credit Intermediate | 0.0 | -0.9 | 2.9 | 4.0 | 4.1 |
| Barclays Govt/Credit Long | -0.1 | -8.8 | 6.7 | 6.4 | 6.4 |
| Barclays Govt | -0.7 | -2.6 | 2.7 | 2.3 | 4.1 |
| Barclays Govt Intermediate | -0.4 | -1.2 | 2.1 | 2.2 | 3.7 |
| Barclays Gov't Long | -3.0 | -12.5 | 5.5 | 2.4 | 5.9 |
| Barclays Mortgage Backed | -0.4 | -1.4 | 2.4 | 3.7 | 4.6 |
| Barclays U.S. Credit | 0.9 | -2.0 | 5.1 | 7.9 | 5.2 |
| Barclays Corporate High Yield | 3.6 | 7.4 | 9.3 | 18.9 | 8.6 |
| NFI-ODCE (Real Estate) | 3.2 | 14.0 | 13.6 | 3.7 | 7.2 |
| NAREIT (REIT) | -0.7 | 2.5 | 9.4 | 16.5 | 8.4 |
| 90-Day Treasury Bills | 0.0 | 0.1 | 0.1 | 0.1 | 1.7 |
| CPI | 0.3 | 1.5 | 2.1 | 2.1 | 2.4 |

INVESTMENT MARKET ENVIRONMENT

Periods Ending September 30, 2013

Commentary and Benchmark Index Returns

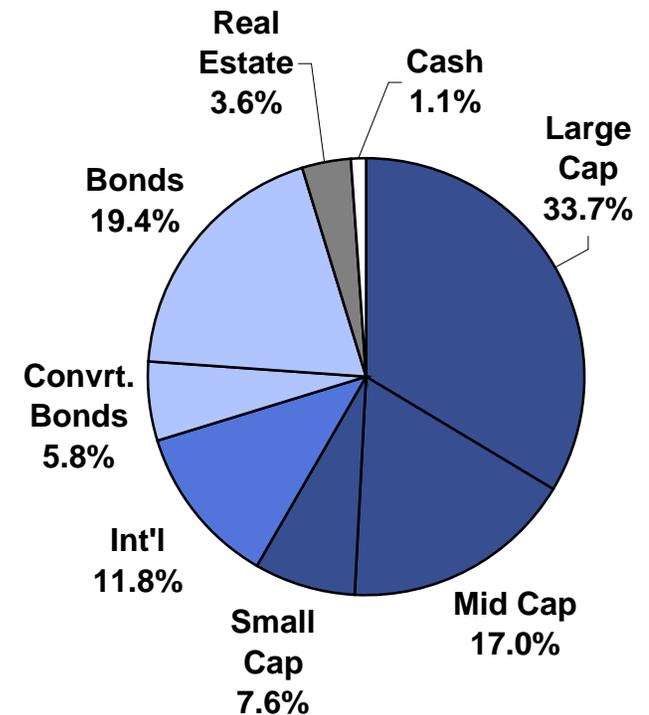


BAY COUNTY EMPLOYEES' RETIREMENT

As of December 31, 2013

Asset Allocation vs. Policy Target Allocation

| | | <u>Asset Value</u> | <u>Alloc %</u> | <u>Target %</u> |
|-----------------------------|------------------|----------------------|----------------|-----------------|
| Total Plan | | \$295,503,588 | 100.0% | 100.0% |
| Domestic Equity | | \$172,499,145 | 58.4% | 52.0% |
| Large Cap Value | Columbia | \$43,224,081 | 14.6% | 10.3% |
| Large Cap Core | Vanguard | \$13,287,261 | 4.5% | 10.3% |
| Large Cap Growth | MFS | \$43,147,816 | 14.6% | 10.3% |
| Mid Cap Value | Integrity | \$25,768,921 | 8.7% | 7.5% |
| Mid Cap Growth | Geneva | \$24,493,611 | 8.3% | 7.5% |
| Small Cap Value | Hotchkis & Wiley | \$11,549,971 | 3.9% | 3.0% |
| Small Cap Growth | Eagle | \$11,027,484 | 3.7% | 3.0% |
| International Equity | | \$34,788,738 | 11.8% | 14.0% |
| Int'l Large Cap | Barings | \$16,584,125 | 5.6% | 7.0% |
| Int'l Small Cap | Schroder | \$18,204,613 | 6.2% | 7.0% |
| Fixed Income | | \$74,505,798 | 25.2% | 31.0% |
| Convertible Securities | MacKay Shields | \$17,279,812 | 5.8% | 5.0% |
| Corporate Bond | Loomis Sayles | \$33,149,080 | 11.2% | 13.0% |
| Government Bond | Baird | \$24,076,906 | 8.1% | 13.0% |
| Real Estate | | \$10,531,699 | 3.6% | 3.0% |
| REIT | Cornerstone | \$10,531,699 | 3.6% | 3.0% |
| Cash | | \$3,178,208 | 1.1% | |



BAY COUNTY EMPLOYEES' RETIREMENT

Quarter Ending December 31, 2013

Gross Returns

Summary by Segment / Manager

Hire Date

One Quarter Return

TOTAL PLAN

DOMESTIC EQUITY

S&P 500 Index

| | | |
|------------------|------------------|----------|
| Large Cap Value | Columbia | Jan 2001 |
| Large Cap Core | Vanguard | Jun 2013 |
| Large Cap Growth | MFS | Aug 2012 |
| Mid Cap Value | Integrity | Jan 2007 |
| Mid Cap Growth | Geneva | Jan 2013 |
| Small Cap Value | Hotchkis & Wiley | Dec 2003 |
| Small Cap Growth | Eagle | Sep 2010 |

INTERNATIONAL EQUITY

MSCI EAFE Index

| | | |
|-----------------|----------|----------|
| Int'l Large Cap | Barings | Nov 2009 |
| Int'l Small Cap | Schroder | Jul 2006 |

FIXED INCOME

BC Aggregate Bond Index

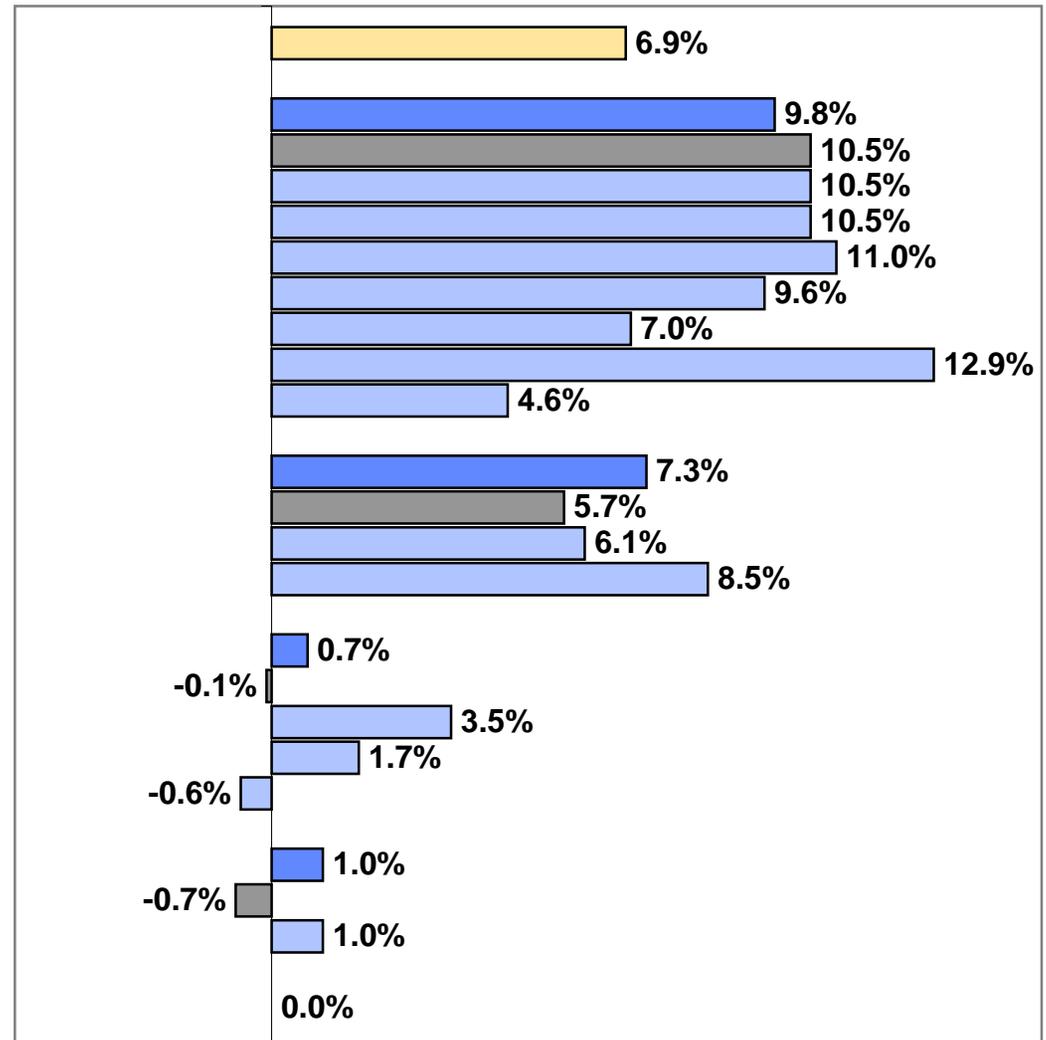
| | | |
|-----------------|----------------|----------|
| Convertibles | MacKay Shields | Aug 2003 |
| Corporate Bond | Loomis Sayles | Dec 1999 |
| Government Bond | Baird | Mar 2006 |

REAL ESTATE

NAREIT Equity REIT Index

| | | |
|------|-------------|----------|
| REIT | Cornerstone | Oct 2008 |
|------|-------------|----------|

CASH



BAY COUNTY EMPLOYEES' RETIREMENT

One Year Ending December 31, 2013

Gross Returns

Summary by Segment / Manager

Hire Date

TOTAL PLAN

DOMESTIC EQUITY

S&P 500 Index

| | | |
|------------------|------------------|----------|
| Large Cap Value | Columbia | Jan 2001 |
| Large Cap Core | Vanguard | Jun 2013 |
| Large Cap Growth | MFS | Aug 2012 |
| Mid Cap Value | Integrity | Jan 2007 |
| Mid Cap Growth | Geneva | Jan 2013 |
| Small Cap Value | Hotchkis & Wiley | Dec 2003 |
| Small Cap Growth | Eagle | Sep 2010 |

INTERNATIONAL EQUITY

MSCI EAFE Index

| | | |
|-----------------|----------|----------|
| Int'l Large Cap | Barings | Nov 2009 |
| Int'l Small Cap | Schroder | Jul 2006 |

FIXED INCOME

BC Aggregate Bond Index

| | | |
|-----------------|----------------|----------|
| Convertibles | MacKay Shields | Aug 2003 |
| Corporate Bond | Loomis Sayles | Dec 1999 |
| Government Bond | Baird | Mar 2006 |

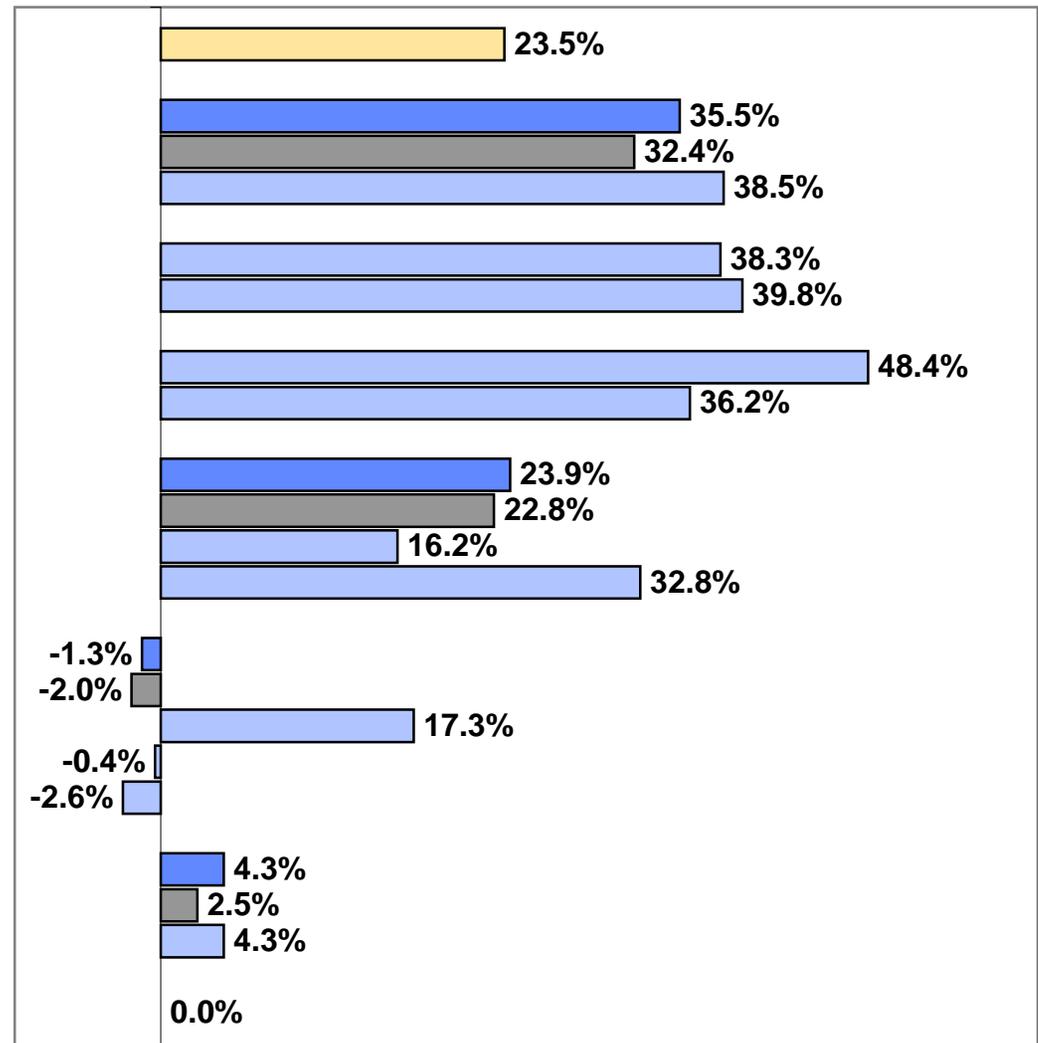
REAL ESTATE

NAREIT Equity REIT Index

| | | |
|------|-------------|----------|
| REIT | Cornerstone | Oct 2008 |
|------|-------------|----------|

CASH

One Year Return



BAY COUNTY EMPLOYEES' RETIREMENT

Investment Managers & Segments

Periods Ending December 31, 2013

Total Fund Performance by Style

| | One Quarter | | Two Qtrs | | Three Qtrs | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| TOTAL FUND | | | | | | | | | | | | | | | | |
| BAY COUNTY EMPLOYEES' | 6.9 | 19 | 13.6 | 22 | 14.8 | 16 | 23.5 | 12 | 18.3 | 15 | 11.7 | 22 | 13.4 | 9 | 16.0 | 9 |
| Investment Policy Index | 6.5 | | 11.4 | | 12.3 | | 19.5 | | 16.0 | | 11.1 | | 11.3 | | 12.8 | |
| Master Trust Over 70% Equity Median | 6.2 | | 12.2 | | 12.5 | | 19.3 | | 16.1 | | 10.3 | | 11.2 | | 13.5 | |
| COMBINED US EQUITY FUND POOL | | | | | | | | | | | | | | | | |
| US EQUITY FUNDS | 9.8 | 51 | 18.6 | 34 | 21.8 | 42 | 35.5 | 40 | 25.2 | 46 | 15.3 | 74 | 17.3 | 32 | 20.1 | 35 |
| Russell 3000 Index | 10.1 | | 17.1 | | 20.2 | | 33.6 | | 24.7 | | 16.2 | | 16.4 | | 18.7 | |
| US Equity Pools Median | 9.8 | | 17.5 | | 21.0 | | 34.5 | | 25.0 | | 16.2 | | 16.5 | | 19.2 | |
| LARGE CAP VALUE FUNDS | | | | | | | | | | | | | | | | |
| COLUMBIA | 10.5 | 36 | 17.3 | 18 | 22.4 | 45 | 38.5 | 25 | 26.4 | 48 | 18.4 | 22 | 18.8 | 7 | 20.2 | 19 |
| Russell 1000 Value +100bp | 10.3 | | 14.9 | | 18.9 | | 33.8 | | 26.0 | | 17.2 | | 17.1 | | 17.8 | |
| US Equity (Active) - Large Value Median | 9.9 | | 15.8 | | 21.7 | | 35.3 | | 25.8 | | 16.8 | | 16.6 | | 17.8 | |
| LARGE CAP CORE FUNDS | | | | | | | | | | | | | | | | |
| VANGUARD INDEX | 10.5 | 58 | 16.3 | 75 | | | | | | | | | | | | |
| S&P 500 Index | 10.5 | | 16.3 | | | | | | | | | | | | | |
| US Equity (Active) - Large Core Median | 10.7 | | 17.5 | | | | | | | | | | | | | |
| LARGE CAP GROWTH FUNDS | | | | | | | | | | | | | | | | |
| MFS | 11.0 | 37 | 23.4 | 31 | 25.9 | 31 | 38.3 | 24 | | | | | | | | |
| Russell 1000 Growth + 100bp | 10.7 | | 20.0 | | 22.7 | | 34.8 | | | | | | | | | |
| US Equity (Active) - Large Growth Median | 10.4 | | 20.6 | | 22.9 | | 35.1 | | | | | | | | | |
| MID CAP VALUE FUNDS | | | | | | | | | | | | | | | | |
| INTEGRITY ASSET MGT | 7.3 | 68 | 11.5 | 53 | 27.5 | 51 | 33.9 | 35 | 32.1 | 23 | 19.6 | 35 | 18.2 | 36 | 13.7 | 49 |
| Russell Mid Cap Value +150bp | 6.3 | | 8.4 | | 24.3 | | 29.6 | | 30.4 | | 19.0 | | 18.9 | | 13.5 | |
| US Equity (Active) - Mid Value Median | 8.4 | | 12.9 | | 27.6 | | 32.3 | | 30.4 | | 19.4 | | 17.5 | | 13.6 | |
| MID CAP GROWTH FUNDS | | | | | | | | | | | | | | | | |
| GENEVA | 7.0 | 86 | 18.8 | 91 | 19.1 | 94 | | | | | | | | | | |
| Russell Mid Cap Growth +150bp | 8.6 | | 19.2 | | 23.1 | | | | | | | | | | | |
| US Equity (Active) - Mid Growth Median | 9.3 | | 21.5 | | 23.2 | | | | | | | | | | | |

BAY COUNTY EMPLOYEES' RETIREMENT

Investment Managers & Segments

Periods Ending December 31, 2013

Total Fund Performance by Style

| | One Quarter | | Two Qtrs | | Three Qtrs | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| SMALL CAP VALUE FUNDS | | | | | | | | | | | | | | | | |
| HOTCHKIS & WILEY | 12.9 | 7 | 23.0 | 4 | 28.1 | 11 | 48.4 | 8 | 36.8 | 5 | 19.0 | 9 | 25.1 | 5 | 31.9 | 5 |
| Russell 2000 Value +150bp | 9.7 | | 18.5 | | 21.8 | | 36.5 | | 27.9 | | 16.2 | | 18.6 | | 19.3 | |
| <i>US Equity (Active) - Small Value Median</i> | 10.5 | | 19.7 | | 23.6 | | 39.2 | | 27.8 | | 16.9 | | 19.0 | | 22.0 | |
| SMALL CAP GROWTH FUNDS | | | | | | | | | | | | | | | | |
| EAGLE ASSET MGT | 4.6 | 87 | 16.5 | 93 | 20.3 | 97 | 36.2 | 87 | 26.9 | 67 | 16.5 | 69 | | | | |
| Russell 2000 Growth +150bp | 8.6 | | 22.9 | | 28.0 | | 45.4 | | 30.0 | | 18.6 | | | | | |
| <i>US Equity (Active) - Small Growth Median</i> | 7.9 | | 22.5 | | 29.6 | | 45.3 | | 29.5 | | 18.7 | | | | | |
| COMBINED INTL EQUITY FUND POOL | | | | | | | | | | | | | | | | |
| INTERNATIONAL EQUITY FUNDS | | | | | | | | | | | | | | | | |
| MSCI EAFE | 7.3 | 8 | 18.6 | 12 | 18.7 | 12 | 23.9 | 16 | 19.2 | 35 | 8.1 | 34 | 10.0 | 20 | | |
| <i>International Equity Pools Median</i> | 5.7 | | 17.9 | | 16.8 | | 22.8 | | 20.0 | | 8.2 | | 8.1 | | | |
| | 5.3 | | 15.6 | | 13.1 | | 17.4 | | 18.1 | | 7.0 | | 8.0 | | | |
| INTERNATIONAL EQUITY FUNDS | | | | | | | | | | | | | | | | |
| BARINGS INTL LARGE CAP | 6.1 | 45 | 13.6 | 83 | 13.4 | 71 | 16.2 | 81 | 14.1 | 91 | 6.2 | 85 | 7.2 | 86 | | |
| MCSI EAFE Index +100bp | 6.0 | | 18.5 | | 17.6 | | 24.0 | | 21.2 | | 9.2 | | 9.1 | | | |
| SCHRODERS INTL SMALL CAP | 8.5 | 7 | 23.5 | 3 | 24.1 | 5 | 32.8 | 4 | 25.6 | 10 | 10.2 | 27 | 13.5 | 14 | 19.5 | 10 |
| S&P EPAC Small Cap +150bp | 6.3 | | 22.6 | | 20.7 | | 30.3 | | 26.2 | | 11.4 | | 13.8 | | 19.0 | |
| <i>Intl Equity Developed Mkt (Active) Median</i> | 5.8 | | 17.6 | | 17.1 | | 22.0 | | 20.6 | | 8.8 | | 9.7 | | 14.3 | |
| REAL ESTATE FUNDS | | | | | | | | | | | | | | | | |
| CORNERSTONE REIT | 1.0 | 42 | -0.6 | 64 | -3.1 | 69 | 4.3 | 50 | 10.6 | 52 | 10.3 | 34 | 14.8 | 21 | 18.1 | 9 |
| NAREIT Equity REIT Index | -0.7 | | -3.8 | | -5.3 | | 2.5 | | 10.0 | | 9.4 | | 13.8 | | 16.5 | |
| <i>REIT Funds Median</i> | 0.1 | | 2.0 | | 0.0 | | 4.3 | | 11.4 | | 9.4 | | 12.5 | | 15.0 | |
| CONVERTIBLE SECURITIES FUNDS | | | | | | | | | | | | | | | | |
| MACKAY SHIELDS | 4.0 | 4 | 10.8 | 41 | 13.9 | 39 | 19.5 | 46 | 13.6 | 53 | 8.6 | 56 | 8.9 | 67 | 12.5 | 80 |
| BoAML IG Convertible +100bp | 6.0 | | 14.9 | | 17.6 | | 25.5 | | 18.0 | | 10.7 | | 10.1 | | 13.8 | |
| <i>Convertible Only Median</i> | 3.6 | | 8.8 | | 9.9 | | 17.4 | | 13.7 | | 9.3 | | 12.3 | | 19.1 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Investment Managers & Segments

Periods Ending December 31, 2013

Total Fund Performance by Style

| | One Quarter | Two Qtrs | Three Qtrs | One Year | Two Years | Three Years | Four Years | Five Years |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|----------------|
| COMBINED FIXED INCOME FUND POOL | | | | | | | | |
| COMBINED FIXED INCOME FDS | 0.7 33 | 1.6 34 | -1.4 56 | -1.3 56 | 3.3 38 | 4.9 38 | 5.8 40 | 7.2 34 |
| Barclays US Aggregate Bond | -0.1 | 0.4 | -1.9 | -2.0 | 1.0 | 3.3 | 4.1 | 4.4 |
| <i>US Fixed Income Pools Median</i> | 0.3 | 1.1 | -1.3 | -1.0 | 2.4 | 4.2 | 5.3 | 6.1 |
| US FIXED INCOME FUNDS | | | | | | | | |
| BAIRD GOVERNMENT BOND | -0.6 91 | -0.1 88 | -2.4 78 | -2.6 83 | 0.2 89 | 2.7 85 | 3.4 84 | 3.5 85 |
| Baird Policy Index | -0.5 | 0.2 | -1.7 | -1.7 | 0.4 | 2.9 | 3.6 | 3.3 |
| LOOMIS SAYLES CREDIT | 1.7 20 | 2.9 20 | -0.7 42 | -0.4 43 | 5.7 22 | 6.6 23 | 7.7 24 | 10.7 19 |
| Barclays US Corporate Bond +100bp | 1.4 | 2.4 | -0.7 | -0.5 | 5.0 | 6.4 | 7.3 | 9.8 |
| <i>US Fixed Income Funds Median</i> | 0.2 | 0.9 | -1.2 | -0.9 | 2.5 | 4.1 | 5.1 | 6.3 |

BAY COUNTY EMPLOYEES' RETIREMENT

Portfolio Returns - Gross / Net of Investment Mgmt Fees

Periods Ending December 31, 2013

| Performance by Manager - Trailing Periods | | | | | | | |
|---|---------------------|-----------------------|------------|--------------------|-----------------|--------------------|-------------------|
| | <u>Annual Fee %</u> | <u>Annual Fee \$*</u> | | <u>One Quarter</u> | <u>One Year</u> | <u>Three Years</u> | <u>Five Years</u> |
| Columbia | 0.40% | \$172,896 | Gross | 10.5 | 38.5 | 18.4 | 20.2 |
| | | | Net | 10.4 | 37.9 | 18.1 | 20.0 |
| Vanguard | 0.61% | \$80,436 | Gross | 10.5 | | | |
| | | | Net | 10.5 | | | |
| MFS | 0.60% | \$258,887 | Gross | 11.0 | 38.3 | | |
| | | | Net | 10.9 | 37.6 | | |
| Integrity | 0.81% | \$208,267 | Gross | 9.6 | 39.8 | 17.7 | 22.4 |
| | | | Net | 9.4 | 38.7 | 16.9 | 21.9 |
| Geneva | 0.75% | \$183,702 | Gross | 7.0 | | | |
| | | | Net | 6.8 | | | |
| Hotchkis & Wiley | 1.00% | \$115,500 | Gross | 12.9 | 48.4 | 19.0 | 31.9 |
| | | | Net | 12.7 | 26.9 | 18.2 | 31.4 |
| Eagle | 0.85% | \$93,734 | Gross | 4.6 | 36.2 | 16.5 | |
| | | | Net | 4.4 | 35.1 | 15.8 | |
| Barings | 0.95% | \$157,549 | Gross | 6.1 | 16.2 | 6.2 | |
| | | | Net | 5.8 | 15.1 | 5.5 | |
| Schroder | 0.64% | \$116,023 | Gross | 8.5 | 32.8 | 10.2 | 19.5 |
| | | | Net | 8.3 | 31.8 | 9.4 | 18.8 |
| Mackay Shields | 0.50% | \$86,399 | Gross | 3.5 | 17.3 | 7.8 | 11.4 |
| | | | Net | 3.3 | 16.7 | 7.4 | 11.1 |
| Loomis Sayles | 0.31% | \$102,873 | Gross | 1.7 | -0.4 | 6.6 | 10.7 |
| | | | Net | 1.6 | -0.7 | 6.4 | 10.5 |
| Baird | 0.30% | \$72,231 | Gross | -0.6 | -2.6 | 2.7 | 3.5 |
| | | | Net | -0.7 | -2.9 | 2.5 | 3.3 |
| Cornerstone | 0.60% | \$63,190 | Gross | 1.0 | 4.3 | 10.3 | 18.1 |
| | | | Net | 0.8 | 3.6 | 9.8 | 17.8 |

* Approximated in dollars, calculated from fee schedule and quarter-end market value

BAY COUNTY EMPLOYEES' RETIREMENT

COMBINED

Periods Ending December 31, 2013

Total Fund Asset Growth Summary (\$000)

| | One Quarter | Year to Date | One Year | Since Inception |
|------------------------|-------------|--------------|----------|-----------------|
| COMBINED | | | | |
| Beginning Market Value | 279,323 | 246,973 | 246,973 | 24,693 |
| Net External Growth | -2,818 | -9,439 | -9,439 | -113,945 |
| Return on Investment | 19,000 | 57,971 | 57,971 | 384,757 |
| Income Received | 1,303 | 5,149 | 5,149 | 124,370 |
| Gain/Loss | 17,698 | 52,822 | 52,822 | 260,387 |
| Ending Market Value | 295,505 | 295,505 | 295,505 | 295,505 |

BAY COUNTY EMPLOYEES' RETIREMENT

Quarter Ending December 31, 2013

Portfolio Asset Growth Summary (\$000)

| | Beginning Market Value | Net External Growth | Return on Investment | Income | Gain/Loss | Ending Market Value |
|-----------------------------------|---------------------------|------------------------|-------------------------|--------|-----------|------------------------|
| TOTAL FUND | | | | | | |
| COMBINED | 279,323 | -2,818 | 19,000 | 1,303 | 17,698 | 295,505 |
| EQUITY MANAGERS | | | | | | |
| COLUMBIA | 40,099 | -1,000 | 4,125 | 218 | 3,907 | 43,224 |
| EAGLE | 10,544 | 0 | 484 | 10 | 474 | 11,027 |
| GENEVA | 22,888 | 0 | 1,606 | 24 | 1,582 | 24,494 |
| HOTCHKIS & WILEY | 10,226 | 0 | 1,324 | 31 | 1,293 | 11,550 |
| INTEGRITY | 24,488 | -1,000 | 2,281 | 79 | 2,202 | 25,769 |
| MFS INVESTMENTS | 38,857 | 0 | 4,291 | 94 | 4,196 | 43,148 |
| VANGUARD S&P 500 INDEX | 14,381 | -2,500 | 1,406 | 70 | 1,336 | 13,287 |
| WHV INVESTMENTS | 1 | 0 | 1 | 1 | 0 | 2 |
| EQUITY COMPOSITES | | | | | | |
| EQUITY COMBO | 161,485 | -4,501 | 15,516 | 527 | 14,990 | 172,501 |
| INT'L EQUITY MANAGERS | | | | | | |
| BARINGS INTL | 15,634 | -1 | 951 | 73 | 878 | 16,584 |
| SCHRODER | 16,806 | 0 | 1,399 | | 1,399 | 18,205 |
| INT'L COMPOSITES | | | | | | |
| INTL COMBO | 32,440 | -1 | 2,350 | 73 | 2,277 | 34,789 |
| BOND MANAGERS | | | | | | |
| BAIRD ADVISORS | 24,224 | 0 | -147 | 151 | -298 | 24,077 |
| LOOMIS SAYLES | 32,588 | 0 | 561 | 331 | 230 | 33,149 |

BAY COUNTY EMPLOYEES' RETIREMENT

Quarter Ending December 31, 2013

Portfolio Asset Growth Summary (\$000)

| | Beginning Market Value | Net External Growth | Return on Investment | Income | Gain/Loss | Ending Market Value |
|-----------------------------|---------------------------|------------------------|-------------------------|--------|-----------|------------------------|
| BOND COMPOSITES | | | | | | |
| FIXED COMBO | 56,812 | 0 | 414 | 482 | -68 | 57,226 |
| CONVERTIBLE MANAGERS | | | | | | |
| MACKAY SHIELDS | 16,700 | 0 | 580 | 78 | 502 | 17,280 |
| REIT MANAGERS | | | | | | |
| CORNERSTONE R/E | 10,432 | 0 | 100 | 104 | -4 | 10,532 |
| CASH MANAGERS | | | | | | |
| CASH W / LENDING | 1,455 | 1,683 | 40 | 39 | 1 | 3,178 |

BAY COUNTY EMPLOYEES' RETIREMENT

Year Ending December 31, 2013

Portfolio Asset Growth Summary (\$000)

| | Beginning Market Value | Net External Growth | Return on Investment | Income | Gain/Loss | Ending Market Value |
|-----------------------------------|---------------------------|------------------------|-------------------------|--------|-----------|------------------------|
| TOTAL FUND | | | | | | |
| COMBINED | 246,973 | -9,439 | 57,971 | 5,149 | 52,822 | 295,505 |
| EQUITY MANAGERS | | | | | | |
| COLUMBIA | 28,347 | 3,395 | 11,481 | 778 | 10,703 | 43,224 |
| EAGLE | 9,503 | -1,645 | 3,170 | 58 | 3,112 | 11,027 |
| GENEVA | 0 | 19,198 | 5,296 | 91 | 5,205 | 24,494 |
| HOTCHKIS & WILEY | 11,128 | -3,863 | 4,285 | 139 | 4,146 | 11,550 |
| INTEGRITY | 20,337 | -2,332 | 7,763 | 294 | 7,469 | 25,769 |
| MFS INVESTMENTS | 26,583 | 5,266 | 11,298 | 284 | 11,015 | 43,148 |
| VANGUARD S&P 500 INDEX | | 11,170 | 2,117 | 142 | 1,975 | 13,287 |
| WHV INVESTMENTS | 28,007 | -30,951 | 2,945 | 231 | 2,715 | 2 |
| EQUITY COMPOSITES | | | | | | |
| EQUITY COMBO | 143,319 | -19,856 | 49,038 | 2,020 | 47,018 | 172,501 |
| INT'L EQUITY MANAGERS | | | | | | |
| BARINGS INTL | 13,815 | 470 | 2,299 | 331 | 1,968 | 16,584 |
| SCHRODER | 9,675 | 4,431 | 4,099 | 0 | 4,099 | 18,205 |
| INT'L COMPOSITES | | | | | | |
| INTL COMBO | 23,491 | 4,901 | 6,397 | 331 | 6,067 | 34,789 |
| BOND MANAGERS | | | | | | |
| BAIRD ADVISORS | 22,583 | 2,079 | -586 | 642 | -1,228 | 24,077 |
| LOOMIS SAYLES | 30,512 | 2,662 | -25 | 1,299 | -1,324 | 33,149 |

BAY COUNTY EMPLOYEES' RETIREMENT

Year Ending December 31, 2013

Portfolio Asset Growth Summary (\$000)

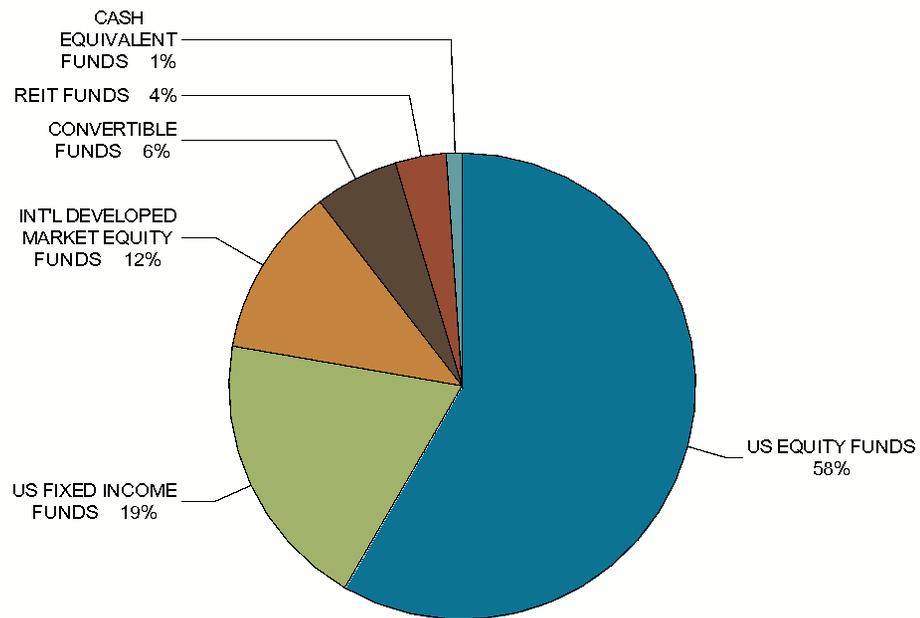
| | Beginning Market Value | Net External Growth | Return on Investment | Income | Gain/Loss | Ending Market Value |
|-----------------------------|---------------------------|------------------------|-------------------------|--------|-----------|------------------------|
| BOND COMPOSITES | | | | | | |
| FIXED COMBO | 53,095 | 4,742 | -611 | 1,941 | -2,552 | 57,226 |
| CONVERTIBLE MANAGERS | | | | | | |
| MACKAY SHIELDS | 15,435 | -729 | 2,574 | 315 | 2,259 | 17,280 |
| REIT MANAGERS | | | | | | |
| CORNERSTONE R/E | 9,789 | 331 | 412 | 382 | 30 | 10,532 |
| CASH MANAGERS | | | | | | |
| CASH W / LENDING | 1,844 | 1,173 | 161 | 160 | 1 | 3,178 |

BAY COUNTY EMPLOYEES' RETIREMENT

COMBINED

As of December 31, 2013

Allocation by Manager Type

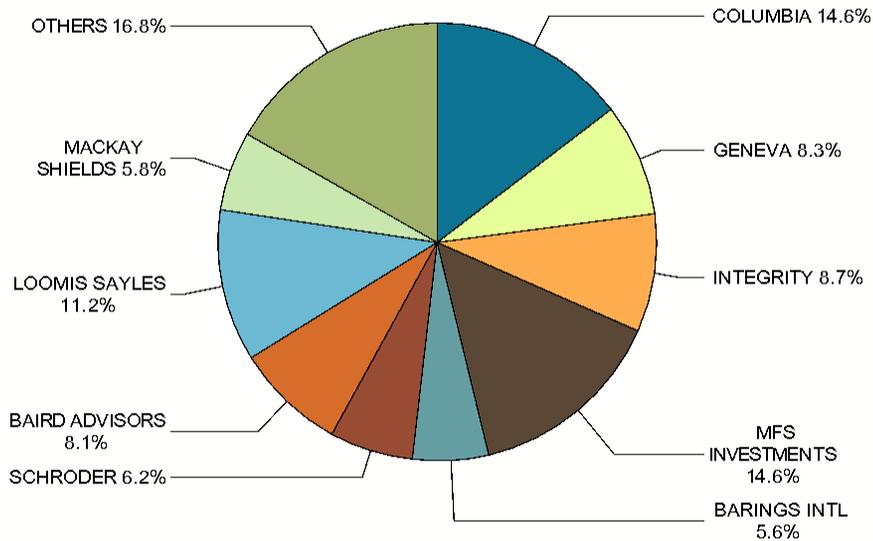


| <u>MANAGER TYPE</u> | <u>Ending Market Value</u> | <u>% of Plan</u> |
|-------------------------------------|----------------------------|------------------|
| US EQUITY FUNDS | 172,500,701 | 58.4 |
| US FIXED INCOME FUNDS | 57,225,986 | 19.4 |
| INT'L DEVELOPED MARKET EQUITY FUNDS | 34,788,738 | 11.8 |
| CONVERTIBLE FUNDS | 17,279,812 | 5.8 |
| REIT FUNDS | 10,531,699 | 3.6 |
| CASH EQUIVALENT FUNDS | 3,178,208 | 1.1 |
| TOTAL | 295,505,144 | 100.0 |

BAY COUNTY EMPLOYEES' RETIREMENT

As of December 31, 2013

Portfolio Asset Allocation by Manager



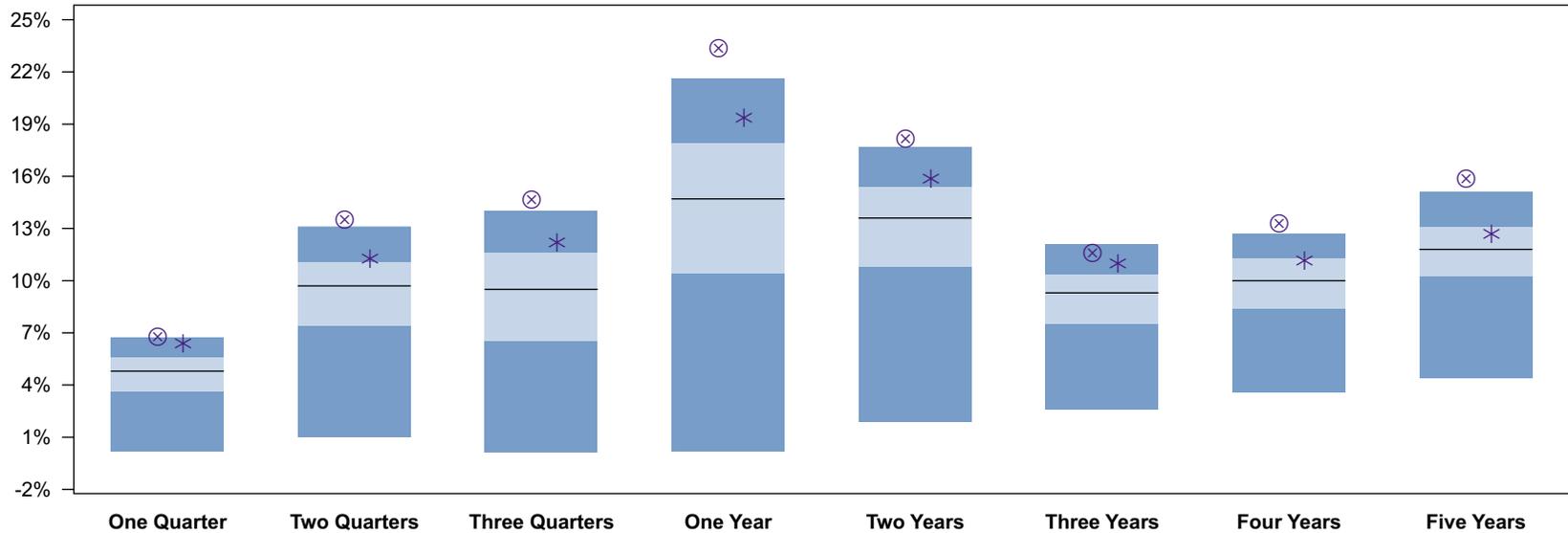
| FUND | Ending Market Value | % of Plan |
|------------------------|---------------------|--------------|
| COLUMBIA | 43,224,081 | 14.6 |
| EAGLE | 11,027,484 | 3.7 |
| GENEVA | 24,493,611 | 8.3 |
| HOTCHKIS & WILEY | 11,549,971 | 3.9 |
| INTEGRITY | 25,768,921 | 8.7 |
| MFS INVESTMENTS | 43,147,816 | 14.6 |
| VANGUARD S&P 500 INDEX | 13,287,261 | 4.5 |
| WHV INVESTMENTS | 1,556 | 0.0 |
| BARINGS INTL | 16,584,125 | 5.6 |
| SCHRODER | 18,204,613 | 6.2 |
| BAIRD ADVISORS | 24,076,906 | 8.1 |
| LOOMIS SAYLES | 33,149,080 | 11.2 |
| MACKAY SHIELDS | 17,279,812 | 5.8 |
| CORNERSTONE R/E | 10,531,699 | 3.6 |
| CASH W / LENDING | 3,178,208 | 1.1 |
| TOTAL | 295,505,144 | 100.0 |

BAY COUNTY EMPLOYEES' RETIREMENT

Master Trust Funds

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



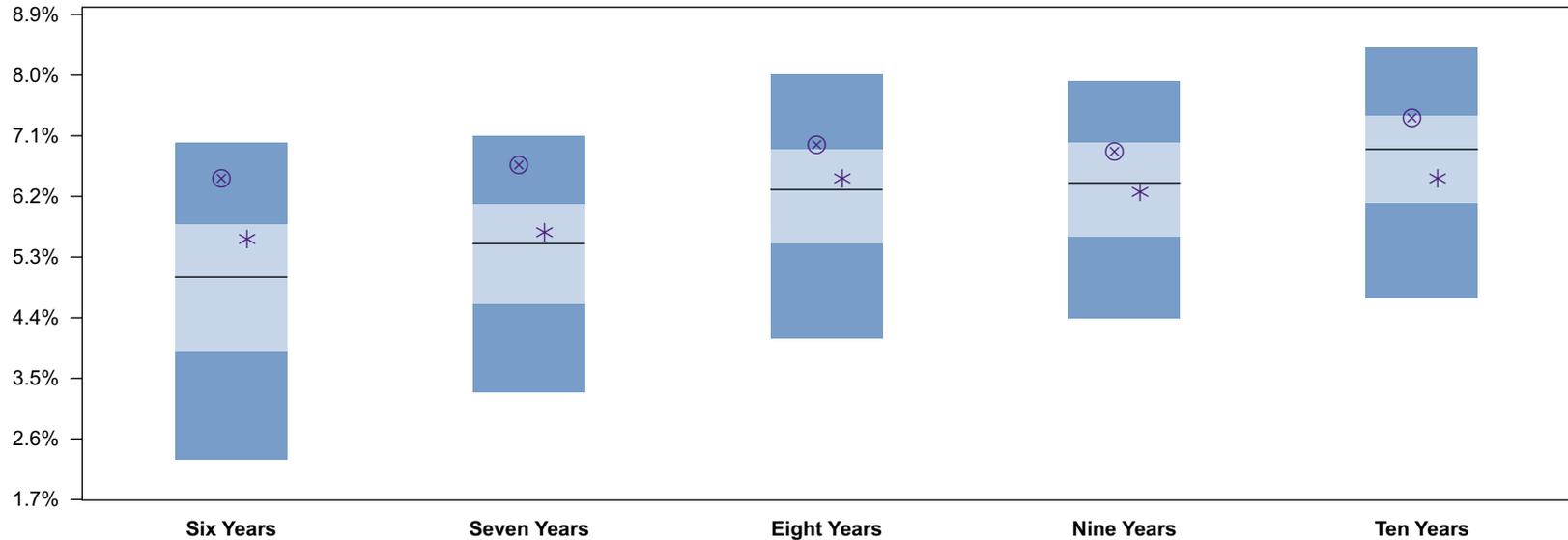
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ COMBINED | 6.9 | 5 | 13.6 | 4 | 14.8 | 4 | 23.5 | 3 | 18.3 | 3 | 11.7 | 8 | 13.4 | 2 | 16.0 | 2 |
| * <i>Policy Index Combined</i> | 6.5 | 10 | 11.4 | 20 | 12.3 | 18 | 19.5 | 14 | 16.0 | 17 | 11.1 | 15 | 11.3 | 26 | 12.8 | 34 |
| Median | 4.8 | | 9.7 | | 9.5 | | 14.7 | | 13.6 | | 9.3 | | 10.0 | | 11.8 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Master Trust Funds

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



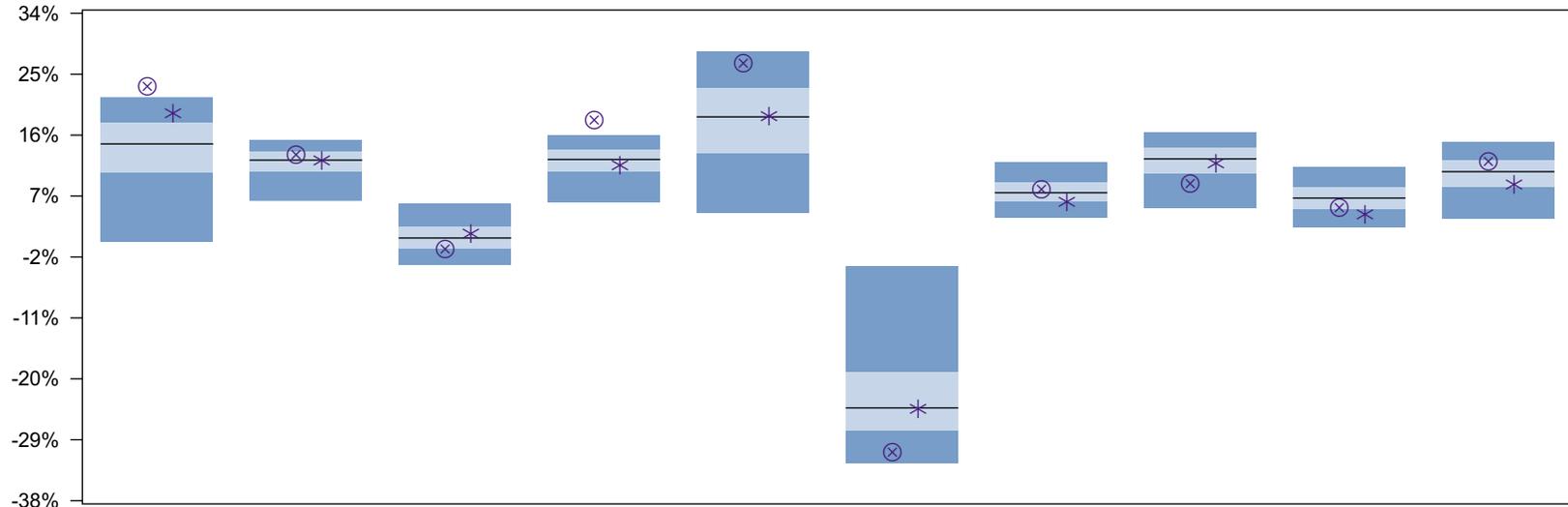
| | Six Years | Seven Years | Eight Years | Nine Years | Ten Years |
|--------------------------------|-----------|-------------|-------------|------------|-----------|
| ⊗ COMBINED | 6.5 12 | 6.7 12 | 7.0 20 | 6.9 28 | 7.4 27 |
| * <i>Policy Index Combined</i> | 5.6 33 | 5.7 38 | 6.5 43 | 6.3 55 | 6.5 63 |
| Median | 5.0 | 5.5 | 6.3 | 6.4 | 6.9 |

BAY COUNTY EMPLOYEES' RETIREMENT

Master Trust Funds

Years Ending December

Total Fund Performance - Annual Periods



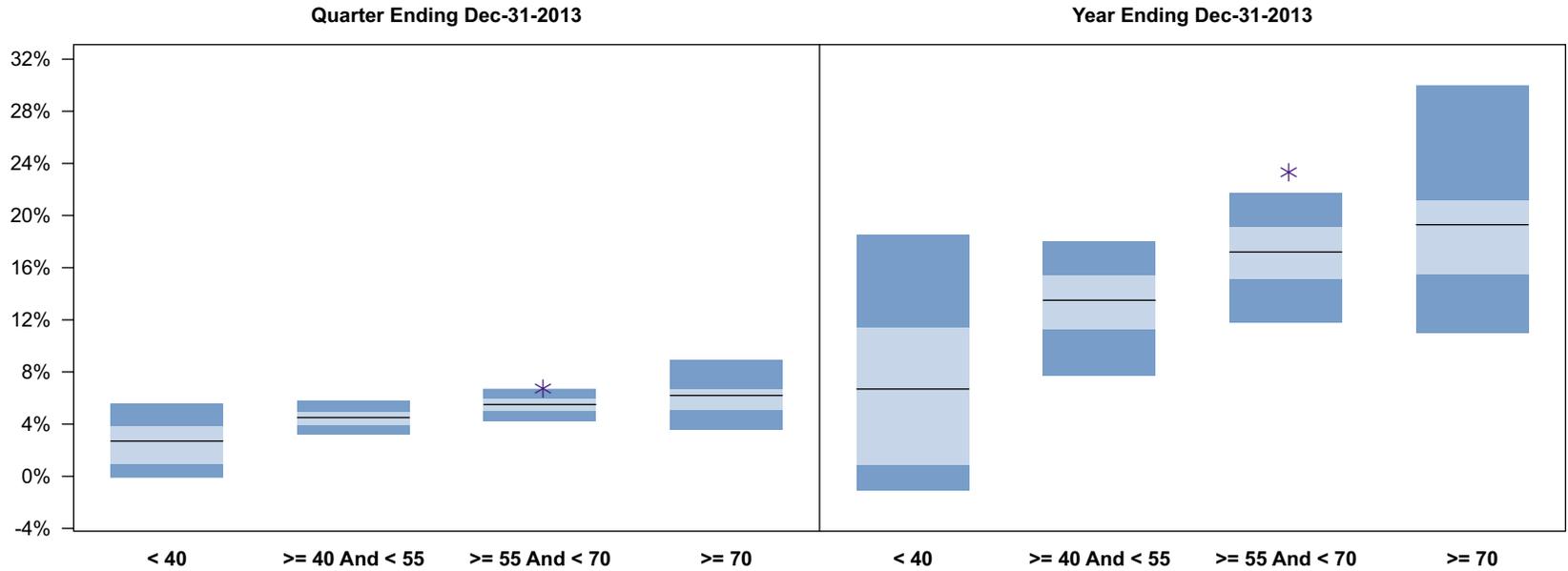
| | Dec-2013 | | Dec-2012 | | Dec-2011 | | Dec-2010 | | Dec-2009 | | Dec-2008 | | Dec-2007 | | Dec-2006 | | Dec-2005 | | Dec-2004 | |
|--------------------------------|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|
| ⊗ COMBINED | 23.5 | 3 | 13.4 | 27 | -0.5 | 72 | 18.6 | 1 | 27.0 | 9 | -30.5 | 91 | 8.3 | 37 | 9.2 | 82 | 5.6 | 67 | 12.4 | 24 |
| * <i>Policy Index Combined</i> | 19.5 | 14 | 12.6 | 43 | 1.8 | 34 | 11.8 | 60 | 19.1 | 48 | -24.1 | 49 | 6.4 | 70 | 12.2 | 54 | 4.6 | 80 | 9.0 | 71 |
| Median | 14.7 | | 12.3 | | 0.8 | | 12.4 | | 18.7 | | -24.3 | | 7.5 | | 12.5 | | 6.7 | | 10.6 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Master Trust Funds

Periods Ending December 31, 2013

Effects of Equity Allocation on Total Fund Return



* **COMBINED**
Median

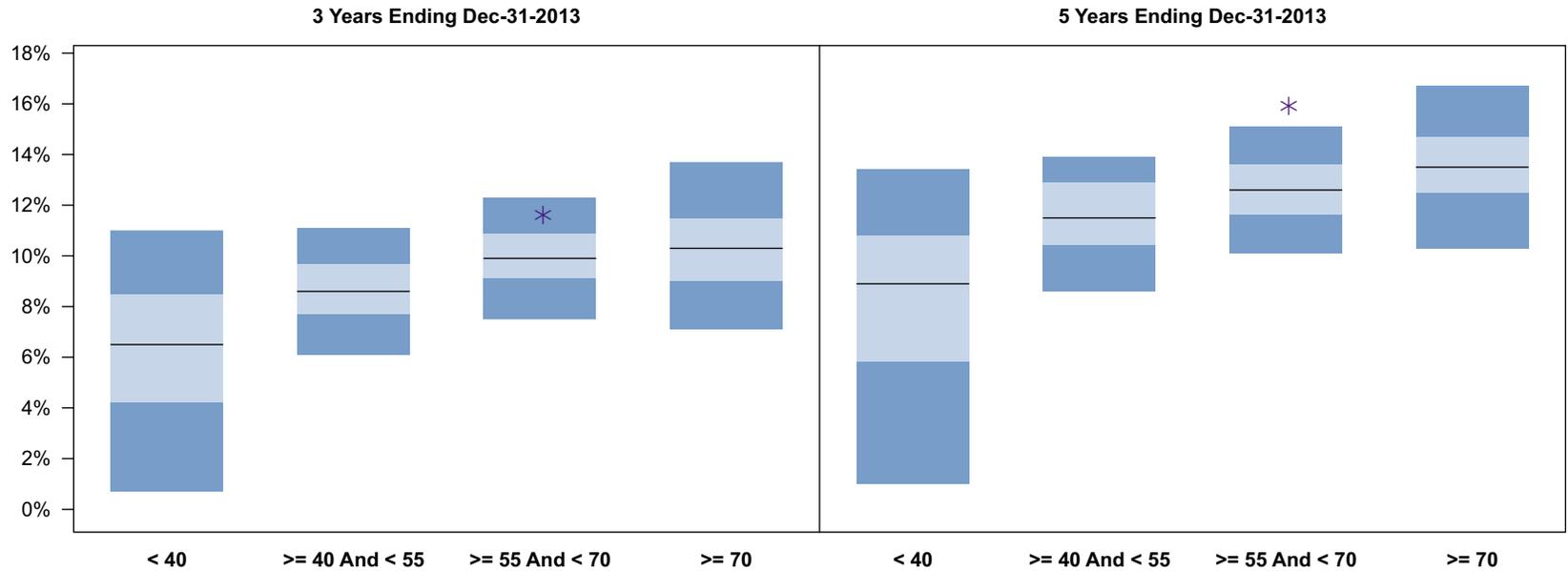
| | | | | | | | | | | |
|--|-----|-----|-----|---|-----|-----|------|------|---|------|
| | 2.7 | 4.5 | 6.9 | 4 | 6.2 | 6.7 | 13.5 | 23.5 | 2 | 19.3 |
| | | | 5.5 | | | | | 17.2 | | |

BAY COUNTY EMPLOYEES' RETIREMENT

Master Trust Funds

Periods Ending December 31, 2013

Effects of Equity Allocation on Total Fund Return



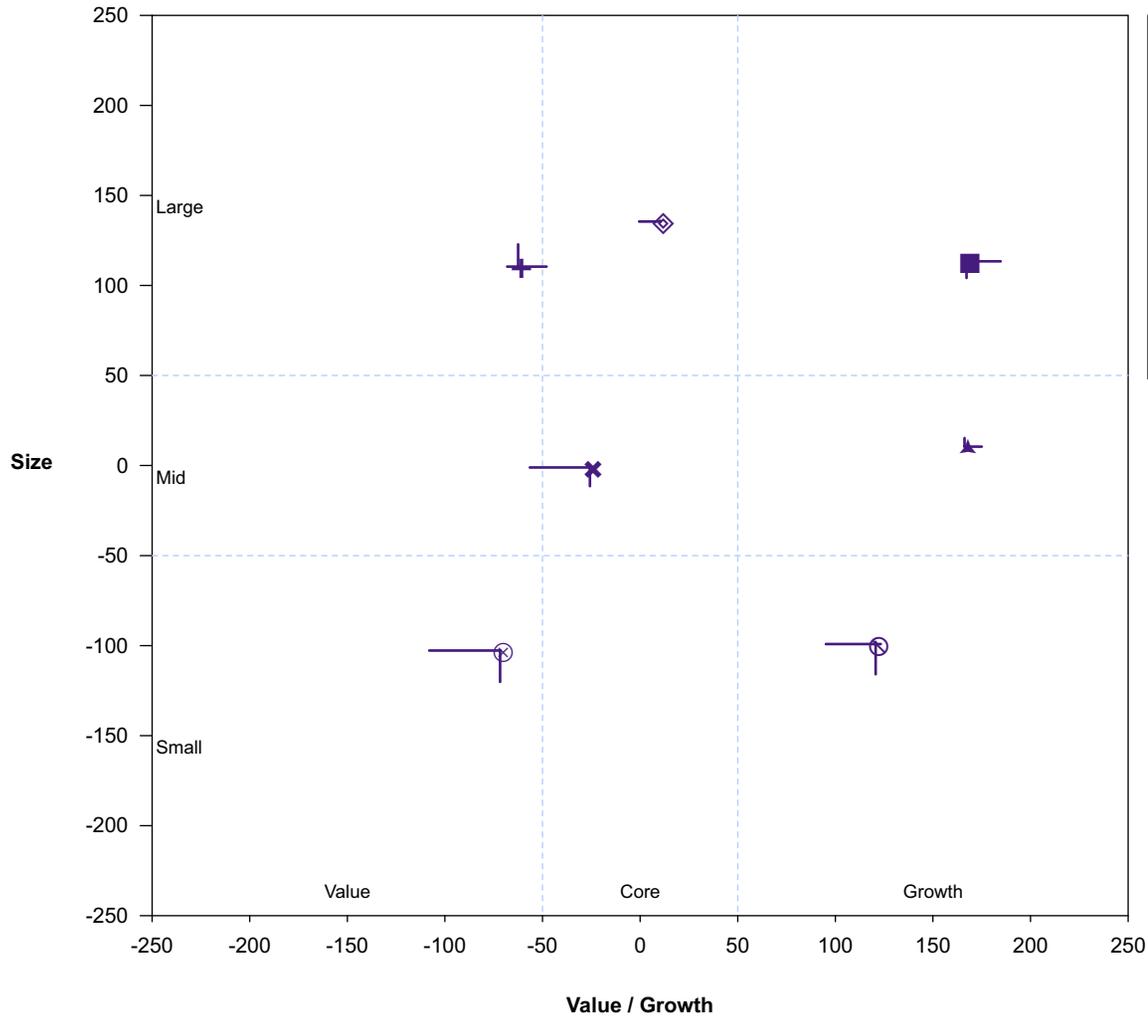
* **COMBINED**
Median

| | < 40 | >= 40 And < 55 | >= 55 And < 70 | >= 70 | < 40 | >= 40 And < 55 | >= 55 And < 70 | >= 70 |
|--------|------|----------------|----------------|-------|------|----------------|----------------|-------|
| Median | 6.5 | 8.6 | 11.7 | 10.3 | 8.9 | 11.5 | 16.0 | 13.5 |
| | | | 9 | | | | 1 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Period Ending December 31, 2013

Equity Style Analysis - Drift Over Time



| FUND | Value / Growth | Size | |
|------|------------------------|--------|---------|
| + | COLUMBIA | -62.50 | 110.47 |
| ○ | EAGLE | 120.68 | -99.14 |
| ▲ | GENEVA | 166.20 | 10.46 |
| ⊗ | HOTCHKIS & WILEY | -71.73 | -102.76 |
| ✱ | INTEGRITY | -25.75 | -1.04 |
| ■ | MFS INVESTMENTS | 167.24 | 113.39 |
| ◇ | VANGUARD S&P 500 INDEX | 10.25 | 135.51 |
| * | WHV INVESTMENTS | | |

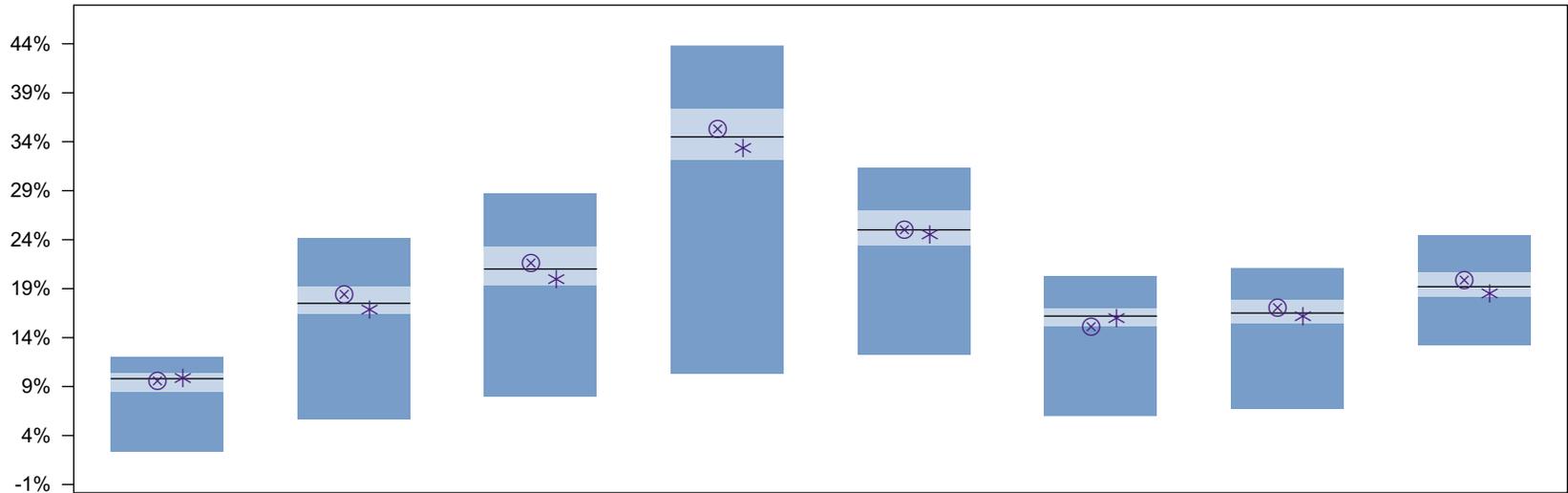
* Equity style analysis is based on Morningstar Size and VCG Scores and Morningstar Style Box(TM) methodology

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Pools

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



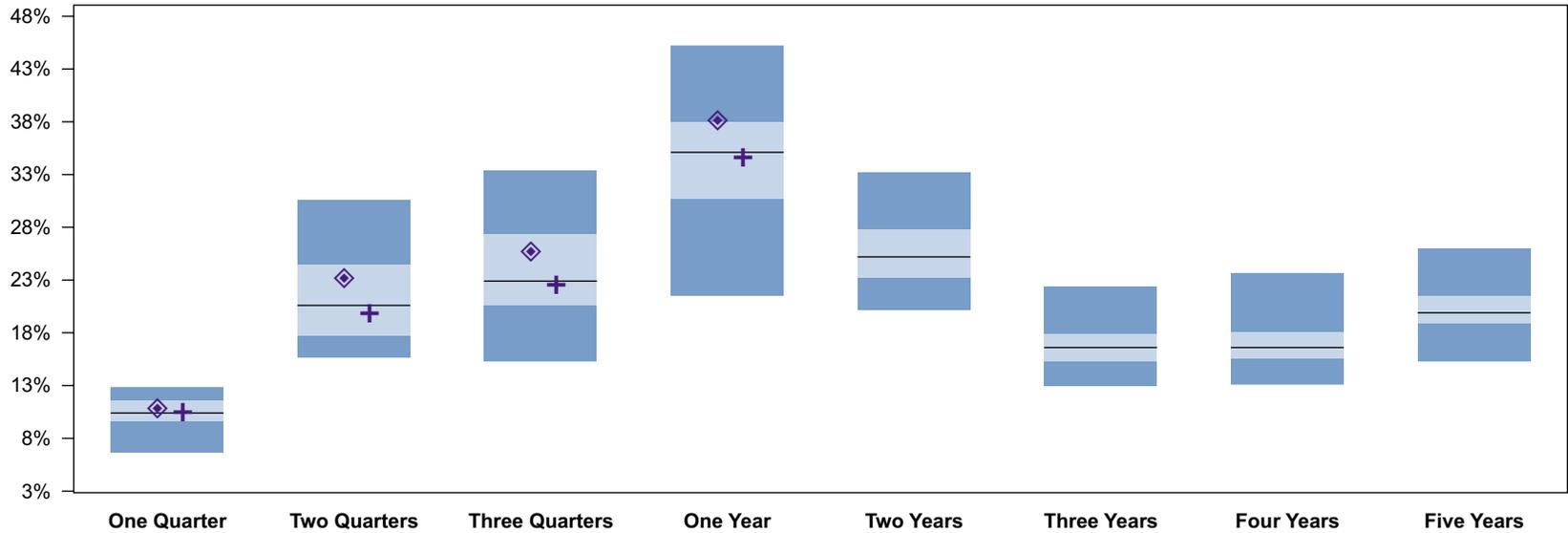
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|----------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ EQUITY COMBO | 9.8 | 51 | 18.6 | 34 | 21.8 | 42 | 35.5 | 40 | 25.2 | 46 | 15.3 | 74 | 17.3 | 32 | 20.1 | 35 |
| * Russell 3000 | 10.1 | 38 | 17.1 | 58 | 20.2 | 60 | 33.6 | 61 | 24.7 | 57 | 16.2 | 50 | 16.4 | 53 | 18.7 | 61 |
| Median | 9.8 | | 17.5 | | 21.0 | | 34.5 | | 25.0 | | 16.2 | | 16.5 | | 19.2 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Large Growth

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



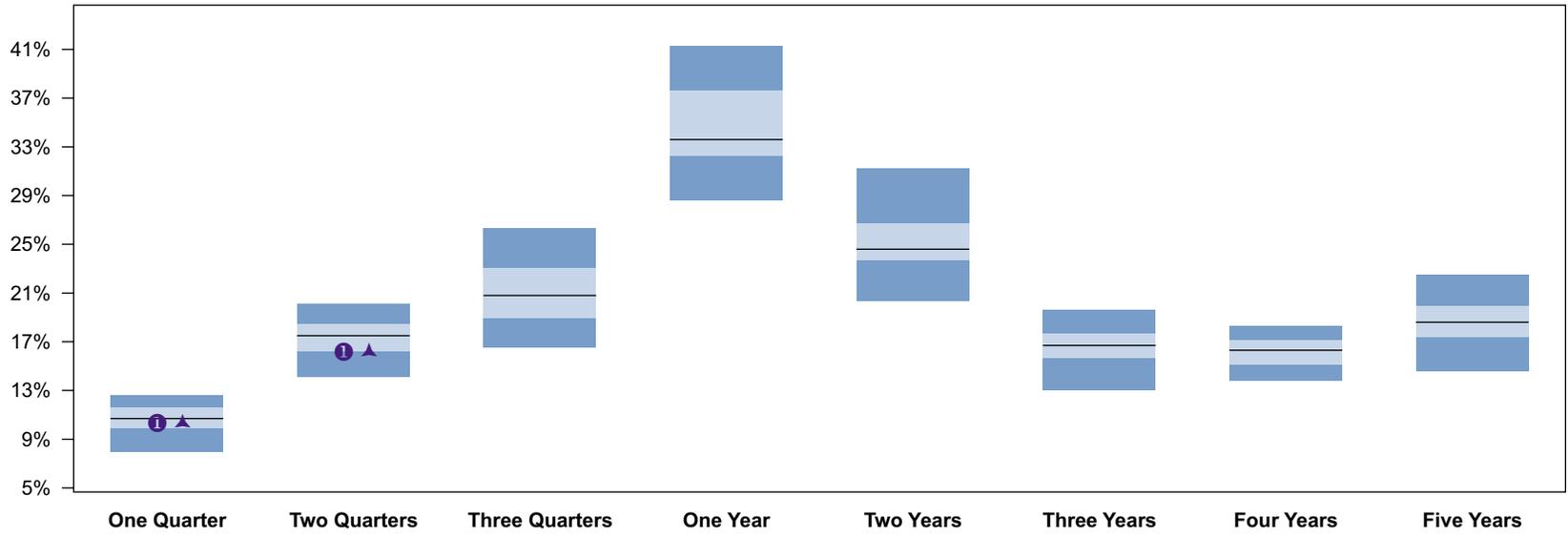
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | Three Years | Four Years | Five Years |
|-------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|-------------|------------|------------|
| ◆ MFS INVESTMENTS | 11.0 | 37 | 23.4 | 31 | 25.9 | 31 | 38.3 | 24 | | | | |
| + R1000 Growth + 1% Median | 10.7 | 45 | 20.0 | 54 | 22.7 | 53 | 34.8 | 51 | 25.2 | 16.6 | 16.6 | 19.9 |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Large Core

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



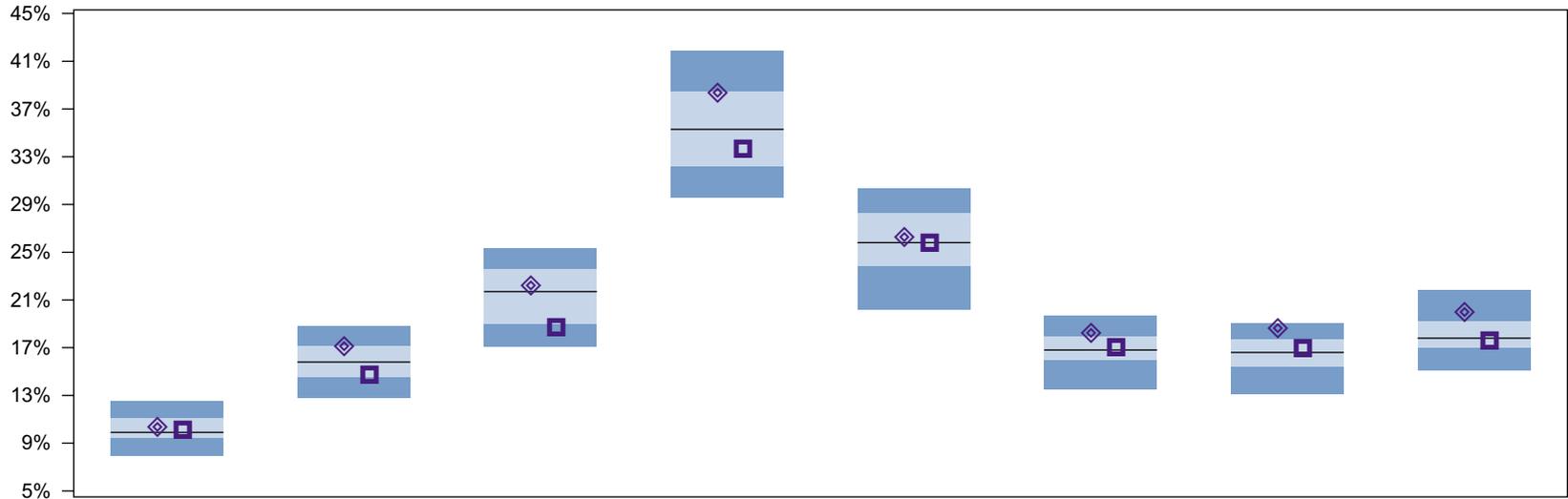
| | One Quarter | Two Quarters | Three Quarters | One Year | Two Years | Three Years | Four Years | Five Years |
|-------------------------|-------------|--------------|----------------|----------|-----------|-------------|------------|------------|
| ① VANGUARD S&P 500 INDE | 10.5 | 16.3 | | | | | | |
| ▲ S&P 500 | 10.5 | 16.3 | | | | | | |
| Median | 10.7 | 17.5 | 20.8 | 33.6 | 24.6 | 16.7 | 16.3 | 18.6 |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Large Value

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



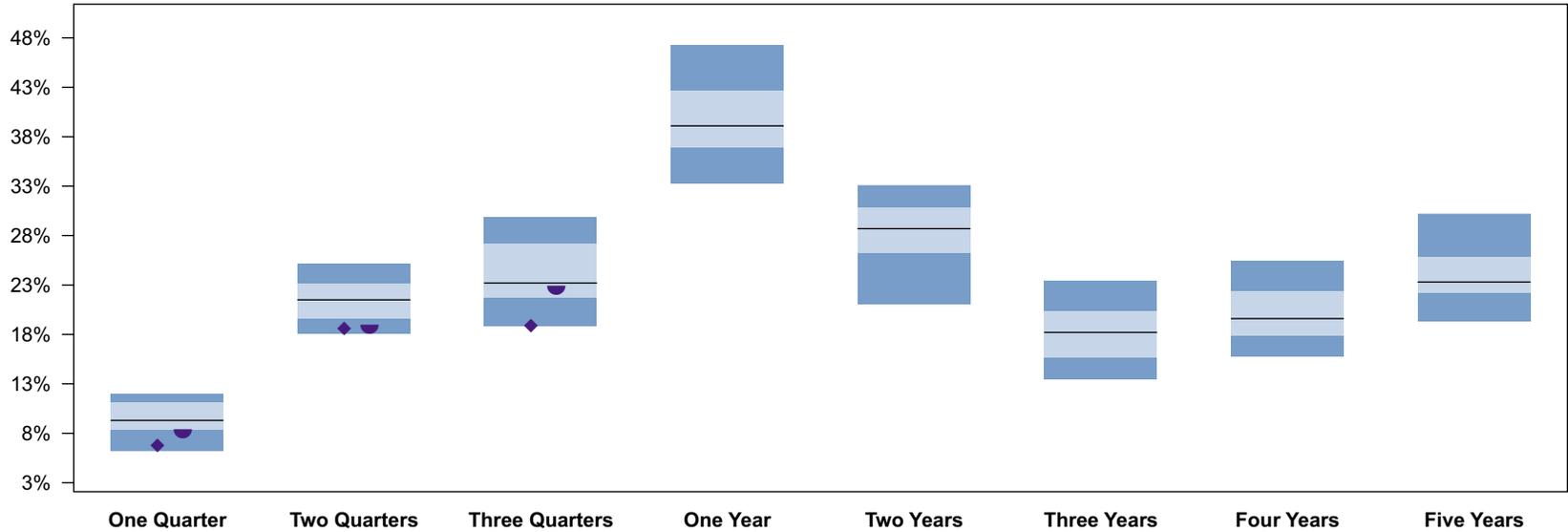
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ◆ COLUMBIA | 10.5 | 36 | 17.3 | 18 | 22.4 | 45 | 38.5 | 25 | 26.4 | 48 | 18.4 | 22 | 18.8 | 7 | 20.2 | 19 |
| ■ R1000 Value + 1% | 10.3 | 42 | 14.9 | 73 | 18.9 | 78 | 33.8 | 66 | 26.0 | 49 | 17.2 | 33 | 17.1 | 36 | 17.8 | 51 |
| Median | 9.9 | | 15.8 | | 21.7 | | 35.3 | | 25.8 | | 16.8 | | 16.6 | | 17.8 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equities Only (Active) - Mid Growth

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



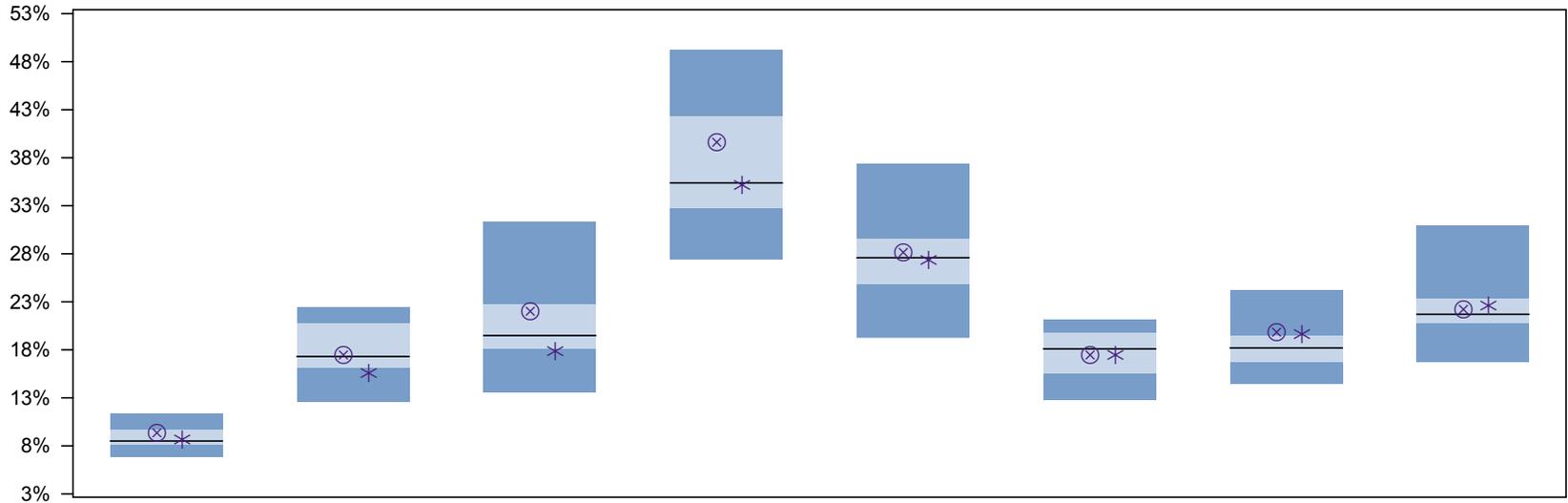
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | Two Years | Three Years | Four Years | Five Years |
|------------------------------|-------------|----|--------------|----|----------------|----|----------|-----------|-------------|------------|------------|
| ◆ GENEVA | 7.0 | 86 | 18.8 | 91 | 19.1 | 94 | | | | | |
| ▼ Russell Midcap Growth + 1. | 8.6 | 61 | 19.2 | 86 | 23.1 | 52 | | | | | |
| Median | 9.3 | | 21.5 | | 23.2 | | 39.1 | 28.7 | 18.2 | 19.6 | 23.3 |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Mid Value

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



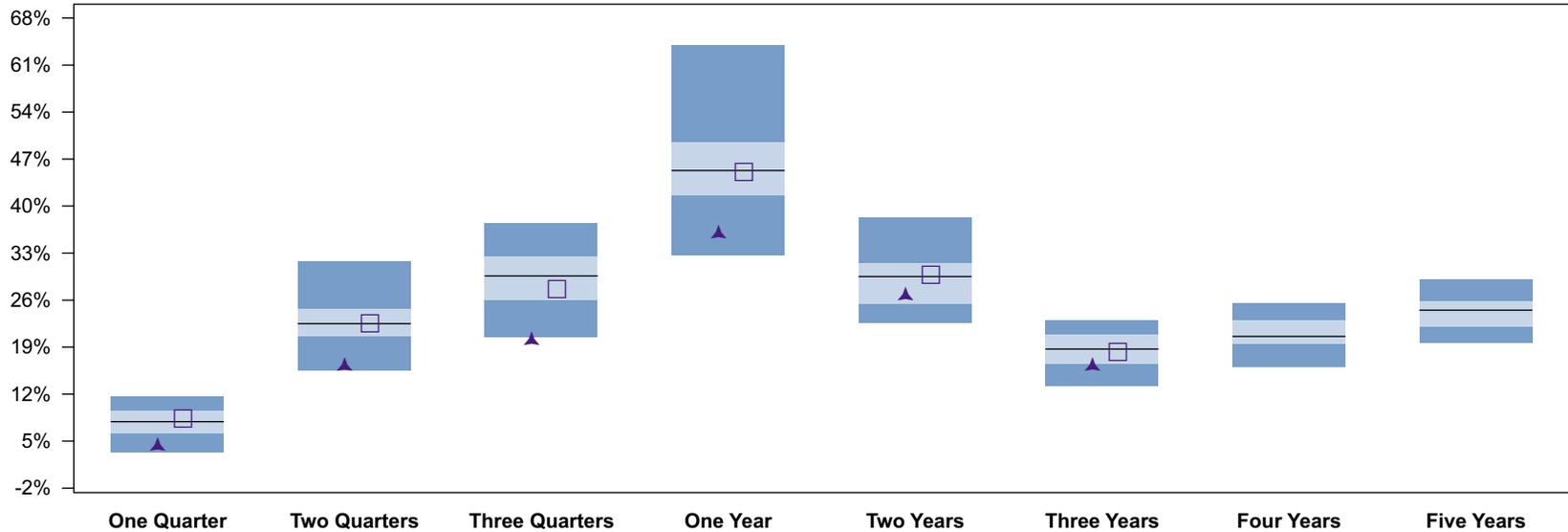
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ INTEGRITY | 9.6 | 26 | 17.7 | 48 | 22.2 | 39 | 39.8 | 34 | 28.4 | 40 | 17.7 | 58 | 20.1 | 17 | 22.4 | 42 |
| * Russell Midcap Value + 1.5 | 8.9 | 40 | 15.8 | 84 | 18.1 | 70 | 35.4 | 51 | 27.6 | 54 | 17.7 | 58 | 19.9 | 19 | 22.8 | 31 |
| Median | 8.5 | | 17.3 | | 19.5 | | 35.4 | | 27.6 | | 18.1 | | 18.2 | | 21.7 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Small Growth

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



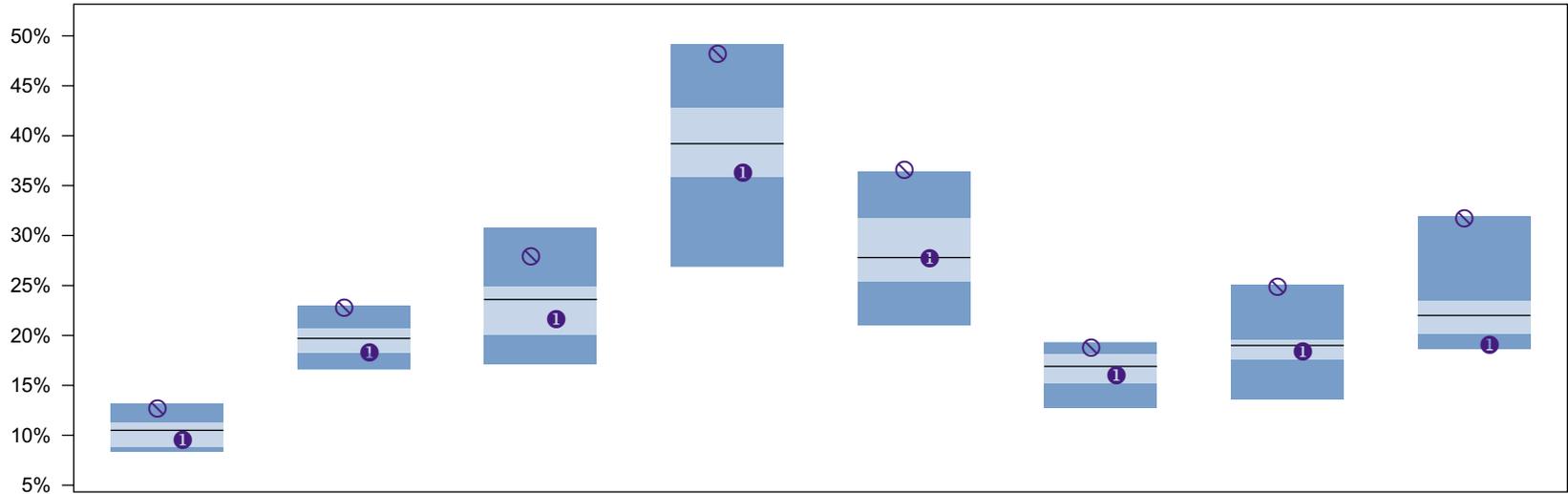
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | Five Years |
|-----------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|------------|
| ▲ EAGLE | 4.6 | 87 | 16.5 | 93 | 20.3 | 97 | 36.2 | 87 | 26.9 | 67 | 16.5 | 69 | | |
| □ R2000 Growth + 1.5% | 8.6 | 37 | 22.9 | 48 | 28.0 | 62 | 45.4 | 50 | 30.0 | 48 | 18.6 | 51 | | |
| Median | 7.9 | | 22.5 | | 29.6 | | 45.3 | | 29.5 | | 18.7 | | 20.6 | 24.5 |

BAY COUNTY EMPLOYEES' RETIREMENT

US Equity Funds (Active) - Small Value

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



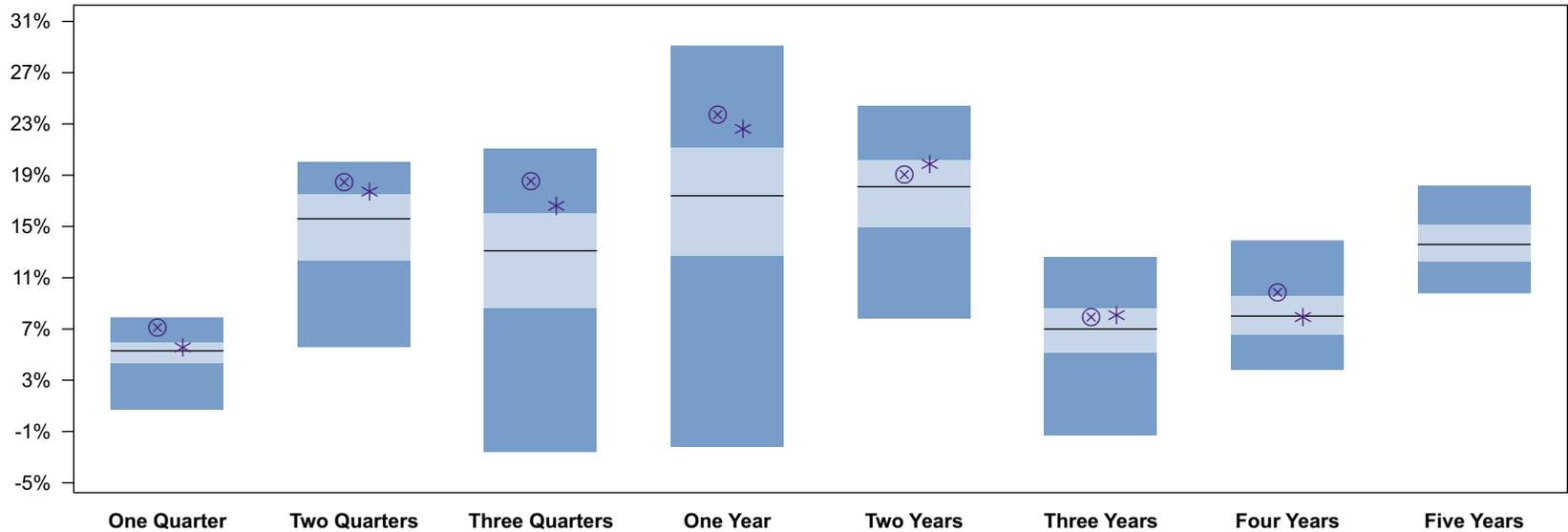
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|----------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ○ HOTCHKIS & WILEY | 12.9 | 7 | 23.0 | 4 | 28.1 | 11 | 48.4 | 8 | 36.8 | 5 | 19.0 | 9 | 25.1 | 5 | 31.9 | 5 |
| ● R2000 Value + 1.5% | 9.7 | 66 | 18.5 | 74 | 21.8 | 61 | 36.5 | 73 | 27.9 | 49 | 16.2 | 70 | 18.6 | 63 | 19.3 | 92 |
| Median | 10.5 | | 19.7 | | 23.6 | | 39.2 | | 27.8 | | 16.9 | | 19.0 | | 22.0 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Intl Equity Pools

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



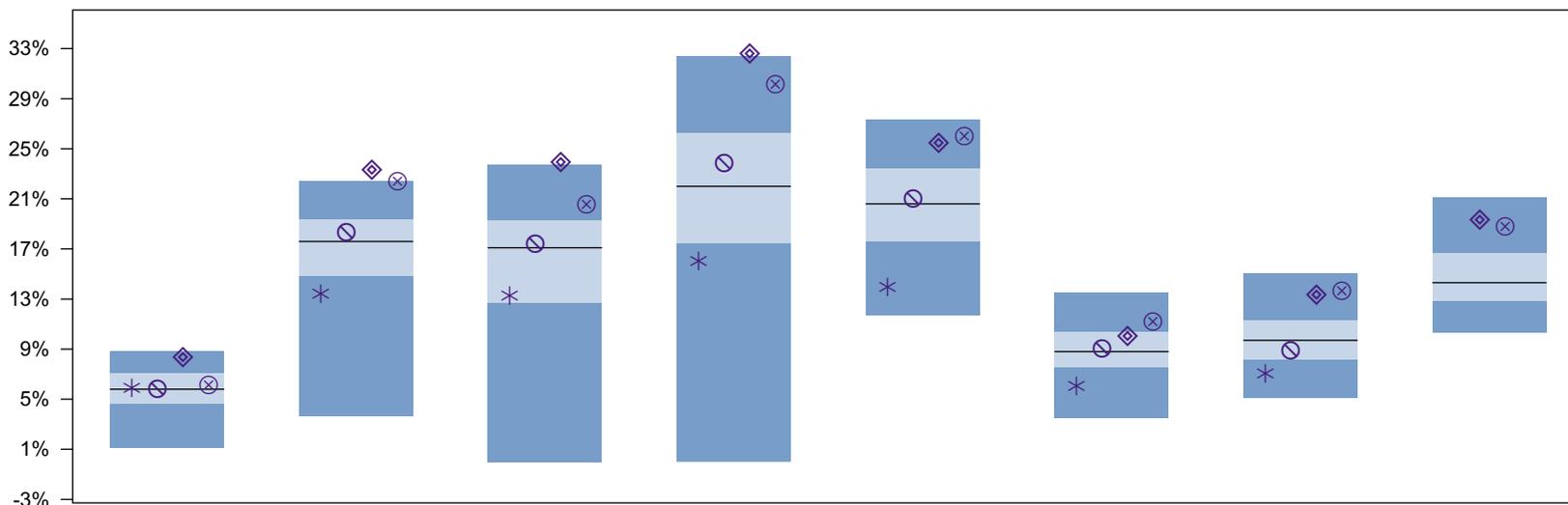
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|-------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|--|
| ⊗ INTL COMBO | 7.3 | 8 | 18.6 | 12 | 18.7 | 12 | 23.9 | 16 | 19.2 | 35 | 8.1 | 34 | 10.0 | 20 | | |
| * MSCI EAFE (NET) | 5.7 | 35 | 17.9 | 17 | 16.8 | 21 | 22.8 | 18 | 20.0 | 26 | 8.2 | 34 | 8.1 | 49 | | |
| Median | 5.3 | | 15.6 | | 13.1 | | 17.4 | | 18.1 | | 7.0 | | 8.0 | | 13.6 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Intl Equity Developed Mkt Funds (Active)

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



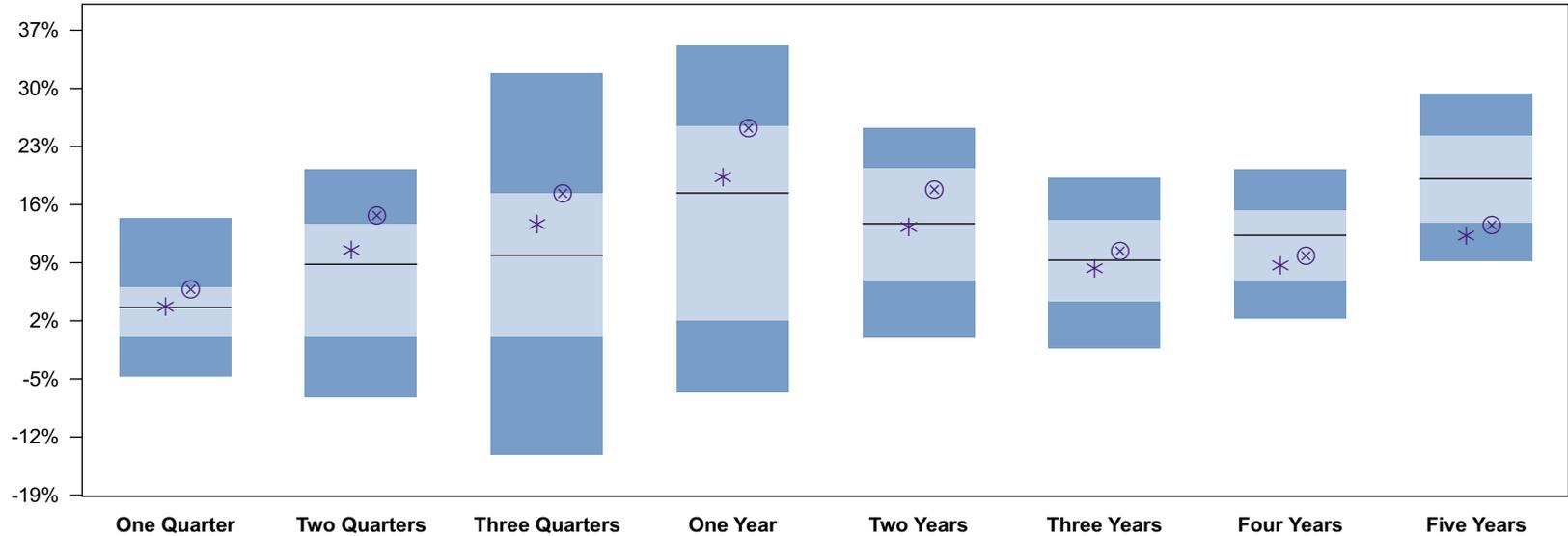
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|----------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| * BARINGS INTL | 6.1 | 45 | 13.6 | 83 | 13.4 | 71 | 16.2 | 81 | 14.1 | 91 | 6.2 | 85 | 7.2 | 86 | | |
| ⊖ MSCI EAFE (Net) + 1% | 6.0 | 48 | 18.5 | 33 | 17.6 | 43 | 24.0 | 37 | 21.2 | 44 | 9.2 | 43 | 9.1 | 60 | | |
| ⬠ SCHRODER | 8.5 | 7 | 23.5 | 3 | 24.1 | 5 | 32.8 | 4 | 25.6 | 10 | 10.2 | 27 | 13.5 | 14 | 19.5 | 10 |
| ⊗ S&P EPAC Small Cap + 1.5 | 6.3 | 42 | 22.6 | 5 | 20.7 | 17 | 30.3 | 12 | 26.2 | 8 | 11.4 | 15 | 13.8 | 12 | 19.0 | 11 |
| Median | 5.8 | | 17.6 | | 17.1 | | 22.0 | | 20.6 | | 8.8 | | 9.7 | | 14.3 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Convertibles Only

Periods Ending December 31, 2013

Convertibles Only Performance



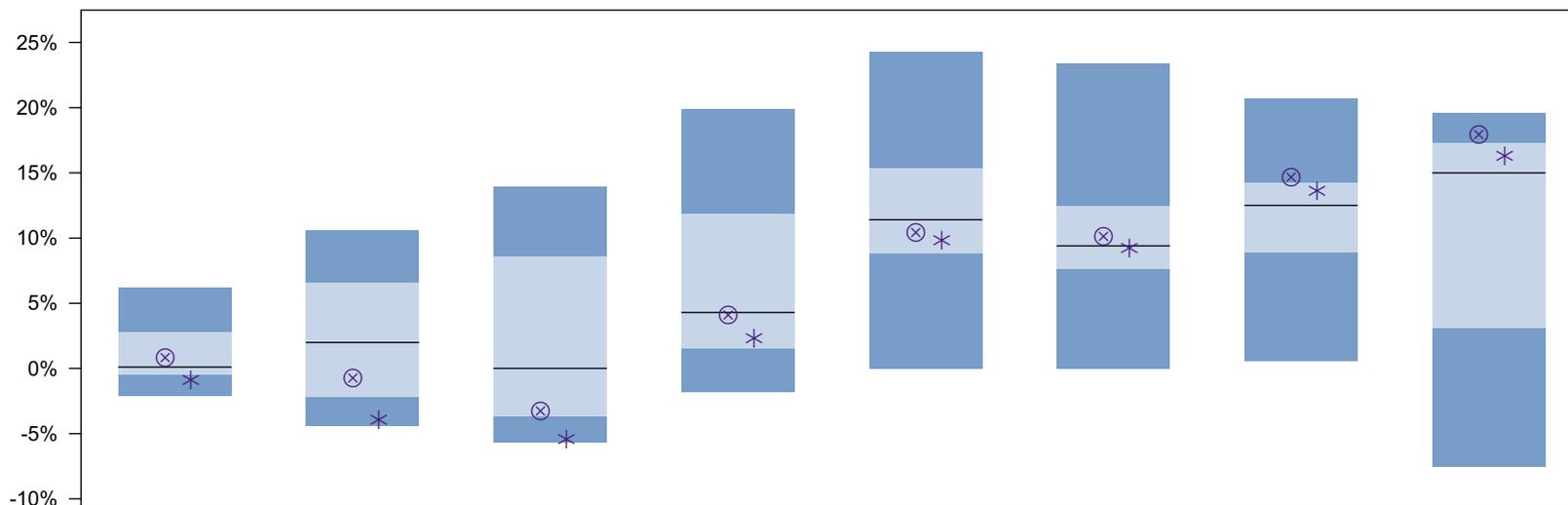
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|-------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| * MACKAY SHIELDS | 4.0 | 44 | 10.8 | 41 | 13.9 | 39 | 19.5 | 46 | 13.6 | 53 | 8.6 | 56 | 8.9 | 67 | 12.5 | 80 |
| ⊗ BOA IG Convert +1% | 6.0 | 26 | 14.9 | 16 | 17.6 | 24 | 25.5 | 26 | 18.0 | 37 | 10.7 | 44 | 10.1 | 59 | 13.8 | 75 |
| Median | 3.6 | | 8.8 | | 9.9 | | 17.4 | | 13.7 | | 9.3 | | 12.3 | | 19.1 | |

BAY COUNTY EMPLOYEES' RETIREMENT

REIT Funds

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



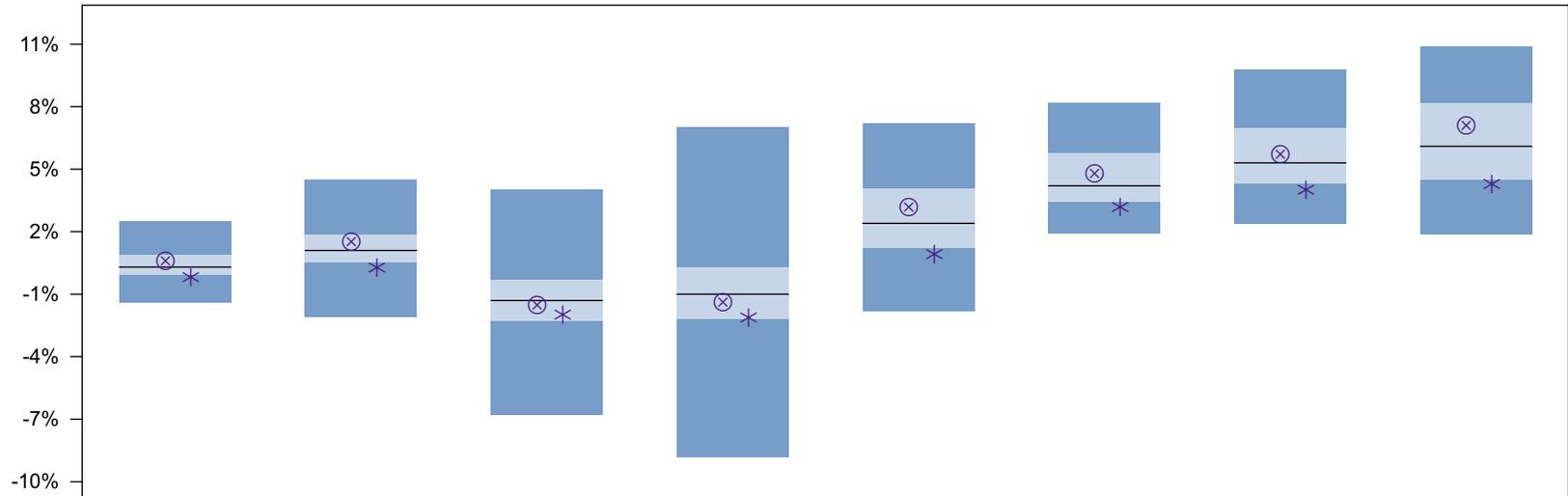
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|----------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ CORNERSTONE R/E | 1.0 | 42 | -0.6 | 64 | -3.1 | 69 | 4.3 | 50 | 10.6 | 52 | 10.3 | 34 | 14.8 | 21 | 18.1 | 9 |
| * NAREIT EQUITY REIT INDE | -0.7 | 80 | -3.8 | 90 | -5.3 | 92 | 2.5 | 71 | 10.0 | 63 | 9.4 | 48 | 13.8 | 39 | 16.5 | 37 |
| Median | 0.1 | | 2.0 | | 0.0 | | 4.3 | | 11.4 | | 9.4 | | 12.5 | | 15.0 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Fixed Income Pools

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods

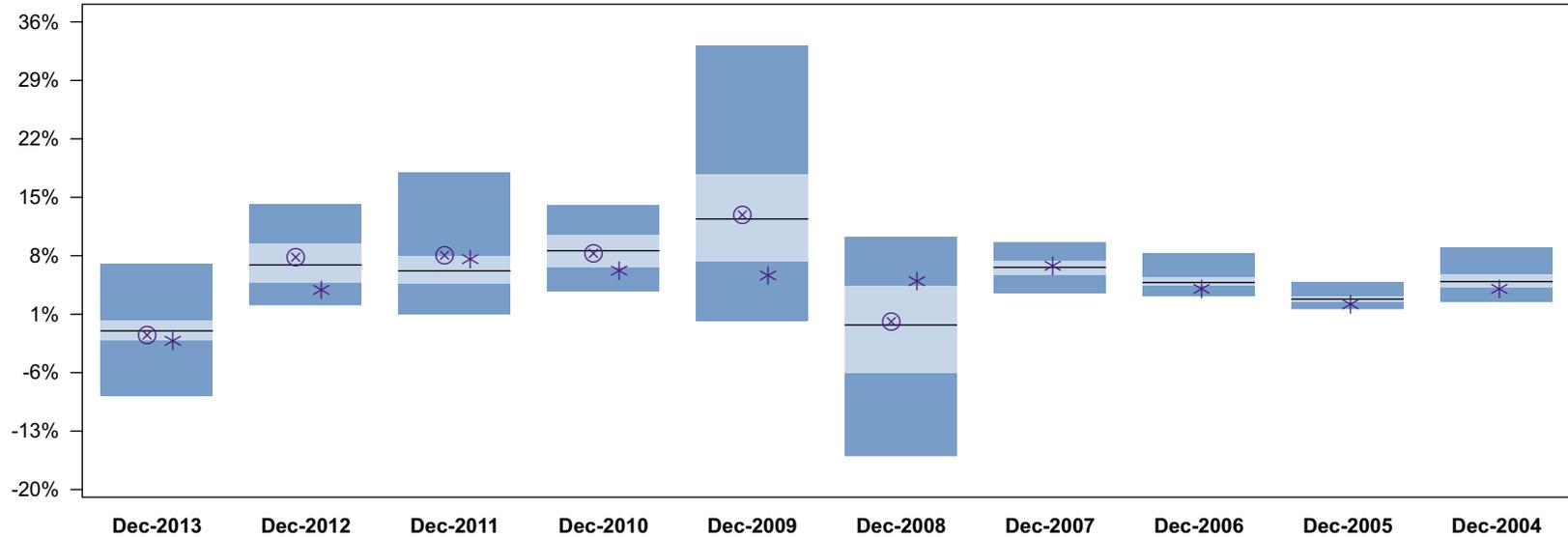


| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|----------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ FIXED COMBO | 0.7 | 33 | 1.6 | 34 | -1.4 | 56 | -1.3 | 56 | 3.3 | 38 | 4.9 | 38 | 5.8 | 40 | 7.2 | 34 |
| * <i>Barclays Aggregate Bond</i> | -0.1 | 84 | 0.4 | 78 | -1.9 | 66 | -2.0 | 71 | 1.0 | 79 | 3.3 | 80 | 4.1 | 80 | 4.4 | 77 |
| Median | 0.3 | | 1.1 | | -1.3 | | -1.0 | | 2.4 | | 4.2 | | 5.3 | | 6.1 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Fixed Income Pools
Years Ending December

Total Fund Performance - Annual Periods



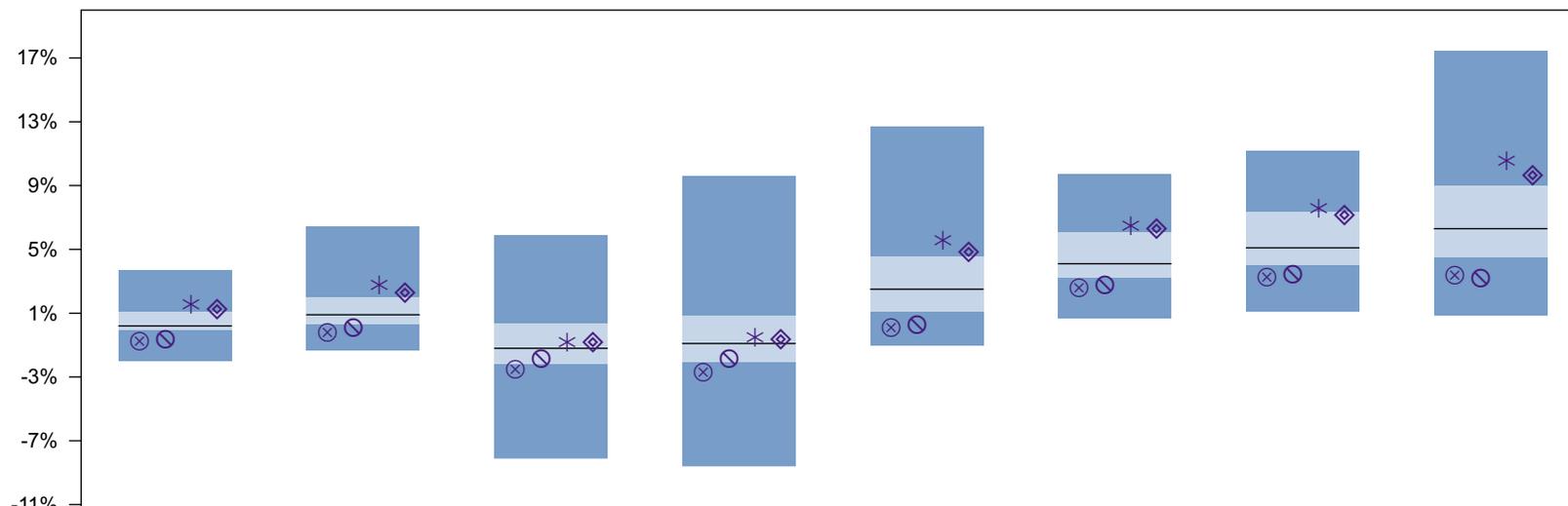
| | Dec-2013 | | Dec-2012 | | Dec-2011 | | Dec-2010 | | Dec-2009 | | Dec-2008 | | Dec-2007 | | Dec-2006 | | Dec-2005 | | Dec-2004 | |
|----------------------------------|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|
| ⊗ FIXED COMBO | -1.3 | 56 | 8.1 | 39 | 8.3 | 22 | 8.5 | 51 | 13.1 | 47 | 0.3 | 48 | | | | | | | | |
| * <i>Barclays Aggregate Bond</i> | -2.0 | 71 | 4.2 | 82 | 7.8 | 28 | 6.5 | 78 | 5.9 | 84 | 5.2 | 20 | 7.0 | 40 | 4.3 | 79 | 2.4 | 73 | 4.3 | 68 |
| Median | -1.0 | | 6.9 | | 6.2 | | 8.6 | | 12.4 | | -0.3 | | 6.6 | | 4.8 | | 2.8 | | 4.9 | |

BAY COUNTY EMPLOYEES' RETIREMENT

US Fixed Income Funds

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



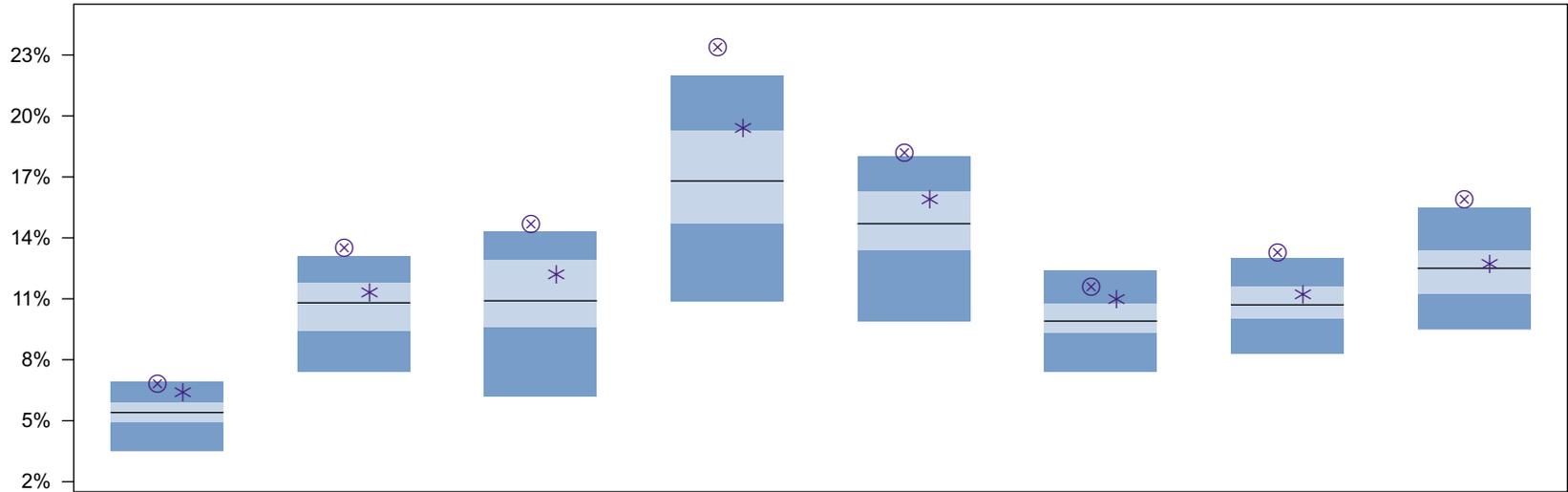
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ BAIRD ADVISORS | -0.6 | 91 | -0.1 | 88 | -2.4 | 78 | -2.6 | 83 | 0.2 | 89 | 2.7 | 85 | 3.4 | 84 | 3.5 | 85 |
| ⊘ BC MBS / BC GOV + 0.3% | -0.5 | 89 | 0.2 | 81 | -1.7 | 62 | -1.7 | 65 | 0.4 | 86 | 2.9 | 83 | 3.6 | 83 | 3.3 | 86 |
| * LOOMIS SAYLES | 1.7 | 20 | 2.9 | 20 | -0.7 | 42 | -0.4 | 43 | 5.7 | 22 | 6.6 | 23 | 7.7 | 24 | 10.7 | 19 |
| ◆ Barclays Corp + 1% | 1.4 | 23 | 2.4 | 22 | -0.7 | 41 | -0.5 | 45 | 5.0 | 23 | 6.4 | 24 | 7.3 | 26 | 9.8 | 21 |
| Median | 0.2 | | 0.9 | | -1.2 | | -0.9 | | 2.5 | | 4.1 | | 5.1 | | 6.3 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Public Funds (DB)

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



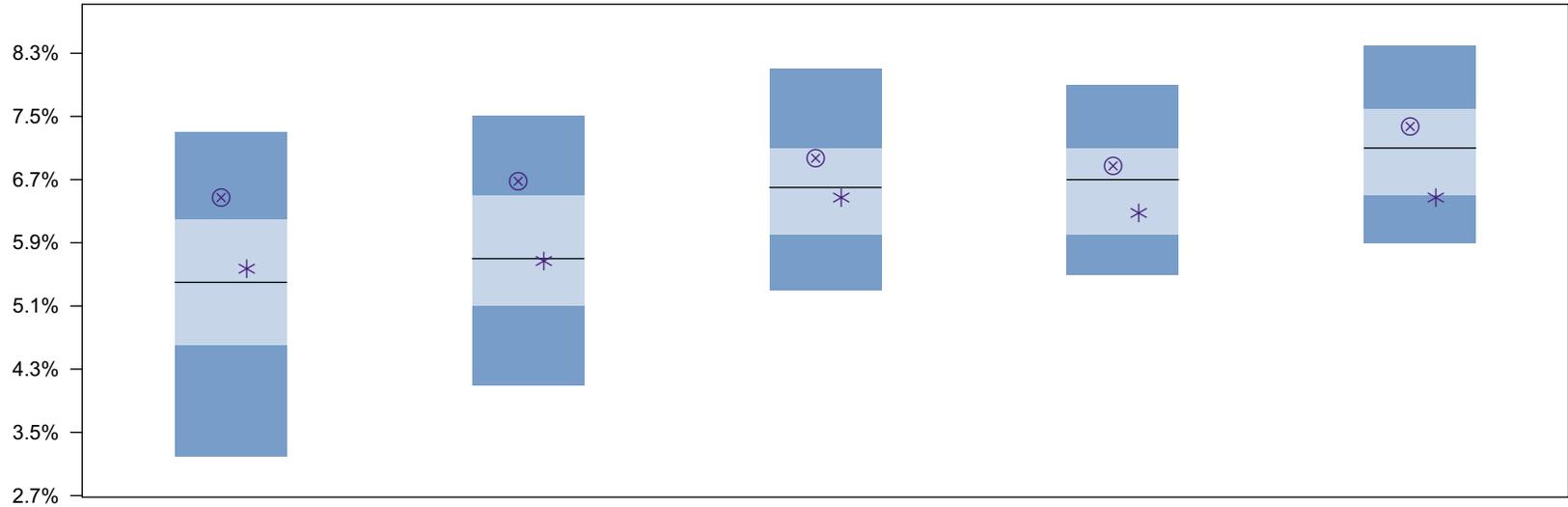
| | One Quarter | | Two Quarters | | Three Quarters | | One Year | | Two Years | | Three Years | | Four Years | | Five Years | |
|--------------------------------|-------------|----|--------------|----|----------------|----|----------|----|-----------|----|-------------|----|------------|----|------------|----|
| ⊗ COMBINED | 6.9 | 6 | 13.6 | 3 | 14.8 | 3 | 23.5 | 3 | 18.3 | 3 | 11.7 | 9 | 13.4 | 3 | 16.0 | 2 |
| * <i>Policy Index Combined</i> | 6.5 | 15 | 11.4 | 33 | 12.3 | 36 | 19.5 | 24 | 16.0 | 30 | 11.1 | 21 | 11.3 | 37 | 12.8 | 41 |
| Median | 5.4 | | 10.8 | | 10.9 | | 16.8 | | 14.7 | | 9.9 | | 10.7 | | 12.5 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Public Funds (DB)

Periods Ending December 31, 2013

Total Fund Performance - Trailing Periods



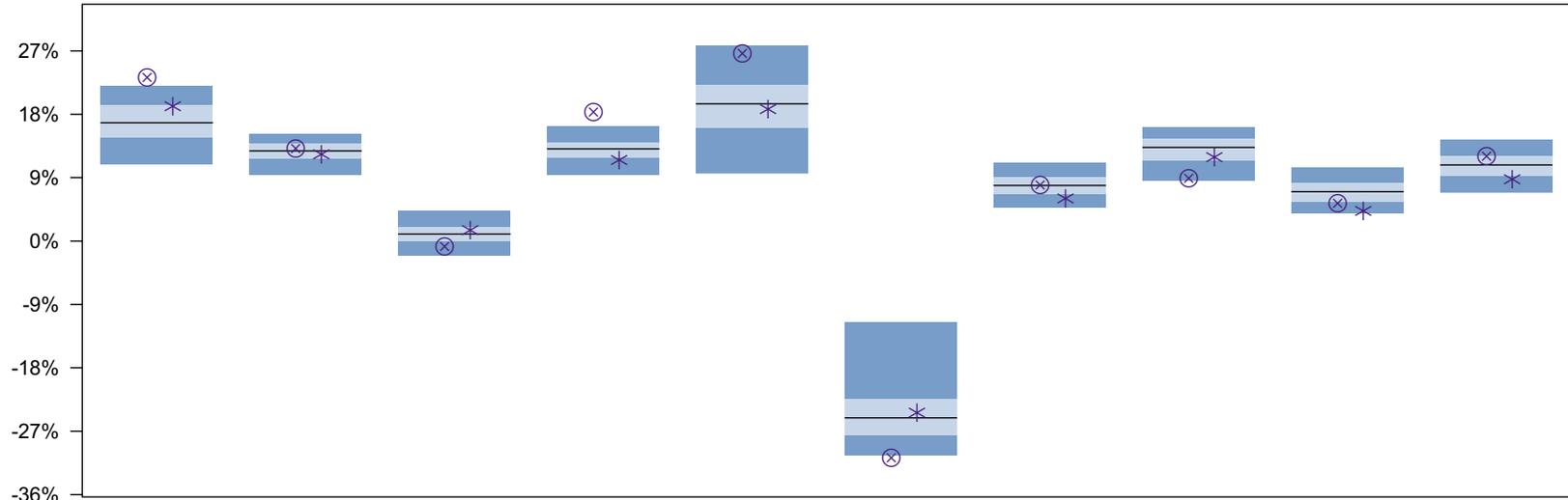
| | Six Years | Seven Years | Eight Years | Nine Years | Ten Years |
|--------------------------------|-----------|-------------|-------------|------------|-----------|
| ⊗ COMBINED | 6.5 19 | 6.7 22 | 7.0 27 | 6.9 35 | 7.4 32 |
| * <i>Policy Index Combined</i> | 5.6 46 | 5.7 49 | 6.5 56 | 6.3 71 | 6.5 73 |
| Median | 5.4 | 5.7 | 6.6 | 6.7 | 7.1 |

BAY COUNTY EMPLOYEES' RETIREMENT

Public Funds (DB)

Years Ending December

Total Fund Performance - Annual Periods



| | Dec-2013 | | Dec-2012 | | Dec-2011 | | Dec-2010 | | Dec-2009 | | Dec-2008 | | Dec-2007 | | Dec-2006 | | Dec-2005 | | Dec-2004 | |
|--------------------------------|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|----------|----|
| ⊗ COMBINED | 23.5 | 3 | 13.4 | 34 | -0.5 | 84 | 18.6 | 2 | 27.0 | 7 | -30.5 | 97 | 8.3 | 42 | 9.2 | 94 | 5.6 | 75 | 12.4 | 21 |
| * <i>Policy Index Combined</i> | 19.5 | 24 | 12.6 | 55 | 1.8 | 29 | 11.8 | 76 | 19.1 | 54 | -24.1 | 40 | 6.4 | 80 | 12.2 | 65 | 4.6 | 89 | 9.0 | 79 |
| Median | 16.8 | | 12.8 | | 1.0 | | 13.1 | | 19.5 | | -25.1 | | 7.9 | | 13.3 | | 7.0 | | 10.8 | |

BAY COUNTY EMPLOYEES' RETIREMENT

Periods Ending December 31, 2013

| Performance Summary - Net | | | | | | | | | | | |
|-----------------------------------|----------------------|-----------|-------------|--------------|----------|-----------|-------------|------------|------------|-------------|-----------|
| | Market Value (\$000) | % of Plan | One Quarter | Year to Date | One Year | Two Years | Three Years | Four Years | Five Years | Seven Years | Ten Years |
| TOTAL FUND | | | | | | | | | | | |
| COMBINED | 296 | | 6.7 | 22.8 | 22.8 | 17.7 | 11.2 | 13.0 | 15.7 | 6.5 | 7.3 |
| EQUITY MANAGERS | | | | | | | | | | | |
| COLUMBIA | 43 | 14.6 | 10.4 | 37.9 | 37.9 | 25.9 | 18.1 | 18.6 | 20.0 | 8.5 | 10.6 |
| EAGLE | 11 | 3.7 | 4.4 | 35.1 | 35.1 | 25.9 | 15.8 | | | | |
| GENEVA | 24 | 8.3 | 6.8 | | | | | | | | |
| HOTCHKIS & WILEY | 12 | 3.9 | 12.7 | 46.9 | 46.9 | 35.4 | 18.2 | 24.4 | 31.4 | 8.9 | 10.3 |
| INTEGRITY | 26 | 8.7 | 9.4 | 38.7 | 38.7 | 27.4 | 16.9 | 19.6 | 21.9 | 8.1 | |
| MFS INVESTMENTS | 43 | 14.6 | 10.9 | 37.6 | 37.6 | | | | | | |
| VANGUARD S&P 500 INDEX | 13 | 4.5 | 10.5 | | | | | | | | |
| WHV INVESTMENTS | 0 | 0.0 | | | | | | | | | |
| EQUITY COMPOSITES | | | | | | | | | | | |
| EQUITY COMBO | 173 | | 9.6 | 34.8 | 34.8 | 24.5 | 14.8 | 16.9 | 19.8 | | |
| INT'L EQUITY MANAGERS | | | | | | | | | | | |
| BARINGS INTL | 17 | 5.6 | 5.8 | 15.1 | 15.1 | 13.0 | 5.5 | 6.6 | | | |
| SCHRODER | 18 | 6.2 | 8.3 | 31.8 | 31.8 | 24.7 | 9.4 | 12.6 | 18.8 | 4.5 | |
| INT'L COMPOSITES | | | | | | | | | | | |
| INTL COMBO | 35 | | 7.1 | 22.8 | 22.8 | 18.2 | 7.4 | 9.3 | | | |
| BOND MANAGERS | | | | | | | | | | | |
| BAIRD ADVISORS | 24 | 8.1 | -0.7 | -2.9 | -2.9 | -0.1 | 2.5 | 3.2 | 3.3 | 4.7 | |
| LOOMIS SAYLES | 33 | 11.2 | 1.6 | -0.7 | -0.7 | 5.3 | 6.4 | 7.5 | 10.5 | 6.7 | 6.0 |

BAY COUNTY EMPLOYEES' RETIREMENT

Periods Ending December 31, 2013

Performance Summary - Net

| | Market Value (\$000) | % of Plan | One Quarter | Year to Date | One Year | Two Years | Three Years | Four Years | Five Years | Seven Years | Ten Years |
|-----------------------------|----------------------|-----------|-------------|--------------|----------|-----------|-------------|------------|------------|-------------|-----------|
| BOND COMPOSITES | | | | | | | | | | | |
| FIXED COMBO | 57 | | 0.6 | -1.6 | -1.6 | 2.9 | 4.7 | 5.6 | 7.1 | | |
| CONVERTIBLE MANAGERS | | | | | | | | | | | |
| MACKAY SHIELDS | 17 | 5.8 | 3.3 | 16.7 | 16.7 | 11.9 | 7.4 | 8.0 | 11.1 | 5.4 | 5.8 |
| REIT MANAGERS | | | | | | | | | | | |
| CORNERSTONE R/E | 11 | 3.6 | 0.8 | 3.6 | 3.6 | 10.0 | 9.8 | 14.4 | 17.8 | | |
| CASH MANAGERS | | | | | | | | | | | |
| CASH W / LENDING | 3 | 1.1 | 1.7 | 8.8 | 8.8 | 9.7 | 8.9 | 11.8 | 19.4 | 15.3 | 13.1 |

Utilization Disclaimer Copyright Notice

Becker, Burke Associates has exercised reasonable professional care in the preparation of this report. However, we cannot guarantee the accuracy of all information contained herein. Information in this report on market indices and security characteristics is obtained from sources external to Becker, Burke Associates. While efforts are made to ensure that this data is accurate, Becker, Burke Associates cannot accept responsibility or liability for any errors that may occur. Frank Russell Company is the owner of the trademarks and service relating to the Russell Indexes. Russell™ is a trademark of the Frank Russell Company. Standard & Poor's: Company 2001 The McGraw-Hill Companies, Inc. Standard & Poor's including its subsidiary corporations (S&P) is a division of The McGraw-Hill Companies, Inc. Reproduction of Standard & Poor's Index Service in any form is prohibited except with the written permission of S&P. Because of the possibility of human or mechanical error by S&P's sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Barclays Capital Indices are a proprietary product of Barclays Capital. Barclays Capital shall maintain exclusive ownership of and rights to the Indices. The Indices were compiled, prepared, revised, selected and arranged through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money by Barclays Capital and constitute valuable commercial property and/or trade secrets of Barclays Capital. The user may not remove any copyright notice or other notification or trade name or marks of Barclays Capital that may appear in the Indices, and any reproduction and/or distribution of the Indices must contain such notices and/or marks as they appear in the Indices.

THE INDICES ARE PROVIDED FOR INFORMATION PURPOSES ONLY. UNDER NO CIRCUMSTANCES SHOULD THEY BE USED OR CONSIDERED AS AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY THE SECURITIES OR OTHER INSTRUMENTS MENTIONED IN THEM. THE INFORMATION IN THE INDICES HAS BEEN OBTAINED FROM VARIOUS SOURCES BUT BECKER, BURKE ASSOCIATES AND ITS DATA VENDORS DO NOT REPRESENT THAT IT IS ACCURATE OR COMPLETE AND IT SHOULD NOT BE RELIED UPON AS SUCH. OPINIONS EXPRESSED IN THE INDICES ARE SUBJECT TO CHANGE WITHOUT NOTICE. THE PRODUCTS MENTIONED IN IT MAY NOT BE ELIGIBLE FOR SALE IN SOME STATES OR COUNTRIES, NOR SUITABLE FOR ALL TYPES OF INVESTORS; THEIR VALUE AND THE INCOME THEY PRODUCE MAY FLUCTUATE AND/OR BE ADVERSELY AFFECTED BY EXCHANGE RATES.

Fee Disclosure

Becker, Burke Associates does not receive any type of compensation, from any person or entity, beyond the fees that are charged to and paid by the Fund/Plan, for services provided to the Fund/Plan.