

**BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA**  
**TUESDAY, JULY 8, 2014 @ 1:30 P.M.**  
**COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR**  
**BAY CITY, MI 48708**

PAGE	I.	CALL TO ORDER
	II.	ROLL CALL
	III.	MINUTES
1 - 12 .....	A.	JUNE 10, 2014
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
13 - 14 .....	A.	PORTFOLIO VALUE - 1/1/14 - 6/30/2014
	B.	MONEY MANAGERS ON WATCH - (EFFECTIVE DATE)
	1.	BARINGS - (6/6/13) NO REPORT
	C.	MONEY MANAGER REPORTS
15 - 33 .....	1.	CORNERSTONE - ENDING 5/31/2014
	2.	GENEVA - ENDING 5/31/2014
	3.	HOTCHKIS & WILEY - ENDING 5/31/2014
	4.	MFS INVESTMENT - ENDING 5/31/2014
	5.	MACKAY SHIELDS - ENDING 5/31/2014
	6.	SCHRODER - ENDING 5/31/2014
	D.	RECAPTURE SERVICES
34 - 37 .....	1.	CONVERGEX - SUMMARY ENDING 5/31/2014
	E.	NORTHERN TRUST
	1.	SUMMARY EARNINGS - REPORT UNAVAILABLE
38 .....	F.	REFUNDS/RETIREMENTS ENDING 06/30/2014
39 - 43 .....	G.	BCERS YTD BUDGET REPORT - ENDING 6/26/2014
	H.	GOVERNMENTAL SERVICE BUY BACK CALCULATIONS - RECEIVE
44 - 45 .....	1.	JOSEPH RIVET
	I.	NON-DUTY DISABILITY RETIREMENT
46 .....	1.	KAREN PRICH
	J.	CORRESPONDENCE INTEGRITY
47 .....	1.	CITI GLOBAL TRANSACTION SERVICES COMMUNICATION WITH CUSTODIANS

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
TUESDAY, JULY 8, 2014 @ 1:30 P.M.  
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**BAY CITY, MI 48708**

- 48 - 49 ..... K. DRAFT DIRECT DEPOSIT LETTER
- 50 - 51 ..... L. MEMO - BUYING OF SERVICE RETIREMENT TIME
- 52 - 68 ..... M. BCERS 2015 BUDGET PACKAGE
- 69 - 180 ..... N. CORPORATION COUNSEL
  - 1. POLICIES
  - 2. MFS CIT AGREEMENT
  - 3. GRS SOFTWARE
  - 4. RFI RESULTS
- VI. ANNOUNCEMENTS
  - A. NEXT REGULAR MEETING - AUGUST 12, 2014 AT 1:30 P.M., COMMISSIONERS CHAMBERS, 515 CENTER AVENUE 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708
- VII. UNFINISHED BUSINESS
  - A. MOTION TO TERMINATE MONEY MANAGER ON WATCH - BARINGS
- VIII. NEW BUSINESS
- IX. MISCELLANEOUS BUSINESS
- X. ADJOURNMENT

**NOTE: In addition to these typed minutes, this board meeting was also taped. These tapes are available for review in the Retirement Office**

A meeting of the Board of Trustees was held on June 10, 2014 at 1:30 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

**Trustees Present:** Chairperson Gray, Mr. Brzezinski, Mr. Gromaski, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Zielinski. Mr. Coonan joined the meeting at 1:40 p.m.

**Trustees Absent:** None.

**Also Present:**

Consultants: The Bogdahn Group: Howard Pohl and Peter Brown  
Finance Officer: Crystal Hebert  
Corporation Counsel/Personnel Director: Timothy Quinn  
Corporation Counsel: Amber Davis-Johnson and Shawna Walraven  
Attorney: Thomas Michaud  
Clerk/Typist: Tracy Cederquist

The meeting was called to order by Chairman, Steve Gray at 1:33 p.m.

1. Moved, supported and carried to excuse Trustee Coonan.

Trustee Coonan entered the meeting at 1:40 p.m.

2. Moved, supported and carried to accept the minutes of April 24, 2014, money manager presentations.

3. Moved, supported and carried to accept the minutes of May 13, 2014, regular meeting.

4. Moved, supported and carried to accept the minutes of the May 14, 2014, money manager interviews.

Mr. Gray called for public input. There was none and he moved onto petitions and communications.

Mr. Jim Miles, Portfolio Manager Principal from Hotchkis & Wiley from Los Angeles, California was here today to present the performance report. A copy was provided to all Trustees, in advance, via the web.

Mr. Miles gave a brief update on the firm, the market, and their performance. There was not much to report. Their performance has been strong. They just marked the 10<sup>th</sup> anniversary of the investment performance managing the Small Cap Value Portfolio for the Retirement System. That value now is about \$11 million. He reported a lot has occurred in that 10 years. They have delivered about 11% compound annual rate of return versus about 8% for the benchmark Russell 2000 value, which is approximately what the S&P 500 has been. There

has been a 40% additional amount being invested in their strategy during that time period.

He also pointed out recent performance with strong year-to-date performance being up 5% to 6% versus the benchmark, which is about flat and a little bit ahead of where the S&P 500 was. Over the past year, since the last time he was here, they are up about 30% versus about 20% over the benchmark S&P 500. Mr. Miles stated those are not typical expectations one should have for long-term performance. They have come out of a period of economic crisis of the 2008 to 2009 time period. He stated the markets, as well as the portfolio, are now starting to come into what he would call a normal valuation.

They believe equities are still a compelling value relative to fixed-income bonds. Their portfolio has a valuation advantage relative to that. In a time of coming off of a period of strong performance, he encouraged the Board to look at asset allocation and what the percentages are relative to policy weight.

Mr. Miles answered questions from Trustees and commented that the investment policy, as it is today, allows them to compete effectively and outperform the benchmark. He concluded his presentation and departed.

5. Moved, supported and carried to receive the report from Hotchkis & Wiley ending May 31, 2014.
6. Moved, supported and carried to move ahead to item M on the agenda.

Mr. Thomas Michaud from VanOverbeke, Michaud & Timmony, P.C. presented information regarding Trustee Education and Recent Legal Issues and Decisions. Copies of handouts were provided to all Trustees, in advance, via the web.

Mr. Michaud presented information to the Board regarding Trustee education and fiduciary responsibilities, duties and guidelines as provided by Public Act 314. He spoke of responsibilities of trustees as fiduciaries instituting policy plans, procedures regarding pension administration, understanding the plan provisions and plan documents. He commented on the need to have one person have a copy of the plan document and maintain that indefinitely. He explained statutes of 314 requiring boards to do more and the policies they now need to have in place. He gave examples of the Code of Conduct, Summary of Annual Report, Travel and Education, Disclosure Statements and other policies that are new in the last 18 months. He encouraged the Trustees to ask questions of him and his firm regarding all of this information as they are available to help the Board understand this information and the changes required by Statute 314.

Mr. Michaud also talked about the need of the Board to retain professionals for advice with examples of actuaries, investment consultants, legal counsel, auditors etc. The Board has the resources and the authority to retain these services, according to Mr. Michaud.

Mr. Michaud answered questions of trustees regarding what new policies need to be in place.

Trustee asked Corporation Counsel if there was a code of conduct policy currently in place. Ms. Johnson responded there was not a current ethics policy, as required by the public act.

Mr. Michaud went over legal requirements of some of the policies as well as which policies needed to be submitted to the State for approval. He talked about the need for a FOIA coordinator.

Mr. Michaud moved on to talk about the handout of Recent Legal Issues and Decisions. He did not go through it specifically but asked the Board to look at it as an illustration of areas of pension boards that are in question and what they deal with.

Chairman Gray asked Mr. Michaud to speak to whether or not the Board, as a body, had the right to hire outside legal counsel without approval of the County's Corporation Counsel.

Mr. Michaud elaborated on his experience with different retirement systems in the state of Michigan their similar language and ordinances to the Bay County Retirement System. He stated that the Board has the ability to retain services which includes all services actuarial, legal, custodial, investment professionals. The Board has the authority and responsibility to administer the plan and retain services that the Board feels are in the best interest of the plan. Mr. Michaud acknowledged that in the Board's ordinance, which is typical of most citizens either by charter or originated State Attorney or Corporation Counsel designated as a legal advisor to the Board, that it does not preclude the Board from retaining legal services as well. The law is very clear. Public Act 314 specifically says the Retirement Board can obtain legal advice, legal services and would make sense to do that with regard to making decisions and the liability for those decisions.

Mr. Michaud commented that he works with many city attorneys and corporation counsel. He has a good working relationship with them.

Mr. Michaud answered questions of the trustees including questions on hiring specialists, hiring policies, personnel policies, performance policies and purchasing.

Mr. Michaud commented that as a Pension Board, trustees are there to administer the plan and not to adopt plan revisions or change benefits. Their role is to administer the plans that are adopted not to get involved in labor issues, negotiating pension, advocating pension increases or decreases. He talked about the need for an actuarial cost study to be done seven days in advance of pension plan changes and the actuary's responsibilities.

Chairman Gray asked Mr. Michaud to speak on the topic of his fees as it was suggested the Board would not be exercising their fiduciary responsibility by using Mr. Michaud and it would be more expensive than Corporation Counsel.

Mr. Michaud responded and detailed his costs and fees charged of \$180 an hour as well as how travel expenses were covered. He understood working with the public sector and pension plans and the focus on cost. He gave examples of his fees with other retirement boards and time spent with them. He only charges his large plans between \$10k - \$20k a year. He commented that working with the Bay County Retirement Board would be on an as-needed basis.

Chairman Gray explained his problem of whether or not the Board had the right to hire Mr. Michaud when they needed to or did they have to get permission.

Discussion took place between the Trustees on the need for hiring an attorney on an as-needed basis and past experience with the need for advice from outside legal services. Points were made on using Corporate Counsel versus hiring an attorney with vast experience in retirement pensions. They discussed the pending proposal of the Board of Commissioners that the Retirement Board must use Corporate Counsel and the need to get approval from the Board of Commissioners. They gave an example of the purchase of software needing to be approved by the Board of Commissioners and budgeting issues.

There was discussion about hiring a new Plan Administrator and where they were in the process on that.

Chairman Gray asked for input from Corporation Counsel regarding their views on whether or not the Board had the right to hire legal counsel.

Mr. Quinn commented they do disagree with the position legally.

Ms. Davis-Johnson expounded on this in greater detail with regard to the Civil Counsel Guidelines. She stated the guidelines do not prohibit the Board from hiring counsel with needed expertise and that they do not prohibit any elected official from being able to fulfill their constitutional duties especially if it comes to a budget mandate. Ms. Davis-Johnson commented on Public Act 139 and the requirement for Corporation Counsel to oversee the legal issues that arise in the county. That it gives Corporation Counsel the opportunity to corral all legal agreements into one office in one place so they know what is going on. She spoke of being the one who reviewed Mr. Michaud's contract and approved it. She has dealt with Mr. Michaud on a number of occasions when she believed his expertise was necessary. She welcomes his expertise. Ms. Davis-Johnson spoke of specific duties she is to fulfill as Corporation Counsel.

She spoke of lack of communication in the past few years with Corporation Counsel in terms of knowing what outside legal counsel had been retained.

Ms. Davis-Johnson stated the Board is an entity created by the Bay County Board of Commissioners. The Board's rights are set forth in the ordinance in conjunction with Public Act 314.

She commented that the Court of Appeals has addressed the issue on three separate occasions in similar cases. It has been addressed and stated that this ordinance, that puts Corporation Counsel as general counsel, is not in violation of the statute. The Board can utilize Corporation Counsel as its

legal counsel. However, the Board can go to outside counsel in instances where there is a conflict of interest with Corporation Counsel, Corporation Counsel cannot address the issue because it does not have sufficient time to address the issue, or Corporation Counsel believes that it cannot address the issue because it does not have the sufficient expertise. This is completely consistent with the ordinance and the statute and, as a side note, completely consistent with the Civil Counsel Guidelines that were drafted. She stated, in the big scheme, she doesn't think they have a disagreement as it relates to the specific interpretation of this specific statute and ordinance. She thinks they have a disagreement because she does think that everyone should follow the same process and procedure.

The last point of interest Ms. Davis-Johnson made was the issue of the Retirement Ordinance that had been referred to Mr. Michaud to redraft. The issue that Ms. Davis -Johnson had with that was that the Retirement Ordinance does not technically fall within the purview of this Board. The Investment Policy certainly does. Any policy that is utilized to invest money and to run the Board, any policy of the Board should be up to a vote for the Board. The Board should be the people who approve it. The Board should be the people who make that determination. However, the Retirement Ordinance, in and of itself, is the governing document issued by the Board of Commissioners for the County of Bay that establishes and actually creates this Board and as such she believes it is a conflict of interest for the Retirement Board to be in charge of drafting the Retirement Ordinance, which is their governing document that is under the purview exclusively by statute of the Board of Commissioners. She believes there is inherent conflict of interest there.

Mr. Michaud responded stating that working with corporate counsel is not an issue. He gave examples of other communities and boards. He stated the decision ultimately of who the Board retains as counsel is the Board's decision solely. Ultimately, it is legal advice, but from the standpoint you have to make a determination of who you are comfortable with, who you want to get the advice from and based on those factors, that is the Board's decision. It is not the decision of Corporation Counsel or City Attorneys to decide if it is a conflict or not because that delegates that decision to them and that is not something that you are required to do. That is a decision for the Board to make. He talked of the Pension Board's responsibilities as plan administrators.

Chairman Gray stated he would like to move on in the interest of time. He did not know that there was any action the Board needed to take on today's presentation. He asked for a motion to invite Mr. Michaud back next month for the July meeting.

7. Moved, supported and carried to invite Mr. Michaud back to the July meeting.

Note that Mr. Coonan was absent from that vote.

8. Moved, supported and carried to accept the Portfolio Value from January 1, 2014 to May 30, 2014. The value today is \$304.6 million.

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9. Moved, supported and carried to receive money manager reports from Cornerstone, Eagle Asset Management, Geneva, Hotchkis & Wiley, Loomis Sayles, Mackay Shields, and Schroder all ending April 30, 2014.
10. Moved, supported and carried to receive the report from ConvergeEx ending April 30, 2014.
11. Moved, supported and carried to receive Refunds/Retirements ending May 30, 2014.

Trustee asked question of buying Service Retirement time and where the money comes from for those benefits. He asked that this be an open item list for the next meeting.

Trustee asked Ms. Hebert about this. She referred to Mr. Quinn who stated they do not have an answer yet. It will be taken up next month.

12. Moved, supported and carried to receive the BCERS year-to-date budget report ending May 31, 2014.

Chairman asked if item regarding governmental service buyback for Joe Rivet was complete. Mr. Quinn stated it was complete.

13. Moved, supported and carried to approve governmental service buyback for Mr. Joseph Rivet.

Trustee commented they used to get a copy of the calculations. Chairman asked that the calculations be added to next month's agenda.

14. Moved, supported and carried to receive correspondence of rebalance of asset allocations for Hotchkis & Wiley and Integrity.
15. Moved, supported and carried to receive correspondence on commission recapture letters from Abel/Noser and Capis.
16. Moved, supported and carried to receive correspondence on ConvergeEx termination letter.

**ANNOUNCEMENTS:**

- A. Next regularly scheduled meeting will be Tuesday, July 8, 2014 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4<sup>th</sup> Floor, Bay City, MI 48708. Chairman Gray stated he will be out of town on vacation that week and asked Mr. Brzezinski be available as chair.

**UNFINISHED BUSINESS:**

Two items with Corporation Counsel. The first item being the list of suggested changes to the Investment Policy.

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Ms. Walraven discussed Corporation Counsel had been working with Mr. Pohl and Mr. Brown of Bogdahn Consulting. Mr. Pohl and Mr. Brown have provided Corporation Counsel with the template that they use. They have also met with the Secretary of the Board to find concerns they have had. Ms. Walraven appreciated trustee's question regarding the money manager and if the guidelines were unworkable. They would appreciate any input in dealing with the policy. She requested emails or information and asked if they would like to have another forum to talk about it.

Mr. Pohl provided the Board with a draft of the Investment Policy worked up off of a template. He stated they would welcome input and to let Corporation Counsel know and they would consider all changes. Ms. Walraven stated they are trying to make all the revisions and guidelines so that all the money managers could work within the guidelines.

Ms. Walraven discussed the second item a memo she drafted about the definition of a spouse. There was a retiree who had inquired about the definition of spouse. She discussed recent case laws and IRS rulings and notices. If a marriage was validly entered into in another state where they recognize same-sex marriage, then that would be what we need to accept as our definition.

Chairman discussed the issue of direct deposit. He directed the Board to a memo in the agenda regarding cost saving. He commented on the burden on personnel. He went over the three options. One option was that it could be left as is. Second option was they could go to just having new retirees go to direct deposit as they come in. A third option was that there could be a motion to make the change have every retiree go to direct deposit as soon as Northern Trust could get that set up going forward.

Trustees discussed the issue the reasons for going to direct deposit and how to approach it. Suggestion was made to make a motion going forward that all new retirees must have direct deposit and the existing retirees be sent a letter encouraging the use of direct deposit.

17. Moved, supported and carried to direct new retirees be mandatory to have direct deposit and a letter be sent to the 135 retirees still getting a paper check encouraging them to change to direct deposit, but not forcing them.

Mr. Pohl brought the Board up to date on discussions of staff at MFS and Northern Trust on the most efficient way to purchase the units of the new MFS International Portfolio and dispose of the old Barings Portfolio. That should get resolved in the next week or so and they will be able to purchase units of MFS Fund. This would be completed by month end.

18. Moved, supported and carried to receive the correspondence on the definition of a spouse.

Trustee asked for an update on the computer software. Mr. Quinn clarified that they are moving forward with the software. Ms. Hebert clarified it was with Gabriel Roeder and they were putting it together.

**NEW BUSINESS:** None

Trustee commented on the email Trustee Herek received on the County Board of Commissioners' agenda today referring to the discussion of Corporation Counsel having put out proposed guidelines for elected officials and various county entities. The Pension Board was included in this process. Trustee stated after reading the email, he was in full agreement and support of it and would like to open it for discussion to see what the rest of the board thinks. A copy of the email was provided for the Board members.

Mr. Herek was asked to read the email to the Board which read as --

"After reviewing the Civil Counsel Guidelines, I would like to have included them duties that may be related to the Pension Board. Many people may not know that the state law provides that the Board of Trustees is able to use money from the system in order to pay costs related to the operation of the system such as consultants, actuaries, lawyers or any other costs associated with the system. We sometimes fail to remember that this money belongs to the employees and the Trustees that are acting as fiduciaries need to be able to make decisions that are in the best interest of the system or they face personal liability. In this case, it pertains to being able to hire an attorney that they see as an expert in the field of pension law. Corporation Counsel would also be utilized, but that determination would be made by the Board of Trustees not by HR or Corporation Counsel."

Trustees discussed the email and the issues involved. Trustees gave their views and opinions. Discussion was had whether the motion was to just receive the email or accept it.

Trustee asked if the motion would be just that we receive the email or is it to support the conclusions and recommendation.

Trustee Brzezinski stated it was to receive. He will amend that to open for discussion. Second was Mr. Starkweather only on the basis of receiving it. If it is accepting it, that means we concur with that decision and he has not made a decision yet. Mr. Herek seconded it to talk about it.

Motion made by Trustee Brzezinski and seconded by Trustee Herek.

There was discussion between the Trustees regarding the email. Trustees stated their views and discussed the need for use of Corporate Counsel versus outside legal counsel and when to utilize each, whether or not they felt permission was needed from Board of Commissioners for the hiring outside legal counsel. They also discussed whether or not they supported the email.

19. Moved, supported and carried to approve Trustee Herek's email.

[Editor's note: The original motion by Mr. Brzezinski, seconded by Mr. Herek, was to receive the email. The motion was later amended by Mr. Starkweather, seconded by Mr. Brzezinski to approve Mr. Herek's email.]

Roll Call vote:

Brzezinski - Yes  
Coonan - No  
Gray - Yes  
Gromaski - Yes  
Herek - Yes  
Morse - Yes  
Pett - Yes  
Starkweather - Yes  
Zielinski - Yes

Motion passes 8-1.

Trustee commented that on the Board of Commissioners' agenda also is next year's budget. Trustee wanted to make sure they are all on the same page that there would be a budget for 2015 for the Retirement Board and he asked the members of Administration what time frame they were looking at. His preference would be that there would be a Retirement Board Budget presented to the Board at the July meeting for an opportunity to discuss it and approve it to be sent on to the Board of Commissioners so they can see the budget. Chairman asked if he wanted a special meeting as a working budget session with the Board and with Administration. Ms. Hebert commented that the budget would be released June 23, 2014, and they were due back within two to three weeks so that might be a good way to approach it. Chairman asked Mr. Quinn which way he would like that to go. Mr. Quinn replied thought he could send it out a week early and that would give adequate time to discuss it at the next meeting if that was not a burden to Finance.

Mr. Michaud commented that this is a legal requirement that the Pension Board adopt their own budget, but it should specifically address the educational budget.

20. Moved, supported and carried to have Administration bring to the Board the Retirement Board's budget for approval at the July 8, 2014 meeting.

Trustee commented on the presentation from Mr. Michaud of the Investment Policy Changes and on the checklist and the items that the Board should have in proper order. Trustee commented that would like a recommendation for the next meeting on possibly hiring someone on a one-time basis to go through the records and find out what policies are missing and what the Board need to address. Chairman asks if he would like that on the next agenda.

Ms. Walraven commented this was a project that she had been working on. She had been through the MAPERS conference. She received the list of documents Mr. Michaud provided and has been going through the Retirement Administrator's records, records in Finance and what they have in Corporation Counsel to try to come up with what is missing and what is deficient.

Chairman Gray asked if she could get what she has to date for the packet and come prepared to discuss that with the understanding that it may not be completed.

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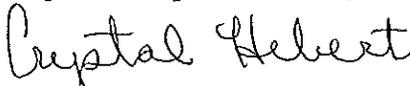
Trustee asked for a progress report on the RFP that they have been waiting for, for a year. Ms. Walraven stated she did look into it and that on November 13, 2013, the RFP on engaging actuarial services item 16 was moved, supported and carried to approve engaging Gabriel Roeder for this coming year. She stated the soonest that they can go out for a bid would be this summer some time for next year. Chairman asked that she bring the Board up to speed next month.

**MISCELLANEOUS BUSINESS** None

**ADJOURNMENT:**

21. Moved, supported and carried to adjourn the meeting at 3:46 p.m.

Respectfully submitted,



Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

# MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE

## JUNE 10, 2014

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

MEETING CALLED TO ORDER BY: CHAIRPERSON STEVE GRAY AT 1:33 P.M.

TRUSTEE	1	2	3	4	5	6	7	8	9	10
BRZEZINSKI	Y	S-Y	M-Y	Y	Y	M-Y	Y	S-Y	Y	Y
COONAN	E	Y	Y	Y	Y	Y	A	Y	Y	Y
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
GROMASKI	M-Y	Y	Y	Y	S-Y	Y	Y	Y	Y	Y
HEREK	Y	Y	Y	Y	M-Y	Y	M-Y	Y	Y	Y
MORSE	S-Y	Y	Y	Y	Y	Y	Y	Y	Y	S-Y
PETT	Y	M-Y	S-Y	M-Y	Y	Y	Y	Y	M-Y	M-Y
STARKWEATHER	Y	Y	Y	Y	Y	S-Y	S-Y	M-Y	Y	Y
ZIELINSKI	Y	Y	Y	S-Y	Y	Y	Y	Y	S-Y	Y

TRUSTEE	11	12	13	14	15	16	17	18	19	20
BRZEZINSKI	Y	M-Y	Y	Y	Y	Y	M-Y	Y	M-Y	Y
COONAN	Y	Y	Y	Y	Y	Y	Y	S-Y	N	Y
GRAY	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
GROMASKI	Y	Y	Y	S-Y	Y	Y	Y	Y	Y	Y
HEREK	Y	Y	S-Y	M-Y	M-Y	M-Y	Y	Y	S-Y	Y
MORSE	Y	Y	M-Y	Y	Y	Y	Y	Y	Y	Y
PETT	M-Y	Y	Y	Y	S-Y	S-Y	S-Y	Y	Y	Y
STARKWEATHER	Y	S-Y	Y	Y	Y	Y	Y	M-Y	Y	Y
ZIELINSKI	S-Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

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

MEETING OF THE **BCERS** BOARD OF TRUSTEES COMMITTEE  
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IN THE BOARD OF COMMISSIONER'S CHAMBERS, LOCATED AT 515 CENTER AVENUE, 4<sup>TH</sup> FLOOR,  
 BAY CITY, MI 48708

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TRUSTEE	21									
BRZEZINSKI	Y									
COONAN	Y									
GRAY	Y									
GROMASKI	Y									
HEREK	Y									
MORSE	Y									
PETT	Y									
STARKWEATHER	Y									
ZIELINSKI	Y									

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

2014	RAIBO	BARRINGS	CORNERSTONE	DENVER	EAGLE/RIEUN	GENEVA	HOTCHKISS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MFS	INTEGRITY	SCHRODER	COLUMBIA	VAN GUARD	WENTWORTH	CASH	TOTAL
VECOR #	60041	100	44	3004	200	000	000	000	000	000	000	000	000	000	000	000	000
JAN	24,463,170.00	15,810,418.52	10,882,785.36	15,638.55	10,845,477.76	22,655,530.91	11,093,089.76	33,704,722.73	17,312,317.81	42,165,060.30	25,341,796.15	17,897,691.80	42,025,846.40	12,827,293.37	1,556.12	2,315,629.80	290,378,576.53
FEB	24,551,115.13	16,435,350.37	11,477,184.97	15,637.07	11,354,968.12	23,128,136.82	11,628,222.96	34,155,815.39	17,898,788.78	44,894,775.30	25,791,007.32	19,007,323.01	43,808,067.15	13,413,634.59	1,556.12	4,108,385.47	301,343,958.57
MARCH	24,451,455.29	16,112,044.93	11,578,093.43	15,637.73	10,990,678.81	22,732,376.59	11,680,593.12	34,155,505.52	17,898,095.57	43,121,005.00	26,219,742.92	19,196,246.07	44,725,223.10	13,525,569.80	1,556.12	2,878,708.83	299,471,581.63
APRIL	24,633,395.70	16,160,325.27	11,869,983.90	15,638.20	10,525,312.54	22,013,618.56	11,624,986.92	34,628,896.79	17,929,508.41	42,448,609.11	25,950,556.13	19,081,951.23	44,652,815.17	13,624,971.35	1,556.12	1,904,660.39	297,565,106.79
MAY	24,915,612.38	16,285,688.70	12,255,468.91	88.90	10,420,997.19	22,036,229.29	11,746,285.86	35,135,493.30	18,321,580.97	43,894,227.38	24,485,403.02	19,283,222.79	45,859,847.45	13,944,389.56	0.00	4,112,797.10	302,207,316.74
JUNE	24,937,343.88	16,884,004.48	12,423,450.85	88.55	11,211,134.08	22,793,475.98	11,597,820.17	35,285,278.53	18,658,218.19	44,498,394.79	25,309,477.75	19,331,835.83	46,786,622.83	14,235,341.81	0.00	2,927,143.13	308,716,810.23
JULY																	0.00
AUG																	0.00
SEPT																	0.00
OCT																	0.00
NOV																	0.00
DEC																	0.00
2014	18,338.59	37,658.52	17,364.14	0.00	23,354.78	43,446.00	28,833.33	28,350.69	21,673.73	84,004.36	52,095.00	56,475.38	54,877.10				424,271.83
1ST QTR																	0.00
2ND QTR																	0.00
3RD QTR																	0.00
4TH QTR																	0.00
2014 YTD	18,338.59	37,658.52	17,364.14	0.00	23,354.78	43,446.00	28,833.33	28,350.69	21,673.73	84,004.36	52,095.00	56,475.38	54,877.10				424,271.82
INVESTMENT MANAGER FEES ARE PAID FROM: 73127400 - 80100 (Professional Services)																	
BAIRD	GOVERNMENTAL FIXED INCOME MANAGER																
BARING	LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER																
COLUMBIA	LARGE CAP DEEP VALUE MANAGER																
CORNERSTONE	REAL ESTATE INVESTMENT TRUST MANAGER																
EAGLE	SMALL-CAP GROWTH MANAGER																
GENEVA	MID-CAP GROWTH MANAGER																
HOTCHKISS & WILEY	SMALL CAP VALUE MANAGER																
INTEGRITY	MID-CAP VALUE MANAGER																
LOOMIS SAYLES	CORPORATE BOND MANAGER																
MACKAY SHIELDS	CONVERTIBLE BOND MANAGER																
MFS	LARGE CAP GROWTH EQUITY MANAGER																
SCHRODER	INTERNATIONAL SMALL/MID CAP EQUITY MANAGER																
WENTWORTH	LARGE CAP CORE MANAGER																

INVESTMENT MANAGER FEE SCHEDULES

BAIRD	.30% - FIRST \$25 MILLION .25% - NEXT \$25 MILLION .20% - NEXT \$0 MILLION .15% - THEREAFTER
BARING	.95% - ON ASSETS UNDER MANAGEMENT
COLUMBIA	.50% - FIRST \$40 MILLION .40% - NEXT \$60 MILLION
CORNERSTONE	.60% - OF THE FAIR MARKET VALUE OF ASSETS
EAGLE	.85% - ON ASSETS UNDER MANAGEMENT
GENEVA	.75% - ON ASSETS UNDER MANAGEMENT
HOTCHKISS & WILEY	1.00% - ON ASSETS UNDER MANAGEMENT
INTEGRITY	.85% - FIRST \$15 MILLION .75% - NEXT \$25 MILLION
LOOMIS SAYLES	.35% - FIRST \$20 MILLION .25% - NEXT \$60 MILLION .20% - OVER \$100 MILLION
MACKAY SHIELDS	.50% - UP TO \$100 MILLION .40% - ABOVE \$100 MILLION
MFS	.60% - ON FIRST \$50 MILLION
SCHRODER	.75% - UP TO \$10 MILLION .50% - UP TO \$100 MILLION
WENTWORTH	.80% - FIRST \$2 MILLION .60% - NEXT \$8 MILLION .50% - NEXT \$10 MILLION .40% - NEXT \$10 MILLION .30% - OVER \$30 MILLION

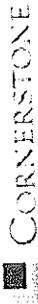
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**PERFORMANCE HISTORY**  
**Bay County Employees' Retirement System**

Time Period	5/31/2014	Percent Return Per Period		
		Portfolio Gross	Net	FTSE/NAREIT Equity REIT Index
1 Month		2.39%	2.33%	2.41%
YTD		16.37%	16.09%	16.36%
1 Year		12.66%	11.99%	9.81%
3 Year		10.59%	9.93%	10.18%
5 Year		23.20%	22.47%	22.32%
Inception (October 21, 2008)		17.65%	16.95%	15.63%

May 31, 2014



Bay County Employees' Retirement System

Symbol	Description	Property Type	Shares	Cost	Cost Per Share	Closing Price 5/31/2014	Percentage of Portfolio	Market Value 5/31/2014	Dividend Yield
ACC	American Campus Communities In	Apartment	11,500	416,249	\$36.20	36.84	3.64%	\$446,660	3.8%
EDR	Education Realty Trust Inc	Apartment	27,040	258,457	\$9.56	10.46	2.31%	\$282,838	4.2%
EOR	Equity Residential	Apartment	4,920	258,896	\$52.62	61.80	2.48%	\$304,056	3.2%
ESS	Essex Property Trust Inc	Apartment	3,100	528,413	\$170.46	180.96	4.58%	\$560,976	2.7%
UDR	UDR Inc	Apartment	8,995	245,600	\$27.30	27.52	2.02%	\$247,542	3.5%
LXP	Lexington Realty Trust	Diversified	14,710	168,173	\$11.43	11.35	1.36%	\$166,959	5.6%
VNO	Vornado Realty Trust	Diversified	3,854	270,611	\$70.22	107.08	3.37%	\$412,686	2.7%
DOC	Physicians Realty Trust	Healthcare	6,370	75,225	\$11.81	13.81	0.72%	\$87,970	4.6%
HCP	HCP Inc	Healthcare	4,030	156,580	\$38.85	41.75	1.37%	\$168,253	5.1%
HCN	Health Care REIT Inc	Healthcare	4,990	282,566	\$56.63	63.23	2.57%	\$315,518	4.9%
NHI	National Health Investors Inc	Healthcare	1,517	87,426	\$57.63	62.72	0.78%	\$95,146	4.7%
OHI	Omega Healthcare Investors Inc	Healthcare	2,390	84,257	\$35.25	36.89	0.72%	\$88,167	5.3%
SBRA	Sabra Health Care REIT Inc	Healthcare	4,300	122,189	\$28.42	29.28	1.08%	\$125,904	4.8%
VTR	Ventas Inc	Healthcare/Not Indexed	2,647	141,125	\$53.32	66.80	1.44%	\$176,820	4.2%
CSU	Capital Senior Living Corp	Hotels	5,940	140,658	\$23.68	23.74	1.15%	\$141,016	0.0%
AHT	Ashford Hospitality Trust Inc	Hotels	9,060	194,705	\$21.49	29.17	2.16%	\$67,945	3.6%
CHSP	Chesapeake Lodging Trust	Hotels	10,980	127,347	\$11.60	12.42	1.11%	\$136,372	2.9%
DRH	DiamondRock Hospitality Co	Hotels	19,200	131,777	\$6.86	9.84	1.54%	\$188,928	0.0%
FCH	FelCor Lodging Trust Inc	Hotels	18,950	107,653	\$5.68	6.33	0.98%	\$119,954	3.8%
HT	Hersha Hospitality Trust	Hotels	19,525	328,007	\$16.80	22.07	3.52%	\$430,917	2.3%
HST	Host Hotels & Resorts Inc	Hotels	5,040	134,164	\$16.45	18.54	1.36%	\$166,270	3.2%
LHO	LaSalle Hotel Properties	Hotels	9,481	155,948	\$16.45	41.51	1.43%	\$175,778	1.9%
FR	First Industrial Realty Trust	Industrial	10,430	394,424	\$37.82	23.95	1.42%	\$432,949	2.8%
PLD	Prologis Inc	Industrial	7,285	160,253	\$22.00	76.09	1.15%	\$141,527	5.2%
STAG	STAG Industrial Inc	Industrial	1,860	123,363	\$66.32	120.68	3.32%	\$406,692	4.0%
ARE	Alexandria Real Estate Equitie	Office	3,370	278,346	\$82.60	15.30	0.70%	\$85,527	3.9%
BXP	Boston Properties Inc	Office	5,590	80,936	\$14.48	15.30	1.25%	\$153,480	2.0%
BDN	Brandywine Realty Trust	Office	12,790	133,600	\$10.45	12.00	1.25%	\$287,789	2.7%
CUZ	Cousins Properties Inc	Office	10,137	226,180	\$22.31	28.39	2.35%	\$393,220	4.2%
DEI	Douglas Emmett Inc	Office	9,690	349,816	\$36.10	40.58	3.21%	\$291,747	2.1%
HIW	Highwoods Properties Inc	Office	12,310	286,133	\$23.24	23.70	2.38%	\$233,354	2.3%
HPP	Hudson Pacific Properties Inc	Office	3,852	195,677	\$50.80	60.58	1.90%	\$434,445	2.3%
KRC	Kilroy Realty Corp	Office	18,231	382,384	\$20.97	23.83	3.54%	\$168,716	3.6%
GGP	General Growth Properties Inc	Regional Mall	15,310	151,637	\$9.90	11.02	1.38%	\$1,351,322	2.9%
GRT	Glimcher Realty Trust	Regional Mall	8,118	766,226	\$94.39	166.46	11.03%	\$80,734	4.6%
SPG	Simon Property Group Inc	Regional Mall	4,059	47,620	\$11.73	19.89	0.66%	\$369,178	2.6%
WPG	Washington Prime Group Inc	Regional Mall	20,240	332,504	\$16.43	18.24	3.01%	\$437,123	3.1%
CUBE	CubeSmart	Self-Storage	8,350	381,943	\$45.74	52.35	3.57%	\$338,005	3.2%
EXR	Extra Space Storage Inc	Self-Storage	12,251	313,990	\$25.63	27.59	2.76%	\$122,393	3.8%
AKR	Acadia Realty Trust	Shopping Centers	5,340	113,963	\$21.34	22.92	1.00%	\$212,941	3.9%
KIM	Kimco Realty Corp	Shopping Centers	34,290	214,017	\$6.24	6.21	1.74%	\$324,672	3.5%
KRG	Kite Realty Group Trust	Shopping Centers	6,080	306,702	\$50.44	53.40	2.65%	\$193,390	4.4%
REG	Regency Centers Corp	Shopping Centers	11,650	183,218	\$15.73	16.60	1.58%	\$269,900	2.6%
RPT	Ramco-Gershenson Properties Tr	Shopping Centers	7,620	274,533	\$36.03	35.42	2.20%	\$12,074,532	3.2%
SKT	Tanger Factory Outlet Centers	Shopping Centers		Total Equities			98.5%	\$	
				Accrued Income			0.1%	\$	7,741
				Total Cash & Cash Equivalents			1.4%	\$	173,214
				Total Portfolio Value			100.0%	\$	12,255,487

Geneva Capital Management Ltd.  
**PORTFOLIO APPRAISAL**  
*Bay County Employees' Retirement System XXXX9057 (bcers)*  
 May 31, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pet. Assets	Yield
<b>COMMON STOCK</b>							
2,407	AFFILIATED MANAGERS GRP COM	122.37	294,542	188.60	453,960	2.1	0.0
6,809	ALIGN TECHNOLOGY INC COM	30.60	208,387	54.61	371,839	1.7	0.0
7,561	AMETEK INC NEW COM	40.34	305,028	53.08	401,338	1.8	0.7
5,545	AMPHENOL CORP NEW CL A	67.92	376,597	95.80	531,211	2.4	0.8
5,141	ANSYS INC COM	72.76	374,061	73.45	377,606	1.7	0.0
2,168	BARD C R INC COM	115.63	250,690	147.91	320,669	1.5	0.6
6,122	BEACON ROOFING SUPPLY INC COM	41.37	253,244	34.50	211,209	1.0	0.0
9,242	BROWN & BROWN INC COM	31.12	287,567	30.19	279,016	1.3	1.3
6,846	CATAMARAN CORP COM	51.13	350,016	43.76	299,581	1.4	0.0
8,503	CERNER CORP COM	40.92	347,932	54.05	459,587	2.1	0.0
3,159	CHART INDS INC COM	82.49	260,600	71.89	227,101	1.0	0.0
722	CHIPOTLE MEXICAN GRILL INC COM	321.38	232,036	547.09	394,999	1.8	0.0
5,561	CHURCH & DWIGHT INC COM	55.87	310,701	69.23	384,988	1.7	1.8
9,006	COGNIZANT TECHNOLOGY SOLUTIONS CL A	39.08	351,992	48.61	437,782	2.0	0.0
3,207	COMMVault SYSTEMS INC COM	82.39	264,214	48.92	156,886	0.7	0.0
3,250	CONCHO RES INC COM	91.71	298,044	131.80	428,350	1.9	0.0
10,108	COPART INC COM	32.30	326,483	35.57	359,542	1.6	0.0
1,916	COSTAR GROUP INC COM	135.61	259,822	158.55	303,782	1.4	0.0
8,021	DICKS SPORTING GOODS INC COM	49.54	397,344	44.45	356,533	1.6	1.1
9,264	DSW INC CL A	41.75	386,798	25.05	232,063	1.1	3.0
12,786	EAST WEST BANCORP INC COM	23.16	296,096	33.48	428,075	1.9	2.2
5,727	FASTENAL CO COM	46.65	267,148	48.75	279,191	1.3	2.1
8,156	FISERV INC COM	41.39	337,578	60.11	490,257	2.2	0.0
3,178	GENESEE & WYO INC CL A	81.71	259,677	97.35	309,378	1.4	0.0
3,888	HAIN CELESTIAL GROUP INC COM	86.39	335,888	90.72	352,719	1.6	0.0
3,462	HUNT J B TRANS SVCS INC COM	69.32	239,990	77.66	268,859	1.2	1.0
5,475	IDEX CORP COM	52.85	289,334	76.68	419,823	1.9	1.5
1,819	IDEXX LABS INC COM	126.30	229,745	128.48	233,705	1.1	0.0
3,566	IHS INC CL A	102.21	364,474	125.91	448,995	2.0	0.0
2,128	INTERCONTINENTAL EXCHANGE GROUP COM		271,785	196.40	417,939	1.9	1.3

Geneva Capital Management Ltd.  
**PORTFOLIO APPRAISAL**  
*Bay County Employees' Retirement System XXXX9057 (bcers)*  
 May 31, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Yield
5,674	INTUIT COM	62.44	354,290	79.29	449,891	2.0	1.0
16,059	LKQ CORP COM	22.85	366,924	27.74	445,477	2.0	0.0
7,913	MANHATTAN ASSOC'S INC COM	34.71	274,638	32.46	256,856	1.2	0.0
7,263	MICROS SYS INC COM	44.73	324,872	53.42	387,989	1.8	0.0
1,325	MIDDLEBY CORP COM	214.16	283,768	238.82	316,436	1.4	0.0
4,116	O REILLY AUTOMOTIVE INC NEW COM	87.69	360,918	147.95	608,962	2.8	0.0
4,869	OCEANEERING INTL INC COM	70.43	342,945	72.05	350,811	1.6	1.5
3,328	PALL CORP COM	69.15	230,133	84.74	282,015	1.3	1.3
1,855	PANERA BREAD CO CL A	161.26	299,133	153.61	284,947	1.3	0.0
6,728	PAREXEL INTL CORP COM	33.14	222,945	50.45	339,428	1.5	0.0
3,129	PERRIGO CO PLC SHS	152.20	476,249	138.20	432,428	2.0	0.3
3,427	POLARIS INDS INC COM	83.79	287,165	128.92	441,809	2.0	1.5
4,199	RANGE RES CORP COM	67.17	282,054	92.95	390,297	1.8	0.2
5,172	RAYMOND JAMES FINANCIAL INC COM	51.90	268,429	48.40	250,325	1.1	1.3
7,293	RED HAT INC COM	51.33	374,325	50.12	365,525	1.7	0.0
1,608	ROPER INDS INC NEW COM	114.81	184,611	141.68	227,821	1.0	0.6
3,036	SIGMA ALDRICH CORP COM	76.44	232,069	98.53	299,137	1.4	0.9
3,706	SIGNATURE BK NEW YORK N Y COM	72.85	269,976	115.82	429,229	1.9	0.0
3,933	SIRONA DENTAL SYSTEMS INC COM	69.53	273,452	75.22	295,840	1.3	0.0
2,245	SMUCKER J M CO COM NEW	88.81	199,368	102.60	230,337	1.0	2.3
2,951	STERICYCLE INC COM	95.08	280,582	114.37	337,506	1.5	0.0
8,322	TRACTOR SUPPLY CO COM	46.82	389,619	65.02	541,096	2.5	1.0
12,660	TRIMBLE NAVIGATION LTD COM	30.97	392,093	36.07	456,646	2.1	0.0
3,744	TYLER TECHNOLOGIES INC COM	83.39	312,216	78.13	292,519	1.3	0.0
1,799	ULTIMATE SOFTWARE GROUP INC COM	144.94	260,746	127.13	228,707	1.0	0.0
10,314	UNDER ARMOUR INC CL A	26.12	269,441	50.79	523,848	2.4	0.0
5,698	VARIAN MED SYS INC COM	74.77	426,048	82.45	469,800	2.1	0.0
5,166	VERISK ANALYTICS INC CL A	62.64	323,596	59.19	305,776	1.4	0.0

Geneva Capital Management Ltd.  
**PORTFOLIO APPRAISAL**  
*Bay County Employees' Retirement System XXXX9057 (bcers)*  
 May 31, 2014

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Yield
6,528	WABTEC CORP COM	47.44	309,660	78.74	514,015	2.3	0.3
			17,900,078		21,392,459	97.1	0.5
	CASH AND EQUIVALENTS		8,344		8,344	0.0	0.0
	ACCRUED DIVIDENDS		635,476		635,476	2.9	0.0
	CASH ACCOUNT		643,820		643,820	2.9	0.0
<b>TOTAL PORTFOLIO</b>			<b>18,543,899</b>		<b>22,036,279</b>	<b>100.0</b>	<b>0.5</b>

Please compare the information in Geneva's client reports with the information provided by the independent custodian of your account(s).

The market value on Geneva's report may differ from the value on the statement provided by your custodian due to cut off date, unsupervised assets (if applicable), pricing, or deposits/withdrawals. For tax purposes, refer to custodian records and consult with your tax adviser for advice. Geneva's reports should not be relied upon for tax purposes. Cost basis data is provided for informational purposes only and may differ from custodian records. Please reference your custodial statement for the current yield on money market fund(s). If you are not receiving periodic statements directly from your custodian, please contact Geneva immediately at 414-224-6002. Thank you.

Geneva Capital Management Ltd.  
**PERFORMANCE HISTORY**  
**NET OF FEES**  
*Bay County Employees' Retirement System*  
*XXXX9057 (bcers)*

*From 01-17-2013 to 05-31-2014*

Time Period	Percent Return Per Period		
	Total Account	Equities	Russell Midcap Growth Index
01-17-2013 to 01-31-2013	1.01	1.02	1.65
01-31-2013 to 02-28-2013	1.41	1.43	1.01
02-28-2013 to 03-31-2013	3.05	3.10	3.99
03-31-2013 to 04-30-2013	-2.02	-1.92	1.47
04-30-2013 to 05-31-2013	2.57	2.62	2.63
05-31-2013 to 06-30-2013	-0.34	-0.34	-1.22
06-30-2013 to 07-31-2013	6.55	6.84	6.22
07-31-2013 to 08-31-2013	-1.86	-1.88	-1.90
08-31-2013 to 09-30-2013	5.93	6.02	4.93
09-30-2013 to 10-31-2013	2.34	2.57	2.62
10-31-2013 to 11-30-2013	1.34	1.36	2.21
11-30-2013 to 12-31-2013	3.00	3.05	3.19
12-31-2013 to 01-31-2014	-3.61	-3.48	-2.17
01-31-2014 to 02-28-2014	4.24	4.45	6.28
02-28-2014 to 03-31-2014	-1.71	-1.74	-1.85
03-31-2014 to 04-30-2014	-3.35	-3.21	-1.47
04-30-2014 to 05-31-2014	0.10	0.10	2.72
<b>Inception to Date</b> 01-17-2013 to 05-31-2014	19.55	21.10	34.22

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Geneva Capital Management Ltd.  
**PERFORMANCE HISTORY**  
**NET OF FEES**  
*Bay County Employees' Retirement System*  
*XXXX9057 (bcers)*

*From 01-17-2013 to 05-31-2014*

Time Period	Percent Return Per Period		
	Total Account	Equities	Russell Midcap Growth Index
01-17-2013 to 12-31-2013	25.11	26.17	29.97
12-31-2013 to 05-31-2014	-4.45	-4.02	3.28
<b>Date to Date</b>			
01-17-2013 to 05-31-2014	19.55	21.10	34.22
Annualized	13.95	15.03	24.02

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# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Month Ended May 31, 2014

Total Market Value: \$11,146,371 (3.4% Cash)

## Small Cap Value

	MID	QTD	YTD	Since Incept.	Projected P/E Ratio (FY2)	Rus 2000 V	Rus 2000
Portfolio - Total Return	2.96 %	2.47 %	5.41 %	10.99 %	14.8x	14.8x	16.1x
Portfolio - Equity Only	2.98	2.48	5.52	10.97	5.3x	7.8x	9.7x
Russell 2000 Value Index	0.63	-1.95	-0.21	8.53	1.3x	1.5x	2.2x
Russell 2000 Index	0.80	-3.11	-2.02	8.62	1.2%	2.1%	1.5%
S&P 500 Index	2.35	3.10	4.97	8.06	\$2,308	\$1,727	\$1,918

Commercement of portfolio: 12/1/03. Periods over one year are average annualized returns.

	End Wgt	Ttl Rel	Contr.	Major Buy/Sell	+/-	End Wgt
ARRIS Group Inc.	3.06 %	26.91 %	0.69 %	Invacare Corp.	0.7% *	5.1 %
Meritor Inc.	3.05	16.34	0.52	Investors Bancorp Inc.	0.6% *	4.8
WellCare Health Plans Inc.	3.75	14.79	0.51	Brink's Co.	0.5%	3.9
Con-way Inc.	4.77	9.03	0.44			3.9
Sonic Automotive Inc.	3.17	8.13	0.25			3.8
Taro Pharmaceutical Inds.	2.30 %	-5.15 %	-0.13 %	(Tutor Perini Corp.)	-0.6% *	3.7
Rent-A-Center Inc.	3.06	-4.28	-0.14	(Meritor Inc.)	-0.8%	3.3
QLogic Corp.	0.99	-14.16	-0.17	(Con-way Inc.)	-0.9%	3.2
Masonite Int'l Corp.	5.06	-4.41	-0.20	(Huntington Ingalls Ind. Inc.)	-0.9%	3.2
ON Semiconductor Corp.	2.53	-7.65	-0.20	(Big Lots Inc.)	-1.2%	3.1

	Avg Wgt	Equ. Ret.	Avg Wgt	Equ. Ret.	Sector	Stock	Total	End Wgt
Industrials	27.40 %	6.00 %	13.32 %	1.17 %	Insurance	1.31	1.39	12.2 %
Information Technology	8.71	3.96	10.12	0.37	Banks	0.01	0.32	8.7
Health Care	10.30	5.10	4.68	3.71	Health Care Prov. & Svcs	0.18	0.31	7.6
Energy	1.19	1.34	7.81	-2.63	Metals & Mining	0.23	0.28	7.0
Consumer Discretionary	11.74	2.19	10.19	1.77	Specialty Retail	0.02	0.06	6.2
Materials	7.29	-1.21	4.46	-3.43	Machinery	-0.12	0.05	5.6
Utilities	4.64	2.74	6.49	1.67	Building Products	-0.02	0.03	5.1
Consumer Staples	0.00	0.00	2.50	0.73	Road & Rail	0.00	0.00	4.8
Telecommunication Services	0.00	0.00	0.51	2.20	Real Estate Inv. Trusts	-0.01	-0.01	4.0
Financials	28.73	0.78	39.93	0.81	Semicond/Seruicond Equip.	-0.01	-0.03	3.5
				0.35		2.04	2.39	

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

Bay County Employees' Retirement System  
 Growth Equity  
 Report as of 31 May 2014

Performance results (%) gross and net of fees (USD)				
Period	Portfolio gross	Portfolio net	Benchmark <sup>a</sup>	Excess <sup>a</sup>
May	3.65	3.60	3.12	0.48
April	-1.56	-1.61	0.00	-1.61
1Q 2014	-0.06	-0.21	1.12	-1.33
2014 YTD	1.97	1.71	4.28	-2.57
1 year	24.18	23.43	22.15	1.28
Since client inception (04-Sep-12)	24.56	23.81	21.36	2.45

Source for benchmark performance: SPAR, FactSet Research Systems Inc.

All periods greater than one year are annualized.

**Past performance is no guarantee of future results.**

<sup>a</sup> Russell 1000 Growth Index

<sup>m</sup> Excess return net vs benchmark

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MFS Institutional Advisors, Inc.

**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**  
Monthly Report

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.....  
May 31, 2014  
.....



MAY 2014

# OVERVIEW OF MONTHLY PERFORMANCE

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## MARKET OVERVIEW

The U.S. convertible market, as measured by the BofA Merrill Lynch All Convertible Index, climbed 2.26% in May 2014, while underlying equities rose 2.42%. During the month, investment-grade convertibles, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, increased 2.07%, while speculative-grade convertibles rose 2.17%. Year-to-date, the All Convertible Index is up 6.60%.

Convertible securities were generally higher during the month of May, as both stock and bond prices rose during the month, creating the ideal climate for the hybrid convertible market. The rise in bond prices mystified most market participants, as investors generally expected yields to climb as the economy continued its slow recovery. Stock prices rose largely as the result of the absence of any bad news – tensions in Ukraine eased somewhat, economic reports were largely benign, and first quarter earnings reports were largely in line or slightly better than expectations.

We believe that equity markets will be higher in the coming twelve to eighteen months as economic growth in the U.S. continues at a slow pace, while Europe's stagnant economies begin to expand. The Federal Reserve is likely to continue a monetary policy of low interest rates, which should foster a healthy climate for stocks and equity-linked securities such as convertibles. Despite the recent Russian involvement in Ukraine, energy prices remain relatively subdued, which should provide a slight tailwind for economic activity. Significant growth in U.S. crude oil production and large supplies of natural gas have kept energy prices contained, providing some increased spending power for consumers and lower costs for businesses.

We continue to believe that equities, and equity-linked securities such as convertibles, are attractively valued, particularly when compared to the yields on pure fixed income securities (most specifically U.S. Treasury and investment-grade bonds). We maintain that in a slow growth environment, at current valuations, convertible bonds and stocks are attractive and should continue to perform well.

Sector results were mixed during the month, with Telecom, Healthcare, Technology and Consumer Discretionary outperforming the broad market. Although all other sectors underperformed the broad market, Materials and Utilities were the only two to post declines for the month.

After a light April, issuance picked back up in May. A total of 12 new convertibles came to the U.S. market, raising approximately \$3.9 billion. Issuance was well diversified among sectors. The average convertible new issue offering was \$329 million in size. All issuance during the month was non-rated. As previously noted, we expect new issuance from investment grade companies to remain depressed until yields on the ten-year Treasury exceed 3.5%. Year-to-date approximately \$15.3 billion in new issuance has come into the U.S. convertible market, while approximately \$19.1 has been redeemed through redemptions and maturities.

## PERFORMANCE<sup>1</sup>

The convertibles of Danaher Corp, Priceline.com and Southwest Airlines (Airtran) were among the top contributors during the first quarter. Danaher rebounded following the brief drop in April on the announcement that long-time CEO, Larry Culp, would retire at the end of the year. In our view, Danaher remains a well-managed, high quality industrial and medical products company that generates high levels of excess cash flow. Online travel firm, Priceline.com, rose in May after the company reported first quarter earnings and forward guidance that exceeded investor expectations. Domestic travel bookings were largely in-line with expectations, but international bookings growth (of more than 35%) was very strong. The common stocks and convertible bonds of most major airlines continue to perform well as metrics such as revenue per available seat mile, capacity growth, and load factor remain favorable for the industry. The recent consolidation of the industry has allowed the companies to avoid fare wars and receive additional revenue for services such as baggage and meals that were previously included in ticket prices. In addition, fuel prices are relatively stable.

MAY 2014

## OVERVIEW OF MONTHLY PERFORMANCE

MACKAY

Conversely, exposure to the convertible bonds of Newmont Mining, Incyte and Cubist Pharmaceuticals weighed on performance during the quarter. Gold producer, Newmont Mining, declined in May as the price of gold declined. As investors are largely not concerned with inflation or a global economic meltdown, there is little demand for gold, apart from industrial and jewelry purchasers. Biotech firm, Incyte, declined in May after the company's presentation at the American Society for Clinical Oncologists convention left some investors disappointed. One of the company's clinical products for the treatment of pancreatic cancer showed some efficacy in trials, but the patient population was small and there seemed to be little correlation between efficacy and dosage. The company also has several other products in development. Last, biopharmaceutical company, Cubist, declined in May on no company-specific news. The company's products focus on hard to treat infections.

### OUTLOOK

2013 was an outstanding year for the convertible market, and the first half of 2014 is off to a decent start. Apart from the extraordinary market returns, the past year marked the resurrection of a vibrant market for new convertible issuance, which has continued through the first four months of this year. Last year's returns were also testimony to the notion that convertible bonds will outperform in a rising rate environment and, unlike nearly all other classes of fixed income instruments, have almost no correlation to the movement in interest rates. Regarding issuance, 2013 saw over 130 new issues totaling approximately \$44.4 billion come to the market. This compares to 68 new issues totaling \$21.5 billion which came to the market in 2012. This surge in new issuance was largely due to the simultaneous rise in stock prices and interest rates. With the rise in rates, issuing companies could once again realize a significant interest savings by issuing a convertible bond instead of a non-convertible high-yield security. For most investment grade companies, however, rates remain so low in absolute terms that the benefits of a convertible offering remain relatively muted. As such, the preponderance of new issuance in 2013 was from non-investment grade companies. In addition, following the stock market decline of 2008, companies were reluctant to issue equity-linked securities as they believed that doing so would dilute existing equity holders at prices that they believed under-valued their companies. However, with stocks at record levels, companies are no longer reluctant to issue a security linked to their equity.

We believe that this trend will continue and perhaps accelerate in 2014. If interest rates continue to rise from record low levels, and stocks hold onto gains, we believe that 2014's new convertible issuance is likely to exceed 2013's level. We do not expect the investment gains of 2013 to be repeated, but with decent corporate earnings, stocks and convertible bonds are likely to see further advances.

We remain convinced that convertible bonds and equities are undervalued in the current slow growth environment. Given the slowly improving macro economy, and the relatively low rates of interest and inflation, stocks appear inexpensive based on various measures such as price to earnings, price to cash flow or price to free cash flow. As such, we expect convertible bond and stock prices to be higher in the coming twelve to eighteen months.

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

*Please note that security specific disclosures are representative and may not be included in your portfolio.*

*This material contains the opinions of the Convertibles team of Mackay Shields LLC but not necessarily those of Mackay Shields LLC. The opinions expressed herein are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this document may be reproduced in any form, or referred to in any other publication, without express written permission of Mackay Shields LLC. ©2014, Mackay Shields LLC.*

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Portfolio Composition and Performance — Account 1256 May 31, 2014

Composition	Market Value	Percent of Total
Fixed Income	12,167,750	66.35
Equity	2,375,536	12.95
Cash & Equivalents	3,794,902	20.69
<b>Total Portfolio</b>	<b>\$18,338,188</b>	<b>100.00%</b>

Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	2.11%	2.36%	5.76%	15.08%	8.14%	10.78%	101.36%	6.78%
Merrill Lynch Convertible Inv Grade	2.28%	1.63%	7.81%	20.59%	10.81%	12.04%	113.14%	7.35%
ML Conv Inv Grade BDS (Inc Mandatory)	2.07%	2.15%	7.91%	18.08%	10.58%	12.57%	74.50%	5.35%

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

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Summary Report — Account 1256  
 May 31, 2014

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	9,605,242	84.32	1.52	12,125,779	66.12	1.21	1,46,289
Stocks	1,785,704	15.68	3.22	2,375,536	12.95	2.42	57,562
Cash & Equivalents	0	0.00		3,794,902	20.69	0.09	3,415
Accrued Income				41,971	0.23		
<b>Total Portfolio</b>	<b>\$11,390,946</b>	<b>100.00%</b>	<b>1.79</b>	<b>\$18,338,188</b>	<b>100.00%</b>	<b>1.13</b>	<b>\$207,266</b>

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Holdings Report – Account 1256 May 31, 2014

Shares or Par Value	Security	Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
<b>Bonds</b>									
228,000	AIRTRAN HOLDINGS INC CONV BOND 5.250 11/01/2016	136.07	310,248	209.94	478,658	2.61	2.50	11,970	BBB-
690,000	ALZA CORP CONV BOND 07/28/2020	81.14	559,876	139.94	965,569	5.27	0.00	0	AAA
303,000	APOLLO INVESTMENT CORP REG CONV BOND 5.750 01/15/2016	100.49	304,499	106.13	321,559	1.75	5.42	17,423	BBB
292,000	ARES CAPITAL CORP REG CONV BOND 5.750 02/01/2016	106.39	310,648	107.38	313,585	1.71	5.36	16,790	BBB
32,000	BROADSOFT INC 1.500 07/01/2018	96.88	31,000	99.00	31,680	0.17	1.52	480	NR
169,000	CHART INDUSTRIES INC 2.000 08/01/2018	135.55	229,072	128.63	217,376	1.19	1.55	3,380	BB-
55,000	CITRIX SYSTEMS INC 144A 0.500 04/15/2019	100.00	55,000	102.31	56,272	0.31	0.49	275	NR
142,000	CORNERSTONE ONDEMAND INC 144A 1.500 07/01/2018	115.85	164,501	108.13	153,538	0.84	1.39	2,130	NR
109,000	CUBIST PHARMACEUTICALS 144A 1.125 09/01/2018	100.00	109,000	111.94	122,012	0.67	1.01	1,226	NR
142,000	CUBIST PHARMACEUTICALS 144A 1.875 09/01/2020	100.00	142,000	112.31	159,484	0.87	1.67	2,663	NR
419,000	DANAHER CORP CONV BND REG 01/22/2021	101.16	423,870	228.13	955,844	5.21	0.00	0	A+
181,000	GILEAD SCIENCES INC 1.625 05/01/2016	315.04	570,231	357.25	646,623	3.53	0.45	2,941	A-
138,000	HELIX ENERGY SOLUTIONS CONV BOND REG 3.250 03/15/2032	116.45	160,704	127.81	176,381	0.96	2.54	4,485	NR
235,000	HOST HOTELS & RESORTS LP CONV BND 144A 2.500 10/15/2029	151.81	356,756	169.44	398,178	2.17	1.48	5,875	BBB
79,000	INCYTE CORP LTD CONV BOND 144A 0.375 11/15/2018	132.11	104,364	126.06	99,589	0.54	0.30	296	NR
443,000	INTEL CORP CONV BND REG 2.950 12/15/2035	100.57	445,514	119.75	530,493	2.89	2.46	13,069	A-
493,000	INTEL CORP CONV BOND 3.250 08/01/2039	125.25	617,485	143.00	704,992	3.84	2.27	16,023	A-
93,000	INVENSENSE INC 144A 1.750 11/01/2018	115.00	106,950	113.38	105,439	0.57	1.54	1,628	NR
118,000	KB HOME REG 1.375 02/01/2019	104.79	123,655	98.63	116,378	0.63	1.39	1,623	B
44,000	LIVE NATION ENTERTAINMENT 144A 2.500 05/15/2019	100.00	44,000	104.00	45,760	0.25	2.40	1,100	NR
82,000	MICROCHIP TECHNOLOGY CONV BOND REG 2.125 12/15/2037	136.31	111,773	187.00	153,340	0.84	1.14	1,743	NR
80,000	MICRON TECHNOLOGY INC 1.625 02/15/2033	131.37	105,096	263.81	211,050	1.15	0.62	1,300	BB-
291,000	NEWMONT MINING CONV BND REG 1.625 07/15/2017	121.45	353,418	105.00	305,550	1.67	1.55	4,729	BBB
48,000	NUANCE COMMUNICATIONS CONV BOND REG 2.750 11/01/2031	106.17	50,962	100.88	48,420	0.26	2.73	1,320	BB-
493,000	OMNICO GROUP INC 07/31/2032	111.66	550,486	131.38	647,679	3.53	0.00	0	BBB+
96,000	RPM INTERNATIONAL INC REG 2.250 12/15/2020	103.24	99,111	121.56	116,700	0.64	1.85	2,160	BBB-
149,000	RTI INTERNATIONAL METALS REG 1.625 10/15/2019	103.90	154,805	99.56	148,348	0.81	1.63	2,421	NR
48,000	RYLAND GROUP REG 0.250 06/01/2019	100.00	48,000	93.25	44,760	0.24	0.27	120	BB-
556,000	SCHLUMBERGER 05/05/2015	136.47	758,773	181.27	1,007,861	5.50	0.00	0	NR
113,000	SHUTTERFLY INC 0.250 05/15/2018	106.89	120,788	100.75	113,848	0.62	0.25	283	NR
180,000	TELEFLEX INC CONV BOND REG 3.875 08/01/2017	101.42	182,550	178.13	320,625	1.75	2.18	6,975	B+
597,000	TEVA PHARMACEUTICALS CONV BOND 0.250 02/01/2026	112.35	670,750	125.25	747,743	4.08	0.20	1,493	A-
553,000	THE PRICELINE GROUP INC CONV BOND REG 1.000 03/15/2018	113.18	625,877	150.44	831,919	4.54	0.66	5,530	BBB

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# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Holdings Report - Account 1256  
 May 31, 2014

Shares or Par Value	Security	Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
<b>Bonds (Continued)</b>									
72,000	WABASH NATIONAL CORP CONV BOND 3.375 05/01/2018	121.62	87,568	138.75	99,900	0.54	2.43	2,430	NR
311,000	WELLPOINT INC 2.750 10/15/2042	102.25	317,998	155.75	484,383	2.64	1.77	8,553	A-
147,000	XILINX INC 2.625 06/15/2017	134.65	197,935	166.19	244,296	1.33	1.58	3,859	A-
			9,605,242		12,125,779	66.12	1.21	146,289	BB+
<b>Stocks</b>									
500	AMERICAN TOWER CORP REG	100.00	50,000	107.06	53,531	0.29	1.24	663	NR
99	BANK OF AMERICA 7.250%	830.69	82,238	1,190.06	117,816	0.64	6.09	7,178	BB+
1,700	CROWN CASTLE INTL CORP REG	102.89	174,909	104.38	177,446	0.97	1.08	1,913	NR
1,000	HEALTH CARE REIT 6.500 CNV PFD	50.00	50,000	59.25	59,250	0.32	5.49	3,250	BB+
1,000	MAIDEN HOLDINGS CNV PFD	50.00	50,000	48.50	48,500	0.26	0.00	0	NR
900	POST HOLDINGS INC 1.44A	100.00	90,000	117.69	105,921	0.58	4.00	0	NR
5,200	STANLEY BLACK & DECKER I CONV PFD UNITS	108.87	566,110	133.94	696,488	3.80	4.00	27,872	NR
6,700	UNITED TECHNOLOGIES CORP CONV PFD	56.54	378,846	65.52	438,984	2.39	2.86	12,563	BBB+
550	WELLS FARGO & COMPANY 7.500%	624.73	343,600	1,232.00	677,600	3.70	0.61	4,125	BBB+
			1,785,704		2,375,536	12.95	2.42	57,562	B-
<b>Cash &amp; Equivalents</b>									
	UNITED STATES DOLLAR 0.0900	0.00	3,794,902	1.00	3,794,902	20.69	0.09	3,415	AAA
			3,794,902		3,794,902	20.69	0.09	3,415	AAA

Accrued Income	41,971	0.23							
<b>Total Portfolio</b>			<b>\$15,185,848</b>		<b>\$18,338,188</b>	<b>100.00%</b>	<b>1.13</b>	<b>\$207,266</b>	<b>BBB-</b>

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# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

## Purchases Report — Account 1256 Month Ending May 31, 2014

Trade Date	Quantity (Units)	Security Description	Average Cost	Total Cost
<b>Purchases</b>				
05/07/14	500	AMERICAN TOWER CORP REG	100.00	50,000.00
05/05/14	32,000	BROADSOFT INC 1.500 7/1/2018	96.88	31,000.00
05/13/14 - 05/14/14	500	CROWN CASTLE INTL CORP REG	104.65	52,323.39
05/06/14 - 05/13/14	79,000	INCYTE CORP LTD CONV BOND 144A 0.375 11/15/2018	132.11	104,364.44
05/02/14	93,000	INVENSENSE INC 144A 1.750 11/1/2018	115.00	106,950.00
05/20/14	44,000	LIVE NATION ENTERTAINMEN 144A 2.500 5/15/2019	100.00	44,000.00
05/29/14	55,000	SPECTRANETICS CORP REG 2.625 6/1/2034	100.00	55,000.00
<b>Total Purchases</b>				<b>\$443,637.83</b>

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

Sales Report — Account 1256  
 Month Ending May 31, 2014

Trade Date	Quantity (Units)	Security Description	Unit Cost	Total Proceeds	Realized Gain/Loss
Mature Long 05/01/14	359,000	INTL GAME TECHNOLOGY REG CONV BND 3.250 5/1/2014	115.44	359,000.00	-55,420.63
				<u>\$359,000.00</u>	<u>-\$55,420.63</u>
Sell Long 05/29/14	55,000	SPECTRANETICS CORP REG 2.625 6/1/2034	100.00	57,062.50	2,062.50
				<u>\$57,062.50</u>	<u>\$2,062.50</u>
<b>Total Sales</b>				<u>\$416,062.50</u>	<u>-\$53,358.13</u>

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Schroder Capital Management Collective Trust  
 C/O US Bancorp Fund Services, LLC  
 PO Box 701  
 Milwaukee, WI 53201-0701

**Account Statement** Page 1 of 1  
 for the period of: May 1, 2014 - May 31, 2014

BAY COUNTY EMPLOYEES' RETIREMENT SY  
 ATTN JANIE TRACEY  
 515 CENTER AVE  
 BAY CITY MI 48708-5941

If you have any questions or comments regarding this statement, please contact your Client Service team at Schroders, New York at clientservicenyc@us.schroders.com.

**Positions Held**

	Fund Number	Account Number	Total Shares	Share Price	Fund Value	% of Holdings
SCHRODER INTERNATIONAL SMALL CO'S FUND	3179	50306	1,901.702	\$10,139.8778	\$19,283,025.89	100.00%
<b>TOTAL VALUE</b>					<u>\$19,283,025.89</u>	<u>100.00%</u>

**Account Year-to-Date Summary**

	Fund Number	Account Number	Investments	Redemptions	Dividends	Capital Gains
SCHRODER INTERNATIONAL SMALL CO'S FUND	3179	50306	\$0.00	\$0.00	\$0.00	\$0.00
<b>TOTAL VALUE</b>			<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

**Transaction Detail**

Trade Date	Transaction	Dollar Amount	Price	Shares	Total Shares
SCHRODER INTERNATIONAL SMALL CO'S FUND <span style="float: right;">FUND/ACCOUNT NUMBER: 3179-50306</span>					
	BALANCE FORWARD				1,901.702
	ENDING BALANCE	\$19,283,025.89	\$10,139.8778		1,901.702

Crystal Hebert  
Bay County Employees Retirement System  
515 Center Avenue  
Suite 701  
Bay City, MI 48708

**Commission Recapture Sales  
Representative**

Kimberly Doran (212) 468-7701  
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**Client Services**

Jennifer A. Fabiszewski 1.212.497.1533  
jfabiszewski@convergex.com



**Recapture Services**  
 Bay County Employees Retirement System by Trade Date  
 Directed Commission Summary  
 January 01, 2014 through May 31, 2014

Ref#: 23803

Plan Sponsor	Revenue Type	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>GRAND TOTAL</b>														

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Commission Recapture Client Services : 800-992-7526, [cpclientservices@convergex.com](mailto:cpclientservices@convergex.com)  
 This statement represents trades through Trade Date May 31, 2014 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions  
 PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

1633 Broadway, 48th floor, New York, NY 10019  
 view your statements online @ [clients.convergex.com](mailto:clients.convergex.com)



Execution Solutions

Recapture Services

Bay County Employees Retirement System  
Plan Trading Summary (US Dollars)  
January 01, 2014 - May 31, 2014

Ref#: 23803

Manager	Current Month Commissions	Current Month Credits	Year-To-Date Commissions	Year-To-Date Credits
<b>Revenue Type: Equity</b>				
Columbia Management Advisors, LLC	0.00	0.00	900.00	630.00
Eagle Asset Management	0.00	0.00	97.78	68.45
Geneva Capital Management Ltd	235.88	165.12	2,303.36	1,612.35
Hotchkis & Wiley	0.00	0.00	0.00	0.00
MFS Investment Management Co.	0.00	0.00	0.00	0.00
<b>Totals for Equity</b>	<b>235.88</b>	<b>165.12</b>	<b>3,301.14</b>	<b>2,310.80</b>
<b>Revenue Type: Correspondent Equity</b>				
Baring Asset Management Ltd.	0.00	0.00	19.28	13.50
Baring Asset Management Ltd.	0.00	0.00	14.25	0.00
Integrity Asset Management	39.19	27.43	1,148.50	803.95
Integrity Asset Management	37.81	0.00	447.58	0.00
<b>Totals for Correspondent Equity</b>	<b>77.00</b>	<b>27.43</b>	<b>1,629.61</b>	<b>817.45</b>
<b>Revenue Type: International Correspondent</b>				
Baring Asset Management Ltd.	72.67	54.50	1,408.83	1,056.62
Baring Asset Management Ltd.	178.44	0.00	1,720.53	0.00
Schroder Investment Management Ltd	0.00	0.00	0.00	0.00
<b>Totals for International Correspondent</b>	<b>251.11</b>	<b>54.50</b>	<b>3,129.36</b>	<b>1,056.62</b>
<b>Grand Totals</b>	<b>563.99</b>	<b>247.05</b>	<b>8,060.11</b>	<b>4,184.87</b>

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Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com  
This statement represents trades through Posted Date May 31, 2014 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions  
PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.

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

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view your statements online @ clients.convergex.com



Execution Solutions

**Recapture Services**  
**Bay County Employees Retirement System**  
**Plan Activity Summary and Balance**  
**January 01, 2014 - May 31, 2014**

Ref#: 23803

**Summary by Revenue Type**

Revenue Type	Month to Date		Year to Date	
	Commissions	Credits	Commissions	Credits
Equity	235.88	165.12	3,301.14	2,310.80
Correspondent Equity	39.19	27.43	1,167.78	817.45
Correspondent Broker Fees	37.81	0.00	461.83	0.00
International Correspondent	72.67	54.50	1,408.83	1,056.62
Correspondent Broker Fees	178.44	0.00	1,720.53	0.00
Fixed Income	0.00	0.00	0.00	0.00
12B-1 fees	0.00	0.00	0.00	0.00
Adjustments	0.00	0.00	0.00	0.00
No Credit	0.00	0.00	0.00	0.00
<b>TOTAL</b>	<b>563.99</b>	<b>247.05</b>	<b>8,060.11</b>	<b>4,184.87</b>

**Account Balance**

Month	Commissions	Credits	Adjustments	Payments	Month Ending
Prior Year CR or DB	0.00	0.00			1,830.63
January 2014	2,012.80	1,121.77	0.00	1,830.63	1,121.76
February 2014	3,220.83	1,731.84	0.00	0.00	2,853.60
March 2014	1,599.52	785.73	0.00	0.00	3,639.34
April 2014	662.97	298.48	0.00	3,639.34	298.47
May 2014	563.99	247.05	0.00	0.00	545.52
June 2014	0.00	0.00			
July 2014	0.00	0.00			
August 2014	0.00	0.00			
September 2014	0.00	0.00			
October 2014	0.00	0.00			
November 2014	0.00	0.00			
December 2014	0.00	0.00			
<b>TOTAL</b>	<b>8,060.11</b>	<b>4,184.87</b>	<b>0.00</b>	<b>5,469.97</b>	<b>545.52</b>
<b>Current Balance</b>					<b>545.52</b>

Commission Recapture Sales : Kimberly Doran, 212.468.7701, kdoran@convergex.com  
 This statement represents trades through Posted Date May 31, 2014 for all US transactions and upon information provided to us to date from our Global Correspondent Network for all non-US transactions  
**PLEASE CHECK YOUR STATEMENTS FOR ACCURACY AND REPORT ANY INACCURACIES TO RECAPTURE SERVICES.**

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

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REFUNDS: FOR THE MONTH ENDED:

June 30, 2014

EMPLOYEE/BENEFICIARY	CONTRIBUTIONS	PROCESSED	DEPARTMENT	TERMINATION
RAPIN, KRISTIE	5,301.96	6/12/14	BABH	3/7/14
McCarthy, Jacqueline	13,344.39	5/21/14	Road Commission	9/12/13

TOTAL REFUNDS: 18,646.35

NEW RETIREE	CONTRIBUTIONS TRANSFERRED	RETIREMENT GROUP/ COUNTY DEPT	EFFECTIVE DATE	
PELTIER, SHAROLEE	\$ 38,012.11	BABH General Group	1/15/2014	Amend contributions transferred-origina <sup>l</sup> y appeared on April agenda. No impact, was just typographical error
WORTHINGTON, MARGARET	17,283.38	BABH General Group	5/1/2014	
BARTON, CONNIE	\$54,576.92	ICEA/PERA 1203 LIBRARY	5/17/2014	

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE OF DEATH	DIVISION/ DEPARTMENT
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NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
DEAN, ANASTASHIA	227.24	BMCF	6/2/2014
JESKE, BRAD	456.77	BMCF	6/1/2014
MARTINDALE, KELLY	313.62	BMCF	6/1/2014
SCHRADER, OCEAN-LEA	212.39	BMCF	5/31/2014
LOPEZ, TYLER	336.43	BMCF	5/4/2014
WEITZEL, CARLA	972.62	BMCF	5/12/2014
TACEY, MARY J	838.37	BCAMPS	6/2/2014
DURUSSELL, JODIE	7,281.52	BCAMPS	6/5/2014

10,411.72

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# Bay County Michigan

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

06/26/2014 12:35  
KPriessnitz

FOR 2014 06

7310 RETIREMENT SYSTEM FUND

73127400 RETIREMENT BOARD

RA FUND BALANCE, NET AS

73127400 40001 FUND BALANCE  
73127400 40003 FUND BALANCE-RESRVS  
73127400 40004 NET ASSETS - RESERV

TOTAL FUND BALANCE, NET AS

RJ LOCAL UNIT CONTRIBUT

73127400 59401 ER CONTR-BEHAVE.HEA  
73127400 59402 ER CONTR-MOSQUITO.C  
73127400 59403 ER CONTR-HEALTH FUN  
73127400 59404 ER CONTR-ROAD COMMI  
73127400 59406 ER CONTR-LIBRARY  
73127400 59407 ER CONTR-GOLF COURSE  
73127400 59408 ER CONTR-GENRAL FU  
73127400 59409 ER CONTR-DNS  
73127400 59410 ER CONTR-911 SERVIC  
73127400 59411 ER CONTR-CHILD CARE  
73127400 59412 ER CONTR-DIV ON AGI  
73127400 59413 ER CONTR-RETIRE SYS  
73127400 59414 ER CONTR-HOMELAND S  
73127400 59415 ER CONTR-GYPSY MOTH  
73127400 59416 ER CONTR-HOME REHAB  
73127400 59418 ER CONTR-100% TAX P  
73127400 59419 ER CONTR-MED CARE F  
73127400 59424 ER CONTR-SELF INSUR  
73127400 59427 ER CONTR-COMM.CORRE  
73127400 59429 ER CONTR-F.O.C.FUN  
73127400 59430 ER CONTR-HOUSING FU  
73127400 59434 ER CONTR-LOCAL CFO  
73127400 59499 ER CONTR-SHERIFF DE  
73127400 59501 EE CONTR-BEHAVE.HEA

	ORIGINAL APPROP	TRANSFRS/ADJUSTMTS	REVISED BUDGET	YTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
	0	0	0	.00	.00	.00	.0%
	16,176	0	16,176	.00	.00	16,176.00	.0%
	3,763,344	0	3,763,344	.00	.00	3,763,344.00	.0%
	3,779,520	0	3,779,520	.00	.00	3,779,520.00	.0%

	-1,300,000	0	-1,300,000	.00	.00	-1,300,000.00	.0%
	-13,000	0	-13,000	-4,924.83	.00	-8,075.17	37.9%
	-57,000	0	-57,000	-21,007.39	.00	-35,992.61	36.9%
	-520,000	0	-520,000	.00	.00	-520,000.00	.0%
	-130,000	0	-130,000	.00	.00	-130,000.00	.0%
	-6,000	0	-6,000	-1,437.61	.00	-4,562.39	24.0%
	-375,000	0	-375,000	-140,476.07	.00	-234,523.93	37.5%
	-250,000	0	-250,000	.00	.00	-250,000.00	.0%
	-45,000	0	-45,000	-16,017.49	.00	-28,982.51	35.6%
	-40,000	0	-40,000	-14,982.69	.00	-25,017.31	37.5%
	-43,000	0	-43,000	-15,734.20	.00	-27,265.80	36.6%
	-1,800	0	-1,800	-800.20	.00	-999.80	44.5%
	-3,500	0	-3,500	.00	.00	-3,500.00	.0%
	-2,000	0	-2,000	-723.24	.00	-1,276.76	36.2%
	-180	0	-180	-50.34	.00	-129.66	28.0%
	-3,200	0	-3,200	-1,193.35	.00	-2,006.65	37.3%
	-700,000	0	-700,000	.00	.00	-700,000.00	.0%
	-500	0	-500	-133.44	.00	-366.56	26.7%
	-3,100	0	-3,100	-608.49	.00	-2,491.51	19.6%
	-2,100	0	-2,100	-924.13	.00	-1,175.87	44.0%
	-6,800	0	-6,800	-2,023.38	.00	-4,776.62	29.8%
	0	0	0	.00	.00	.00	.0%
	-580,000	0	-580,000	-8,682.50	.00	-8,682.50	100.0%

# Bay County, Michigan

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06/26/2014 12:35  
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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

FOR 2014 06

	ORIGINAL APPROP	TRANSFRS/ADJUSTMS	REVISED BUDGET	YTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 59502	-12,500	0	-12,500	-4,924.83	.00	-7,575.17	39.4%
73127400 59503	-60,000	0	-60,000	-21,007.39	.00	-38,992.61	35.0%
73127400 59504	-130,000	0	-130,000	.00	.00	-130,000.00	.0%
73127400 59505	-75,000	0	-75,000	.00	.00	-75,000.00	.0%
73127400 59507	-4,800	0	-4,800	-1,437.62	.00	-3,362.38	30.0%
73127400 59508	-500,000	0	-500,000	-144,063.47	.00	-355,936.53	28.8%
73127400 59509	-85,000	0	-85,000	.00	.00	-85,000.00	.0%
73127400 59510	-62,000	0	-62,000	-23,665.09	.00	-38,334.91	38.2%
73127400 59511	-40,000	0	-40,000	-14,982.69	.00	-25,017.31	37.5%
73127400 59512	-43,000	0	-43,000	-15,734.20	.00	-27,265.80	36.6%
73127400 59513	-1,800	0	-1,800	-800.20	.00	-999.80	44.5%
73127400 59514	-1,900	0	-1,900	-723.24	.00	-1,176.76	38.1%
73127400 59515	-180	0	-180	-50.34	.00	-129.66	28.0%
73127400 59516	-3,000	0	-3,000	-1,193.35	.00	-1,806.65	39.8%
73127400 59518	-380,000	0	-380,000	.00	.00	-380,000.00	.0%
73127400 59519	-400	0	-400	-133.45	.00	-266.55	33.4%
73127400 59524	-3,100	0	-3,100	-608.49	.00	-2,491.51	19.6%
73127400 59527	-2,100	0	-2,100	-924.13	.00	-1,175.87	44.0%
73127400 59529	-6,800	0	-6,800	-2,023.39	.00	-4,776.61	29.8%
73127400 59530	-245,000	0	-245,000	-91,824.39	.00	-153,175.61	37.5%
73127400 59534	-5,738,760	0	-5,738,760	-553,815.62	.00	-5,184,944.38	9.7%
73127400 59599	-5,738,760	0	-5,738,760				
TOTAL LOCAL UNIT CONTRIBUT							
RP INTEREST & RENTALS							
73127400 66400	-5,000,000	0	-5,000,000	.00	.00	-5,000,000.00	.0%
73127400 66500	-3,000,000	0	-3,000,000	.00	.00	-3,000,000.00	.0%
73127400 66501	-40,000	0	-40,000	.00	.00	-40,000.00	.0%
73127400 66502	-300,000	0	-300,000	.00	.00	-300,000.00	.0%
73127400 66600	-23,340,000	0	-23,340,000	.00	.00	-23,340,000.00	.0%
TOTAL INTEREST & RENTALS							
RR OTHER REVENUE							
73127400 67104	0	0	0	.00	.00	.00	.0%
73127400 67600	0	0	0	.00	.00	.00	.0%
73127400 67601	0	0	0	.00	.00	.00	.0%

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# Bay County Michigan

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

06/26/2014 12:35  
KPriessnitz

FOR 2014 06

	ORIGINAL APPROP	TRANSFERS/ ADJUSTMTS	REVISED BUDGET	YTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 68900 TRADE-IN ALLOWANCE	0	0	0	.00	.00	.00	.0%
73127400 69000 COMMISSION RECAPTUR	-25,000	0	-25,000	.00	.00	-25,000.00	.0%*
73127400 69200 CLAIMS/SETTLEMENTS/	-150,000	0	-150,000	.00	.00	-150,000.00	.0%*
TOTAL OTHER REVENUE	-175,000	0	-175,000	.00	.00	-175,000.00	.0%
<b>XE WAGES &amp; SALARIES</b>							
73127400 70300 SALARIES-ELECTED OR	57,460	0	57,460	18,261.73	.00	39,198.27	31.8%
73127400 70500 TEMPORARY HELP	12,740	0	12,740	7,691.84	.00	5,048.16	60.4%*
73127400 70501 PART TIME WAGES	7,349	0	7,349	4,736.76	.00	2,612.24	64.5%*
73127400 70600 OVERTIME	2,809	0	2,809	363.94	.00	2,445.06	13.0%
73127400 70800 HOLIDAY PAY	0	0	0	853.66	.00	-853.66	100.0%*
73127400 71000 PER DIEM	3,420	0	3,420	1,125.00	.00	2,295.00	32.9%
73127400 71200 VACATION PAY	0	0	0	1,420.54	.00	-1,420.54	100.0%*
73127400 71202 SICK PAY	0	0	0	.00	.00	.00	.0%
73127400 71203 TERMINATION SICK_PA	0	0	0	160.84	.00	-160.84	100.0%*
73127400 71204 TERMINATION VACATION	0	0	0	.00	.00	.00	.0%
TOTAL WAGES & SALARIES	83,778	0	83,778	34,614.31	.00	49,163.69	41.3%
<b>XF FRINGES</b>							
73127400 71500 SOCIAL SECURITY	4,740	0	4,740	2,468.88	.00	2,271.12	52.1%*
73127400 71600 HEALTH INSURANCE	17,592	0	17,592	5,836.00	.00	11,756.00	33.2%
73127400 71603 RETIREE HEALTH CARE	0	0	0	.00	.00	.00	.0%
73127400 71632 EMPLOYEE INCENTIVE	219	0	219	.00	.00	219.00	.0%
73127400 71700 LIFE INSURANCE	131	0	131	39.60	.00	91.40	30.2%
73127400 71800 RETIREMENT	4,598	0	4,598	1,879.42	.00	2,718.58	40.9%
73127400 71900 OTHER FRINGE BENEFIT	652	0	652	.00	.00	652.00	.0%
73127400 72001 SIF ADMINISTRATION	111	0	111	56.89	.00	54.11	51.3%*
73127400 72100 WORKERS' COMPENSATI	163	0	163	83.75	.00	79.25	51.4%*
73127400 72200 SICK AND ACCIDENT I	391	0	391	142.49	.00	248.51	36.4%
73127400 72500 UNEMPLOYMENT COMPEN	358	0	358	184.17	.00	173.83	51.4%*
TOTAL FRINGES	28,955	0	28,955	10,691.20	.00	18,263.80	36.9%
<b>XI SUPPLIES</b>							
73127400 72700 OFFICE SUPPLIES	2,000	0	2,000	606.66	.00	1,393.34	30.3%

# Bay County Michigan

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

06/26/2014 12:35  
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FOR 2014 06

	ORIGINAL APPROP	TRANSFRS/ ADJUSTMTS	REVISED BUDGET	YTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 72702 BOOK SUPPLIES	0	0	0	.00	.00	.00	.0%
73127400 72800 PRINTING AND BINDIN	1,000	0	1,000	169.13	.00	830.87	16.9%
73127400 72900 POSTAGE	300	0	300	161.49	.00	138.51	53.8%*
73127400 73000 MAGAZINES AND PERIO	600	0	600	.00	.00	600.00	.0%
73127400 73301 COPIER / FAX SUPPLI	500	0	500	.00	.00	500.00	.0%
73127400 74200 FOOD SUPPLIES	150	0	150	21.75	.00	128.25	14.5%
73127400 74700 PHOTO & MICROFILM/F	0	0	0	.00	.00	.00	.0%
73127400 75100 COMPUTER SUPPLIES	1,500	0	1,500	.00	.00	1,500.00	.0%
TOTAL SUPPLIES	6,050	0	6,050	959.03	.00	5,090.97	15.9%
<b>XL OTHER SERVICES AND C</b>							
73127400 80100 PROFESSIONAL SERVIC	1,500,000	0	1,500,000	497,701.10	.00	1,002,298.90	33.2%
73127400 80101 ACTUARIAL SERVICES	40,000	0	40,000	14,175.00	.00	25,825.00	35.4%
73127400 80200 CONTRACTUAL SERVICES	0	0	0	.00	.00	.00	.0%
73127400 81200 MEDICAL SERVICES	1,000	0	1,000	.00	.00	1,000.00	.0%
73127400 81400 INVESTMENT/BANK SER	230,000	0	230,000	-63,921.65	.00	293,921.65	27.8%
73127400 81700 LEGAL FEES	7,500	0	7,500	.00	.00	7,500.00	.0%
73127400 81900 CONSULTANTS	125,000	0	125,000	35,000.00	.00	90,000.00	28.0%
73127400 82000 MEMBERSHIPS AND DUE	550	0	550	125.00	.00	425.00	22.7%
73127400 82900 FILING FEES	250	0	250	.00	.00	250.00	.0%
73127400 83500 HEALTH SERVICES	0	0	0	.00	.00	.00	.0%
73127400 85200 TELEPHONE	420	0	420	54.15	.00	365.85	12.9%
73127400 86100 CONFERENCE FEES & E	15,000	0	15,000	4,892.19	.00	10,107.81	32.6%
73127400 86500 STATE TRAVEL MILEAG	2,000	0	2,000	275.51	.00	1,724.49	13.8%
73127400 86600 LOCAL TRAVEL MILEAG	300	0	300	81.37	.00	218.63	27.1%
73127400 87500 PENSION PAYMENTS	13,000,000	0	13,000,000	.00	.00	13,000,000.00	.0%
73127400 90000 PRINTING/PUBLISHING	500	0	500	.00	.00	500.00	.0%
73127400 90100 LEGAL NOTICES	1,000	0	1,000	.00	.00	1,000.00	.0%
73127400 93100 EQUIPMENT REPAIR &	500	0	500	1,200.00	.00	-1,200.00	100.0%*
73127400 93700 HARD/SOFTWARE REPAIR	5,000	0	5,000	239.40	.00	4,760.60	4.8%
73127400 94601 EQUIPMENT RENTAL-CO	500	0	500	25.00	.00	475.00	5.0%
73127400 95500 MISCELLANEOUS	95,437	0	95,437	39,765.41	.00	55,671.59	41.7%
73127400 95600 INDIRECT COST EXPEN	1,500	0	1,500	270.00	.00	1,230.00	18.0%
73127400 96000 EDUCATION AND TRAIN	10,000,000	0	10,000,000	.00	.00	10,000,000.00	.0%
73127400 96200 LOSS ON DISPOSAL OF	0	0	0	.00	.00	.00	.0%
73127400 96201 UNREALIZED LOSS ON	100,000	0	100,000	.00	.00	100,000.00	.0%
73127400 96203 LOSS ON FOREIGN CUR	60,000	0	60,000	.00	.00	60,000.00	.0%
73127400 96401 CONTRIB REFUND-GENE	5,000	0	5,000	.00	.00	5,000.00	.0%
73127400 96402 CONTRIB REFUND-SHER	5,000	0	5,000	.00	.00	5,000.00	.0%
73127400 96403 CONTRIB REFUND-ROAD	5,000	0	5,000	.00	.00	5,000.00	.0%

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# Bay County, Michigan

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

FOR 2014 06

	ORIGINAL APPROP	TRANSFRS/ ADJSTMIS	REVISED BUDGET	YTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 96404 CONTRIB REFUND-MED	40,000	0	40,000	.00	.00	40,000.00	.0%
73127400 96405 CONTRIB REFUND-B.A.	50,000	0	50,000	.00	.00	50,000.00	.0%
73127400 96406 CONTRIB REFUND-D.W.	5,000	0	5,000	.00	.00	5,000.00	.0%
73127400 96407 CONTRIB REFUND-LIBR	5,000	0	5,000	.00	.00	5,000.00	.0%
73127400 96500 INSURANCE AND BONDS	22,000	0	22,000	.00	.00	22,000.00	.0%
73127400 96730 MACHINERY & EQUIPME	2,000	0	2,000	.00	.00	2,000.00	.0%
73127400 96741 OFFICE EQUIP. & FURN	1,000	0	1,000	.00	.00	1,000.00	.0%
73127400 96742 COMPUTER HARDWARE E	0	0	0	.00	.00	.00	.0%
73127400 96770 BOOK EXPENSE	0	0	0	.00	.00	.00	.0%
73127400 96999 BUDGET REDUCTION TA	0	0	0	.00	.00	.00	.0%
TOTAL OTHER SERVICES AND C	25,321,457	0	25,321,457	529,882.48	.00	24,791,574.52	2.1%
XQ CAPITAL OUTLAY							
73127400 98001 COMPUTER SOFTWARE	34,000	0	34,000	8,000.00	34,000.00	-8,000.00	123.5%*
TOTAL CAPITAL OUTLAY	34,000	0	34,000	8,000.00	34,000.00	-8,000.00	123.5%
TOTAL RETIREMENT BOARD	0	0	0	30,331.40	34,000.00	-64,331.40	100.0%
TOTAL RETIREMENT SYSTEM FUND	0	0	0	30,331.40	34,000.00	-64,331.40	100.0%
TOTAL REVENUES	-25,474,240	0	-25,474,240	-553,815.62	.00	-24,920,424.38	
TOTAL EXPENSES	25,474,240	0	25,474,240	584,147.02	34,000.00	24,856,092.98	
GRAND TOTAL	0	0	0	30,331.40	34,000.00	-64,331.40	100.0%

\*\* END OF REPORT - Generated by Kim Priessnitz \*\*

*W*





**Bay County Health Department**  
**Kirk H Herrick, D.O.**  
**Medical Director**  
**1200 Washington Avenue**  
**Bay City Michigan 48708**  
**989-895-2062**

June 18, 2014

Re: Karen Prich

Tiffany Jerry  
Payroll/Benefits Supervisor  
Bay County Building  
515 Center Ave, Suite 706  
Bay City, MI 49708

Dear Ms. Jerry:

I have reviewed the medical records that you sent to me regarding the medical condition of Karen Prich. I also read the letter from her attending physician and the job description for her position as a Light Truck Operator.

It is my professional opinion that Karen Prich is totally and permanently disabled from performing her job as a light truck operator and any of her required duties at the Bay County Road Commission or any other type of gainful employment.

Sincerely,

  
Kirk H. Herrick, D.O.  
Medical Director



June 5, 2014

Ms. Crystal Hebert  
Bay County Employees Retirement System  
515 Center Avenue  
Bay City, MI 48708-5994

RE: Bay County Employees Retirement System – I0076MCV

Dear Crystal,

As we previously communicated, Victory Capital Holdings, Inc., the parent company of Victory Capital Management Inc., (Victory), agreed to acquire Munder Capital Management (Munder) and its subsidiary Integrity Asset Management, LLC. Upon the closing of this transaction, which is targeted to occur at the end of the third quarter of 2014, Victory will employ its existing technology and operating infrastructure to support the continued management of your account.

As part of its operating infrastructure, Victory utilizes Citi Global Transaction Services (Citi GTS) to provide investment administration services including trade processing, corporate actions, portfolio accounting, reconciliation and performance services for Victory's separately managed accounts.

Victory, Citi GTS and its affiliates have had a successful working relationship for many years. An affiliate of Citi GTS, CITI Fund Services Ohio, Inc, has provided fund accounting and transfer agency services for the Victory Funds for over twenty years while Citi GTS has provided investment administration services for institutional portfolios for over two years. Victory has been very pleased with their level of service, controls and procedures.

In order to ensure a smooth and seamless transition of your account to the new platform following the closing, Citi GTS will be contacting your custodian in the near future to prepare for the transition process. Victory will oversee Citi GTS during this transition to ensure controls are in place to safeguard the privacy of your account information. We will also make available to you, upon request, Citi GTS' most recent annual Service Organization Control (SOC-1) report on investment operation controls and procedures.

Please feel free to contact me at 248-647-9200 if you have any questions or require additional information. We appreciate your confidence in us and thank you for your continued business.

Sincerely,

A handwritten signature in cursive script that reads "Andrea".

Andrea Leistra  
Senior Investment Manager

AEL/gm

**Administration & Operations**  
480 Pierce Street  
Birmingham, Michigan 48009  
Phone (248) 647-9200  
Fax (248) 451-2093

**Investment Management**  
18500 Lake Road, Suite 300  
Rocky River, Ohio 44116  
Phone (216) 920-5001  
Fax (216) 920-1418

## Tracy Cederquist

---

**From:** Tim Quinn  
**Sent:** Tuesday, June 24, 2014 2:04 PM  
**To:** Tracy Cederquist  
**Subject:** Item for Agenda  
**Attachments:** Direct Deposit Memo d.2.docx

Hi Tracy:

Please include this email and the attachment with the Agenda/Minutes for BCERS.

This is a draft of a letter which I propose to send to retirees once we have an Administrator hired, hopefully by early-July. I want to have someone to answer any questions about this before we send it.

*Tim Quinn*  
*Director of Personnel and Employee Relations &*  
*Corporation Counsel*  
*Bay County*  
*Bay City, MI 48708-5121*  
*(989)895-4096 (office)*  
*(989)493-8319 (cellular)*  
*(989) 895-2076 (fax)*  
[\*tquinn@baycounty.net\*](mailto:tquinn@baycounty.net)

Quote of the day: **Shaquille O'Neal** Me shooting 40% at the foul line is just God's way to say nobody's perfect.

TO: BCERS RETIREES RECEIVING PAPER PENSION CHECKS VIA MAIL  
FROM: XXXXXXXXXXXXXXXXXXXX RETIREMENT ADMINISTRATOR  
DATE: JULY 9, 2014  
RE: DIRECT DEPOSIT

Enclosed you will find a direct deposit form to be filled out and returned to the Retirement Office.

As you may remember in February 2014, due to severe weather, the pension checks were significantly delayed by the postal service. The pension payments that were administered through direct deposit were not delayed and were posted to retiree accounts on the first banking day of the month. Pension payments are administered through the Northern Trust Company in Chicago, IL. When there is a delay with the postal service delivery or a lost check, the retirement office in Bay County cannot reissue the check manually. The process to reissue a paper check can take up to **3-4 weeks** to be reissued out of Chicago, mailed, and then received by the retiree.

The benefits of direct deposit processing are many, the most valuable include:

- ✓ There are no checks to be lost or stolen
- ✓ Your money is available on the first banking day of the month, even if you're out of town, sick or unable to get to the bank
- ✓ There are no delays due to weather or any other postal service issues
- ✓ Convenient and dependable

The Retirement Board and staff strongly encourage all retirees to elect the direct deposit method of payment in order to ensure timely payments. Please complete the enclosed "Electronic Deposit Authorization Form" and return to:

Bay County Retirement Office  
Personnel Department, 3<sup>rd</sup> Floor  
Bay County Building,  
515 Center Avenue  
Bay City, MI 48708  
(or fax @ 989.895.2076)



**BAY COUNTY  
PERSONNEL DEPARTMENT**

**Tim Quinn, Director**  
[quinnt@baycounty.net](mailto:quinnt@baycounty.net)  
(989) 895-4098 (T)  
(989) 895-2076 (F)

**Thomas L. Hickner**  
County Executive

Tiffany Jerry, Payroll/Benefits Super.  
[jerryt@baycounty.net](mailto:jerryt@baycounty.net)  
(989) 895-4032 (T)  
(989) 895-2076 (F)

Jeanie Deckert, Wellness Coordinator  
[deckertj@baycounty.net](mailto:deckertj@baycounty.net)  
(989) 895-4087 (T)  
(989) 895-2076 (F)

June 24, 2014

Becky Smutek, Payroll Clerk  
[smutekb@baycounty.net](mailto:smutekb@baycounty.net)  
(989) 895-4044 (T)  
(989) 895-2076 (F)

To: Retirement Board

From: Tim Quinn, Director, Personnel, Employee Relations and Corporation Counsel

Re: Item on June 10, 2014 minutes, page 6

**Board Request**

During discussions during the meeting, a trustee asked where the money comes from when people buy service credit toward their retirement.

**Short Answer**

Michigan Law (MCL 46.12(d)) provides in part that:

[t]he county employee deposits in the plan established under this section an amount equal to the aggregate amount of contributions the county employee would have made had the service been acquired in the employ of the county, plus interest from the dates the contributions would have been made to the date of deposit at rates determined by the country board of commissioners...

There are other provisions in the statute and ordinance which restrict this broad definition, such as number of hours required to be worked in the year, and "reach back periods," but for purposes of the question asked, it is sufficient to say the employee has to pay back all that the county or the employee would have had to contribute had he or she been working at the County during the periods in which the employee was working at another qualifying unit of government.

Accordingly, the employee is credited with the length of service and the County has no obligation to pay anything additional into the fund, because the employee has to make that up.

## Example

Employee works 1.0 years at ABC governmental unit and earns \$25,000 for 2000 hours worked, in 1998.

## The Factors

**Employee contributions had he or she been employed at the County at that time**

- W-2 earnings, 25,000 X
- The employee contribution rate for that year (.04) X
- Interest from that date (using multiplier factor 2.5986) = \$2598.60

## Plus the employer contribution

- W-2 earnings (\$25,000) X
- Employer contribution rate for that year (0.0%) = \$0

The total of the two \$2598.60 is how much the employee would have to contribute into the retirement fund to buy one year's service.



**BAY COUNTY**  
FINANCE/INFORMATION SYSTEMS

Thomas L. Hickner  
Bay County Executive

**Crystal A. Hebert**  
Finance Officer  
[hebetc@baycounty.net](mailto:hebetc@baycounty.net)

**Kimberly A. Priessnitz**  
Assistant Finance Officer  
[priessnitzk@baycounty.net](mailto:priessnitzk@baycounty.net)

**Frances A. Moore**  
Purchasing/Housing Rehab  
[mooref@baycounty.net](mailto:mooref@baycounty.net)

**Julie A. Coppens**  
Information Systems Manager  
[coppensi@baycounty.net](mailto:coppensi@baycounty.net)

**TO: ALL DEPARTMENT/DIVISION HEADS AND ELECTED OFFICIALS**

**DATE: June 23, 2014**

**RE: 2015 BUDGET PREPARATION REQUESTS**

Attached you will find a copy of the 2015 budget package, including the 2015 budget schedule and calendar, which was approved by the Board of Commissioners on June 10, 2014.

For your department's 2015 budget, please submit a "status quo" budget only; that is a budget that provides funding for your department at or below the present level of funding. The "status quo" budget is just a starting point for the 2015 budget. It is strongly suggested that you schedule a meeting to evaluate, review spending, understand the true cost of doing business, analyze staff levels and ultimately prioritize services for each department's budget. To schedule this meeting, please contact Kim Priessnitz @ 4034 or Dawn Kotcher @ 4030. The participants of the meeting will be the appropriate Department Director, Tom Hickner, Robert Redmond, Crystal Hebert and Kim Priessnitz.

Also included are various work papers and instructions that will simplify an important task to project revenues and anticipated needs or expenditures, as may be appropriate. Listed below are the significant changes for the 2015 budget process.

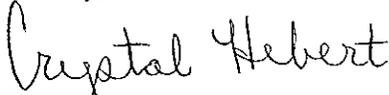
- 1) Budget hearings will not be held during the 2015 budget process.
- 2) Each department and agency must submit a budget by July 15, 2014. Other requirements are noted on the attached budget schedule and calendar.
- 3) The 2015 budget is developed through MUNIS.. Departments can access 2015 budgets on-line through MUNIS under Next Year's Budget Entry/Reports menu. The only exceptions are the outside entities and others who do not have access to MUNIS, who will receive a hard copy.
- 4) Department heads and elected officials will still receive a hard copy 2015 personnel worksheets in interoffice mail. Please note that these draft 2015 personnel worksheets have been reviewed by Kim Priessnitz, Assistant Finance Officer/Budget Supervisor. During your budget review, please send any payroll updates and changes to Kim Priessnitz.

- 5) No new personnel positions will be considered for the 2015 budget.
- 6) All 2015 capital line items must be **updated** under the department column by each department. The capital line items did roll forward from the 2014 adjusted budget and must be updated to be considered. All capital items from 96700 through 98900 line items must be scheduled out by specifically identifying the item. A description of "miscellaneous" will not be accepted. **If a schedule or a narrative explanation is not provided, the dollar amount will be eliminated.** Under MUNIS, you can provide a detailed description by entering the backup information under the "TEXT" field within that specific line item/object or you can use the "DETAIL ENTRY" field and any pertinent backup you desire.
- 7) The 2015 department budget column has most of the expenditures already entered for you. These amounts are from the 2014 amended budget.
- 8) The 2015 fee schedule is attached. Please review for accuracy and forward any changes that need to be made to Dawn Kotcher and Kim Priessnitz in the Finance Department no later than July 18, 2014.
- 9) The Indirect Costs for the 2015 budget should be available around the second week of July. When the 2015 Budget is updated with the draft indirect cost numbers, an email will be sent to notify departments. Outside component entities will be sent revised 2015 Budget workpapers.

The county has established a Total Quality Initiative as one of our countywide priorities. Increasing the involvement of staff in our established procedures is one of the methods to foster a continuously-improving workforce and environment. Therefore, during your budget development, please actively involve your direct line staff.

**As previously noted, you are required to enter your 2015 budget requests in MUNIS by July 15, 2014, through MUNIS.** Entry instructions are included on pages 7-16. As always, the Bay County Finance Department looks forward to working with you in the development of your 2015 fiscal year budgets. If you have any questions, please contact Kim Priessnitz @4034, Dawn Kotcher @4030 or Norine Weiler @4040.

Sincerely,



Crystal Hebert  
Finance Officer

CAH/dk  
Enclosures

# COUNTY OF BAY MICHIGAN



## 2015 BUDGET

**THOMAS L. HICKNER**  
BAY COUNTY EXECUTIVE

**CRYSTAL A. HEBERT**  
FINANCE OFFICER

**KIM PRIESSNITZ**  
ASSISTANT FINANCE OFFICER

BAY COUNTY, MICHIGAN  
2015 BUDGET SCHEDULE AND CALENDAR

Tuesday 3-Jun-14	WAYS AND MEANS COMMITTEE MEMBERS REVIEW AND APPROVE BUDGET SCHEDULE AND CALENDAR.
Tuesday 10-Jun-14	BOARD OF COMMISSIONERS REVIEW AND APPROVE BUDGET SCHEDULE AND CALENDAR.
Monday 23-Jun-14	DISTRIBUTE 2015 BUDGET PACKAGE AND FORMS TO DEPARTMENTS.
Tuesday 15-Jul-14	DEPARTMENTS TO SUBMIT COMPLETED 2015 BUDGET REQUEST ON LINE TO BUDGET DEPARTMENT FOR SUMMARIZATION.
Monday 11-Aug-14	BUDGET PREPARATION REPORT AVAILABLE FOR REVIEW.
Friday 12-Sep-14	PUBLISH AND POST NOTICE OF PUBLIC HEARING FOR THE 2015 BUDGET AND FOR THE PROPERTY TAX MILLAGE RATE PROPOSED TO BE LEVIED TO SUPPORT THE PROPOSED BUDGET.
Wednesday 1-Oct-14	COUNTY EXECUTIVE SUBMITS 2015 BUDGET TO THE BOARD OF COMMISSIONERS.
Wednesday 1-Oct-14	COUNTY EXECUTIVE SUBMITS 2015 BUDGET TO DEPARTMENT/DIVISION HEADS AND OTHER ELECTED OFFICIALS
Tuesday 7-Oct-14	WAYS AND MEANS COMMITTEE REVIEWS BUDGET; ANNOUNCES PUBLIC HEARING FOR 2015 BUDGET TO BE HELD ON OCTOBER 14, 2014.
Tuesday 14-Oct-14	PUBLIC HEARING ON 2015 PROPOSED BUDGET AND FOR THE PROPERTY TAX MILLAGE RATE PROPOSED TO BE LEVIED TO SUPPORT THE PROPOSED BUDGET.
Wednesday 12-Nov-14	TENTATIVE ADOPTION OF THE 2015 BUDGET BY THE BAY COUNTY BOARD OF COMMISSIONERS.

# BAY COUNTY BUDGET PREPARATION INSTRUCTIONS FISCAL YEAR 2015

These instructions pertain to the electronic filing of fiscal year 2015 budget requests. If it is impossible for you to access a system that is emulated to MUNIS, please call Kim Priessnitz at Ext. 4034 or Dawn Kotcher at Ext. 4030 for assistance in locating an emulated system.

The 2015 budget packet consists of the following reports:

- I. Electronic "2015 Budget Projection" report (Use Next Year Budget Entry instructions attached)
- II. Long Term Capital needs greater than \$5,000
- III. Service Enhancement Proposal
- IV. Personnel Projection Information

The 2015 budget must be **entered** no later than **Tuesday July 15, 2014**. Because of the uncertainty of federal and state funding and increasing costs of conducting County business, we are asking departments to **submit a status quo budget only** that is a budget that provides funding for your department(s) **at its present level** of operations and to seriously contemplate their need for capital items prior to submission. As stated earlier in the 2015 Budget Preparation letter under number 6, only major items will be considered and your request must be made via e-mail to the individuals listed in the second paragraph of the 2015 Budget Preparation letter, dated June 23, 2014. However, if you are seeking funding for a new computer software package that improves office efficiency it should not be included in your "on-line" request, but can be a part of the service enhancement proposal. We are requesting all departments to thoroughly review their budgets and eliminate all non-essential expenditure items and to identify new or enhance existing revenue sources.

## I. On-Line Next Year Budget Entry Program

The Next Year Budget Entry Program provides a summary of your departments' revenue and expenditure projections for 2015, based on the 2014 amended budget. For each object line, 2014 adopted budget amounts are provided to serve as a tool for developing 2015 amounts.

If you wish to add a new revenue or expenditure object line, or if there is a object line that is more descriptive and appropriate for a given revenue or expenditure which does not appear on your Department Budget, you may request the addition of the object line by either inserting the object line description and amount in the text/narrative section of your report, or call Kim Priessnitz at Ext. 4034 who will add the object line to your budget file.

Estimates should be explained as clearly as possible in the narrative/"TEXT" section of the "on-line" budget entry program. Revenue projections should be accompanied with an explanation on how the amount was developed or what factors could change the estimate. Expenditure requests must be detailed so as to better understand the department request. An example of a request that must be detailed out is "Membership and Dues". For "Membership and Dues," the department should identify the various organizations to which

members of their department belong. Repair and maintenance costs should also be explained if they are included in the 2015 budget. Requests for replacement capital expenditures should detail specific items and provide a detailed description by entering the backup information under the "TEXT" field within that specific object line/object or you can use the "DETAIL ENTRY" field, which is a side button under the next year's budget entry menu. **Undocumented requests will NOT be considered and will NOT be included in your budget.** Include the unit cost for each capital item. For example, a request of \$750 in object line 96740 - Office Equipment and Furniture should be explained as follows:

96740 - Office Equipment and Furniture

<u>Amount</u>	<u>Item Description</u>
\$ 600	Desk and credenza --new
150	Printing/display electronic calculator--replacement
\$ 750	Total

**Remember to budget Equipment purchases into the following category:**

**A)** All requests for any item that **costs \$1000 but less than \$5000** should be budgeted in the appropriate capital expenditure object line (967xx) and be listed in your narrative/notes section of the budget.

**B)** All requests for equipment with a **cost of \$5,000** or more should be budgeted in the appropriate "**capital outlay**" object line (Category: 97000 thru 98501) and be listed in your narrative/notes section of the budget.

**All requests for computer equipment and software should be sent to the Information Systems Division** for review. Most requests will be included in the Information Systems Division budget request unless direct funding is available from other sources. **The Information Systems Division must review all requests regardless of funding source.**

The Information System's budget request will also include maintenance on computer equipment. If your department prints forms on paper particular to your department, include the cost of these forms in your request in object line 75100 - Computer Supplies. Ribbons for printers should be budgeted by the department where the printer is located. Contact the Information System Division if you have any questions about where to budget other computer supplies.

**All requests for conference fees and expenses** should include (in the narrative under the "TEXT" field in MUNIS) a description of the conferences included in the request, the location (if known) and the estimated costs.

**All requests for education and training** for departments organized under the county executive which do not have outside revenue sources, such as millage or grant funding, **should be submitted to the Personnel Department.** These requests will then be included in the personnel department budget request. Education and training expenses

would include expenses incurred in the acquisition of knowledge through systematic instruction provided through an educational institution, such as, Saginaw Valley State University, Delta College, Bay Arenac Intermediate School System, etc.

After checking that the items keyed into MUNIS agree with your hard copy of the completed department budget preparation report, notify the budget department of your submission utilizing the "Department Notify" assigned to each budget and email Kim Priessnitz. This "Department Notify" acts as your official submission of the 2015 budget request. It should be used only by the authorized department head or elected official. **If you have made corrections to the budget preparation personnel worksheet the original must be forwarded to the Budget Department**, and a copy retained for your records.

#### Budget Preparation Personnel Worksheet

Personnel Worksheets will be forwarded to departments will be forwarded to departments on June 23, 2014. Please see the last section of this budget packet for Personnel Projection information.

II. Long Term Capital needs greater than \$5,000, if applicable:

**PLEASE UPDATE AND SUBMIT YOUR ANTICIPATED LONG TERM CAPITAL NEEDS FOR THE NEXT FIVE YEARS**, to be included in the Capital Improvement Plan. The capital requests included in this plan should be only those anticipated capital expenditures greater than \$5,000. Also include in your report a brief description and reason for the request, the estimated cost, and the source of funding. A copy of the 2015 plan is enclosed for reference.

III. Service Enhancement Proposal, if applicable:

This form should be filled out for budget requests that enhance programs under your supervision and should be returned to the Budget Department **by July 18, 2014**. Examples include new programs such as a grant program needing partial county funding, additional staff, or capital purchases, other than replacement items. If you have any questions about the use of this form, please call Kim Priessnitz at Ext. 4034, Dawn Kotcher at Ext. 4030 or Norine Weiler at Ext. 4040.

## Personnel Projections Information

All labor contracts will expire 12-31-16 and were settled with the following: a 3% base wage increase were identified for 2014 and \$0 increases for the years 2015 and 2016. In addition, for years 2014, 2015 and 2016, the labor contracts state that if an employee doesn't take the additional three personal days, employee shall be paid a lump sum payment of one percent of gross base wages for prior year. There should be 2088 hours budgeted for each full-time employee for 2014. Fringe Benefits were computed using the rates described below:

71201 Prior Years Vacation Pay: The Budget Department estimate reflects unused vacation time to which employees are entitled, as prescribed by the applicable labor contract or personnel policy. The 2014 estimate reflects amounts that will be paid in February 2015. The estimate is based on 2013 actual expenditures. Please review these estimates and, if necessary, consult with employees who are eligible for such benefits.

71500 Social Security: The employer's contribution for social security and Medicare tax was computed at 7.65 percent of the first \$117,000 and then 1.45 percent on the amount over \$117,000 of earnings for all county employees. There is also an additional Medicare tax withholding of .9 percent for wages over \$200,000.

71600 Health Insurance: Annual rates depend on the type of coverage as well as the insurance carrier and/or plan the employee has chosen.

<u>Coverage</u>	<u>Blue Cross Blue Shield Preferred Provider</u>
Single	\$ 5,832 *
Coverage for Two	14,064 *
Family & Family Contributions	17,592 *

\*Note: These rates are subject to change.

The budget assumes an 85 percent/15 percent employer/employee share of such costs for the Self-Insured Blue Cross/Blue Shield Plan.

The health insurance rates appearing on the budget preparation personnel projection obviously cannot reflect any changes in coverage employees may choose during open enrollment. Rates will be updated at a later date to reflect any changes an employee may make in coverage.

70401 Pay In Lieu of Health Insurance: Employees that waive health insurance benefits are presently budgeted to receive \$1,800 in compensation each enrollment period. This \$1,800 is subject to social security, retirement, worker's compensation, sick and accident, and unemployment compensation benefits.

If an employee chooses to purchase dental, vision, or both types of insurances from the \$1,800 pay in lieu of health insurance, the following estimates of such cost are to be included on the personnel projection:

	Cash Option		
	Dental	Vision	Both
Single	\$ 504	\$ 63	\$ 567
Two-Person	1,210	150	1,360
Family	1,513	187	1,700
These estimates will be adjusted to actual costs when received from the carrier.			

71603 Retiree Health Care Contribution: A 2014 contribution to the Voluntary Employees' Beneficiary Association is not being budgeted for at this time. This may change depending on the results of the Bay County Employees' Retirement System Actuarial Valuation which determines if the 4% retirement contribution may be diverted to the V.E.B.A. It may also change if the County Executive or the Board of Commissioners makes the decision to voluntarily fund the V.E.B.A.

71700 Life Insurance: Annual rates depend on the amount of coverage for the employee as defined per applicable labor contract or personnel policy.

Amount of Coverage	Annual Premium	Employees Covered
\$20,000	\$ 44*	USWA Part-time employees, Bay County Sheriff Road Patrol Deputies, Central Dispatch, Correctional Facility Officers
\$25,000	\$ 54*	District Court AFSCME, Nurses
\$30,000	\$65*	USWA-Technical Employees-Full Time
\$35,000	\$ 76*	Circuit Court Technical Employees-GELC
\$40,000	\$ 87*	BCAMPS, Probate Court Technical Employees-USWA
\$50,000	\$108*	Elected Officials and their Deputies, Road Patrol Supervisors and General County and Court Non-represented Professional, Managerial and Technical Employees

\*Note: These rates are subject to change.

71800 Retirement: Four percent (4%) is being budgeted in 2015 for "employee" contributions (paid by the employer) to the Bay County Employees' Retirement System. It is expected that the 4% contribution will continue through 2015. Based on the results of the 2012 Actuarial Valuation of the Retirement System, it is necessary to budget for an additional "employer" contribution of 4.00 percent in the General Group only and .55% for the Sheriff Group.

\*72100 Workers' Compensation: The 2015 rate used on the budget preparation personnel projection is .25 percent of all wages.

\*72101 SIF Administration: The 2015 rate on the budget preparation Personnel Projection is .17 percent for all wages.

\*72200 Sick and Accident Insurance: The 2015 rate is .68 percent of applicable wages for employees eligible for sick and accident benefits.

\*72500 Unemployment Insurance: A 2015 rate of .55 percent has been applied to eligible wages.

\*Note: These rates are subject to change.

The above rates for workers' compensation, sick and accident, and unemployment have been identified through the 2011 actuarial study of the self-insurance fund by AMI Risk Consultants.

Compensation not applicable to any one employee, such as shift differential, overtime, and temporary help and related fringe benefits have been computed and are also included in the budget.

Please review personnel and forward any modifications or updates to Kim Priessnitz, Assistant Finance Officer/Budget Supervisor.

# Bay County Michigan

I  
P  
| bgnyrpts  
FOR PERIOD 99

06/26/2014 13:32  
KPrlessnltz  
BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

PROJECTION: 2015 2015 BUDGET PROJECTION  
ACCOUNTS FOR: 2013 ACTUAL

RETIREMENT SYSTEM FUND	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT
73127400 RETIREMENT BOARD							
RA FUND BALANCE, NET AS							
73127400 40001 FUNDBALANCE	.00	.00	.00	.00	.00	.00	.0%
73127400 40003 FERSV/DESG	.00	16,176.00	16,176.00	.00	16,176.00	16,176.00	.0%
73127400 40004 NETASTRSV	.00	3,763,344.00	3,763,344.00	.00	3,763,344.00	3,763,344.00	.0%
TOTAL FUND BALANCE, NET AS	.00	3,779,520.00	3,779,520.00	.00	3,779,520.00	3,779,520.00	.0%
RJ LOCAL UNIT CONTRIBUT							
73127400 59401 ERCON BABH	-1,405,464.07	-1,300,000.00	-1,300,000.00	.00	-1,300,000.00	-1,300,000.00	.0%
73127400 59402 ERCON MOSQ	-13,225.90	-13,000.00	-13,000.00	-5,901.72	-13,000.00	-13,000.00	.0%
73127400 59403 ERCON H.F.	-58,057.57	-57,000.00	-57,000.00	-25,333.00	-57,000.00	-57,000.00	.0%
73127400 59404 ER CON R C	-630,005.24	-520,000.00	-520,000.00	.00	-520,000.00	-520,000.00	.0%
73127400 59406 ER CON LIB	-180,859.88	-130,000.00	-130,000.00	.00	-130,000.00	-130,000.00	.0%
73127400 59407 ER CON G.C	-6,324.44	-6,000.00	-6,000.00	-1,733.47	-6,000.00	-6,000.00	.0%
73127400 59408 ER CON G.F	-397,550.24	-375,000.00	-375,000.00	-170,033.81	-375,000.00	-375,000.00	.0%
73127400 59409 ERCON DWS	-302,300.89	-250,000.00	-250,000.00	.00	-250,000.00	-250,000.00	.0%
73127400 59410 ER CON 911	-45,393.87	-45,000.00	-45,000.00	-19,447.24	-45,000.00	-45,000.00	.0%
73127400 59411 ER CON C.F	-41,843.35	-40,000.00	-40,000.00	-18,066.18	-40,000.00	-40,000.00	.0%
73127400 59412 EMPRCONDOA	-44,505.73	-43,000.00	-43,000.00	-15,734.20	-43,000.00	-43,000.00	.0%
73127400 59413 EMPRCONRET	-1,626.78	-1,800.00	-1,800.00	-939.71	-1,800.00	-1,800.00	.0%
73127400 59414 EMPRCONTHS	-2,081.61	-3,500.00	-3,500.00	.00	-3,500.00	-3,500.00	.0%
73127400 59415 EMPRCONGMF	-2,115.10	-2,000.00	-2,000.00	-4,169.89	-2,000.00	-2,000.00	.0%

# Bay County Michigan

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FOR PERIOD 99

BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

06/26/2014 13:32  
KPrlessnltz

PROJECTION: 2015 2015 BUDGET PROJECTION

ACCOUNTS FOR:	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT CHANGE
RETIREMENT SYSTEM FUND							
73127400 59416	EMPRCONHRF	-180.00	-180.00	-66.35	-180.00	-180.00	.0%
73127400 59418	EMRCON100%	-3,387.42	-3,200.00	-1,441.28	-3,200.00	-3,200.00	.0%
73127400 59419	EMPRCONMCF	-952,317.42	-700,000.00	.00	-700,000.00	-700,000.00	.0%
73127400 59424	EMPRCONSIF	-387.88	-500.00	-160.06	-500.00	-500.00	.0%
73127400 59427	EMRCNMCOR	-2,872.19	-3,100.00	-723.17	-3,100.00	-3,100.00	.0%
73127400 59429	EMPRCONFOC	-2,484.97	-2,100.00	-1,110.57	-2,100.00	-2,100.00	.0%
73127400 59430	EMPRCONHSG	-5,354.89	-6,800.00	-2,434.08	-6,800.00	-6,800.00	.0%
73127400 59434	EMPLERCCFO	-249.56	.00	-46.69	.00	.00	.0%
73127400 59499	EMRCONBCSD	-73.91	.00	-10,325.67	.00	.00	.0%
73127400 59501	EMPECNBABH	-572,592.32	-580,000.00	.00	-580,000.00	-580,000.00	.0%
73127400 59502	EMPLECONMC	-12,211.28	-12,500.00	-5,901.72	-12,500.00	-12,500.00	.0%
73127400 59503	EMPLECONHF	-53,621.29	-60,000.00	-25,333.00	-60,000.00	-60,000.00	.0%
73127400 59504	EMPLECONRC	-140,512.25	-130,000.00	.00	-130,000.00	-130,000.00	.0%
73127400 59506	EMPLECNLIB	-73,148.50	-75,000.00	.00	-75,000.00	-75,000.00	.0%
73127400 59507	EMPLECONGC	-5,870.15	-4,800.00	-1,733.48	-4,800.00	-4,800.00	.0%
73127400 59508	EMPLECONGF	-403,700.15	-500,000.00	-174,271.01	-500,000.00	-500,000.00	.0%
73127400 59509	EMPECONDWS	-108,488.84	-85,000.00	.00	-85,000.00	-85,000.00	.0%
73127400 59510	EMPECON911	-59,193.19	-62,000.00	-28,553.34	-62,000.00	-62,000.00	.0%
73127400 59511	EMPECONCCF	-38,627.44	-40,000.00	-18,066.18	-40,000.00	-40,000.00	.0%
73127400 59512	EMPECONDOA	-41,091.31	-43,000.00	-19,023.68	-43,000.00	-43,000.00	.0%
73127400 59513	EMPECONRTR	-1,495.73	-1,800.00	-939.71	-1,800.00	-1,800.00	.0%
73127400 59514	EMPECONHS	-1,911.09	.00	.00	.00	.00	.0%

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# Bay County Michigan

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FOR PERIOD 99

06/26/2014 13:32 Kpriesnltz BAY COUNTY, MI NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

PROJECTION: 2015 2015 BUDGET PROJECTION

ACCOUNTS FOR:	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT CHANGE
RETIREMENT SYSTEM FUND							
73127400 59515 EMPECONGM	-1,952.58	-1,900.00	-1,900.00	-880.40	-1,900.00	-1,900.00	.0%
73127400 59516 EMPECONHRF	-68.37	-180.00	-180.00	-66.35	-180.00	-180.00	.0%
73127400 59518 EMPECN100%	-3,127.61	-3,000.00	-3,000.00	-1,441.28	-3,000.00	-3,000.00	.0%
73127400 59519 EMPECONMCF	-440,298.90	-380,000.00	-380,000.00	.00	-380,000.00	-380,000.00	.0%
73127400 59524 EMPECONSIF	-358.25	-400.00	-400.00	-160.07	-400.00	-400.00	.0%
73127400 59527 EMECNCMCOR	-2,649.97	-3,100.00	-3,100.00	-723.17	-3,100.00	-3,100.00	.0%
73127400 59529 EMPECONFOC	-2,294.84	-2,100.00	-2,100.00	-1,110.57	-2,100.00	-2,100.00	.0%
73127400 59530 EMPECONHSG	-4,927.12	-6,800.00	-6,800.00	-2,434.09	-6,800.00	-6,800.00	.0%
73127400 59534 EMPELECCFO	-230.38	.00	.00	-46.68	.00	.00	.0%
73127400 59599 EMPECNBCSD	-231,647.42	-245,000.00	-245,000.00	-109,206.50	-245,000.00	-245,000.00	.0%
TOTAL LOCAL UNIT CONTRIBUT	-6,298,575.86	-5,738,760.00	-5,738,760.00	-667,558.32	-5,738,760.00	-5,738,760.00	.0%

RP	INTEREST & RENTALS	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT CHANGE
73127400 66400 INVINTRDIV	-5,146,265.32	-5,000,000.00	-5,000,000.00	.00	-5,000,000.00	-5,000,000.00	.0%
73127400 66500 INVTSLGAIN	-27,114,135.86	-15,000,000.00	-15,000,000.00	.00	-15,000,000.00	-15,000,000.00	.0%
73127400 66501 UNRRLDGAIN	-31,138,309.24	-3,000,000.00	-3,000,000.00	.00	-3,000,000.00	-3,000,000.00	.0%
73127400 66502 EXCHNGGAIN	-16,460.22	-40,000.00	-40,000.00	.00	-40,000.00	-40,000.00	.0%
73127400 66600 SECRTYEARN	-159,323.15	-300,000.00	-300,000.00	.00	-300,000.00	-300,000.00	.0%
TOTAL INTEREST & RENTALS	-63,574,493.79	-23,340,000.00	-23,340,000.00	.00	-23,340,000.00	-23,340,000.00	.0%

RR	OTHER REVENUE	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT CHANGE
73127400 67104 MISC REV	.00	.00	.00	.00	.00	.00	.0%
73127400 67600 RMBURSEMNT	.00	.00	.00	.00	.00	.00	.0%

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# Bay County Michigan

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FOR PERIOD 99

06/26/2014 13:32  
KPriessnitz  
BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS  
PROJECTION: 2015 2015 BUDGET PROJECTION

ACCOUNTS FOR:	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT	PCT CHANGE
RETIREMENT SYSTEM FUND							
73127400 67601 RMBINDVIDL	.00	.00	.00	.00	.00	.00	.0%
73127400 68900 TRADE-IN	.00	.00	.00	.00	.00	.00	.0%
73127400 59000 COMMRECAPT	-10,118.34	-25,000.00	-25,000.00	.00	-25,000.00	-25,000.00	.0%
73127400 69200 CLMSETLJDG	-59,953.69	-150,000.00	-150,000.00	.00	-150,000.00	-150,000.00	.0%
TOTAL OTHER REVENUE	-70,072.03	-175,000.00	-175,000.00	.00	-175,000.00	-175,000.00	.0%
XE WAGES & SALARIES							
73127400 70300 SALARY E/A	25,426.76	57,460.00	57,460.00	18,261.73	57,460.00	49,028.00	-14.7%
73127400 70500 TEMP HELP	9,458.88	12,740.00	12,740.00	7,691.84	12,740.00	12,740.00	.0%
73127400 70501 WAGES PT	7,369.28	7,349.00	7,349.00	4,736.76	7,349.00	6,238.00	-15.1%
73127400 70600 OVERTIME	128.26	2,809.00	2,809.00	363.94	2,809.00	2,809.00	.0%
73127400 70800 HOLIDAYPAY	1,598.35	.00	.00	853.66	.00	.00	.0%
73127400 71000 PER DIEM	2,715.00	3,420.00	3,420.00	1,125.00	3,420.00	3,420.00	.0%
73127400 71200 VACTIONPAY	-74.81	.00	.00	1,420.54	.00	.00	.0%
73127400 71202 SICK PAY	577.17	.00	.00	.00	.00	.00	.0%
73127400 71203 TERMSCKPAY	500.00	.00	.00	.00	.00	.00	.0%
73127400 71204 TERMVACPAY	4,791.70	.00	.00	160.84	.00	.00	.0%
TOTAL WAGES & SALARIES	52,490.59	83,778.00	83,778.00	34,614.31	83,778.00	74,235.00	-11.4%
XF FRINGES							
73127400 71500 SOCSECURITY	3,618.44	4,740.00	4,740.00	2,468.88	4,740.00	4,006.00	-15.5%
73127400 71600 HEALTH INS	10,896.66	17,592.00	17,592.00	5,836.00	17,592.00	14,007.00	-20.4%
73127400 71603 RETHLTHCAR	8,927.00	.00	.00	.00	.00	.00	.0%

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FOR PERIOD 99

06/26/2014 13:32  
KPiessnitz  
BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

PROJECTION: 2015 2015 BUDGET PROJECTION  
ACCOUNTS FOR:

RETIREMENT SYSTEM FUND	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT	PCT CHANGE
73127400 71632	.00	219.00	219.00	.00	219.00	219.00	.0%
73127400 71700	94.64	131.00	131.00	39.60	131.00	131.00	.0%
73127400 71800	2,708.44	4,598.00	4,598.00	1,879.42	4,598.00	4,424.00	-3.8%
73127400 71900	.00	652.00	652.00	.00	652.00	652.00	.0%
73127400 72001	93.56	111.00	111.00	56.89	111.00	95.00	-14.4%
73127400 72100	795.64	163.00	163.00	83.75	163.00	139.00	-14.7%
73127400 72200	249.86	391.00	391.00	142.49	391.00	334.00	-14.6%
73127400 72500	297.48	358.00	358.00	184.17	358.00	305.00	-14.8%
TOTAL FRINGES	27,681.72	28,955.00	28,955.00	10,691.20	28,955.00	24,312.00	-16.0%
XI SUPPLIES	725.83	2,000.00	2,000.00	609.66	2,000.00	2,000.00	.0%
73127400 72700	210.00	.00	.00	.00	.00	.00	.0%
73127400 72800	204.78	1,000.00	1,000.00	169.13	1,000.00	1,000.00	.0%
73127400 72900	341.97	300.00	300.00	161.49	300.00	300.00	.0%
73127400 73000	.00	600.00	600.00	.00	600.00	600.00	.0%
73127400 73301	.00	500.00	500.00	.00	500.00	500.00	.0%
73127400 74200	90.61	150.00	150.00	21.75	150.00	150.00	.0%
73127400 74700	.00	.00	.00	.00	.00	.00	.0%
73127400 75100	436.47	1,500.00	1,500.00	.00	1,500.00	1,500.00	.0%
TOTAL SUPPLIES	2,009.66	6,050.00	6,050.00	962.03	6,050.00	6,050.00	.0%
XL OTHER SERVICES AND C	1,568,001.29	1,500,000.00	1,500,000.00	497,701.10	1,500,000.00	1,500,000.00	.0%
73127400 80100	PROFESSNL						

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# Bay County Michigan

06/26/2014 13:32  
KFriessnitz

BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

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FOR PERIOD 99

PROJECTION: 2015 2015 BUDGET PROJECTION

ACCOUNTS FOR:	RETIREMENT SYSTEM FUND	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT	PCT CHANGE
	73127400 80101	72,550.00	40,000.00	40,000.00	14,175.00	40,000.00	40,000.00	.0%
	73127400 80200	.00	.00	.00	.00	.00	.00	.0%
	73127400 81200	.00	1,000.00	1,000.00	.00	1,000.00	1,000.00	.0%
	73127400 81400	248,977.55	230,000.00	230,000.00	-63,921.65	230,000.00	230,000.00	.0%
	73127400 81700	502.50	7,500.00	7,500.00	.00	7,500.00	7,500.00	.0%
	73127400 81900	140,000.00	125,000.00	125,000.00	35,000.00	125,000.00	125,000.00	.0%
	73127400 82000	960.00	550.00	550.00	125.00	550.00	550.00	.0%
	73127400 82900	.00	250.00	250.00	.00	250.00	250.00	.0%
	73127400 83500	.00	.00	.00	.00	.00	.00	.0%
	73127400 85200	185.11	420.00	420.00	58.28	420.00	420.00	.0%
	73127400 86100	6,598.85	15,000.00	15,000.00	4,900.97	15,000.00	15,000.00	.0%
	73127400 86500	1,781.42	2,000.00	2,000.00	325.91	2,000.00	2,000.00	.0%
	73127400 86600	77.78	300.00	300.00	147.45	300.00	300.00	.0%
	73127400 87500	13,242,070.62	13,000,000.00	13,000,000.00	.00	13,000,000.00	13,000,000.00	.0%
	73127400 90000	149.00	500.00	500.00	.00	500.00	500.00	.0%
	73127400 90100	.00	1,000.00	1,000.00	.00	1,000.00	1,000.00	.0%
	73127400 93100	.00	500.00	500.00	.00	500.00	500.00	.0%
	73127400 93700	.00	.00	.00	1,200.00	.00	.00	.0%
	73127400 94601	1,195.62	5,000.00	5,000.00	239.40	5,000.00	5,000.00	.0%
	73127400 95500	.00	500.00	500.00	25.00	500.00	500.00	.0%
	73127400 95600	126,570.00	95,437.00	95,437.00	47,718.49	95,437.00	95,437.00	.0%
	73127400 96000	.00	1,500.00	1,500.00	270.00	1,500.00	1,500.00	.0%

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# Bay County Michigan

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FOR PERIOD 99

06/26/2014 13:32  
KPriessnitz  
BAY COUNTY, MI  
NEXT YEAR / CURRENT YEAR BUDGET ANALYSIS

PROJECTION: 2015 2015 BUDGET PROJECTION

ACCOUNTS FOR:	2013 ACTUAL	2014 ORIG BUD	2014 REVISED BUD	2014 ACTUAL	2014 PROJECTION	2015 DEPARTMENT CHANGE	PCT CHANGE
RETIREMENT SYSTEM FUND							
73127400 96200	5,596,745.38	10,000,000.00	10,000,000.00	.00	10,000,000.00	10,000,000.00	.0%
73127400 96201	.00	.00	.00	.00	.00	.00	.0%
73127400 96203	21,280.12	100,000.00	100,000.00	.00	100,000.00	100,000.00	.0%
73127400 96401	51,320.32	60,000.00	60,000.00	.00	60,000.00	60,000.00	.0%
73127400 96402	1,856.23	5,000.00	5,000.00	.00	5,000.00	5,000.00	.0%
73127400 96403	.00	5,000.00	5,000.00	.00	5,000.00	5,000.00	.0%
73127400 96404	40,024.65	40,000.00	40,000.00	.00	40,000.00	40,000.00	.0%
73127400 96405	233,266.90	50,000.00	50,000.00	.00	50,000.00	50,000.00	.0%
73127400 96406	.00	5,000.00	5,000.00	.00	5,000.00	5,000.00	.0%
73127400 96407	.00	5,000.00	5,000.00	.00	5,000.00	5,000.00	.0%
73127400 96500	20,434.50	22,000.00	22,000.00	.00	22,000.00	22,000.00	.0%
73127400 96730	.00	2,000.00	2,000.00	.00	2,000.00	2,000.00	.0%
73127400 96740	.00	1,000.00	1,000.00	.00	1,000.00	1,000.00	.0%
73127400 96741	.00	.00	.00	.00	.00	.00	.0%
73127400 96742	.00	.00	.00	.00	.00	.00	.0%
73127400 96770	.00	.00	.00	.00	.00	.00	.0%
73127400 96999	.00	.00	.00	.00	.00	.00	.0%
TOTAL OTHER SERVICES AND C	21,374,557.84	25,321,457.00	25,321,457.00	537,964.95	25,321,457.00	25,321,457.00	.0%
XQ CAPITAL OUTLAY							
73127400 98001	8,000.00	34,000.00	34,000.00	42,000.00	34,000.00	34,000.00	.0%
TOTAL CAPITAL OUTLAY	8,000.00	34,000.00	34,000.00	42,000.00	34,000.00	34,000.00	.0%
TOTAL RETIREMENT BOARD	-48,478,401.87	.00	.00	-41,325.83	.00	-14,186.00	.0%
TOTAL RETIREMENT SYSTEM FUND	-48,478,401.87	.00	.00	-41,325.83	.00	-14,186.00	.0%
TOTAL REVENUE	-69,943,141.68	-25,474,240.00	-25,474,240.00	-667,558.32	-25,474,240.00	-25,474,240.00	.0%
TOTAL EXPENSE	21,464,739.81	25,474,240.00	25,474,240.00	626,232.49	25,474,240.00	25,460,054.00	.0%
GRAND TOTAL	-48,478,401.87	.00	.00	-41,325.83	.00	-14,186.00	.0%

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**BAY COUNTY  
DEPARTMENT OF CORPORATION COUNSEL**



**SHAWNA S. WALRAVEN**  
Assistant Corporation Counsel

**THOMAS L. HICKNER**  
Bay County Executive

June 30, 2014

To: Steve Gray, Bay County Employees Retirement System, Chairman  
From: Shawna Walraven, Assistant Corporation Counsel  
Re: Retirement Board Compliance

**Request**

Adopt Education/Travel/Due Diligence and Service Provider Disclosure policies.

**Background**

At the June 10, 2014 meeting, the Board requested a status report on the policies required to be in compliance with the law and with best practices. The Education/Travel/Due Diligence and Service Provider Disclosure policies are required by Michigan Public Act 314 of 1965, as amended. There are other policies that will need to be adopted or updated in this process. I intend to continue working on this project and will have another status report at the next meeting.

**Recommendation**

Move to approve the Education/Travel/Due Diligence and Service Provider Disclosure policies.

BAY COUNTY DEPARTMENT OF CORPORATION COUNSEL  
June 30, 2014

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515 Center Avenue, Suite 401, Bay City, MI 48708-5125 (989) 895-4131  
FAX (989) 895-7658 TDD (hearing impaired) (989) 895-4049

**DRAFT**

**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**

**POLICY RESOLUTION**

**Adopted: DRAFT**

**Re: Education/Travel/Due Diligence Policy**

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**WHEREAS**, the Board of Trustees of the Bay County Employees Retirement System (“Board”) is vested with the general administration, management, and operation of the Bay County Employees Retirement System (“Retirement System”), and has fiduciary responsibility to make decisions solely in the interest of plan members and beneficiaries; and

**WHEREAS**, the Retirement System provides pension benefits to retirees in accordance with the provisions of Retirement Ordinance, as amended, applicable collective bargaining agreements, and state and federal laws; and

**WHEREAS**, the Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, 1965 PA 314, as amended (“Act 314”), wherein the Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered; and

**WHEREAS**, the Board recognizes that in order for the beneficiaries of the Retirement System to have the best representation by their elected and appointed Trustees, it is imperative for the representatives of the Retirement System to participate in Board business, including Board meetings, continuing education programs, and due diligence evaluations of current and potential investments; and

**WHEREAS**, the Board recognizes that, consistent with its fiduciary duty and liability, it is necessary and appropriate for Retirement System representatives to attend Board meetings and educational seminars/conferences so that the Board may be made aware of developments regarding Retirement System administration, and so that the Board may further become aware of how persons acting in a like capacity administer their respective retirement systems; and

**WHEREAS**, the Board further recognizes that, consistent with its fiduciary duties, it is necessary to conduct regular due diligence on each current and prospective manager and consultant engaged by the Retirement System in the ordinary course of business; and

**WHEREAS**, due to the fiduciary responsibilities entrusted to the Board, all Retirement System representatives are encouraged to participate in meetings of the Board and maintain educational levels consistent with established fiduciary responsibilities; and

**WHEREAS**, the Board desires to restate its policy and procedure; therefore be it

**RESOLVED** that the Board hereby strongly recommends that each representative is encouraged and expected to attend pension related meetings/conferences/seminars on behalf of the Retirement System; and further

**RESOLVED**, that Retirement System representatives are encouraged to attend all meetings of the Board, and to attend MAPERS conferences and other similar educational conferences, if available. Individuals wishing to attend non-MAPERS sponsored conferences shall request prior Board approval and provide a post conference report to the Board on topics covered; and further

**RESOLVED**, that for each seminar/conference request the following information shall be required: (1) the name of the traveler; (2) the title of the event, seminar, or conference; (3) location of the event, seminar, or conference; (4) the dates of travel; (5) name of hotel, number of nights, and daily rate; (6) registration fees; (7) mode of transportation; (8) cost of travel; (9) other expected incidental costs; (10) advance checks required, including to whom, amount, and reason for the check; (11) copy of promotional brochure for the event, seminar, or conference; and (12) reason for attendance at the event, seminar, or conference citing the benefits received or expected; and further

**RESOLVED**, that the following expenses will be reimbursed so long as proper documentation is provided to the Board within a reasonable time:

Registration: Conference fees and actual registration charged by the conference shall be paid by the Retirement System.

Transportation: Individuals traveling on Retirement System business will utilize the most economical and efficient means of transportation. Use of a more expensive method of transportation other than the most economical and efficient, will be allowed only upon the approval of the Board.

Ground transportation/parking includes transportation to and from the conference site and any transportation necessary to conduct Retirement System business.

Flat rate mileage will be paid for use of a private vehicle as per the current Internal Revenue Service regulations, plus parking fees.

- Lodging: Allowance for lodging will be at the lowest rate charged at the hotel facility housing the conference or seminar. If the conference facility upgrades the room rate, based on availability at the time of registration, the upgrade shall be at Board expense.
- Individuals may upgrade room at personal expense.
- Meals: Charges for meals shall be properly documented by either a hotel receipt or credit card voucher. Rates shall not exceed Michigan Department of Management and Budget Travel Reimbursement Rates in effect on the date of travel. *No alcoholic beverages will be paid for at Board expense.*
- Miscellaneous: Miscellaneous expenses incidental to Board travel shall be held to a minimum in accordance with essential and reasonable requirements for official conduct of Board business. Individuals will be reimbursed for any miscellaneous expenses that are incurred for the express purpose of Board business and shall include: local transportation (e.g., taxi, bus, subway), telephone calls, postage, tolls, parking. Expenses not allowed include: parking/moving violations, alcohol, entertainment, travel insurance, laundry, valet, or other personal services, repair and maintenance of personal vehicle.
- Per Diem: Representatives may, upon Board pre-approval, receive a per diem amount based upon the rates established by the Retirement System for Retirement System business. Representatives may be reimbursed for additional amounts if actual expenses exceed the per diem rate.
- Advance: An individual may draw an estimated amount of money in advance to cover the expected cost of the trip and expenses connected therewith by submitting an appropriate request in writing to the Board's secretary. Travel advances are limited to a maximum of \$50.00 per day.
- Upgrades: Any upgrade above all established policy limits shall be at the individual's personal expense, unless otherwise allowed for and defined in this policy.
- Expenses: It is preferred that the Board pre-pay any anticipated costs directly to the charging entity.

**RESOLVED**, that failure to provide proper documentation of an expense within 60 days may invalidate any claim for reimbursement and will prevent any future advances being provided; and further

**RESOLVED**, that all persons who attend a seminar or conference must earn an attendance or participatory certificate if the seminar or conference sponsor offers such a certificate. The failure to earn such a certificate may result in the particular attendee becoming ineligible to attend any further educational seminars and/or conferences; and further

**RESOLVED**, that any representative(s) who attends an educational seminar or conference shall be required to provide a report to the Board, at the next regular Board meeting following the educational seminar or conference, regarding the subject matter of the seminar or conference. The attendee(s) shall also provide the Board with the handout materials from the seminar or conference. Satisfaction of this requirement is a condition precedent to reimbursement of any expenses to the attendee. Failure to satisfy this requirement, and failure to earn an attendance or participatory certificate where the sponsor offers one, shall obligate the attendee(s) to reimburse the Retirement System in full for any expenses advanced to the attendee(s), unless failure to satisfy these requirements is excused by the Board because of a documented emergency; and further

**RESOLVED**, the Trustees, or the Board's designee, participating in an on-site due diligence evaluation shall provide an oral report to the Board for the next following regular Board meeting, summarizing their findings and recommendations, if any; and further

**RESOLVED**, that in accordance with Public Act 314 of 1965, the Board may utilize a portion of the Plan's investment earnings to pay for such expenses; and further

**RESOLVED**, that the Board acknowledges and understands that in the fulfillment of Retirement System responsibilities, an individual shall not suffer a loss because of absence from County employment; and further

**RESOLVED**, that abuse of the foregoing policy, including falsifying expense reports to reflect costs not incurred, can be grounds for disciplinary action, including, but not limited to, removal from the Board; and further

**RESOLVED**, that the Board shall forward this policy resolution to the appropriate County, Union, and Departmental Representatives.

**DRAFT**

**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**

**POLICY RESOLUTION**

**Adopted: DRAFT**

**Re: Service Provider Disclosures**

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**WHEREAS**, the Board of Trustees ("Board") is vested with the authority and fiduciary responsibility for to manage and invest the assets of the Retirement System; and

**WHEREAS**, the Board recognizes that it is subject to the provisions of the Public Employee Retirement System Investment Act, 1965 PA 314, as amended ("Act 314"), wherein the Board is required to act as a prudent investor in all transactions related to Retirement System funds and assets by discharging its duties solely in the interests of the participants and beneficiaries and shall act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims; and with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered; and

**WHEREAS**, in light of its fiduciary responsibility, the Board recognizes that it is in the best interests of the Retirement System and its participants and beneficiaries to retain the services of qualified professional service providers, including, but not limited to: investment consultants, investment managers, investment banks/brokers, custodians, actuaries, auditors, attorneys, administrators and physicians to assist in and oversee the investments and administration of the Retirement System; and

**WHEREAS**, the Board is aware of the various disclosure requirements and "pay-to-play" restrictions imposed on its current and prospective service providers under the provisions of Act 314 and applicable federal law; and

**WHEREAS**, the Board is required to withhold payment from service providers who violate the "pay-to-play" provisions of Act 314 and applicable federal law; and

**WHEREAS**, several of the Retirement System's professional service providers qualify as "service providers" and/or "investment service providers" as that term is defined under Act 314; and

**WHEREAS**, the term "service provider" is defined in Act 314 as "a person retained to provide services to a system and includes investment advisers, consultants, custodians, accountants, auditors, attorneys, actuaries, administrators, and physicians. Service provider includes an investment service provider as defined in Section 13(7). Service provider does not include a regulated investment adviser"; and

**WHEREAS**, the term "investment service provider" is defined under Act 314 as "any individual, third-party agent, or consultant, or other entity that received direct or indirect compensation for consulting, investment management, brokerage, or custody services related to the system's assets"; and

**WHEREAS**, the Board is desirous of establishing a formal disclosure policy applicable to appropriate service providers in order to monitor said service providers' compliance with Act 314 and other applicable laws; therefore be it

**RESOLVED** that every year in the month of March, the Board shall require each of its current "investment service providers" to disclose in writing all fees or other compensation associated with its relationship with the Retirement System for the previous calendar year, as required under Section 13(7) of Act 314 [MCL 38.1133(7)], by submission of the attached Fee Disclosure Form; and further

**RESOLVE** that prior to the transfer of any Retirement System assets to a prospective "investment service provider", the prospective "investment service provider" shall be required to disclose all fees or other compensation to be associated with its relationship to the Retirement System through completion and submission of the Compensation Disclosure Form to the Board; and further

**RESOLVED** that every year in the month of March, the Board shall require all of its service providers to acknowledge that they are in compliance with Section 13e of Act 314 [MCL 38.1133e] and/or Rule 206(4)-5 of the Investment Advisers Act of 1940 in the case of a regulated investment adviser; and further

**RESOLVED** that any service provider's failure or refusal to complete and submit either of the Retirement System's disclosure forms shall be deemed a violation of the requirements of Act 314 and this Policy, and shall result in appropriate action by the Board, including the possible suspension of payment for services rendered and/or termination of the service provider's relationship with the Retirement System; and further

**RESOLVED** that all service providers shall have an ongoing requirement to monitor all political contributions and, upon becoming aware of a violation, immediately disclose to the Board any and all political contributions that violate the restrictions of MCL 38.1133e and/or Rule 206(4)-5 of the Investment Advisers Act of 1940 in the case of a regulated investment adviser, including the date of the contribution, the name of the contributor, the name of the recipient, and the amount of the contribution; and further

**RESOLVED** that copies of this Policy shall be provided to all Retirement System service providers who shall be required to act in accordance with said Policy.

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

## COMPENSATION DISCLOSURE FORM

Completion required pursuant to MCL 38.1133(7)  
This form must be submitted to the Board of Trustees  
no later than 28 days following its receipt by the Investment Service Provider.

### I. Investment Service Provider Information

Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

The undersigned, being duly authorized to execute on behalf of the aforementioned company, hereby certifies under penalty of perjury that the information provided herein, upon information and belief, is true, accurate and complete, and is intended to fully comply with the requirements of MCL 38.1133(7) and the Retirement System's Service Provider Disclosure Policy.

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Printed Name \_\_\_\_\_ Title \_\_\_\_\_

### II. Reporting Period

From: \_\_\_\_\_ To: \_\_\_\_\_

### III. Compensation Disclosure (All fees/compensation associated with your relationship to the Retirement System)

#### A. Direct Compensation (Compensation paid directly from the Plan)

Amount: \_\_\_\_\_  
Manner of receipt (invoice, direct deduction, etc.): \_\_\_\_\_

#### B. Indirect Compensation (Compensation associated with your relationship to the Retirement System received from any source other than the Plan, your affiliates or subcontractors)

Amount: \_\_\_\_\_  
Payer: \_\_\_\_\_  
Manner of receipt: \_\_\_\_\_  
Services to which such compensation relates: \_\_\_\_\_

#### C. Compensation Among Related Parties (compensation paid or to be paid to third parties, including affiliates or subcontractors; e.g., commissions, 12b-1 fees, soft-dollars, finder's fees, or other similar incentive compensation)

Amount: \_\_\_\_\_  
Payer: \_\_\_\_\_  
Recipient: \_\_\_\_\_

#### D. Total

Amount: \_\_\_\_\_

\*Attach additional sheets as necessary.

Failure or refusal to complete and submit the foregoing Compensation Disclosure Form shall be deemed a violation of the requirements of MCL 38.1133(7) and the Retirement System's Service Provider Disclosure Policy, and may result in the suspension of payment for services rendered and/or termination of your relationship with the Retirement System.

(A copy of Act 314, as amended is available at <http://legislature.mi.gov/doc.aspx?mcl-act-314-of-1965>)

**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**

**POLITICAL CONTRIBUTION DISCLOSURE FORM**

Completion required pursuant to MCL 38.1133e  
This form must be submitted to the Board of Trustees  
no later than 28 days following its receipt by the Service Provider.

**I. Service Provider Information**

Company Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

The undersigned, being duly authorized to execute, hereby certifies under penalty of perjury that the information provided herein, upon information and belief, is true, accurate and complete, and is intended to fully comply with the requirements of MCL 38.1133e and the Retirement System's Service Provider Disclosure Policy.

**II. Reporting Period**

From: \_\_\_\_\_ To: \_\_\_\_\_

**III. Compliance Certification**

The aforementioned Service Provider IS NOT a registered investment advisor under the Investment Advisors Act of 1940. Accordingly, Service Provider hereby certifies that it is compliant with the requirements of Section 13e of Public Act 314 of 1965, as amended (MCL 38.1133e) as of the date indicated below.

YES  NO

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

The aforementioned Service Provider IS a registered investment advisor under the Investment Advisors Act of 1940. Accordingly, Service Provider hereby certifies that it is compliant with Rule 206(4)-5 under the Investment Advisors Act of 1940, as amended, as of the date indicated below.

YES  NO

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

Failure or refusal to complete and submit the foregoing Political Contribution Disclosure Form shall be deemed a violation of the requirements of MCL 38.1133e and the Retirement System's Service Provider Disclosure Policy, and may result in the suspension of payment for services rendered and/or termination of your relationship with the Retirement System.

(A copy of Act 314, as amended is available at <http://legislature.mi.gov/doc.aspx?mcl-act-314-of-1965>)

**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**REQUEST FOR INFORMATION**

**RE: ACTUARIAL SERVICES**

**A. OVERVIEW**

The Retirement Commission ("Retirement Commission") of the Bay County Employees Retirement System is seeking information regarding actuarial professionals who perform annual plan valuations and other related-actuarial services. The purpose of this Request for Information (RFI) is to outline the Retirement Commission's requirements for actuarial services and solicit information from which the Retirement Commission may evaluate such services.

**B. PLAN PROFILE**

The Bay County Employees Retirement System ("Retirement System") consists of approximately One Thousand Two Hundred (1,200) active members and Eight Hundred (800) retired members and beneficiaries, and has assets of approximately Two Hundred Seventy Five Million Dollars (\$275,000,000.00).

**C. MINIMUM QUALIFICATIONS**

The Retirement Commission requires that all prospective service providers have strong credentials, be in good financial standing, and be an enrolled actuary.

**D. SCOPE OF SERVICES**

The Retirement Commission is attempting to identify an actuary that has the ability to:

1. Conduct annual actuarial valuations and reviews of the Retirement System and provide written reports which comply with all federal and state accounting requirements.
2. Perform all retirement benefit calculations and provide other related services.
3. Provide useful, accurate, and timely periodic and/or annual reporting statements.
4. Organize, design and evaluate retiree benefit programs and formulate strategy to meet those obligations.
5. Assist with actuarial/member record keeping services.
6. Attend an annual meeting at the discretion of the Retirement Commission and be available to address Retirement Commission questions from time to time.
7. Provide administrative and technical support.
8. Provide all required services within reasonable fee levels.

When responding to the attached Request for Information, the Retirement Commission encourages you to describe the ways in which you believe your service capability is special or distinctive.

#### E. SUBMISSION REQUIREMENTS

To achieve a uniform review process and obtain the maximum degree of comparability, it is required that the report be organized in the following manner:

1. Title Page:

Please indicate the RFI subject, the name of your organization, address, telephone number, name of contact person and date.

2. Table of Contents:

Clearly identify the material by section and page number.

3. Letter of Transmittal:

Limit to one or two pages.

a. Briefly state your organization's understanding of the nature of the work.

b. Give the names of the persons who will be authorized to make presentations for your organization, their titles, addresses, and telephone numbers.

4. Submission:

The Retirement Commission requests that a total number of two (2) complete sets of your information be submitted.

Responses must be presented in a sealed envelope clearly marked as follows:

RFI: Actuarial Services  
Bay County Employees Retirement System  
Attn: Martha Fitzhugh, Corporation Counsel  
515 Center Avenue  
Bay City, Michigan 48708

The Retirement Commission also requests that 1 electronic copy (pdf format) of your proposal be submitted to the Retirement System via CD.

Your response to this RFI must be received at the above address by 5:00 p.m. on \_\_\_\_\_, 2013.

All inquiries about the RFI should be in writing and brought to the attention of Martha Fitzhugh, Corporation Counsel, at the address above.

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**ACTUARIAL PROCESSING AND REPORTING SERVICES  
REQUEST FOR INFORMATION**

**ORGANIZATION BACKGROUND**

- 1) How long has your company been in existence?
- 2) How many major accounts do you have? What is your definition of a major account? List five of your largest client relationships.
- 3) How many municipal retirement systems accounts do you service? How many of those are located in Michigan and how long have you provided service to each system?
- 4) How many accounts has your organization lost within the past three years? Nationally? Locally? What are the reasons for these losses?
- 5) Please state the name, title, address, and telephone number(s) of the person(s) we may contact with any questions about your response to this RFI.
- 6) Who would be responsible for our account? Please describe this person's background. What or whom is the backup source for this person?
- 7) From what geographic location will our account be serviced?
- 8) What significant organizational changes have occurred at the local and national level in the last twelve months?
- 9) What percentage of the organization's overall revenue is attributable to actuarial services?

**ADMINISTRATION**

- 10) Tell us about your administrative, actuarial, and operations staffs. How many administrative and actuarial personnel do you employ? What is your process for assigning personnel to your clients?
- 11) Provide the names, titles and credentials of the individuals who would be assigned to the Retirement System's account. What are their specific responsibilities? Provide the names of other clients that they serve.
- 12) Describe how you monitor the performance of the individuals who would be assigned to work on our Account.
- 13) What is the average turnover of your staff?

**PENSION REPORTS/SYSTEMS**

- 14) Describe the infrastructure you have built for providing actuarial services.
- 15) How many individual actuarial reports are issued monthly? How many EDRO/DRO estimates are issued monthly?
- 16) What periods do you generate reports, e.g. monthly, quarterly, annually?

- 17) What is the typical turnaround time for an annual report and a standard benefit calculation?
- 18) Do you prepare Summary Annual Reports? If so, is the cost included in the annual retainer or are such reports billed separately? If billed separately, what is the cost?
- 19) Do you prepare Annual Benefits Statements for plan participants? If so, is the cost included in the annual retainer or are such statements billed separately? If billed separately, what is the cost?
- 20) Do your routine services also include experience studies, economic assumption studies, actuarial reviews, audits, and projections?
- 21) Describe both the features and benefits of your reports and system. Be sure to include descriptions of your capabilities and internal audit practices.
- 22) Do you have computer modeling and simulation to assist in solving funding problems?
- 23) Do you have software that is particularly geared to public sector applications?
- 24) Please describe your system's backup process.
- 25) Do you have a disaster recovery plan? If so, please describe. When was it last tested?
- 26) What experience do you have in valuation of post-retirement health care benefits?
- 27) How does your company view its responsibility for tax and/or legal advice to participants?
- 28) How are changes communicated to and from clients?
- 29) The Retirement System's auditors from time to time may want to perform routine spot audits. Will the actuarial records you maintain be "open" to auditors?

#### REPORTING

- 30) Describe your reporting capabilities. Be sure to comment on issues relating to accuracy and timeliness.
- 31) What information is requested of a client on an annual basis to prepare an actuarial report?

#### MANAGEMENT COMMITMENT

- 32) Outline your organization's commitment to servicing the public sector market. What capital investments have occurred in the last three years? What capital investments are budgeted for in the current and following year?

- 33) Does your organization have a total quality management program? If yes, please describe the program and explain how it differentiates from your competition.
- 34) Do you survey your clients? If yes, provide the results for the last three years.
- 35) Describe other methods you use to monitor client satisfaction.

#### EDUCATION/TRAINING

- 36) Do you have formal training programs? If so, please describe.

#### RISK MANAGEMENT

- 37) Describe your system of controls to assure the accuracy of the processing and reporting of information? Do you have documented policies and procedures?
- 38) Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar coverages):
  - Errors and Omissions Coverage
  - Risk Coverage
  - Carriers
  - Levels
  - Limits
  - Deductibles
- 39) What steps do you take to ensure the confidentiality of client data?

#### FEES

- 40) Describe your basic approach to charging fees. Do you prefer flat fees? Do you prefer transaction-based fees? Do you prefer to blend multiple fee structures?
- 41) The Retirement Commission would like you to provide detailed schedule of fees and an estimate of your annual fees. Your schedule should provide the following costs:
  - a. Record Keeping
  - b. Attendance at meetings
  - c. Other
    - i. Quarterly reports
    - ii. Annual reports
    - iii. Miscellaneous
- 42) What costs are involved in implementing your program? Please state whether these costs will be passed to the system and whether the cost will be included in the annual retainer.

- 43) How are fees for additional work determined?
- 44) Do you charge secretarial or clerical time to clients? If so, what are the rates?
- 45) Do you charge for incidental fees such as copies, postage, telephone toll charges, travel costs?
- 46) How do you determine fee increases? What has been the average fee increase in your organization's fees over the past three years? What would cause any of your fee quotes to change significantly?
- 47) Are all Michigan public sector retirement system clients charged the same rates? If not, how are the different rates determined?
- 48) Are any existing public sector retirement system clients charged less than the fees you are proposing for the System?
- 49) Are you willing to include in our operating agreement a "most favored nation" clause to ensure that our fees do not exceed the lowest fee charged to other public sector retirement system clients?

#### REFERENCES

- 50) Please provide the names, contacts, and phone numbers of clients that are of similar size as the Retirement System who will share with the Retirement Commission their first-hand experiences regarding your services (preferably public retirement systems).

#### MISCELLANEOUS

- 51) Is your organization a member of MAPERS and/or NCPERS? What other affiliations does your organization maintain to keep informed on unique issues and developments affecting public employee retirement systems?
- 52) Has your organization been investigated by any state or federal regulatory or law enforcement agency in the last ten years? If yes, please describe in detail the substance and results of each such investigation.
- 53) Has your organization been a party to any lawsuit, including suits involving misfeasance or professional negligence, within the last ten years? If so, please describe the substance and results of each suit.
- 54) Please describe the transition process when taking on a new client previously serviced by another actuarial firm. Please discuss computer systems and data issues.
- 55) Are the individuals whom you intend to assign to the system enrolled actuaries?

#### F. OTHER REQUIREMENTS

- 1) Request for or receipt of information does not assume a "pre-qualification" of any responder.

- 2) The Retirement Commission will not be liable for any costs incurred in preparation of responses.
- 3) By submitting a response, the responder certifies that he/she has fully read and understands the "Request for Information" and has full knowledge of the scope, nature, quantity, and quality of work to be performed. Unless specified to the contrary, submitting a response will be interpreted as agreement to all provisions in and requirements of the RFI.
- 4) The responder shall furnish such additional information as the Retirement Commission may reasonable require. The Retirement Commission reserves the right to investigate the qualifications of all responders as it deems appropriate.
- 5) The Retirement Commission reserves the right to conduct pre-contract negotiations with any or all responders.
- 6) The Retirement Commission reserves the right to reject any or all responses, the right in its sole discretion to accept a response which it considers most favorable to the Commission's interest, and the right to waive minor irregularities in the procedures. The Retirement Commission further reserves the right to seek new responses when such a procedure would be in its best interest.
- 7) All responses submitted shall be binding for ninety (90) calendar days following the above due date for receipt of responses to allow for evaluation and award of contract.
- 8) Responses received by the Retirement Commission after the time specified for response opening will not be considered.
- 9) All information required by the Request for Information shall be supplied to constitute an acceptable response. Failure to submit a complete response may result in the disqualification of your response.

The Retirement Commission appreciates the time and effort you will have expended in will be happy to share with you its specific comments regarding the competitiveness responding to this RFI.

## IV. EMPLOYER CONTRIBUTIONS AND FUNDED STATUS

**TABLE 10**  
**COMPUTED EMPLOYER CONTRIBUTION RATES**  
**(EXCLUDES CLOSED DIVISIONS AND CLOSED MUNICIPALITIES – SEE TABLE 1)**

Benefit Formula	Contributory Groups			Non-Contributory Groups		Total Groups	
	No. of Divisions	Member Contrib. Avg. %	Employer Contrib. Avg. %	No. of Divisions	Employer Contrib. Avg. %	No. of Divisions	Employer Contrib. Avg. %
1.30% Multiplier (no max)	8	3.25%	4.54%	7	6.05%	15	5.08%
Svc x (1.00% times FAC<\$4,200, plus 1.50% times FAC>\$4,200)	2	0.48	6.76	1	6.26	3	6.59
1.50% Multiplier (no max)	34	3.60	3.48	19	7.42	53	4.07
Svc x (1.20% times FAC<\$4,200, plus 1.70% times FAC>\$4,200)	4	2.33	5.42	5	1.63	9	3.88
1.70% Multiplier for Svc < 25 yrs, 1.50% for Svc > 25 yrs (80% max)	--	--	--	3	18.82	3	18.82
1.70% Multiplier (no max)	33	3.96	5.02	19	6.52	52	5.34
2.00% Multiplier (75% max)	2	7.57	2.03	--	--	2	2.03
2.00% Multiplier (no max)	151	3.82	10.98	100	10.62	251	10.82
2.20% Multiplier for Svc < 15 yrs, 2.40% for Svc 16-25 yrs, 1.00% for Svc > 25 yrs (80% max)	2	6.91	12.22	--	--	2	12.22
2.20% Multiplier (no max)	2	5.00	37.14	--	--	2	37.14
2.25% Multiplier (80% max)	225	4.84	12.14	92	13.99	317	12.67
2.25% Multiplier (no max)	2	4.77	8.37	2	11.33	4	10.88
2.35% Multiplier (80% max)	4	5.51	62.83	1	284.60	5	71.80
2.50% Multiplier for Svc < 25 yrs, 1.00% for Svc > 25 yrs (80% max)	1	5.00	19.41	--	--	1	19.41
2.50% Multiplier for Svc < 25 yrs, 1.00% for Svc > 25 yrs (no max)	5	5.74	33.54	--	--	5	33.54
2.50% Multiplier (80% max)	387	5.94	18.24	126	27.74	513	19.84
2.50% Multiplier (no max)	4	3.16	15.89	1	--	5	15.89
2.57% Multiplier for Svc < 25 yrs, 1.00% for Svc > 25 yrs (no max)	1	6.00	20.81	--	--	1	20.81
2.70% Multiplier for Svc < 25 yrs, 2.50% for Svc 25-30 yrs, 1.00% for Svc > 30 yrs (no max)	1	7.00	15.44	--	--	1	15.44
2.75% Multiplier (80% max)	10	8.73	19.73	1	25.75	11	19.90
2.80% Multiplier for Svc < 25 yrs, 1.00% for Svc > 25 yrs (80% max)	--	--	--	2	92.31	2	92.31
2.80% Multiplier (80% max)	12	6.73	22.55	1	--	13	22.41
2.80% Multiplier for Svc < 30 yrs, 1.00% for Svc > 30 yrs (no max)	1	5.00	--	--	--	1	0.00
2.80% Multiplier for Svc < 35 yrs, 1.50% for Svc > 35 yrs (100% max)	1	1.70	11.42	--	--	1	11.42
3.00% Multiplier (80% max)	17	6.25	34.25	1	63.67	18	34.78
3.00% Multiplier (75% max)	1	10.35	17.26	--	--	1	17.26
3.20% Multiplier (80% max)	6	13.37	26.47	--	--	6	26.47
2.00% to Social Security Age (no max), 1.50% after SS Age (no max)	1	4.70	10.91	--	--	1	10.91
2.00% to Social Security Age (no max), after SS Age Svc x (1.2% FAC<\$4,200, 1.7% FAC>\$4200)	1	4.00	4.14	2	6.26	3	4.33
2.00% to Social Security Age (no max), 1.70% after SS Age (no max)	15	4.58	6.92	6	4.98	21	6.61
2.50% to Social Security Age (80% max), 2.25% after SS Age (80% max)	2	0.94	13.98	--	--	2	13.98
Retire Before 25 Years: 1.70% Multiplier (no max); Retire After 25 Years: 2.00% Multiplier (no max)	1	3.85	4.25	--	--	1	4.25
Bridged Benefit: 2.00% Multiplier (no max) Frozen FAC; to 1.50% Multiplier (no max)	2	3.91	4.57	--	--	2	4.57
Bridged Benefit: 2.00% Multiplier (no max) Frozen FAC; to 1.70% Multiplier (no max)	1	5.50	0.52	--	--	1	0.52
Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; to 1.50% Multiplier (no max)	2	3.00	10.53	1	13.34	3	11.33
Bridged Benefit: 2.50% Multiplier (80% max) Frozen FAC; to 2.00% Multiplier (no max)	--	--	--	1	72.11	1	72.11
Bridged Benefit: 2.80% Multiplier (80% max) Frozen FAC; to 2.50% Multiplier (80% max)	1	18.58	14.58	--	--	1	14.58
Bridged Benefit: 1.50% Multiplier (no max) Frozen FAC; to 2.00% Multiplier (no max)	4	5.00	3.59	--	--	4	3.59
Bridged Benefit: 2.50% Multiplier (80% max) Termination FAC; to 2.25% Multiplier (80% max)	1	1.50	40.31	--	--	1	40.31
Hybrid Plan - 1.00% Multiplier	--	--	--	27	4.88	27	4.88
Hybrid Plan - 1.25% Multiplier	--	--	--	20	6.42	20	6.42
Hybrid Plan - 1.50% Multiplier	--	--	--	23	8.56	23	8.56
Hybrid Plan - 1.75% Multiplier	--	--	--	1	7.24	1	7.24
<b>Total</b>	<b>947</b>	<b>5.49</b>	<b>14.84</b>	<b>462</b>	<b>15.95</b>	<b>1,409</b>	<b>15.14</b>

Table 10 provides a distribution of average employer and member contribution rates by type of benefit program. This information is shown on a divisional basis. MERS is a multiple-employer trust, where each municipality is a separate trust and decides its benefit structure.

**TABLE 11**  
**ADDITIONAL BENEFIT PROGRAMS**  
**(EXCLUDES THE DIVISIONS OF CLOSED MUNICIPALITIES – SEE TABLE 1)**

Benefit Program	No. of Divisions	Benefit Program	No. of Divisions	Benefit Program	No. of Divisions	Benefit Program	No. of Divisions	
Normal Retirement	50	Vesting 5 years 6 years 7 years 8 years 10 years 15 years Old Plan Vesting	17	COLA for Existing Retirees 2.5% Non-Compound 2.0% Non-Compound 2.0% Compound 3.0% Compound 2.0% Compound; CPI Limit 2.0% Cmpd; 2.5% Non-Cmpd \$300 Annual Flat	290	Survivor Provisions RS 50% RS 60% RS 100% Sub.75%	147	
	55		480				2	20
	58		2				25	2
			197				5	16
Unreduced Retirement	50	FAC Period 2 years 3 years 4 years 5 years 3 of 5 years 5 of 10 years Old Plan Benefits	1,572	COLA for Future Retirees 2.5% Non-Compound 1.0% Non-Compound 2.0% Non-Compound 2.0% Compound \$300 Annual Flat	659	D-2 Provisions D-2 D-2 (70%) D-2 (67%) D-2 (67% Dth; 50% Dsb) D-2 No Svc Proj	68	
	50/20		4				1	11
	53		6				1	6
	55		1241				7	19
Unreduced Retirement	55/10		17		20		20	
	6 & out	1			25	Disability and Death Provisions NDD/Dsb 25% FAC Min NDSb 55% FAC Min NDD15% FAC Min Non Dty Dsb Elg: 10 Years NDD/Dsb Elg: 1 year	6	
	20 & out	18	4	1	6			
	21 & out	1	3		1			
	22 & out	4	17		19			
	25 & out	137			4			
	30 & out	12			4			
65 Points	2			6				
Early (Reduced) Retirement	55/10					Other Provisions PRO SLIF AWD TBIII AWD 8% DROP+ 4%	1	
	50/25 or 55/10	3					42	
	50/25	4					32	
	0/25	1					7	
							1	

Table 11 shows the distribution of Additional Benefit Programs in effect (by division) for the 2012 valuations. MERS is a multiple-employer trust, where each municipality is a separate trust and decides its benefit structure.

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**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
REQUEST FOR INFORMATION: ACTUARIAL PROCESSING AND  
REPORTING SERVICES  
DUE: DECEMBER 20, 2013 PRIOR TO 5:00 P.M. (EST)**



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Gabriel Roeder Smith & Company ♦ One Towne Square, Suite 800 ♦ Southfield, Michigan 48076  
Contact: ♦ James D. Anderson, FSA, EA, MAAA  
Phone Number: (248) 799-9000 ♦ Fax: (248) 799-9020  
Email: ♦ [jim.anderson@gabrielroeder.com](mailto:jim.anderson@gabrielroeder.com)

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**APPENDICES**

- A. Consultant Biographies
- B. Sample Public Sector Client Listing
- C. Sample Data Request
- D. GRS' Technology Services
- E. Sample SAR & Sample Participant Benefit Statement
- F. GRS' Certificate of Insurance



Gabriel Roeder Smith & Company  
Consultants & Actuaries

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248.799.9000 phone  
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December 18, 2013

Board of Trustees  
Bay County Employees'  
Retirement System  
Attention: Ms. Martha Fitzhugh, Corporation Counsel  
515 Center Avenue  
Bay City, Michigan 48708

**Re: GRS' Response to the Request for Information for Actuarial Services**

Dear Ms. Fitzhugh:

We understand that the Board of Trustees (the Board) is requesting services described in Section IV of the RFI for the Bay County Employees' Retirement System ("BCERS"). Please find enclosed two (2) copies of our completed proposal and a PDF copy has been submitted via CD.

Gabriel Roeder Smith & Company (GRS) has provided the described services for this System for many years and would be pleased to continue providing such services. Our history with the System is very valuable, not only in terms of broad familiarity but also in terms of detailed knowledge of the System. Our primary analyst, Shana Neeson, has worked on the BCERS for her entire career – preparing annual actuarial valuations, cost studies, SARs and individual member benefit calculations, including EDROs. In recent years, the team has interacted with the Board and Bay County staff in various ways:

- Presentation of actuarial report results (separately for seven divisions, and in total) at annual meetings
- Presentation of the most recent Experience Study (July 2013)
- Working shoulder to shoulder with various divisions on benefit design, including early retirement windows
- Exploring ways to improve the County's data collection and record keeping for the Retirement System
- Providing administrative and technical support
- Although not in the scope of work under the RFI, we have completed biennial valuations and presented results to the Board for the Bay County Retiree Health Care Plan

We have developed in depth knowledge of the Bay County Employees' Retirement System. Given our long history with the program, there will be no implementation costs or time delays related to the delivery of basic retainer services. Please note also that our base retainer fees have not increased in the past 3 years. Looking ahead, our goal is to partner with the Board to address any challenges that may arise.

GRS has more public sector actuaries than any other firm in the Country. The requested services will continue to be provided from our Southfield, Michigan office. In this office alone, we have 15 credentialed actuaries with considerable public employee plan experience. This enables GRS to provide uninterrupted service and handle any unforeseen circumstances as back up is always available. In addition, we offer a wide range of services (pension, health and technology) designed to meet the needs of the Retirement System.



Gabriel Roeder Smith & Company

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Board of Trustees  
Bay County Employees' Retirement System  
Attention: Ms. Martha Fitzhugh  
December 18, 2013  
Page 2

The Retirement System's overall operation is complex and requires accurate and timely advice that will enable it to meet its obligations today and in the future. It is very important that the various interested parties have confidence in the retained actuaries and consultants. We believe that GRS has earned this trust during our years working with the System and all interested parties. This relationship was often pivotal in accomplishing important objectives of the Retirement System.

The attached proposal sets forth our understanding of the work to be performed and the overall qualifications and capabilities of the consultants and resources of GRS. We look forward to continuing our long and valued relationship with the System. We believe that GRS is uniquely capable of providing high quality service with virtually unlimited availability.

Jim, Mark, and Shana are authorized to make presentations for GRS.

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Mark Buis, FSA, FCA, EA, MAAA  
Senior Consultant & Team Leader  
Gabriel, Roeder, Smith & Company  
One Towne Square, Suite 800  
Southfield, Michigan 48076

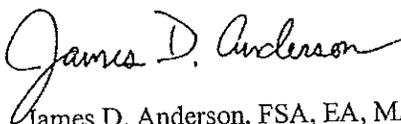
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Shana Neeson, ASA  
Senior Analyst  
Gabriel, Roeder, Smith & Company  
One Towne Square, Suite 800  
Southfield, Michigan 48076

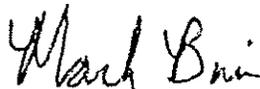
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(248) 799-9020 (Fax)  
[shana.neeson@gabrielroeder.com](mailto:shana.neeson@gabrielroeder.com) (E-mail)

Our past association with the County is very important to us and we are committed to providing you with the best possible service available at a reasonable price. We believe that our long-standing commitment and experience on behalf of public sector retirement plans and specifically, Bay County bring special value that cannot be matched by any other firm.

Sincerely,



James D. Anderson, FSA, EA, MAAA  
Senior Consultant



Mark Buis, FSA, FCA, EA, MAAA  
Senior Consultant & Team Leader

JDA:mrh

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## A. ORGANIZATION BACKGROUND

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## ORGANIZATION BACKGROUND

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### 1. How long has your company been in existence?

Gabriel, Roeder, Smith & Company (GRS) has been in business for over 70 years. GRS was incorporated in 1962 from a merger of A. G. Gabriel & Company, a sole proprietorship that was established in 1938, and another younger sole proprietorship, Roeder & Company. In 1995, GRS merged with Kruse, O'Connor & Ling, a Florida based consulting firm. In 2001, GRS acquired Watson Wyatt's U.S. based public sector retirement practice and a group of Watson Wyatt's consultants and actuaries joined GRS and in 2003, GRS acquired a portion of the U.S. based health practice of Watson Wyatt Worldwide.

### 2. How many major accounts do you have? What is your definition of a major account?

The following is representative of our client base:

#### Number of Clients

##### General Information

- More than 800 public sector clients
- More than 300 public pension clients
- More than 500 OPEB clients
- 33 State and Statewide Retirement Systems

A sample public sector client list is provided in Appendix B. We serve clients ranging from 10 to 500,000 members. All of our clients are important to us and therefore we do not classify our clients as "major" or otherwise.

**ORGANIZATION BACKGROUND**

3. How many municipal retirement systems accounts do you service? How many of those are located in Michigan and how long have you provided service to each system?

GRS services over 800 municipal retirement systems nationwide and over 100 in the state of Michigan. Appendix B includes a sample list of current GRS clients. We have been associated with more than half of our clients for at least 10 years, many for more than 50 years, and some for over 75 years.

In particular, we have considerable experience serving Michigan County plans, including:

- Bay County Employees' Retirement System
- Berrien County Employees Retirement Plan
- Gogebic County Employees Retirement System
- Jackson County Employees Retirement System
- Kalamazoo County Employees' Retirement System
- Kent County Employees Retirement Plan and Trust
- Macomb County Employees Retirement System
- Midland County Employees Retirement System
- Monroe County Employees Retirement System
- Oakland County Employees Retirement System
- Sanilac County Employees Retirement System
- Wayne County Employees' Retirement System

4. How many accounts has your organization lost within the past three years? Nationally? Locally? What are the reasons for these losses?

GRS has hundreds of public sector clients, to which we may sell multiple services. For example, if we lose a client in one service area, we may continue to provide other services to the client. Therefore, GRS does not keep statistics on client gains and losses on a firm-wide basis. Similarly, we do not maintain contact information for former clients. We are able to provide some general information on client gains and losses for the Southfield, Michigan office. GRS has lost the following Michigan pension clients in the past 3 years:

**CLIENT LOSSES**

System Name	Reason
City of Flint Employees Retirement System	Joined MERS
Municipal Employees' Retirement System of Michigan (MERS)	Took actuarial work "in house"
City of Grosse Pointe Farms	Standard bidding process
City of Lincoln Park Employees Retirement System	Joined MERS
St. Clair County Employees' Retirement System	Standard bidding process
Washtenaw County Employees Retirement System	Standard bidding process

**ORGANIZATION BACKGROUND**

Clients move from one actuarial consulting firm to another for many reasons, including:

- Mandatory periodic rebid with inflexible purchase rules
- The movement of actuaries and consultants to other firms
- A desire to be served by a local office or a particular consultant
- Change in administration at the plan sponsor level

It is difficult to assess the exact reason for a client loss, but in most cases one or more of the above reasons typically apply. GRS has not lost any clients due to performance issues. Many clients who select GRS recognize they are getting a superior brand at an attractive price.

5. Please state the name, title, address, and telephone number(s) of the person(s) we may contact with any questions about your response to this RFI.

James D. Anderson, FSA, EA, MAAA  
 Senior Consultant  
 Gabriel, Roeder, Smith & Company  
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 Rockford, MI 49341

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 (248) 799-9020 (Fax)  
[mark.buis@gabrielroeder.com](mailto:mark.buis@gabrielroeder.com) (E-mail)

6. How many people would be responsible for our account? Please describe their background.

The proposed team of actuaries and consultants is shown below. Biographies for each team member are included in Appendix A along with an excerpt from the American Academy of Actuaries website which demonstrates compliance with continuing education and other requirements. All team members are located in our Michigan offices.

**TEAM MEMBER ROLES AND RESPONSIBILITIES**

James D. Anderson, FSA, EA, MAAA, senior consultant and actuary will serve as the lead actuary responsible for all work provided by the actuarial teams, attending Retirement board meetings and managing client projects. Jim has 25 years of actuarial and benefits consulting experience. His areas of expertise include plan design, funding, accounting, administration and communication of defined benefit plans, defined contribution plans, post-retirement medical plans and post-employment plans. Jim has served public sector clients located in Michigan, Arizona, Arkansas, Illinois, Minnesota, South Dakota and Wisconsin.

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## ORGANIZATION BACKGROUND

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Mark Buis, FSA, EA, MAAA, senior consultant and actuary will serve as the peer review actuary responsible for review and will provide back-up and other assistance as needed. Mark has over 20 years of actuarial and benefits consulting experience. He has a particularly strong background with statewide multiple employer plans.

Shana Neeson, ASA, senior analyst will serve as the project manager for the System. She has more than 6 years of actuarial experience and has worked on Bay County for her entire career.

**7. From what geographic location will our account be serviced?**

We will provide services from our Southfield, Michigan office.

**Address:** One Towne Square  
Suite 800  
Southfield, Michigan 48076  
**Telephone:** (248) 799-9000  
**Fax:** (248) 799-9020

**8. What significant organizational changes have occurred at the local and national level in the last twelve months?**

No significant organizational changes have occurred at the local and national level in the last twelve months.

**9. What percentage of the organization's overall revenue is attributable to actuarial services?**

Nearly 100% of our revenue derives from actuarial and related consulting services provided to public sector benefit plans. Our allocation of total revenues can best be described in the following broad categories of services:

- Pension/OPEB: 89%
- Health & Welfare: 10%
- Retirement Technology: 1%

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## B. ADMINISTRATION

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**ADMINISTRATION**

1. Tell us about your administrative, actuarial, and operations staffs. How many administrative and actuarial personnel do you employ? What is your process for assigning personnel to your clients?

GRS has more public sector actuaries and consultants than any other firm in the country. Because of the depth and breadth of our commitment to the public sector, all of our consultants are well versed in public plan issues.

Our 122 Employees can be categorized as follows:

Pension/OPEB Practice	81
Health & Welfare Practice	5
Technology Services	6
DB Administration	5
IT Support	2
Corporate & Admin. Support	23

GRS only accepts work that its associates are qualified to provide. When assigning staff to a particular client, GRS matches the capabilities of the GRS team with the needs of the client.

The number of clients an associate can handle varies greatly by: (1) the role on the team, (2) the complexity and size of the client, (3) the expertise of the supporting staff. For example, for analysts who handle substantial data, programming, and financing work, only 2-4 clients may be appropriate. However, for a Primary Actuary who sets policy decisions on how the services will be provided, reviews mostly completed reports, and has a very strong support team, 7-10 clients may be appropriate.

In the event that you or GRS feels a change in the service team is necessary, we will propose a new team or team member for review and approval by the Retirement Board.

2. Provide the names, titles and credentials of the individuals who would be assigned to the Retirement System's account. What are their specific responsibilities? Provide the names of other clients that they serve.

The proposed team of actuaries and consultants is shown below. Biographies for each team member are included in Appendix A along with an excerpt from the American Academy of Actuaries website which demonstrates compliance with continuing education and other requirements. All team members are located in our Michigan offices.

---

## ADMINISTRATION

---

### TEAM MEMBER ROLES AND RESPONSIBILITIES

**James D. Anderson, FSA, EA, MAAA**, senior consultant and actuary will serve as the lead actuary responsible for all work provided by the actuarial teams, attending Retirement board meetings and managing client projects. Jim has 25 years of actuarial and benefits consulting experience. His areas of expertise include plan design, funding, accounting, administration and communication of defined benefit plans, defined contribution plans, post-retirement medical plans and post-employment plans. Jim has served public sector clients located in Michigan, Arizona, Arkansas, Illinois, Minnesota, South Dakota and Wisconsin.

**Mark Buis, FSA, EA, MAAA**, senior consultant and actuary will serve as the peer review actuary responsible for review and will provide back-up and other assistance as needed. Mark has over 20 years of actuarial and benefits consulting experience. He has a particularly strong background with statewide multiple employer plans.

**Shana Neeson, ASA**, senior analyst and will serve as the checker for the System. She has more than 6 years of actuarial experience and has worked on Bay County for her entire career.

The following is a sample of GRS clients served by members of this team that are similar in nature to the Retirement System:

#### Michigan Retirement Systems Served by the Proposed Team

- Bay County Employees' Retirement System
- Jackson County Employees Retirement System
- Kalamazoo County Employees' Retirement System
- Kent County Employees Retirement Plan and Trust
- Midland County Employees Retirement System
- Monroe County Employees Retirement System
- Sanilac County Employees Retirement System

As a firm, we serve these other Michigan county retirement plans:

- Berrien County Employees Retirement Plan
- Macomb County Employees Retirement System
- Oakland County Employees Retirement System
- Wayne County Employees' Retirement System

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## ADMINISTRATION

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3. Describe how you monitor the performance of the individuals who would be assigned to work on our Account.

All GRS employees go through our annual review process. During this process the employee is given the functions that they are expected to perform and the responsibilities of their job. Employees meet with their supervisor twice annually or more if required, to review the specifications of their position and their overall performance.

In addition, monitoring the work product of every employee, GRS surveys each client to determine if the client is satisfied with the consultant servicing their account.

4. What is the average turnover of your staff?

Historically, GRS has experienced very low turnover among its executive or professional staff in the actuarial consulting group. The average tenure of our consultants is 12 years. In part, we credit our low turnover to the employee-owned nature of our firm. Every employee at GRS is a shareholder. Because every employee at GRS has an investment in the company, they have an incentive to remain with the firm and provide the best service possible to ensure a return on their investment.

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**C. PENSION REPORTS/SYSTEMS**

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## PENSION REPORTS/SYSTEMS

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1. Describe the infrastructure you have built for providing actuarial services.

Public retirement systems are well advised to require the type of robust infrastructure described below from their actuarial firm. GRS has developed this infrastructure to ensure that our work is accurate, timely and meets the high standards set by our profession.

- Proprietary software written specifically for government plans and maintained by our Internal Software, Training and Processes (ISTP) group.
- Our ISTP group trains our employees in the use of the software.
- GRS has a total quality management program that we refer to as the Peer Review. This is described in more detail on page 22, question 2.
- Quality Assurance Procedures at GRS are developed and monitored by an internal Professionalism Committee consisting of six Consultants. The GRS Professionalism Committee performs internal audits of the work we do for our clients. The Professionalism Committee reports to the firm's Board of Directors.
- Our employees pursue actuarial exams to attain professional credentials (such as ASA, FSA and EA). GRS supports these professional growth activities.
- Our actuaries meet the continuing education and other requirements established by the Society of Actuaries, American Academy of Actuaries and the Joint Board for Enrolled Actuaries.

2. How many individual actuarial reports are issued monthly? How many EDRO/DRO estimates are issued monthly?

We produce thousands of valuation reports each year, and some of our clients are multiple employer systems which require individual reports for each municipality. In other cases, both annual and supplemental reports are issued.

We perform EDRO/DRO calculations and actuarial certifications upon request by our clients. Given the large number of Michigan clients, we have extensive experience in this area. While we do not keep track of the number of EDRO calculations/reviews performed monthly by GRS, we estimate the number to be approximately 50 per month.

3. What periods do you generate reports, e.g. monthly, quarterly, annually?

Most actuarial valuations are provided on an annual basis. More frequent reports would add significant expenses without returning commensurate value.

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**PENSION REPORTS/SYSTEMS**

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4. What is the typical turnaround time for an annual report and a standard benefit calculation?

Typically, we provide annual valuation results within 6-12 weeks of receipt of all requested data. If results are needed sooner, we will work with the Retirement Board and the County to meet specific deadlines. For example, we provided last year's Bay County Employees' Retirement System valuation within 6 weeks of receipt of all data.

The average turnaround time for a benefit calculation is 5-7 business days. For Bay County calculations, we have been meeting this schedule. If a calculation is needed sooner, we can provide expedited service if required (1 to 2 days).

5. Do you prepare Summary Annual Reports? If so, is the cost included in the annual retainer or are such reports billed separately?

GRS historically has provided Summary Annual Reports for Bay County. We have enclosed a copy of a recent Summary Annual Report in Appendix E.

Our fee for preparing a Summary Annual Report is separate from the retainer fee and is quoted in advance of beginning the project.

6. Do you prepare Annual Benefits Statements for plan participants? If so, is the cost included in the annual retainer or are such statements billed separately?

GRS is able to provide an Annual Benefits Statement for plan participants. We have enclosed a sample copy of a Participant Benefit Statement in Appendix E.

Our fee for preparing Participant Benefit Statements is separate from the retainer fee and is quoted in advance of beginning the project.

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**PENSION REPORTS/SYSTEMS**

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7. Do your routine services also include experience studies, economic assumption studies, actuarial reviews, audits, and projections?

We are happy to provide a quote for any of these services if desired. We perform experience studies including the review of economic assumptions for most of our clients on a regular basis. Note that the most recent study was completed for Bay County in summer 2013. These studies are an important part of actuarial services provided to our retirement system clients. Given our large public sector client base and our extensive experience, we offer a special advantage in this area. We provide cash flow projections for many of our clients upon request. Retirement systems request these services from time to time as they are needed.

We also perform actuarial audits for retirement systems for which we are not the retained actuary.

8. Describe both the features and benefits of your reports and system. Be sure to include descriptions of your capabilities and internal audit practices.

We pride ourselves on our efforts to deliver reports in jargon-free language, rather than page after page of numbers. We do our very best in presentations to explain technical concepts and to respond to Board questions. Our reports will develop and show plan costs, and the recommended contributions to fund for those costs. Our pension valuation software is flexible enough to adjust too many variations in pension benefits provided by public employee retirement systems.

Our reports are individually designed to meet the client's needs. We will work with the Board and the County to design reports that meet your particular needs.

GRS has a total quality management program we refer to as peer review. The peer review process was developed and is monitored by our Professionalism Committee. This committee reports to the firm's Board of Directors. Under the peer review process, one team member develops the plan costs and another verifies each value. The supervising actuary will review everything as the valuation process continues to ensure that results not only look reasonable, but are correct. The peer review actuary will review all work completed by the other team members as a final check. We use this peer review process on all the technical services we provide to our clients.

The GRS Professionalism Committee also performs internal audits of the work we do for our clients as an additional check.

We write and maintain all of our own valuation software (a.k.a. our actuarial valuation system). Therefore, we have an excellent understanding of the software. We are particularly proud in this regard that CalPERS, the largest non-federal retirement plan in the United States, selected GRS, after a national search, to write its new generation of actuarial valuation software to be used by CalPERS staff actuaries. GRS continues to maintain this software for CalPERS.

## PENSION REPORTS/SYSTEMS

**9. Do you have computer modeling and simulation to assist in solving funding problems?**

Yes. We can produce simulations of your Retirement System's costs under various scenarios using our Actuarial Valuation System (AVS), the state-of-the-art actuarial valuation and projection system which GRS developed for use by the California Public Employees Retirement System (CalPERS). Our proprietary software was developed specifically for public employee retirement systems, by current GRS employees.

In addition, GRS offers a variety of projection tools that provide information to help decision makers (1) understand the current and future financial position and contribution requirements of their Retirement Systems, (2) analyze the impact of plan or funding policy changes and (3) respond to the economic pressures affecting the plan. Decision makers can use the results to forecast budget requirements and develop strategies to manage risk. Additional information on some of these tools is provided in Appendix D.

Please see the following screenshot of our MagVal10 tool as shown below:

ABC Retirement System - 10 Year Projection Model												
	Observed						Assumed					
	2004 - 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Valuation Date	2004 - 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Payroll Growth	4.32%	-1.39%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Liability Growth	3.64%	3.02%	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%	3.58%
Investment Return	3.30%	14.07%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
	Observed						Assumed					
Fiscal Year Ending: December 31	2004 - 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Contribution Rate	3.47%	4.34%	4.34%	4.49%	4.69%	4.85%	4.63%	4.55%	4.57%	4.58%	4.60%	4.63%
Amortization Years	26	23	28	27	26	25	24	23	22	21	20	19
Asset Corridor		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
	Observed						Projected					
Valuation Date: December 31	2004 - 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Determines ARC for FY Ending		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Payroll	\$ 1,148.5	\$ 1,191.3	\$ 1,235.0	\$ 1,282.3	\$ 1,330.4	\$ 1,380.3	\$ 1,432.0	\$ 1,485.8	\$ 1,541.5	\$ 1,599.3	\$ 1,659.2	\$ 1,721.5
Assets after Smoothing	\$ 1,783.1	\$ 1,822.6	\$ 1,855.0	\$ 1,887.9	\$ 2,023.4	\$ 2,129.8	\$ 2,218.0	\$ 2,308.8	\$ 2,403.2	\$ 2,500.7	\$ 2,602.6	\$ 2,709.6
Assets at Market	\$ 1,735.8	\$ 1,822.5	\$ 1,893.5	\$ 1,968.9	\$ 2,049.6	\$ 2,136.2	\$ 2,222.6	\$ 2,311.3	\$ 2,404.2	\$ 2,501.1	\$ 2,602.8	\$ 2,709.7
Ratio	103%	100%	98%	95%	99%	100%	100%	100%	100%	100%	100%	100%
Accrued Liabilities	\$ 2,177.0	\$ 2,384.1	\$ 2,469.4	\$ 2,557.8	\$ 2,649.4	\$ 2,744.3	\$ 2,842.5	\$ 2,944.3	\$ 3,049.7	\$ 3,158.8	\$ 3,271.9	\$ 3,389.1
Funded Percent	82.4%	76.4%	75.1%	73.6%	76.4%	77.6%	78.0%	78.4%	78.6%	79.2%	79.5%	80.0%
Unfunded Accrued Liabilities	\$ 383.9	\$ 561.5	\$ 614.4	\$ 669.9	\$ 626.0	\$ 614.5	\$ 624.5	\$ 635.5	\$ 646.5	\$ 658.1	\$ 669.3	\$ 678.5
Contribution Rate	3.47%	4.49%	4.65%	4.89%	4.63%	4.55%	4.57%	4.58%	4.60%	4.63%	4.66%	4.70%

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## PENSION REPORTS/SYSTEMS

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### 10. Do you have software that is particularly geared to public sector applications?

Our Actuarial Valuation System (AVS) distinguishes us from all of our competitors in that it was designed specifically for public employee retirement systems. Our smaller competitors tend to use commercial software that, for the most part, is designed to value private sector plans. It does not deal well with the many complex features that are typical in governmental plans. This often results in the use of approximations, since typically commercial software can only be modified by the companies who wrote it, not by the firms using it. Our larger competitors tend to use software that they have written. But once again, their software tends to be private sector plan based and does not do well with level percent of payroll financing, which is fundamental to governmental plans.

We believe our valuation software is superior to that of our competitors for at least four reasons.

1. It was specifically designed for the public sector.
2. It was written by GRS consultants and actuaries.
3. Virtually all of our technical and consulting staff has an in depth understanding of its inner workings.
4. It has been reviewed and audited by every major consulting firm, and no error in the base software has ever been found.

### DESCRIPTION OF GRS VALUATION SOFTWARE

#### *Background*

Gabriel, Roeder, Smith & Company's core calculation software, which is used for the actuarial valuation of defined benefit and hybrid pension plans and other post-employment benefit (OPEB) plans, has evolved over 30 years of internal use, and is a very stable platform. Because our specialty is public sector benefit plans, this software is uniquely designed to handle those cases.

#### *Software Development, Maintenance and Support*

GRS has an Internal Software, Training, and Processes (ISTP) team that supports and updates our core calculation software. The client service team interacts directly with their retirement system client in the preparation of the valuation. The ISTP team supports the client service team to ensure the plan's benefit provisions are correctly modeled in GRS' software. The client's lead actuary is ultimately responsible for ensuring that GRS' work meets the client's needs.

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## PENSION REPORTS/SYSTEMS

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### *Summary of Software Features*

#### Handling of Assumptions & Methods:

Our software design guarantees that the assumptions and methods used in the DB/Hybrid valuation are fully compatible with those used in the retiree health valuation, which eliminates double handling of data.

#### Valuation Parameters:

GRS' software handles at least 500 valuation parameters and can be customized to handle others based on the unique features of the plan.

#### Gain/Loss:

Brian Murphy, FSA, GRS' President wrote the original version of the GRS Gain/Loss program in 1998. The current version of GRS' gain/loss program considers the mortality rate for inactive and retired members.

#### Experience Studies:

The basic purpose of an experience study is to provide information on the differences between assumed and actual experience. We recently rewrote our experience study program to take into account the technology involved in our gain loss analysis program. This allows us to provide experience studies in a cost effective manner, particularly for those clients that have contracted with us for annual gain loss analysis services.

#### Reports:

GRS software can produce both standard and customized reports. To maximize efficiency, our program utilizes standard reporting formats for information that is required by all public plans. To address unique reporting needs, such as Board requests or state specific requirements, our program has flexible reporting capabilities that enable report customization. A sample standard and customized report is provided.

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## PENSION REPORTS/SYSTEMS

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### *Reasons GRS Software is Superior to Other Valuation Systems*

1. GRS valuation software is geared to develop the most level funding possible, a feature fundamental to public sector retirement systems. Based on our experience, we believe that our software does this better than any other company's actuarial valuation system.
2. Although at least five-hundred valuation parameters are used in an actuarial valuation, it has been our experience that most public sector benefit plans have some unique features that cannot be handled by standard valuation parameters. GRS software can model these unique features because we can customize our software for the plan.
3. Since our software is very flexible, we can correctly model other actuarial firms' valuation procedures and methods with great efficiency. This is important in transitioning to a new firm or for an actuarial audit—both cases where replication of another firm's work provides opportunities to improve the quality of the valuation.
4. GRS utilizes sophisticated actuarial gain/loss software to track any disconnect between the actual experience and the expected experience based on the actuarial assumptions. These annual gain/loss analyses will identify a recurring pattern and, therefore, by the time the experience study is performed there should be no surprises in the changes being recommended.
5. Our software package allows GRS actuaries to examine the annual reconciliation of data with unmatched efficiency and truly understand how the liabilities of an actuarial valuation are affected by the methodologies used to set the assumptions. Our package allows the actuary to examine the data for several parameters giving the actuary the ability to set the assumptions based on the most appropriate methodologies for the client, rather than basing assumptions on the project's budget.
6. A distinguishing feature of our system, which has been used to research termination and retirement assumptions for clients of all sizes, relates to the methodology of basing termination expectations on years of retirement eligibility instead of solely on age. The results of our research are being utilized in the valuations of GRS clients today.

### *Technical Support of GRS' AVS*

GRS has an Internal Software, Training, and Processes (ISTP) team that supports and updates GRS' proprietary valuation software. The ISTP team currently consists of two full-time employees, with almost 40 years of combined experience in the public pension field. The ISTP team receives direction and reviews of its work from a GRS Oversight Committee and from a Board of Directors Subcommittee.

In addition to our AVS System, GRS designs software to facilitate the administration of both pension and retiree health plans.

We can provide additional references for our technology services upon request.

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## PENSION REPORTS/SYSTEMS

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### 11. Please describe your system's backup process.

To guard against loss of system and data files in the event of hardware failure or destruction, GRS uses several layers of protection. We conduct continuous and scheduled recovery processes, which ensures that our file back-up procedures are operating as intended. The features of our recovery and back up processes are described below:

- GRS uses disk mirroring for the operating system and software applications on office servers. Disk mirroring is a process that writes files, as they are being used, on two drives. In the event one fails, information is not completely lost. GRS uses a disk imaging process called RAID5 for all electronic client data files. Files are written to one 'logical' hard drive that is composed of three or more separate physical drives. If a physical drive fails, the other drives will have saved sufficient data to recover the information lost on the failed drive. In addition to RAID technology within individual servers, critical servers are mirrored as a whole in another location, where the complete duplicate of the server can take over in the event of failure.
- GRS uses the latest backup software available from Symantec to perform tape backups, for all files, in all offices, daily, weekly, and monthly. At any given time, there is a daily, weekly and monthly back-up available. Each office's weekly tapes are stored at a different GRS office or at an off-site location. GRS also performs an annual calendar year back-up of all files. We maintain the following tape archive schedule:
  - Daily back-ups are maintained for one week
  - Weekly back-ups are maintained for one month
  - Monthly back-ups are maintained for one year
  - Annual back-up is sent to off-site storage

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## PENSION REPORTS/SYSTEMS

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### 12. Do you have a disaster recovery plan? If so, please describe. When it was last tested?

The GRS Business Resumption Plan allows the company to return to normal operations as soon as possible in case of damage resulting from a disaster. Two core business areas drive the GRS Business Resumption Plan: Critical Business Functions and Necessary Business Functions. Descriptions and key execution activities are provided below.

#### Critical Business Functions

Critical Business Functions are those functions that are required for a business to resume operation immediately. GRS defines immediately as 24 hours following a disaster. Members of the Local and Corporate Emergency Management Teams are responsible for resumption of the critical business functions. The resumption of critical business functions entails the following:

- Enables employees to access client files and information
- Enables employees to get access to GRS servers and software applications
- Enables clients to contact client service teams

The following processes in the Business Resumption Plan are designed to accomplish the above goals.

- **Local Office Emergency Notification Process**-A detailed communication process to notify office employees and company management of the disaster. This includes a list of home and cellular phones provided to the Local Recovery Team and Corporate Emergency Management Team.
- **Emergency Operations Site:** Designation of a local site where the Emergency Management Team can meet to execute the Business Resumption Plan.
- **Business Recovery Site:** Designation of a local site or non-local GRS office where employees can continue working until the disaster site is ready to resume business. GRS uses a Virtual Private Network that provides employees with access to GRS servers, software applications, and clients' files. Therefore, employees could work from the designated local site, non-local GRS office, or from their home. GRS' computer network operations can be recovered from our headquarters in Southfield, Michigan and from our Ft. Lauderdale, Florida office.

#### Necessary Business Functions

Necessary Business Functions are those functions that are required for a business to continue long-term operations. GRS defines these as functions that should be resumed immediately after Critical Business Functions, but not longer than five business days following a disaster. This area focuses on the efforts of the Corporate Emergency Management Team, who will work with each Local Emergency Management Team Coordinator to resume long-term business operations.

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## PENSION REPORTS/SYSTEMS

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The following persons are involved in this area of the recovery process.

- President and Regional Directors
- COFO/Treasurer: Corporate Emergency Management Coordinator
- Executive Officer(s): Assistant Corporate Emergency Management Coordinator
- IS Operations Manager: IT/Telecom Coordinator
- IS Security Operations Manager: Assistant IT/Telecom Coordinator
- Human Resources Manager: Human Resources Coordinator
- President's Executive Assistant: Emergency Preparedness/Safety Coordinator
- Accounting Manager: Finance Coordinator

### Contingency Planning and Training

**Training:** Each GRS Emergency Management Team is trained to execute its responsibilities in the case of a disaster. This includes a team in each GRS office and a team comprised of corporate employees.

### Contingency Planning

**Planning for Assumption Failures:** Business Resumption Plans are contingency plans but with underlying assumptions. Should any of these assumptions fail to occur, such as an individual on an emergency management team being unable to execute their responsibilities, GRS has designed its resumption plan to include additional contingency planning protections by addressing these possible failures.

**Testing:** GRS periodically tests each local office site with respect to its disaster preparedness and execution of the Business Resumption Plan. These tests enable GRS to make improvements to its Business Resumption Plan before a disaster occurs.

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## PENSION REPORTS/SYSTEMS

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### 13. What experience do you have in valuation of post-retirement health care benefits?

As with our pension systems, we have the most robust infrastructure and experience for Public Sector retiree health plan analysis in the country. It is our position that thorough and accurate valuations are absolutely necessary for sound liability management and financing. GRS has been providing retiree health plan valuations for numerous governmental plans for many years. GRS provided the most recent valuation of Bay County's VEBA.

GRS has a health care consulting practice comprised of actuaries and consultants. We are a full service actuarial and benefits consulting firm. Our health care practice offers assistance in all areas of plan management and analysis including strategic planning, rate development, budget setting, utilization analysis, vendor procurement and management, actuarial analysis, plan modeling, communication, regulatory compliance and communications.

GRS has developed resources and services to respond to health care plan sponsors' needs in the areas of GASB Statement No. 43 and No. 45 compliance, Other Postemployment Benefit (OPEB) funding, health care cost management, and benefit design. We offer the following advantages:

1. GRS has health care actuaries, health care actuarial analysts, and health care consultants that analyze OPEB benefits promised, health care claims experience, and health care trend assumptions. This in-depth analysis is used in the development of the premium rate data used in the annual retiree health valuations. The development of premium rates is supervised by a qualified health care actuary and is a critical component in developing OPEB liabilities. Our expertise in this area ensures that premium rates and the underlying health care assumptions are reasonable. An excerpt from the Society of Actuaries online directory is provided in Appendix A including our health care actuary's credentials.
2. GRS' actuaries and consultants have an average of 20 years of experience developing long-term actuarial projections. They are experts in analyzing eligibility requirements, pre-funding arrangements, cost-sharing arrangements, and actuarial assumptions which impact the direction and size of actuarial liabilities, the annual required contribution (ARC) and net OPEB obligation.
3. Each actuary on the proposed team is a Fellow of the Society of Actuaries (the gold standard among actuaries) and meets the continuing education requirements for their practice area. This information is available at [www.soa.org](http://www.soa.org). An excerpt of this information has also been provided in Appendix A.
4. GRS has a peer review process for its retiree health valuations. We assign internal staff or use a subcontractor for peer review depending on staff workload. This ensures that our work meets actuarial standards of practice and professionalism.

GRS has a research group that focuses on benefits research for the public sector. Several persons on our staff have participated in the Governmental Accounting Standards Board's (GASB) OPEB related work.

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## PENSION REPORTS/SYSTEMS

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**14. How does your company view its responsibility for tax and/or legal advice to participants?**

We do not provide tax and/or legal advice to participants. We believe it is better for the System to have separate sources for actuarial matters and legal advice. GRS is happy to coordinate its efforts with those of your outside pension attorney or staff attorney. We are dedicated to working on a partnership basis in providing these services.

**15. How are changes communicated to and from clients?**

Our consultants routinely communicate with Retirement Boards and staff in the normal course of providing services. Such communications occur as a result of meetings, phone calls, email, and letter communications between the System and GRS.

In addition, client needs are communicated seamlessly within GRS since we provide services using a team based approach. Team members keep each other, their Team Leader, and Regional Director apprised of client needs and satisfaction levels. Using these methods, we are able to ensure our clients remain satisfied. We find that these methods produce timely solutions to client needs.

As lead consultant, Jim Anderson will attend the meetings of the Retirement System Board. The backup actuary, Mark Buis, will be available to attend the meeting should Jim be unavailable. Given our large Southfield office with numerous experienced public sector actuaries, someone is always available in the event of an emergency or other circumstance involving the lead actuary.

GRS also provides educational materials to clients such as newsletters, articles, and research reports. Our publications are provided to our clients through routine mailings and are also available on our website at [www.gabrielroeder.com](http://www.gabrielroeder.com). In addition, GRS consultants routinely serve as authors on articles for associations such as the Government Finance Officers Association (GFOA), State GFOAs, and the International Foundation of Employee Benefit Plans (IFEPP) and the Michigan Association of Public Employee Retirement Systems (MAPERS).

**16. The Retirement System's auditors from time to time may want to perform routine spot audits. Will the actuarial records you maintain be "open" to auditors?**

We receive requests from our clients' auditors for information to assist them in verifying that the data provided to GRS is accurate and that our results make sense. We cooperate fully with these requests. As our records are provided by our clients, requests from the client for cooperation with their auditors are always honored.

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## REPORTING

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## REPORTING

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1. Describe your reporting capabilities. Be sure to comment on issues relating to accuracy and timeliness.

We provide a wide range of reports to our clients based on their particular needs. We pride ourselves on our efforts to deliver actuarial reports with minimal use of technical jargon. To the extent that we must use terms common to the industry, we provide concise explanations of these terms, in either glossaries or within the body of the report. To reinforce understanding of the results and the impact of policy options, our reports include graphic representations of the information, such as charts and tables.

We ensure the accuracy of our services by following our standard peer review practices. One team member develops the plan costs, and a second person verifies the results. A supervising actuary will review everything as the valuation process continues to ensure that results not only look reasonable, but are correct. A second supervising actuary will review all work completed by the other team members as a final check. We document peer review guidelines for each member of a GRS client team. The peer review process is an essential component in the development of GRS reports and other correspondence.

These guidelines were developed by our Professionalism Committee and are reviewed and revised as appropriate. GRS uses its peer review process on all services that we provide to our clients.

Our main office in Southfield enables us to offer the highest level of prompt informed service and personnel backup. Virtually all of our professional staff has in-depth experience with public employee retirement systems. The timing of each project is communicated in advance and our project managers ensure the delivery on a timely basis.

2. What information is requested of a client on an annual basis to prepare an actuarial report?

In order to prepare an actuarial valuation of a pension plan, we typically request the following information from our clients:

- a. Participant data as of the valuation date:
  - i. For active System members, we request name, a unique identifier (if available), date of birth, date of hire (or service), gender, pay, accumulated member contributions, if any, and benefit group.
  - ii. For retired members, we request name, a unique identifier (if available), date of birth, date of retirement, gender, monthly benefit, form of payment, and date of birth of beneficiary (if applicable).
  - iii. For deferred vested members, we request, name, a unique identifier (if available), date of birth, date of termination, gender, monthly benefit to be paid at retirement and benefit group.

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## REPORTING

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- iv.* We also request additional data items unique to a particular retirement system.
- b. Financial information of the Retirement System trust as of the valuation date.
- c. Summary of benefit provisions for each benefit group as of the valuation date.
- d. Miscellaneous information related to Retirement System compensation and other matters.

The actuarial valuation of a retiree health plan requires most of the information described above plus detailed information related to health plan premiums, claims data and related information.

Please see the letter in Appendix C which describes what has been historically requested for Bay County Employees' Retirement System.

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## MANAGEMENT COMMITMENT

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## MANAGEMENT COMMITMENT

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1. Outline your organization's commitment to servicing the public sector market. What capital investments have occurred in the last three years? What capital investments are budgeted for in current and following year?

Gabriel, Roeder, Smith & Company has a long history of supporting and educating public sector professionals, governing bodies, and other stakeholders on actuarial and benefits consulting topics. Our support dates back to the 1930s when our founders helped governments design their first defined benefit pension plans by providing consulting support, knowledge and actuarial services.

Today we support hundreds of benefit plans by providing pension, health, technology and plan administration services. GRS continues to support the public sector, not only through its provision of services, but by dedicating its resources to the public sector benefits industry in the form of article writing, conference presentations, surveys, legislative testimony, and membership on committees of public sector organizations. While we don't track the dollar amount of this expenditure our consultants budget approximately 10% to 20% of their time each year to support the public sector market in the areas listed above. We are committed to supporting your plans and participants.

2. Does your organization have a total quality management program? If yes, please describe the program and explain how it differentiates from your competition.

### QUALITY ASSURANCE STANDARDS

GRS has a total quality management program we refer to as the Peer Review Process. Under this process, one team member develops the plan costs and another verifies each value. The supervising actuary will review everything as the valuation process continues to ensure that results not only look reasonable, but are correct. The other supervising actuary will review all work completed by the other team members as a final check. We document peer review guidelines for each member of a GRS client team.

These guidelines were developed by our Professionalism Committee and are reviewed and revised as appropriate. GRS uses its Peer Review process on all services that we provide to our clients.

In completing any client assignment, it is the goal of each employee of Gabriel, Roeder, Smith & Company to produce the highest quality work. This practice has been an integral component of our corporate culture throughout the entire history of GRS.

The following aspects of our Peer Review process attest to the strength of the quality controls we have built for providing actuarial services.

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## MANAGEMENT COMMITMENT

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### Professionalism Committee

Quality Assurance Procedures at GRS are developed and monitored by a standing Professionalism Committee. The GRS Professionalism Committee performs internal audits of the work we do for our clients. The Professionalism Committee reports to the firm's Board of Directors. The following paragraphs describe how our quality assurance procedures apply to three specific types of client assignments.

### Actuarial Valuations

Each actuarial valuation for a defined benefit pension plan or a post-retirement health care program is supervised by a qualified consulting actuary, from the beginning of the process until the final product is sent to the client. Actuarial valuations are prepared by an actuarial analyst and are initially checked by a more senior associate.

The two associates work very closely with the consulting actuary to resolve any issues that may arise throughout the process. After completion of the initial checking, the valuation is reviewed by the consulting actuary. The actuary reviews the results for reasonableness. Once the results are finalized and a report is prepared, the report is peer reviewed by another qualified actuary. Each step of the process is documented using the quality forms and the documentation is filed with the work papers.

### Special Projects

All other projects other than actuarial valuations also follow our standard quality procedures. Initial calculations are prepared by an analyst, checked by a more senior associate and reviewed and peer reviewed by a qualified actuary. Each step of the process is documented using the quality forms and the documentation is filed with the work papers.

### Client Correspondence

Any substantive client correspondence (letters - hard copy or electronic, reports, presentations, etc.) prepared by one of our actuaries or consultants is peer reviewed by another actuary or consultant. Each step of the process is documented using the quality forms and the documentation is filed with a copy of the correspondence.

### Internal Audit

Our internal audit process ensures that our associates follow our quality procedures and that the services provided to our clients is continuously improving. Please note this is a procedural audit.

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## MANAGEMENT COMMITMENT

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Through this process, a group of our actuaries and consultants audits the work performed for our clients. The various clients are selected randomly. A member of the Professionalism Committee begins the audit with conversations with the actuary or consultant and other client team members, and then reviews the work papers, the valuation report and other relevant files to see if quality procedures have been followed and documented.

After the Committee member has completed these steps, the findings are discussed with the actuary or consultant responsible for that client. The findings are shared with the other members of the Professionalism Committee at its next quarterly meeting, after which it is forwarded to the President.

### External Audit

Our work on behalf of a variety of our clients has also been audited by other actuarial firms and our work has passed their scrutiny. Of course, as serious, committed professionals, we always welcome constructive suggestions of other qualified professionals.

### 3. Do you survey your clients? If yes, provide the results for the last three years.

GRS Regions and our Marketing department periodically survey clients either through written or phone surveys.

#### Client Satisfaction Survey Results from 2013

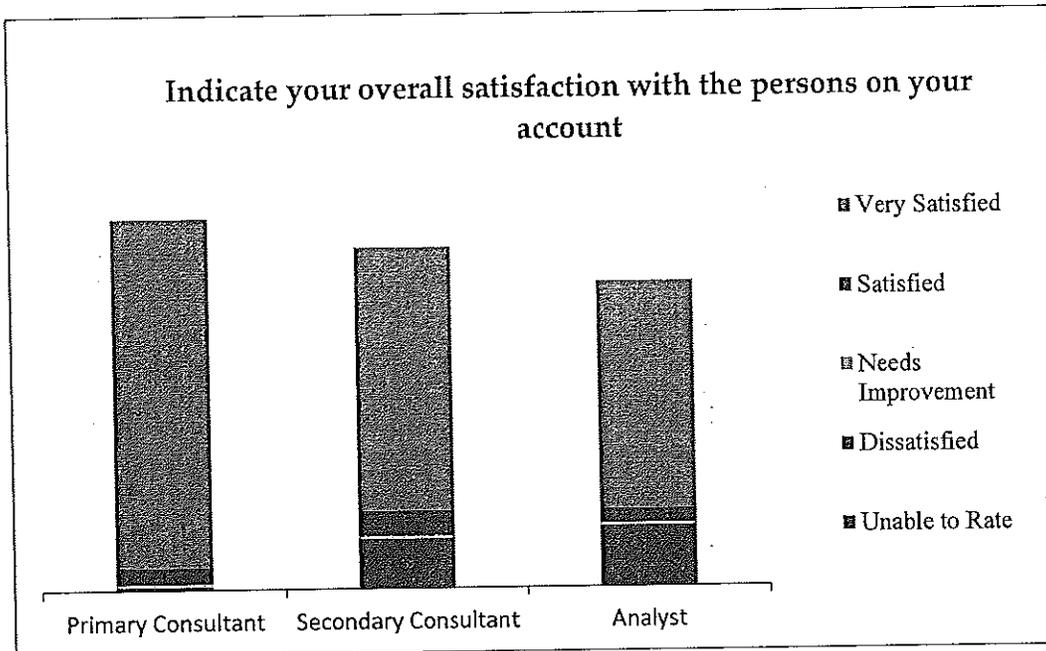
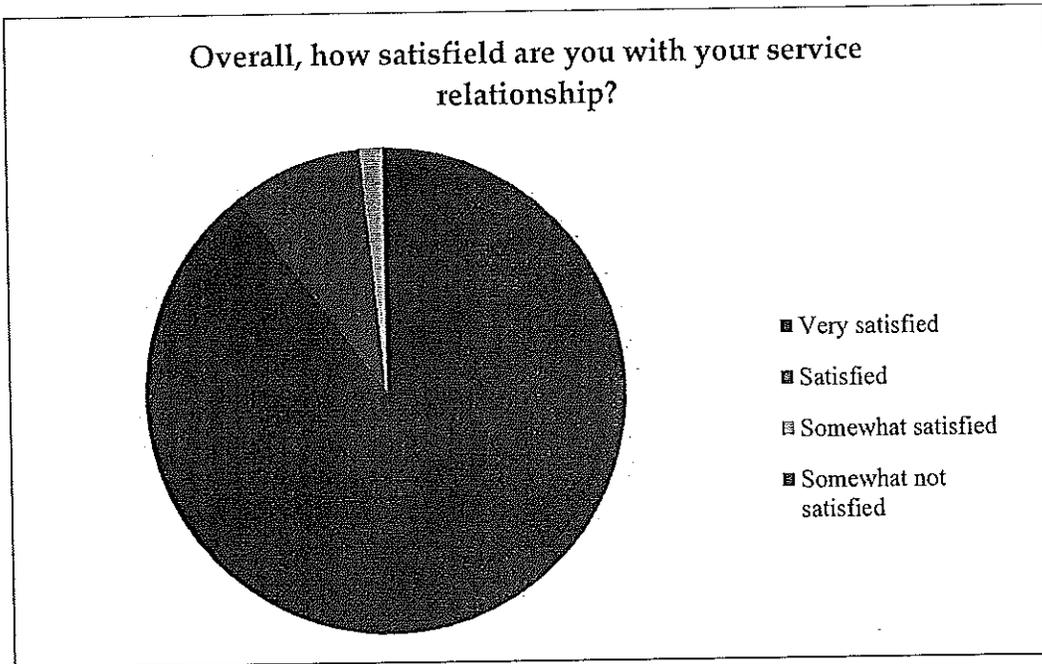
Survey comments from some of our clients:

- Very satisfied with actuarial experience, analysis, availability, attitude and willingness to educate the client and be educated by the client.
- I wanted to express my and the Board's appreciation to your organization for its continued belief in and support for Defined Benefit Plans. The battles continue on this front and only seem to get more challenging, so having an effective and respected ally on this front means a great deal, thank you.
- Excellent presentations making complex issues easy to understand.
- Pension work by its very nature is complicated. Providing actuarial studies to professional as well as lay people presents a difficult scenario at times. Your consultants do an admirable job of creating reports that are readable and understandable by the many people, not just pension professionals.
- We've been very pleased with the quality of responses to our questions.

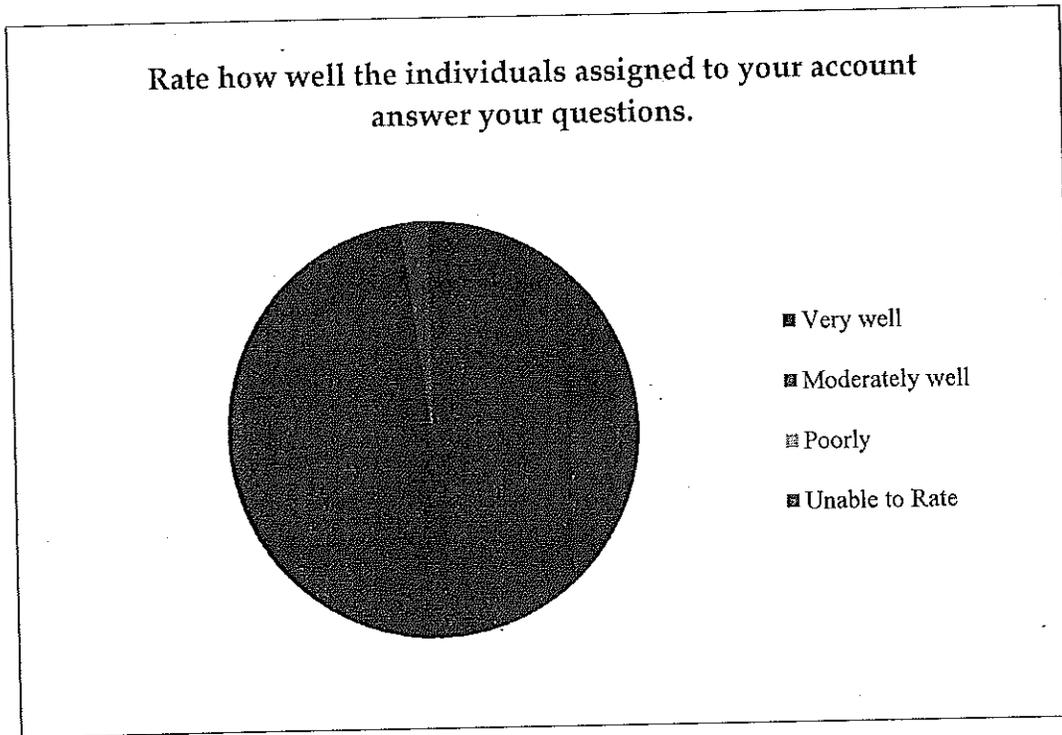
#### Other Survey Results:

- Ninety-nine percent of our clients indicated that they would recommend GRS to others.
- Ninety-nine percent of our clients indicated that our written reports are easy to understand.

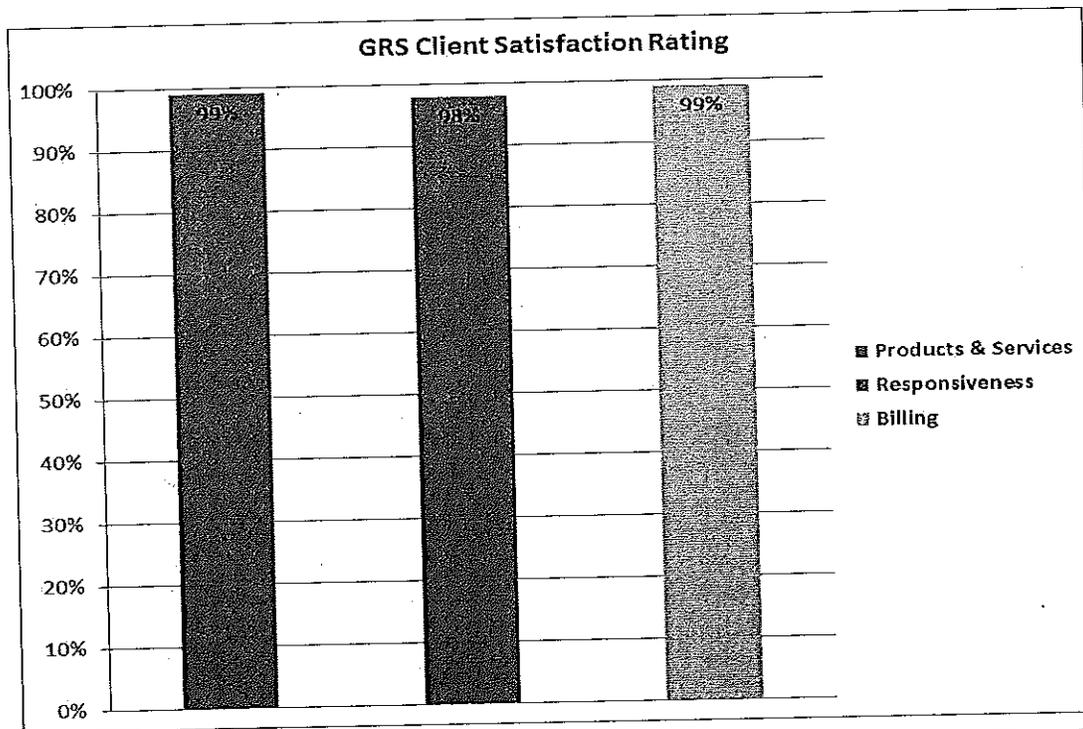
### MANAGEMENT COMMITMENT



### MANAGEMENT COMMITMENT



### Client Satisfaction Results from 2012



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## MANAGEMENT COMMITMENT

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In addition to the ratings above, we have provided a few comments from our clients.

### Staff

GRS has the personnel and resources to meet all needs.  
GRS has many of the best professionals in the field.  
I deal with many firms and your staff is 2nd to none!

### Service Levels

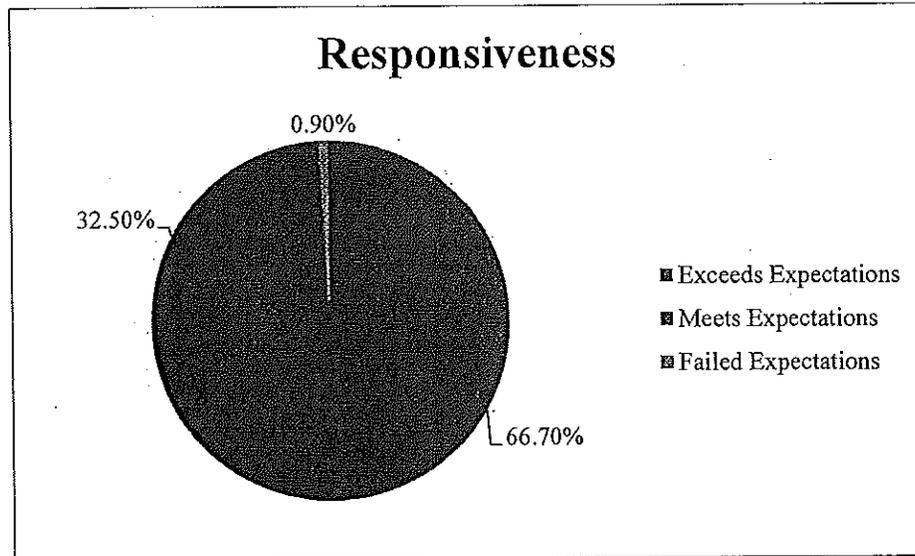
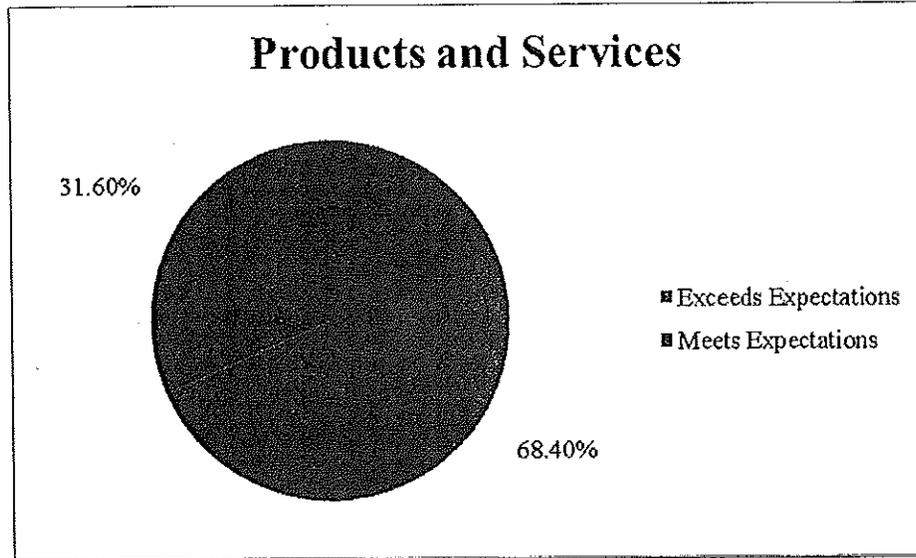
Exceptional!  
Excellent.  
This is our first year with GRS and we are so very pleased with the services provided.

### Reports and Communication

Material is easy to locate and read.  
I like the format - very clear and concise.  
Information is well received by our trustees.

## MANAGEMENT COMMITMENT

### Client Satisfaction Results from 2010



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## MANAGEMENT COMMITMENT

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#### 4. Describe other methods you use to monitor client satisfaction.

Our consultants routinely communicate with Retirement Boards and staff in the normal course of providing services. Such communications occur as a result of meetings, phone calls, email, and letter communications between the Systems and GRS.

In addition, client needs are communicated seamlessly within GRS since we provide services using a team based approach. Team members keep each other, their Team Leader, and Regional Director apprised of client needs and satisfaction levels.

Using these methods, we are able to ensure our clients remain satisfied. We find that these methods produce timely solutions to client's needs.

In addition, our Regional Directors and President conduct periodic face-to-face client satisfaction meetings, which are intended to provide the client with an opportunity to discuss issues in a third-party type environment since no one from the service team is present.

These meetings are invaluable to our management, and ultimately to the service teams, since they often provide information, not only on satisfaction levels, but also help us with our continuous service improvement efforts.

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**F. EDUCATION/TRAINING**

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# Proposal to Provide Actuarial Services to the Bay County Employees' Retirement System

December 18, 2013

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Presented By:

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## Letter of Transmittal

Ms. Martha Fitzhugh  
Corporation Counsel

Dear Ms. Fitzhugh:

### RE: BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL SERVICES REQUEST FOR INFORMATION

We appreciate this opportunity to introduce Nyhart to you and the County. Nyhart was conceived as a family-owned business in 1943. The Howard E. Nyhart Company, Inc. has been in the actuarial business for 70 years!

In 1979, an Employee Stock Ownership Plan started the purchase of Nyhart and completed the purchase in 1991. We are now a 100% employee-owned company and as such, we live or die by our customer service. We have been supplying actuarial services to our clients for many years. We thoroughly understand the pension actuarial side of our business and we feel we are well-qualified to serve Bay County.

Our philosophy for providing actuarial consulting services is based on our desire to be a value-added resource and trusted advisor to our clients. We believe this is achieved by consistently performing requested services at a level that meets or exceeds the client's expectations, by putting forth the extra effort to ensure the client's satisfaction, and by maintaining frequent communication with our clients. It is through this kind of relationship that excellent services becomes routine, and we believe this is the exact kind of service the Bay County Employees' Retirement System is seeking with this Request for Information. Our commitment to being a trusted advisor combined with our experience makes us not only very familiar with the services described, but also confident we can successfully provide them.

Thank you for considering Nyhart,

Heath Merlak, FSA, FCA, EA, MAAA  
Consulting Actuary and Principal  
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618-307-5523  
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618-307-9090  
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## A. Organizational Background

1. How long has your company been in existence?

*The Nyhart Company is an employee benefit consulting, actuarial, and administration firm that has been doing business since 1943. We operate as a corporation and were incorporated in the State of Indiana in 09/1955.*

2. How many major accounts do you have? What is your definition of a major account?

*Nyhart provides the actuarial valuation and administrative assistance for approximately 190 plans each year. We do not classify accounts specifically as major or minor accounts since we know our work is incredibly important to each client that we serve. However, we do recognize that the size and complexity of each plan ultimately are significant factors on the amount of time we spend serving each client.*

3. How many municipal retirement systems accounts do you service? How many of these are located in Michigan and how long have you provided service to each system?

*We are currently serving 33 municipal retirement system clients. Two of the 33 are located in Michigan and both have been clients for approximately one year and a half, the Lansing Board of Water and Light and St. Clair County.*

4. How many accounts has your organization lost within the last three years? Nationally? Locally? What are the reasons for these losses?

*In the time period of 2008 through early July, 2013, we have lost 3 clients with similar services requested in this RFI. They were all national public clients and were lost through the re-bidding process.*

5. Please state the name, title, address, and telephone number(s) of the person(s) we may contact with any questions about your response to this RFI.

*Heath Merlak, FSA, FCA, EA, MAAA  
Consulting Actuary and Principal*

*Nick Meggos, FCA, EA  
Consulting Actuary*

*Please see our transmittal letter for complete contact information.*

6. How many people would be responsible for our account? Please describe their background.

Heath Merlak and Nick Meggos will be responsible to the County. We have 20 credentialed actuaries on staff, each of whom will be available to the County. As we work with the County, you are not only getting the best thoughts from the County's actuarial team, but from all of Nyhart. Your Nyhart team will be having brainstorming sessions with other experienced retirement consultants at Nyhart to test ideas, etc. This ensures we are bringing the best ideas and thinking to Bay County.

Heath is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, a member of the American Academy of Actuaries, and an Enrolled Actuary.

Prior to joining Nyhart, he worked for a large retirement firm in the St. Louis area. He has over 19 years of pension actuarial experience, including everything from annual valuations to plan design studies to experience studies.

Nick is a Fellow of the Conference of Consulting Actuaries and an Enrolled Actuary.

Prior to joining Nyhart, he worked with a global consulting firm and the Federal Reserve doing economic research. He has over 14 years of pension actuarial experience, including annual valuations, administrative solutions, plan design/retirement adequacy, and plan terminations.

7. From what geographic location will our account be serviced?

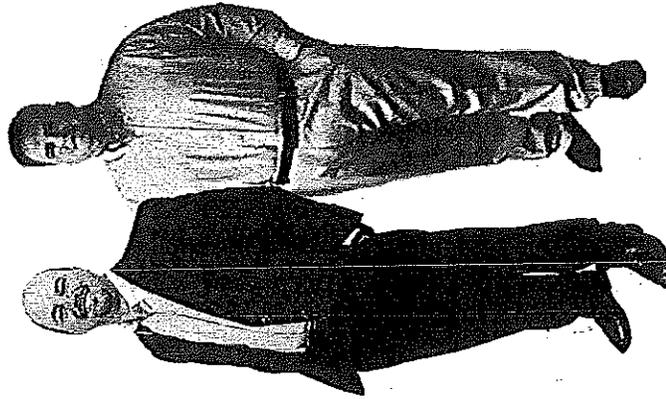
Heath and Nick work out of our St. Louis office. They do currently serve other clients in Michigan.

8. What significant organizational changes have occurred at the local and national level in the last twelve months?

The only significant organizational change that has occurred in the last twelve months was the acquisition of Frederick Bass & Company in Houston.

9. What percentage of the organization's overall revenue is attributable to actuarial services?

Approximately 50% of our revenue is attributable to defined benefit (40%) and health care (10%) actuarial services.



## B. Administration

1. Tell us about your administrative, actuarial, and operations staffs. How many administrative and actuarial personnel do you employ? What is your process for assigning personnel to your clients?

*We have a staff of 20 accredited actuaries, along with 20 support actuarial students/analysts as well as 5 administrative assistants. When we develop client teams, we first assess the services needed for the client and then identify the team that can provide these services. We also assess the time capacity of each team member to ensure they have appropriate time available to provide the services requested.*

*For a client the size of Bay County in addition to Heath and Nick there would be two additional actuarial personnel assigned to ensure all of the actuarial and administrative needs are effectively met with excellent and timely service.*

2. Provide the names, titles, and credentials of the individuals who would be assigned to the Retirement System's account. What are the specific responsibilities? Provide the names of other clients that they serve.

*Heath Merlak and Nick Meggos will be responsible to the County. We have 20 credentialed actuaries on staff, each of whom will be available to the County. As they work with the County, you are not only getting the best thoughts from the County's actuarial team, but from all of Nyhart. Your Nyhart team will be having brainstorming sessions with other experienced retirement consultants at Nyhart to test ideas, etc. This ensures we are bringing the best ideas and thinking to Bay County.*

*Heath and Nick's other clients include but are not limited to organizations such as Indiana University, St. Clair County (Michigan), Lansing Board of Water and Light (Michigan), and Hendricks Count Hospital (Indiana).*

3. Describe how you monitor the performance of the individuals who would be assigned to work on our Account.

*All reports are checked by two credentialed actuaries before they are finalized. During the valuation process and the development of those reports there are several checks performed (data reconciliation, asset and liability gain/loss analysis test case reviews, etc.) to not only ensure the integrity of the input information being used, but also to confirm the appropriate use of that information.*

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4. What is the average turnover of your staff?  
*Our average turnover is close to non-existent. We have had only three actuarial students leave in the last several years. We have not lost a credentialed actuary to anything but retirement in that same timeframe.*

## C. Pension Reports / Systems

1. Describe the infrastructure you have built for providing actuarial services.

*Our infrastructure has been built around our client team structure, the tools that we utilize, and our consistent processes. These three things together promote efficiency, accuracy and consistency in the results we deliver.*

*Our client team structure allows for actuarial students/analysts to be involved in some of the less technical initial steps of the valuation process such as data gathering and reconciliation, as well as the initial calculation of liabilities with each of these steps being reviewed by a credentialed actuary for accuracy. More technical calculations such as gain/loss analysis, funding requirements and final client deliverables are reviewed by two credentialed actuaries to ensure quality and accuracy. This structure not only provides significant audited quality control of our results, it also provides an efficient and consistent environment for our employees to continually learn and get better at what they do.*

*The main tools we use to develop valuation results are a valuation software called ProVal and automated Excel-based tools that we have developed to streamline the development of results. ProVal is a well-respected software product in the actuarial community that is incredibly powerful, versatile and used by all types and sizes of firms from the smallest to the very largest in the industry. All of a plan's critical results are not only checked independently by two credentialed actuaries, but also verified through ProVal and the Excel-based automated tools we have developed. This ensures the high level of accuracy we wish to achieve and that you deserve as a client.*

*The processes we have set up are well documented for all of our employees and are consistently followed across clients. We have specific documentation we do during each step of the valuation. While some of these steps have been mentioned in the above discussion of our client team structure and tools, one additional piece of the valuation process that we view as crucial is our commitment to prepare and deliver in person a management summary of results. This summary provides key results of the valuation and a 5-year projection of future results using our Pension Financial Manager. It also creates an opportunity for us to provide answers on an annual basis to the questions that concern your decision makers regarding the valuation and future decisions about the plan.*

*Though the focus of this answer has been on our valuation infrastructure similar teams, processes and tools have been put in place to provide high quality administrative solutions and results.*

2. How many individual actuarial reports are issued monthly? How many EDRO/DRO estimates are issued monthly?  
*Nyhart does approximately 190 annual actuarial valuations. We provide approximately 350 to 375 benefit estimates/calculations per month. While we do EDRO/DRO estimates, we do not track them separately.*
3. What periods do you generate reports, e.g. monthly, quarterly, annually?  
*We generate valuations on an annual basis.*
4. What is the typical turnaround time for an annual report and a standard benefit calculation?  
*The annual valuation steps are fairly standard and we expect the valuation to be completed within 8 to 12 weeks after receipt of all required data.*
5. Do you prepare Summary Annual Reports? If so, is the cost included in the annual retainer or area such reports billed separately?  
*We can and do prepare Summary Annual Reports. The cost is typically billed separately on a per project basis. However, it could easily be included on an annual basis based on one fixed fee.*
6. Do you prepare Annual Benefit Statements for plan participants? If so, is the cost included in the annual retainer or are such statements billed separately?  
*We prepare Annual Benefit Statements for plan participants for most of our clients that have an open and ongoing pension plan. We typically build this into our annual valuation fee.*
7. Do your routine services also include experience studies, economic assumption studies, actuarial reviews, audits, and projections?  
*We provide all of these services. However, since all of these services (with the exception of projections) do not necessarily happen on an annual basis we usually charge for them on a per project basis for a mutually agreed to fee. We believe projections are an important part of the valuation process and include them as part of our annual valuation fee.*

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8. Describe both the features and benefits of your reports and system. Be sure to include descriptions of your capabilities and internal audit practices.

Please see our answer to question 1 in this section.

9. Do you have computer modeling and simulation to assist in solving funding problems?

*Pension Financial Manager is the tool that we have developed to assist clients by allowing them to instantly see projected funding results under several different scenarios. These various funding scenarios are based on changes in key variables such as interest rates, asset returns and various contribution strategies (minimum funding only, contributions as a certain percentage of pay or specific dollar amounts) that can be manipulated at the touch of a button. Our Chief Actuary designed and built this tool and Nyhart feels this is not only a powerful tool, but an essential tool for decision makers to plan accordingly for the short and long term funding of their plans. Underlying baseline scenarios are updated each time a valuation is done and updated results are presented as a part of an annual valuation results meeting.*

10. Do you have software that is particularly geared to public sector applications?

*We do not have any software particularly geared to public sector applications, but are confident that our valuation software, ProVal, and in house tools such as the Pension Financial Manager have been designed and can be customized to use for any public sector need.*

11. Please describe your system's backup process.

*Our systems and data are backed up nightly by our IT Department and the "tapes" are stored at an offsite facility.*

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12. Do you have a disaster recovery plan? If so, please describe. When was it last tested?
- Yes, our plan focusses on timely recovery of all data and records in the event of a disaster. We do daily backups and use an offsite vaulting and recovery vendor.*
- We have a secure data center in Indianapolis, a data center in our Atlanta office, and use ASP/Cloud service providers for selected applications.*
- Our disaster recovery plan includes a combination of data center redundancy, failover and/or recovery to our Atlanta data center, and service provider.*
- We periodically test components of the plan.*
- At our headquarters in Indianapolis, we own all the equipment that is located in our secure data center.*
13. What experience do you have in valuation of post-retirement health care benefits?
- Our established reputation as a quality actuarial provider is demonstrated by the number and types of municipal entities that have hired Nyhart as their GASB 45 actuary. Our GASB 45 clients include: the State of Indiana; six state capitals (Des Moines, IA; Concord, NH; Oklahoma City, OK; Salem, OR; Madison, WI; and Charleston, WV); more than 90 counties, cities and towns, five public universities and colleges, 60 school districts, and more than 50 other public entities (airports, water districts, housing districts, etc.)*
14. How does your company view its responsibility for tax and/or legal advice to participants?
- Nyhart does not view our actuaries as the proper sources of tax or legal advice for participants. We would encourage participants to reach out to the appropriate professionals for such advice.*
15. How are changes communicated to and from clients?
- We communicate with our clients via e-mail, phone, or FAX. We regularly send out electronic newsletters to our clients to keep them abreast of any changes that might affect them. Please check out our website: [www.nyhart.com](http://www.nyhart.com) - to see the*

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*information currently available. Beyond broadly sent communication sent to clients our consultants follow-up to discuss any specific impacts to your plan.*

16. The Retirement System's auditors from time to time may want to perform routine spot audits. Will the actuarial records you maintain be "open" to auditors?

*We routinely provide assistance to auditors and our data records will be open to your auditors at any time.*

## D. Reporting

1. Describe your reporting capabilities. Be sure to comment on issues relating to accuracy and timeliness.

*Our goal is to be 100% accurate in all of our work with a peer review process in place that demonstrates a commitment to achieving this goal. As mentioned before, valuations are usually delivered within 8-12 weeks of receiving the requested necessary inputs. Benefit calculations are typically done in no more than 5 business days (potentially longer for more complex plans). Additionally, it is our policy to strive to respond within the same business day and no less than 24 hours to any client request or communication. Though we may not be able to provide a final answer within that timeframe, we want you to know as soon as possible that we have received your request, and are working on an answer.*

2. What information is requested of a client on an annual basis to prepare an actuarial report?

*We send out a Data Request letter asking for specific information that is needed to complete the reports. In general, this request consists of participant data, asset information, plan amendments since the last valuation, and contribution information. After receiving the data, we expect the County's involvement to be minimal, mainly to answer any participant data questions that may arise during the data reconciliation process.*

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## E. Management Commitment

1. Outline your organization's commitment to servicing the public sector market. What capital investments have occurred in the last three years? What capital investments are budgeted for in the current and following year?  
  
*Nyhart is committed to servicing the public sector market and have a concentrated focus on this market as a significant growth area for our actuarial practice. This commitment is first demonstrated by how or practice has grown both in the number of public plans we serve and the number of professionals we have hired to serve these plans. At a time when many actuarial retirement practices are shrinking we are growing and are convinced that our commitment to this sector is a key to our continued growth. Additionally, our commitment to the public sector is further demonstrated with our involvement in organizations such as NASRA (the National Association of State Retirement Administrators). We invest roughly \$10,000 per year for membership and attendance of their annual conference.*
  
2. Does your organization have a total quality management program? If yes, please describe the program and explain how it differentiates from your competition.  
  
*As opposed to smaller one or two person actuarial shops, we have a depth of staff only matched by larger firms. Our results are certified by at least two highly-credentialed actuaries.*
  
3. Do you survey your clients? If yes, provide the results for the last three years.  
  
*We do not formally survey our clients.*
  
4. Describe other methods you use to monitor client satisfaction.  
  
*After every project, we will ask for and welcome candid feedback on how we can serve our clients better. We are always looking to improve our services and what better way than to incorporate feedback from our clients.*

*HI*

## F. Education / Training

1. Do you have formal training programs? If so, please describe.

*All of our employees that work directly with clients are required to have a certification. We use ASPPA (American Society of Pension Professionals & Actuaries) to train and keep our employees up-to-date by the continued taking of exams to earn their designations. In addition, we provide internal training sessions to help our new professionals grow in their career that cover detailed actuarial topics to consulting skills.*

*For our credentialed actuaries, we also provide monthly training sessions provided by the Conference of Consulting Actuaries and attendance at an annual conference. Our investment in this national training ensures that our actuaries are in touch with the latest trends, thinking, etc. Our commitment to training is demonstrated by our Chief Actuary who helps coordinate and present at the annual conference sponsored by the Conference of Consulting Actuaries.*

*The Nyhart Company, as an actuarial firm, abides by the Code of Professional Conduct set forth by the Society of Actuaries.*

**Training**

Knowledge  
useful abilities  
backbone of  
quired for a  
AAAV

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## G. Risk Management

1. Describe your system of controls to assure the accuracy of the processing and reporting of information? Do you have documented policies and procedures?

### **Quality Control and Management Procedures**

Nyhart's internal quality control and project management procedures are described below. Adherence to these procedures is how we are able to produce results that are consistent, accurate, and of the highest quality.

1. **Project Definition:** An accurate understanding of the work to be done is critical to a successful project. Therefore, the project definition phase is included in our procedure. Nyhart and the client will discuss the work to be done, what has been done before, expectations for the current project, and project deadlines.
2. **Data Quality:** The census information provided by the City will be reviewed for quality and completeness. Data problems will be identified and resolved with the client. Examples of data tests include:
  - Missing dates of birth and hire or changes in dates from those reported earlier
  - Salary increases or decreases outside of a standard range
  - Unusual changes in the total number of active or inactive participants
3. **Assumption Setting:** Prior actuarial assumptions will be reviewed for appropriateness and reasonableness. Any assumptions outside of this standard will be discussed and recommendations for new assumptions made.
4. **Programming:** Plan provisions and actuarial assumptions are coded in our valuation system by the actuarial analyst assigned to the project. The initial programming is reviewed and changed as necessary by the project manager to be consistent with the substantive plan provisions.
5. **Calculations and Report Drafting:** All calculations and actuarial reports are initially done by the actuarial analyst and then reviewed by the project manager and technical actuary. The project principal actuary will also review the final report for clarity and adherence to client expectations.

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*In addition to "getting the numbers right", we believe it is critical that our clients get the proactive consulting they need to effectively manage their retirement programs. After every project, we will ask for and welcome candid feedback on how we can serve the client better. We are always looking to improve our services and what better way than to incorporate feedback from our clients.*

2. Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar coverages):

- Errors and Omissions Coverage

*Navigators Specialty: \$5,000,000 per Claim / \$5,000,000 Aggregate / \$1,000 Deductible*

- Risk Coverage

*Hanover Insurance Co.: Commercial Liability: \$1,000,000 Each Occurrence / \$2,000,000 General Aggregate / \$500 Deductible*

*Workers Comp: \$1,000,000 Each Accident / No Deductible*

HH

3. What steps do you take to ensure the confidentiality of client data?

- (1) We have keycard control access to our office space.
- (2) Visitors must sign in and be accompanied by an employee as long as they are in the office.
- (3) All network hardware is in a key-coded, restricted data center.
- (4) We have full backups daily, with offsite storage.
- (5) All Internet transactions are done over secure certificate-backed websites.
- (6) Our network is protected by Watchguard firewalls with multiple levels of virus protection.
- (7) We have restricted access to data/applications by server authentication and individual application security.

- (8) We also have network-enforced password requirements.
- (9) **Secure Website:** Nyhart has a secure data transfer website ("ClientConnect") for receiving and sending confidential personal information or HIPAA-protected data.
- (10) Nyhart was a TPA for medical benefits for over 50 years. We understand HIPAA and we fully comply with it.

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## H. Fees

1. Describe your basic approach to charging fees. Do you prefer flat fees? Do you prefer transaction-based fees? Do you prefer to blend multiple fee structures?  
*Nyhart generally prefers a negotiated fixed-fee based on the scope of a project. We can work on a time and materials basis with the cost being only what it takes us to do the project, if that works best for the client.*  
*If the scope of the project is extended or changed or additional services are requested, we will negotiate a fee with the County.*
2. What costs are involved in implementing your program? Please state whether these costs will be passed to the system and whether the cost will be included in the annual retainer.  
*Any cost in the transition of the Bay County Employees' Retirement System from their current actuary to Nyhart will NOT be passed on to the County in any way. We consider it our investment in the relationship.*
3. How are fees for additional work determined?  
*For any additional work requested, we will negotiate a fee with the County before the work is commenced based on our understanding of the project.*
4. Do you charge secretarial or clerical time to clients?  
*All fees for all services would be included in the fixed-fee quoted to the County.*
5. Do you charge for incidental fees such as copies, postage, telephone toll charges, and travel costs?  
*We do not charge for most incidental fees. Travel costs would be billed separately and at cost.*

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6. How do you determine fee increases? What has been the average fee increase in your organization's fees over the past three years? What would cause any of your fee quotes to change significantly?  
  
Our fees increase on average 2%-3% per year to reflect inflation. However, a fixed fee for a set number of years can be arranged. Significant legislation or project scope changes would be the only reason fees would increase faster.
7. Are all Michigan public sector retirement system clients charged the same rates? If not, how are the different rates determined?  
  
*Nyhart determines fees by the size and complexity of the organization and the specific services requested.*
8. Are any existing public sector retirement system clients charged less than the fees you are proposing for the System?  
  
*Our fees are determined by the size of the entity and the amount of services requested.*
9. Are you willing to include in our operating agreement a "most favored nation" clause to ensure that our fees do not exceed the lowest fee charged to other public sector retirement system clients?  
  
*Our fees are determined by the size of the entity and the amount of services requested, therefore assuring that all entities, both public and private, are treated fairly in determining our fees.*

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## I. Miscellaneous

1. Is your organization a member of MAPERS and/or NCPERS? What other affiliations does your organization maintain to keep informed on unique issues and developments affecting public employee retirement systems?

*We have two actuaries that are members of MAPERS, Heath Merlak and Randy Gomez. We also have several actuaries that are members of the Conference of Consulting Actuaries that often provides training that is specifically geared toward developments within public employee retirement systems.*

2. Are the individuals who you intend to assign to the system enrolled actuaries?

*Heath Merlak and Nick Meggos are both Enrolled Actuaries.*

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## Actuarial Processing and Reporting Services

December 19, 2013



**Bay County  
Employees' Retirement System  
Actuarial Processing and Reporting Services**

Timothy J. Herman FSA, EA, MAAA  
Principal and Consulting Actuary  
Tim.Herman@milliman.com

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December 19, 2013

Bay County Employees' Retirement System  
515 Center Avenue  
Bay City, Michigan 48708

ATTN: Ms. Martha Fitzhugh  
Re: Actuarial Processing and Reporting Services

Ladies and Gentlemen:

We are pleased to present this response to your Request for Information to provide actuarial processing and reporting services for the Bay County Employees' Retirement System (System). We have attempted to be succinct, while providing sufficient information for an accurate review of our capabilities. If any issues are unclear, we will be delighted to elaborate.

We have no conflicts of interest in providing actuarial and consulting services for the System. This response has been arrived at independently. None of its contents have been disclosed to any other bidders or competitor and no attempt has been made to influence the submission of any other firm.

Should the System desire to engage Milliman, Inc. for this project, we will require that the Consulting Services Agreement in the Supplemental Information section be executed and returned to my attention. I will then execute the agreement and return a copy for your files.

We are pleased to have the opportunity to prepare this response. This response has been prepared by the undersigned consultant who has full authority to bind Milliman to the terms and conditions (including financial) outlined in this proposal. We would be happy to discuss it during a personal interview.

Respectfully submitted,

Milliman, Inc.

Timothy J. Herman, FSA, MAAA  
Principal and Consulting Actuary

TJH/cmw

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## EXECUTIVE SUMMARY

Among the top actuarial firms it may be hard to distinguish one from the other. Each firm will have qualified actuaries, specialized software such as an asset/liability projection model and informative communication materials. So what distinguishes Milliman from the other firms? We believe it is in the little things that can add up to a big difference. These are summarized below:

- Our unique corporate structure, which promotes individual responsibility for the integrity and quality of the work provided to clients. Clients benefit from our independence. We are beholden to no corporate parent or point of view.
- Our ability to communicate difficult concepts to diverse audiences, from Boards of Trustees to legislators to union representatives to the media and all other interested parties. We seek to inform, to be innovative, and to help others overcome any misconceptions.
- The high level of involvement and day-to-day interactions of the senior consultants with the staff preparing the client work.
- A stringent pre-release peer review process that provides assurance that the highest quality standards are being maintained. A second qualified Milliman consultant will review all work products.
- Flexibility and customization for each client's needs. We do not provide "cookie cutter" consulting services to our clients. Based on our mission to add value to our clients, we tailor each report and each consulting project to the client's specific needs.
- Most of the senior consultants in our firm have more than 15 years of service with Milliman. Many employees start and complete their entire careers with Milliman. We support the professional growth and development of all our employees and have very low turnover.
- We don't speak "actuary"; we explain situations and complexities so that our clients understand and can make informed decisions.

Milliman has built an international reputation for work of the highest standards. Technical excellence is Milliman's most outstanding characteristic. Senior consultants participate in the development of the work product. We see the bigger picture and provide knowledge beyond the numbers, bringing value to our clients for a reasonable fee.

In addition, Milliman offers a number of diverse tools to assist plan sponsors with administering and funding their benefit plans. Some of these tools are described below:

### MARC

MARC is a powerful yet flexible pension administration system that smoothly performs the tasks required for accurate and efficient administration of defined benefit and cash balance plans. MARC is one of the industry's leading retirement planning and communication tools and is currently used by other public employers to help them administer their pension plans.

Users can navigate effortlessly through MARC's streamlined, intuitive user interface. Its powerful import/export capabilities make it easy to quickly move large amounts of data into and out of the system. The system can perform final benefit calculations, prepare election forms and notices, produce annual benefit statements, create pension estimates, provide actuarial valuation data and much more.

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MARC was developed in 1991 and is continually enhanced and supported by a team of highly experienced Milliman actuaries, retirement plan consultants, and systems analysts.

We also suggest that you visit [www.milliman.com/marc](http://www.milliman.com/marc).

#### VAL2000

Milliman's proprietary VAL2000 software (see response to Section C., Question 1 for more details) uses cash flow discounting rather than commutation function based liabilities to project future retirement and retiree welfare benefit obligations. This approach has the advantage of flexibility and accuracy in modeling future contingencies.

There is a processing speed cost to calculate cash flows. However, technological advances in the computing field have made this a diminishing cost. The flexibility and sophistication of Milliman's software makes it suitable to value future financial obligations for any contingency.

Milliman has also developed a projection model called FutureCost, a powerful modeling tool that projects the assets and liabilities of the pension plan over the next 10 years or longer. For each year, full actuarial valuation results are produced, including plan contributions, plan funded status, accounting expense, and balance sheet impacts. The model can be run with one or more deterministic scenarios for future liability discount rates, inflation, and investment returns, or can be used to generate a full set of stochastic results that provide the sponsor with the full range of possible outcomes for each measure and the estimated probability of various levels of outcomes.

FutureCost gives corporate, multiemployer, and public pension-plan sponsors an exclusive window to the future for making smart decisions today.

There is no limit to the number of scenarios that FutureCost can project in order to help plan sponsors answer complex "What if?" questions about future pension plan obligations, including:

- What if we make a benefit change?
- What if we make an investment strategy change?
- What if we come up with a different contribution strategy?

FutureCost provides a greater understanding of the risk/reward factors of alternative investment strategies in terms of key variables (plan contributions, funded ratios, and accounting values). FutureCost does the following:

- informs plan sponsors about the possible range of pension plan contributions and accounting expense over the next 10 or more years
- helps plan sponsors decide when to implement plan design changes
- arms plan sponsors with the information needed to make sound risk-budgeting decisions about plan assets

FutureCost by Milliman is both a microscope for examining and precisely measuring short-term risk and a telescope for viewing long-term levels, trends, and variability in the key costs and financial measures that affect corporate, multiemployer, and public pension-plan sponsors. At the hands of Milliman consultants, FutureCost offers the unique flexibility needed to make confident choices in the midst of a changing economic climate.

### Milliman Valuation Process

All Milliman projects are prepared by our actuarial staff and technicians. All of their work is supervised and reviewed by a staff supervisor who is an experienced actuary, normally with seven or more actuarial exams passed. The staff supervisor has their work reviewed by the Lead Actuary. A final review of the project is then made by the Lead Consultant. The work is then sent through our peer review program.

Milliman has a formal pre-release peer review policy which requires that all work product must be reviewed by another Milliman consultant who has not been involved in the project prior to the release of the report to the client. In transition situations, additional requirements apply including matching results to the prior actuary double-checking plan provisions, evaluating actuarial assumptions and other items. Milliman also has a formal post-release peer review program. Milliman professionals will come on-site to a local office and review the work product and files for compliance with Milliman requirements.

### Milliman Public Pension Funding Study

In November 2013, Milliman released its second Public Pension Funding Study, which independently measures the aggregate funded status of the 100 largest U.S. public pension plans using basic actuarial principles and reported plan liabilities and assets. The aggregate accrued liability information provided has been determined on a uniform basis with respect to the interest rate assumption across all of the plans in the study. This uniform approach allows for an accurate picture of the overall funded status of these 100 pension plans based on an independent application of Actuarial Standards Board (ASB) standards of practice, actual investment portfolios, and current capital market assumptions. We are not aware of any other study that has taken this approach and we feel this is an important story that needs to be told. A copy of the study is included in the Supplemental Information section.

### Milliman Managed Risk Strategy

Through the Milliman Managed Risk Strategy™—a sophisticated futures-based portfolio hedging strategy—investors now have access to a risk management strategy that goes beyond asset allocation and actively accounts for changing market conditions, seeking to protect growth in bull markets and defend against losses during major downturns.

The Milliman Managed Risk Strategy:

- Offers an effective and low-cost solution to protect asset portfolios from volatile markets and tail-events (i.e. events with low probability of occurrence that can have significant consequences if they occur).
- Aims to keep you earning on average 80% of the upside potential of your equity assets while leaving you exposed to only 25% of their downside risk
- Employs two complementary risk management techniques:
  - Volatility Management – Synthetically adjust portfolio mix between equities and bonds to target a defined a level of risk
  - and*
  - Capital Protection – Generate cash to significantly offset large market losses
- Uses an overlay strategy involving the purchase of Futures Contracts with the goal of providing a cushion of protection during equity market downturns without significantly lowering return potential during stable, rising markets –actual portfolio investment allocations are untouched

More information on our Milliman Managed Risk Strategy can be found in the Supplemental Information section at the end of this proposal.

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## OUR UNDERSTANDING OF THE SERVICES TO BE PROVIDED

Bay County maintains a defined benefit pension plan covering approximately 2000 active and inactive members. The actuarial valuation and related services will need to consider different tiers of pension benefits depending upon specific eligibility criteria.

If Milliman is selected to be the consulting actuary for the System, we understand that our responsibilities will include:

1. Preparing an annual actuarial valuation (GASB 25/27) of the pension fund. We understand the importance of preparing this work on schedule to allow the System to complete their CAFR on a timely basis.
2. Mr. Herman or Mr. Chmielewski or both will provide actuarial consultation and expertise to the Board at one meeting per year. If desired by the System, Milliman will attend additional meetings. Upon request, we will provide a fee estimate in advance for attending additional meetings.
3. Provide additional consultation and advisory services as circumstances warrant. Upon request, we will provide a fee estimate in advance for these additional services. Examples of these services include:
  - a. Actuarial consultation and advisory services to the System covering technical, policy, legal or administrative issues. We expect Mr. Herman or Mr. Chmielewski to be available (either in person or on the telephone).
  - b. Prepare mortality tables, optional annuity tables for annuitants, present value factors, survivor benefit factors, software programs or automated worksheets for service purchase calculations, and other tables or factors as requested.
  - c. Prepare actuarial cost estimates of proposed statutory amendments.
  - d. Suggesting possible improvements in the System's financing and benefit structure as may become apparent to Milliman during the course of our work.
  - e. Continually review the System's survey data files to improve the content of those files. This, in turn, should continue to improve the actuarial work product with respect to the regular actuarial valuation as well as other requested services.
  - f. Provide consulting assistance with respect to specific benefit determinations as requested.
  - g. Provide the System with ongoing information and assistance with respect to federal legislation and/or tax regulations which may affect the System with respect to benefits provided or administration.
  - h. Provide death records cross-check with the Social Security death master file.
  - i. Provide services related to Eligible Domestic Relations Orders.
  - j. At the request of the System, Milliman shall prepare experience studies in order to assess the consistency of actual experience of the System relative to the valuation assumptions. Upon takeover of the actuarial duties, it will be important to obtain relevant experience data since the most recently completed experience study.

## A. ORGANIZATION BACKGROUND

### 1. How long has your company been in existence?

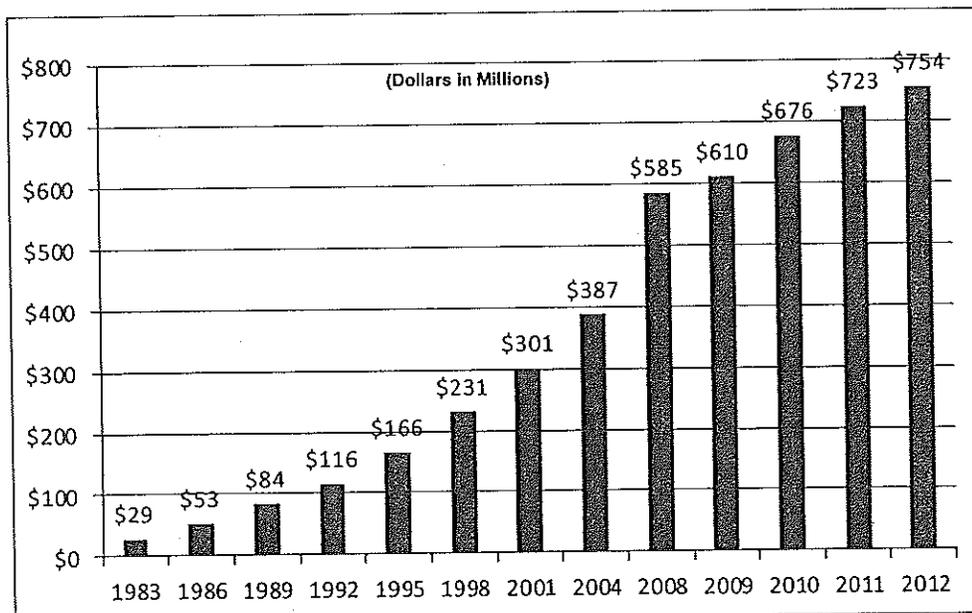
Milliman was founded in 1947, and was officially incorporated on July 5, 1957. We provide a full range of actuarial and other consulting services to our clients in the areas of Employee Benefits & Investment Consulting, Healthcare, Property & Casualty insurance, as well as Life Insurance & Financial Services. Founded by Wendell Milliman and Stuart Robertson, Milliman has grown into a global firm of consultants and actuaries with offices in major cities around the globe.

Our business strategy is to put our independent thinking, depth of knowledge, and breadth of experience to work for our clients. We help our clients ask the right questions and answer them with the best technical resources, exceptional business skills, and actionable creative ideas. Our consultants provide clear, concise analysis of complex financial situations to assist our clients in making effective decisions.

Our goal is to provide our clients with the most useful, timely and ethical professional services of the highest quality possible. Our stringent internal peer-review guidelines assure that our work will be thoroughly reviewed, accurate, of the highest quality, and presented to our clients on a timely basis.

Our commitment is to establish long-term relationships with our clients. Our approach is to work with them as partners so that we have a complete understanding of all of their employee benefits and business needs. Ultimately, this philosophy has enabled us to have a very high client retention rate. By listening to our clients, anticipating their needs and proactively providing assistance, we demonstrate our commitment to provide unsurpassed customer service.

Putting these values into action has led to consistent growth in our revenues over time, as shown in the chart below.



**2. How many major accounts do you have? What is your definition of a major account?**

Milliman offers a wide range of consulting expertise on the federal, state and municipal levels. Milliman consultants have experience with several hundred public retirement systems. Our expertise covers all aspects of PERS including actuarial valuations, experience investigations, development of plan costs, actuarial reviews, working with PERS staff on administrative, disclosure, communication and record keeping issues, and testifying before legislative committees and governing boards.

Milliman's experience performing actuarial services for large public employee retirement systems dates back to our engagement with the Washington State Employees Retirement System in 1947. The following chart details our current PERS clients with at least 75,000 members.

Retirement System	Client Since	Number of Members	Market Value of Assets (\$ billions)
California State Teachers' Retirement System	1999	848,000	146.0
Florida Retirement System	1986	982,000	119.4
Idaho Public Employees Retirement System	1965	77,000	11.0
Los Angeles County Employees Retirement Association	1999	149,000	30.5
Minnesota Legislative Commission on Pensions and Retirement *	1991-2003, 2009	300,000	42.0
New Jersey Teachers' Pension and Annuity Fund	1995	236,000	25.0
Puerto Rico Teachers Retirement System	2007	78,000	2.2
Puerto Rico Government Employees Retirement System	2009	265,000	1.9
Texas County and District Retirement System	1999	218,000	15.5

\* The proposed project team annually completes an actuarial review of the actuarial valuations for selected funds of the retirement systems administered by the Duluth Teachers Retirement Fund Association (DTRFA), the Minnesota Public Employees Retirement Association (PERA), the Minnesota State Retirement System (MSRS), the Minnesota Teachers Retirement Association (TRA), and the St. Paul Teachers Retirement Association (StPTRFA). Our report is prepared for use by the Minnesota Legislative Commission on Pensions and Retirement (LCPR) in their appropriate oversight role with regard to the above mentioned retirement systems. It is prepared using multi-faceted review techniques. These techniques include specific validation of a sampling of calculations and/or a replication valuation.

**3. How many municipal retirement systems accounts do you service? How many of those are located in Michigan and how long have you provided service to each system**

Milliman serves over 7,500 clients across all disciplines and over 3,500 clients in the retirement practice in the capacity of retained actuary or for special projects. Our retirement plan services include consulting to corporations (both taxable and tax-exempt), multiemployer pension funds, and the Pension Benefit Guaranty Corporation. In addition to our retirement plan services, we provide actuarial consulting services to more than 1,000 GASB 45 clients.

4. *How many accounts has your organization lost within the past three years? Nationally? Locally? What are the reasons for these losses?*

We do not maintain exhaustive lists of new and former clients. In the public sector our large clients typically go out to bid every few years. In the last three years, there are no large public sector clients where our contracts were not renewed due to other firms being selected as the result of the competitive bidding process.

5. *Please state the name, title, address, and telephone number(s) of the person(s) we may contact with any questions about your response to this RFI.*

**Local Office & Contact**

Milliman, Inc.  
15800 Bluemound Road, Suite 100  
Brookfield, WI 53005

Timothy J. Herman, FSA, MAAA, EA  
Consulting Actuary  
262.796.3318  
[tim.herman@milliman.com](mailto:tim.herman@milliman.com)

**Home Office**

Milliman, Inc.  
1301 Fifth Avenue, Suite 3800  
Seattle, WA 98101

6. *How many people would be responsible for our account? Please describe their background.*

Lead staff on this engagement will be:

Name	Role/Responsibilities	Years Actuarial Experience	Public Plan Experience	Degree	Actuarial Credentials
Timothy J. Herman	Lead Consultant	21 years	18 years	MS Actuarial Science	Enrolled Actuary FSA, MAAA
John M. Chmielewski	Actuary	11 years	11 years	BS Actuarial Science	Enrolled Actuary FSA, MAAA
William V. Hogan	Peer Review Actuary	35 years	26 years	BS Actuarial Science	Enrolled Actuary FSA, MAAA, CAPP
Allan L. Bittner	Peer Review Actuary	17 years	17 years	MS Actuarial Science	Enrolled Actuary FSA, MAAA

**Timothy J. Herman**  
15800 Bluemound Road  
Suite 100  
Brookfield, Wisconsin 53005  
262-796-3318  
[tim.herman@milliman.com](mailto:tim.herman@milliman.com)

Tim will be the Lead Consultant who is responsible for managing the System's engagement. Tim is an FSA and MAAA, and a Consulting Actuary with 18 years of experience at Milliman and 21 years of total actuarial experience. Tim has significant consulting experience with public sector clients including 10 years for the State of Minnesota pension plans, fund actuary for the City of Wichita Employees Retirement Plan and Police and Fire Retirement Plan, performing actuarial audits of large public systems (State of Wisconsin, City of Austin, Milwaukee County, special consulting to the City of Milwaukee for the Global Pension Settlement), and providing internal peer review support for other Milliman offices on public retirement systems (Kansas). Tim has

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also done extensive work preparing GASB 45 information on more than 15 cities, counties and school districts in the Midwest.

**John (Jack) M. Chmielewski**

15800 Bluemound Road  
Suite 100  
Brookfield, Wisconsin 53005  
262-796-3379  
[jack.chmielewski@milliman.com](mailto:jack.chmielewski@milliman.com)

Jack will be the Actuary for all of the System's actuarial requests and serve as a secondary contact for the System. Jack is an FSA and MAAA and an Actuary with 10 years of experience at Milliman. His consulting experience with public sector clients include the State of Minnesota pension plans and the City of Wichita Employees Retirement Plan and Police and Fire Retirement Plan, as well as assisting in the performance of actuarial audits of large public systems (State of Wisconsin) , and providing internal peer review support for other Milliman offices on public retirement systems (Kansas). He has worked on over 30 government pension and/or retiree health plans as well as over 15 corporate pension plans. Jack has also recently completed a number of plan design studies and plan change implementations as well as asset/liability modeling studies.

**William V. Hogan**

15800 Bluemound Road  
Suite 100  
Brookfield, Wisconsin 53005  
262-796-3364  
[bill.hogan@milliman.com](mailto:bill.hogan@milliman.com)

Bill will peer review the System's reports and other work product according to Milliman's peer review guidelines. Bill has consulted for over 30 years to employers and plan sponsors about their retirement plans. Bill consults with the State of Minnesota on 10 statewide pension plans. He has prepared actuarial audits of the Wisconsin Retirement System, the Illinois Municipal Retirement Fund, the Missouri State Employees Retirement System, the City of Austin, Texas and the City of Dearborn, Michigan. Bill has also been involved in detailed pension calculations for the City of Milwaukee's Global Pension Settlement pursuant to private settlement negotiations. He has prepared numerous retiree medical studies for public entities including the School District of West Allis/West Milwaukee, Hamilton School District, Kenosha Unified School District, and the Cities of Waupun and Wauwatosa. His clients include public sector programs, private employers that sponsor retirement plans, and the non-profit organizations that sponsor retirement plans.

The same team that will provide on-going consulting and valuation services will lead the transition services. In addition to the service team described above, we will call on the additional support of Mr. Allan Bittner in the transition phase. This level of involvement will ensure that the on-going service team has the knowledge to provide you with the best level of support possible. With our experience completing the limited scope and replication valuations for the State of Minnesota, we are confident that we will be able to transition your plans to our systems efficiently.

**Allan L. Bittner**

15800 Bluemound Road  
Suite 100  
Brookfield, Wisconsin 53005  
262-796-3317  
[allan.bittner@milliman.com](mailto:allan.bittner@milliman.com)

Allan Bittner will peer review the System's reports and other work product according to Milliman's peer review guidelines. He will serve as an additional back-up contact for the Retirement Boards on both consulting and technical issues.

Al has 17 years of experience working on public plans, including other postemployment benefits. His consulting experience with public sector clients include six years for the State of Minnesota plans, performing actuarial audits of large public systems (State of Wisconsin, City of Austin) and providing internal peer review support for other Milliman offices on public retirement systems (Kansas, Oklahoma and others). He administers Milliman valuation and experience study systems, and provides consulting support on projection simulation models, experience studies, asset-liability studies, benefit cost studies, actuarial audits, and post-retirement benefit valuations. He serves on Milliman's Systems Enhancement Committee, Milliman's Quality Assurance Committee, and Milliman's Technology Committee.

Formal biographies on each of these consultants can be found in the Supplemental Information section.

In the event the staff identified above becomes unexpectedly unavailable, we will use other staff with similar experience. Our large staff allows us the flexibility to allocate staff as necessary to meet client deadlines.

**7. From what geographic location will our account be serviced?**

Staff from Milliman's Milwaukee (Brookfield) office will provide the services for the County's project. Our Milwaukee office consults both locally and nationally and employs more than 230 people in all consulting areas. Staff from the Employee Benefits consulting area will work on the Retirement System's valuation.

**8. What significant organizational changes have occurred at the local and national level in the last twelve months?**

Milliman is wholly owned and managed by approximately 400 Principals, who have been elected in recognition of their technical, professional and business achievements. Our sole business is providing independent consulting services. We are not affiliated with any public accounting or brokerage firms. The consultants of the firm are not permitted to own stock in any insurance or reinsurance company, nor are our consultants allowed to own stock in client organizations. In these ways, Milliman is able to provide analyses and opinions that are totally independent and objective. There are no planned changes to the ownership or organizational structure of the firm. In fact, significant changes in ownership structure are unlikely to occur.

**9. What percentage of the organization's overall revenue is attributable to actuarial services?**

We provide a full range of actuarial and other consulting services to our clients in the areas of Employee Benefits and Investment Consulting, Healthcare, Property & Casualty insurance, as well as Life Insurance and Financial Services. Our revenue in 2012 was \$754 M (21% in Employee Benefits and Investment Consulting, 39% in Health Care, 12% in Property and Casualty, and 28% in Life Insurance Consulting).

**B. ADMINISTRATION**

1. *Tell us about your administrative, actuarial, and operations staffs. How many administrative and actuarial personnel do you employ? What is your process for assigning personnel to your clients?*

The Milwaukee office employs more than 230 persons consulting on pension, health, and casualty insurance benefits. Within that office, the Milwaukee pension practice of Milliman (approximately 22-25 employees over the last three years) provides pension administrative and actuarial consulting services to our clients. In addition, we also developed and maintain the MARC system (see the Executive Summary) for the administration of pension plans.

Our client service model is based on the team concept. Each consulting team is led by a senior consultant, with other senior consultants, associate consultants and analysts in both client-facing and support roles. The number of client relationships assigned to a team varies depending on the size and complexity of the client. We seek to limit the number of clients served by any senior consultant to a manageable level. As this limit is approached, staff is added accordingly or a new team is launched.

2. *Provide the names, titles and credentials of the individuals who would be assigned to the Retirement System's account. What are their specific responsibilities? Provide the names of other clients that they serve.*

Lead staff on this engagement will be:

Name	Role/ Responsibilities	Years Actuarial Experience	Public Plan Experience	Degree	Actuarial Credentials
Timothy J. Herman	Lead Consultant	21 years	18 years	MS Actuarial Science	Enrolled Actuary FSA, MAAA
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The same team that will provide on-going consulting and valuation services will lead the transition services. In addition to the service team described above, we will call on the additional support of Mr. Allan Bittner in the transition phase. This level of involvement will ensure that the on-going service team has the knowledge to provide you with the best level of support possible. With our experience completing the limited scope and replication valuations for the State of Minnesota, we are confident that we will be able to transition your plans to our systems efficiently.

**Allan L. Bittner**

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Allan Bittner will peer review the System's reports and other work product according to Milliman's peer review guidelines. He will serve as an additional back-up contact for the Retirement Boards on both consulting and technical issues.

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Al has 17 years of experience working on public plans, including other postemployment benefits. His consulting experience with public sector clients include six years for the State of Minnesota plans, performing actuarial audits of large public systems (State of Wisconsin, City of Austin) and providing internal peer review support for other Milliman offices on public retirement systems (Kansas, Oklahoma and others). He administers Milliman valuation and experience study systems, and provides consulting support on projection simulation models, experience studies, asset-liability studies, benefit cost studies, actuarial audits, and post-retirement benefit valuations. He also serves on Milliman's Systems Enhancement Committee, Milliman's Quality Assurance Committee, and Milliman's Technology Committee.

Formal biographies on each of these consultants can be found in the Supplemental Information section.

In the event the staff identified above becomes unexpectedly unavailable, we will use other staff with similar experience. Our large staff allows us the flexibility to allocate staff as necessary to meet client deadlines.

3. *Describe how you monitor the performance of the individuals who would be assigned to work on our Account.*

Assuring the highest quality professional services is essential to our success. Milliman has developed an extensive formal program of documentation requirements and both pre-release and post-release peer review procedures. These procedures assist Milliman in providing a high-quality work product in an efficient manner.

The current pre-release policy ensures a consistently high level of work quality throughout the firm. Pre-release peer review requires that:

- Every substantive work product be reviewed by a second qualified professional before delivery to the client. The additional review cannot be performed by the professional responsible for the project.
- The examination must include review of the technical quality of the work product, including methodologies, assumptions, etc.

Post-release peer review is intended to monitor the compliance of the individual Milliman practices with the pre-release peer review policy, focusing primarily on procedural matters. It determines whether appropriate assignment considerations and pre-release peer review procedures were followed.

The Milwaukee office's compliance with the pre-release and post-release peer review program assures that Milliman's high quality standards have been met.

4. *What is the average turnover of your staff?*

Milliman has a remarkable history of continuity in its professional staff. In fact, over the last 5 years, our turnover rate among Principals is less than 3%, and among all consultants is only 8%. These percentages have not varied much through Milliman's history, demonstrating incredible stability in our professional staff over the years.

Despite this history of stability, backup procedures are in place in the unlikely event that key professionals leave prior to retirement. The fact that Milliman has a significant number of leading consultants in multiple offices throughout the country gives us the ability to withstand the impact of the rare, unexpected personnel departure by drawing upon the expertise in those other offices, if needed, thus providing for an orderly transition should any key professional leave unexpectedly.

The pension practice of the Milwaukee office of Milliman, Inc. has four actuarial consultants who have responsibility for client relationships. Mr. William V. Hogan is a principal at Milliman, Inc. and has been with the firm for over 20 years. Mr. Timothy J. Herman has been with the company for over 18 years and Mr. Allan Bittner has over 16 years at Milliman, Inc. In addition to these three consultants who will be working on your

account, the Milwaukee pension practice is also served by Mr. Tim Bleick, a consultant with over 10 years of experience (5 years at Milliman).

The Milwaukee pension practice of Milliman (approximately 22-25 employees over the last three years) has a very stable workforce. Over the past five years, we have experienced eight hires (3 clerical, 4 analysts, and 1 consultant), two terminations (1 clerical and 1 analyst), one resignation (1 analyst), and three retirements (1 clerical, 1 analyst, and 1 consultant).

Our stability of employment has been instrumental in providing timely and efficient services to our clients. We provide a positive atmosphere, reasonable compensation and meaningful work for our employees and we believe that this has allowed us to have the stability that we have experienced.

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## C. PENSION REPORTS/SYSTEMS

### 1. Describe the infrastructure you have built for providing actuarial services.

Because Milliman has developed the valuation system, we are able to code the system as necessary to properly value public sector benefit plans. For example, VAL2000 was recently modified to allow for a timing parameter that governs when decrements occur during the valuation year, allowing for more accurate modeling of teacher systems and giving us more flexibility when matching results produced by other actuarial firms.

#### VAL 2000 FUNCTIONS, FEATURES AND CAPABILITIES

Milliman's Systems & Programming (S&P) pension group has been developing, maintaining and supporting Milliman's pension systems since 1969. For over 40 years, S&P's challenge has been implementing comprehensive, powerful and flexible systems that manage data correctly while providing optimal latitude in meeting client requirements. The success of this commitment is demonstrated in VAL 2000, a defined benefit valuation package that analyzes historical information to project current and future values of benefits and investment.

#### VAL 2000 Functions, Features and Capabilities

Designed and developed by actuaries for use by consultants and clients, VAL 2000 meets the requirements of a full spectrum of defined benefit plans, including public, corporate, multiemployer, not-for-profit and tax-exempt plans. It includes defined benefit, retiree medical/life, gain/loss and projection capabilities, and produces all the items necessary for determining annual plan costs and meeting financial disclosure requirements.

VAL 2000 was designed based on input by a large group of Milliman consultants and the inherent diversity of plan designs, constraints and structures. At the highest level, key functions of VAL 2000 include:

- Specifying plan provisions and actuarial assumptions.
- Maintaining participant data, including reconciliation from one valuation to the next.
- Valuing liabilities.
- Calculating costs, including gain/loss analysis.
- Consolidating results in a series of standard reports.

Additional functions allow analysts to:

- Perform non-discrimination testing.
- Project liabilities or costs for a number of years.
- Tie into an outside government forms package.

#### Design, Development and Implementation Standards

The premier design standards for VAL 2000 are reliability (data integrity) and flexibility (power). These standards are supported by Microsoft Windows™ development technologies that include MS Visual Basic on WIN 98, 2000 and XP operating systems running current versions of MS Office on a networked desktop platform. Visual Basic screens are the front end to a Fortran system that VAL 2000 accesses for calculations. The entire development and operating environment makes VAL 2000 easily adaptable to changes in regulatory or business rule requirements in addition to providing a level of customization that helps users meet unique client requirements.

### VAL 2000 Maintenance & Upgrades

VAL 2000 version upgrades are orderly and timely. All upgrades are scrutinized using rigorous testing methodologies, including in-house Alpha testing and field office Beta testing. Each release is compatible with previous versions and upgrades do not interrupt the day-to-day plan administration process. Annual year end releases are distributed on CD-ROM. Real-time access to critical updates, including regularly scheduled first quarter government forms, are available via Milliman's WAN. Release Notes, internal web conference meetings and Help desk support augment each version upgrade.

### VAL 2000 User Experience

As a Windows-based software package, VAL 2000 requires minimal technical training but a good understanding of actuarial data and solid analytical skills. Considerable effort was taken to place as much technology "under the hood" so analysts can focus on their valuations, not the technology. As a result, analysts can efficiently and effectively interact with the data in straightforward, uncomplicated terms to deliver comprehensive, accurate solutions and analyses to clients as quickly as possible. One-site training, Help desk support and a full suite of documentation, including Quick Reference Guides, module-specific Operating Manuals, Formula Reference Manuals and context sensitive On-line Help, contribute to enhancing user proficiency and accuracy.

### Pro's and Con's Relative to Vendor System

Milliman's proprietary software uses cash flow discounting rather than commutation function based liabilities to project future retirement and retiree welfare benefit obligations. This approach has the advantage of flexibility and accuracy in modeling future contingencies.

There is a processing speed cost to calculate cash flows. However, technological advances in the computing field have made this a diminishing cost. The flexibility and sophistication of Milliman's software makes it suitable to value future financial obligations for any contingency.

**2. *How many individual actuarial reports are issued monthly? How many EDRO/DRO estimates are issued monthly?***

We issue over 30 pension and 50 OPEB reports annually from our Brookfield office. A sample pension report is included in the appendix. The number of EDRO/DRO estimates/calculations issued on a monthly basis depends on workflow.

**3. *What periods do you generate reports, e.g. monthly, quarterly, annually?***

We typically generate an annual actuarial valuation report (see sample attached). Additionally, we prepare experience study reports from time to time and special studies as requested.

**4. *What is the typical turnaround time for an annual report and a standard benefit calculation?***

We are generally able to complete the actuarial valuation report within 12 to 16 weeks of receiving all required participant and financial data from the system. Standard benefit calculations are typically completed within seven (7) business days of receipt.

**5. *Do you prepare Summary Annual Reports? If so, is the cost included in the annual retainer or are such reports billed separately?***

We will prepare Summary Annual Reports and include the cost in the annual retainer.

6. *Do you prepare Annual Benefits Statements for plan participants? If so, is the cost included in the annual retainer or are such statements billed separately?*

We will prepare Annual Benefits Statements for plan participants and include the cost in the annual retainer. Alternatively, Retirement System staff could prepare Annual Benefit Statements using the MARC system described in the Executive Summary. If this alternative were selected, there would be no additional fees beyond the MARC installation and licensing fees.

7. *Do your routine services also include experience studies, economic assumption studies, actuarial reviews, audits, and projections?*

We frequently perform experience studies, economic assumption studies, actuarial reviews, audits, and projections for our clients. Typically services such as experience studies are performed at standard multi-year intervals while projections may be performed annually. Due to the nature of these services, we generally quote these services on an "as needed" basis. Consequently, they are not included in the annual retainer.

8. *Describe both the features and benefits of your reports and system. Be sure to include descriptions of your capabilities and internal audit practices.*

#### **VAL 2000 FUNCTIONS, FEATURES AND CAPABILITIES**

Milliman's Systems & Programming (S&P) pension group has been developing, maintaining and supporting Milliman's pension systems since 1969. For over 40 years, S&P's challenge has been implementing comprehensive, powerful and flexible systems that manage data correctly while providing optimal latitude in meeting client requirements. The success of this commitment is demonstrated in VAL 2000, a defined benefit valuation package that analyzes historical information to project current and future values of benefits and investment.

#### **VAL 2000 Functions, Features and Capabilities**

Designed and developed by actuaries for use by consultants and clients, VAL 2000 meets the requirements of a full spectrum of defined benefit plans, including public, corporate, multiemployer, not-for-profit and tax-exempt plans. It includes defined benefit, retiree medical/life, gain/loss and projection capabilities, and produces all the items necessary for determining annual plan costs and meeting financial disclosure requirements.

VAL 2000 was designed based on input by a large group of Milliman consultants and the inherent diversity of plan designs, constraints and structures. At the highest level, key functions of VAL 2000 include:

- Specifying plan provisions and actuarial assumptions.
- Maintaining participant data, including reconciliation from one valuation to the next.
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Additional functions allow analysts to:

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- Project liabilities or costs for a number of years.
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### VAL 2000 User Experience

As a Windows-based software package, VAL 2000 requires minimal technical training but a good understanding of actuarial data and solid analytical skills. Considerable effort was taken to place as much technology "under the hood" so analysts can focus on their valuations, not the technology. As a result, analysts can efficiently and effectively interact with the data in straightforward, uncomplicated terms to deliver comprehensive, accurate solutions and analyses to clients as quickly as possible. One-site training, Help desk support and a full suite of documentation, including Quick Reference Guides, module-specific Operating Manuals, Formula Reference Manuals and context sensitive On-line Help, contribute to enhancing user proficiency and accuracy.

### Pro's and Con's Relative to Vendor System

Milliman's proprietary software uses cash flow discounting rather than commutation function based liabilities to project future retirement and retiree welfare benefit obligations. This approach has the advantage of flexibility and accuracy in modeling future contingencies.

### Milliman Valuation Process

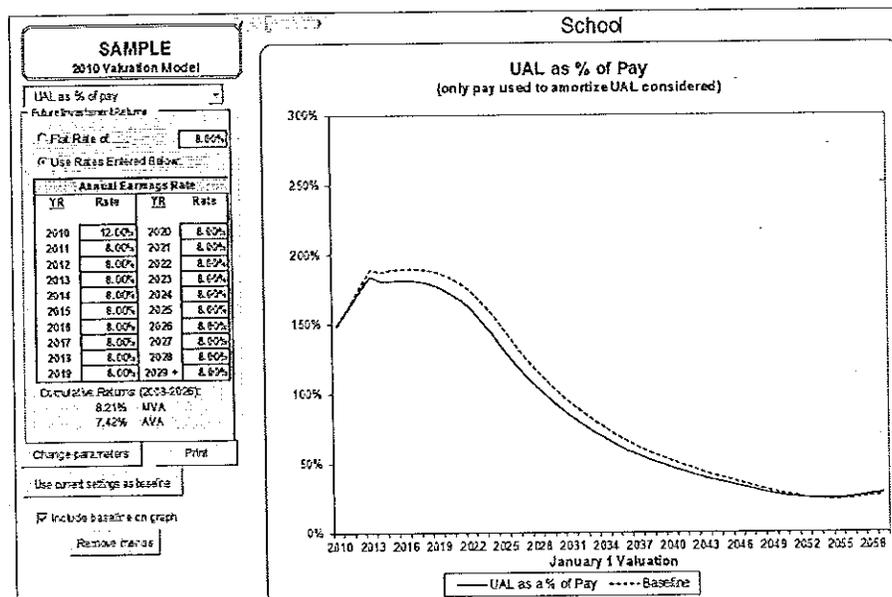
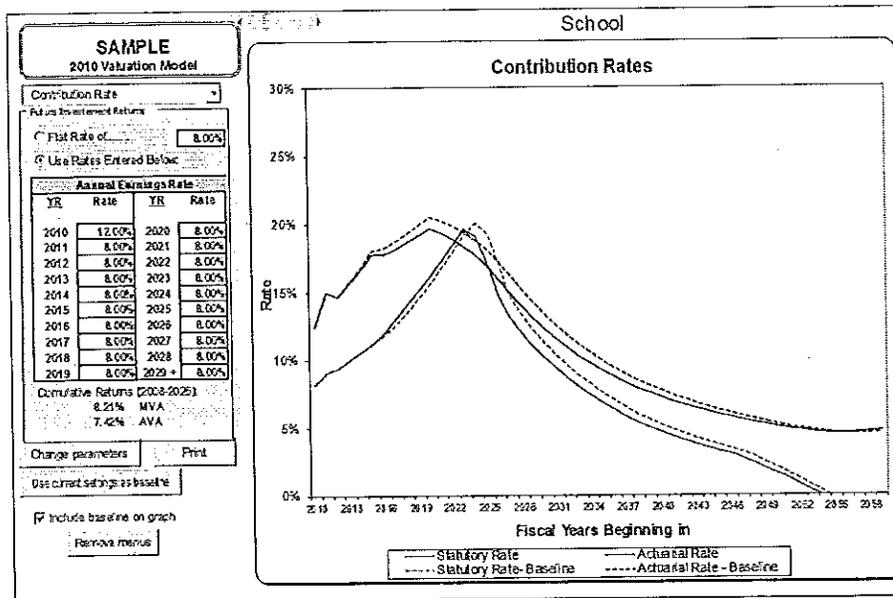
All Milliman projects are prepared by our actuarial staff and technicians. All of their work is supervised and reviewed by a staff supervisor who is an experienced actuary, normally with seven or more actuarial exams passed. The staff supervisor has their work reviewed by the Lead Actuary. A final review of the project is then made by the Lead Consultant. The work is then sent through our peer review program.

Milliman has a formal pre-release peer review policy which requires that all work product must be reviewed by another Milliman consultant who has not been involved in the project *prior to* the release of the report to the client. In transition situations, additional requirements apply including matching results to the prior actuary double-checking plan provisions, evaluating actuarial assumptions and other items. Milliman also has a formal post-release peer review program. Milliman professionals will come on-site to a local office and review the work product and files for compliance with Milliman requirements.

### 9. Do you have computer modeling and simulation to assist in solving funding problems?

The actuarial valuation provides valuable information but it is calculated at a fixed point in time. The valuation itself may not provide insight into potential funding issues that may occur in the future.

One of the key ways we communicate the System's future funding and contribution rates is by developing and using a computer simulation model. Each model is customized to include the variables of most interest to you. We deliver the model to you in a protected spreadsheet so the staff can run as many alternatives as desired. Two screen shots from other models are shown below.



10. Do you have software that is particularly geared to public sector applications?

Because Milliman has developed the valuation system, we are able to code the system as necessary to properly value public sector benefit plans. For example, VAL2000 was recently modified to allow for a timing parameter

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that governs when decrements occur during the valuation year, allowing for more accurate modeling of teacher systems and giving us more flexibility when matching results produced by other actuarial firms.

**11. Please describe your system's backup process.**

System databases are backed up daily to magnetic tape media. Access to the last two weeks of backups is available on-site. One year of backups is retained in a secure data vaulting facility off-site.

**12. Do you have a disaster recovery plan? If so, please describe. When it was last tested?**

Milliman has established its operational setup to include a plan for disaster prevention and recovery. Surge protectors are consistently used throughout operations to protect equipment from voltage spikes. Servers and network switches are plugged into UPS for emergency power. Network files are stored on Network Attached Storage (NAS) that is configured to be redundant. File changes are replicated hourly to NAS at an offsite data center. One week of daily backups is available onsite and six months of weekly full backups are stored on NAS offsite. Other redundancy and protective systems include security alarms, sprinkler systems, cooling systems, and fire extinguishers.

Milliman has a plan to restore critical business functions within 24 hours of a disaster. Images of server and desktop configurations are stored at the offsite data center. In the event of a disaster, clones of the servers and desktops can be created. Users can connect remotely to desktops and servers and use the data at the remote location. For those users who do not have remote access, tokens can be overnighted from our supplier and configured by our corporate security personnel as soon as they are received. A disaster recovery test is performed and documented annually. A test restore from backup is performed and documented quarterly.

**13. What experience do you have in valuation of post-retirement health care benefits?**

We have worked with many private health plans related to the liabilities for retiree health benefits since the passage of FASB 106 in the early 1990s. In the last few years, we have assisted numerous government plan sponsors in responding to the GASB standards.

Projecting retiree medical costs is a complex task, but we believe the communication of report results is as important as making the appropriate calculations. Our dual emphases of appropriate calculations and clear communication of those calculations should make our report most useful to the County.

Milliman has considerable GASB 43/45 experience working with local cities, counties, school districts, and other public entities. As a firm, we have prepared GASB 43/45 analyses for over 1,000 public entities. In particular, we have completed work for Michigan employers such as State Bar of Michigan, Oakland University, Ogemaw County, Eaton County and Saginaw Charter Township, to name a few. On the next page is a larger sample list of some of the relevant GASB 43/45 client experience of the Milwaukee office:

**GASB 43/45 Client Experience**

**Cities/Villages**  
 Beloit  
 Berlin  
 Brookings  
 Cedarburg  
 Cudahy  
 Eau Claire  
 Fox Point  
 Glendale  
 Horicon  
 Kaukauna  
 Kenosha  
 Kimberly  
 La Crosse  
 Leavenworth  
 Lincoln  
 Little Chute  
 Manhattan  
 Manitowoc  
 Menomonee Falls  
 North Shore Fire Department  
 Oak Creek  
 Omaha  
 Oshkosh  
 Pewaukee  
 Pleasant Prairie  
 Racine  
 Rapid City  
 Rochester  
 Saginaw Charter Township  
 Salina  
 Sioux City  
 St. Francis  
 Sturgeon Bay  
 Sun Prairie  
 Topeka  
 Waupun  
 Wauwatosa  
 West Bend  
 West Branch  
 West Milwaukee  
 Whitefish Bay

**Counties**  
 Calumet  
 Columbia  
 Door  
 Eaton  
 Eau Claire  
 Iron  
 Jefferson  
 Kenosha  
 Marathon  
 Marinette  
 Ogemaw  
 Outagamie  
 Saginaw  
 Shawnee  
 Sheboygan  
 Taylor  
 Tuscola  
 Washburn  
 Waukesha  
 Waupaca  
 Winnebago  
 Wood

**School Townships**  
 Appleton Area Schools  
 Brookings  
 Council Bluffs  
 Dubuque  
 Fox Valley Technical College  
 Hamilton  
 Hartland/Lakeside St. No. 3  
 Helena School Township No. 1  
 Kaukauna Area Schools  
 Kenosha Unified School District  
 Leyden  
 Madison School District  
 Marquette  
 Mukwonago  
 Oak Creek/Franklin  
 Oakland  
 Pathways  
 Racine Unified School District  
 South Milwaukee  
 Stoughton  
 Waukesha  
 West Allis/West Milwaukee  
 West Bend

**Other**  
 BETA Healthcare Group  
 Conway Corporation  
 Kansas Public Employees Retirement System  
 Mason District Hospital  
 Nebraska Public Power District  
 Omaha Airport Authority  
 State Bar of Michigan  
 WPPI Energy

14. *How does your company view its responsibility for tax and/or legal advice to participants?*

We will provide you with information based upon our substantial experience in the pension field. However, we cannot provide you with legal opinions regarding any work that we provide. Milliman is neither an accounting nor legal firm and is not qualified to provide legal advice to its clients or participants. Our consultants will alert clients to situations which appear to require qualified counsel.

15. *How are changes communicated to and from clients?*

We believe it is important to provide both client-specific targeted communications as well as broad, centrally developed communications to keep clients informed of government, industry and marketplace trends and current events. We include all clients on our mailing list to automatically receive (via email, if they so desire) all relevant Milliman publications. In addition, clients may access these publications on our website at any time. To see some examples, please go to [www.milliman.com/expertise/employee-benefits/publications](http://www.milliman.com/expertise/employee-benefits/publications). There you will see many publications such as Client Action Bulletins, Benefits Perspectives, and Monthly Benefit News and Developments, White Papers on topics, and other items. As you might expect, we have prepared many informational publications dealing with the recent health care changes.

- **Information Updates.** Continuous analysis of new legislation, regulations, accounting standards and economic data assures that *decisions* are timely and based on sound, complete knowledge of options.
- **Webinars.** Interactive desktop *presentations* to plan sponsors on current subject matter that are informative and designed to keep clients abreast of industry trends and developments.
- **Communications.** Regular research publications, including *Benefits Perspectives* and *Client Action Bulletins*, are designed to keep *clients* and Milliman consultants informed of relevant late-breaking developments. There are no additional costs incurred by clients for these communications.

We also believe consultants have a responsibility to become thoroughly familiar with each client's business environment. With this knowledge, we are able to supplement the centralized communications with specific and targeted information relative to trends and emerging issues affecting each client's benefits and business issues. We strive to be business partners and not just the actuary.

16. *The Retirement System's auditors from time to time may want to perform routine spot audits. Will the actuarial records you maintain be "open" to auditors?*

Yes, with proper authorization from the Retirement System.

## D. REPORTING

1. *Describe your reporting capabilities. Be sure to comment on issues relating to accuracy and timeliness.*

We are generally able to complete the actuarial valuation report within 12-16 weeks of receiving all required participant and financial data for the System. If desired, we can provide a draft report for review by the System for accuracy and appropriateness. After approval from the System, the report will be finalized.

2. *What information is requested of a client on an annual basis to prepare an actuarial report?*

To prepare the actuarial valuation, we request census data for all active and inactive members of the System and financial information regarding the plan's assets. In addition, a description of any changes to plan provisions since the most recent report is required.

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## E. MANAGEMENT COMMITMENT

1. *Outline your organization's commitment to servicing the public sector market. What capital investments have occurred in the last three years? What capital investments are budgeted for in the current and following year?*

Milliman's commitment to the public sector is substantial by any measure:

- Milliman publishes *PERiScope*, a newsletter that covers current issues and trends in public sector plans.
- Milliman consultants frequently speak at national meetings and serve on advisory committees to such public groups as the Governmental Accounting Standards Board.

Milliman has been instrumental in the preparation and authorship of two texts, Retirement Systems for Public Employees and Benefit Design in Public Retirement Systems. These texts are recognized by legislators and trustees as authoritative references in the area of public employee retirement systems.

We make research and development a priority. However, because of our profit center structure, decisions about expenditures on research and development are made locally. The development of MARC is a prime example of the entrepreneurial approach Milliman takes. MARC is the product of more than 15 years of continuous development and refinement based on Milliman's expertise, real-world testing, and customer input. The first MARC installation took place in 1993. MARC is continuously supported and enhanced by our team of highly experienced actuaries and systems analysts.

We take pride in our reputation as developers of cutting-edge tools to negotiate the rapid changes of the employee benefits environment. MARC is one example of our ongoing commitment to helping our clients improve and enhance their retirement plan systems.

2. *Does your organization have a total quality management program? If yes, please describe the program and explain how it differentiates from your competition.*

At the individual client level, we tailor our procedures to your needs. Generally, we have several consultants interacting with members of your staff. Our consultants monitor client satisfaction "face to face" through these various informal contacts on a continuous basis. Our high client retention ratios attest to the satisfaction of our clients.

3. *Do you survey your clients? If yes, provide the results for the last three years.*

Milliman was recognized as a "Best In Class" provider in the 2010 Plan Sponsor magazine DC Survey.

Milliman has been ranked #1 in Overall Client Satisfaction in 2008, 2006 and 2005, and #1 in Client Loyalty, #1 in Value for Cost, and #2 in Overall Client Satisfaction in 2007 by our clients in Customer Satisfaction in the Defined Contribution Plan Study conducted by the Boston Research Group.

4. *Describe other methods you use to monitor client satisfaction.*

In the rare occasions in which a client has expressed dissatisfaction, Milliman has worked with the client to address any concerns and taken measures such as reassigning staff as necessary to improve personal relationships or timeliness of work.

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## F. EDUCATION / TRAINING

### 1. Do you have formal training programs? If so, please describe.

We believe it is important to provide both client-specific targeted communications as well as broad, centrally developed communications to keep clients informed of government, industry and marketplace trends and current events. We include all clients on our mailing list to automatically receive (via email, if they so desire) all relevant Milliman publications. In addition, clients may access these publications on our website at any time. To see some examples, please go to <http://www.milliman.com/expertise/employee-benefits/pubs/>. There you will see many publications such as Client Action Bulletins, Benefits Perspectives, and Monthly Benefit News and Developments, White Papers on topics, and other items. As you might expect, we have prepared many informational publications dealing with the recent health care changes.

- **Information Updates.** Continuous analysis of new legislation, regulations, accounting standards and economic data assures that decisions are timely and based on sound, complete knowledge of options.
- **WebEx.** Interactive desktop presentations to plan sponsors on current subject matter that are informative and designed to keep clients abreast of industry trends and developments.
- **Communications.** Regular research publications, including *Benefits Perspectives* and *Client Action Bulletins*, are designed to keep clients and Milliman consultants informed of relevant late-breaking developments. There are no additional costs incurred by clients for these communications.

#### Milliman Public Pension Funding Study

In November 2013, Milliman released its second Public Pension Funding Study, which independently measures the aggregate funded status of the 100 largest U.S. public pension plans using basic actuarial principles and reported plan liabilities and assets. The aggregate accrued liability information provided has been determined on a uniform basis with respect to the interest rate assumption across all of the plans in the study. This uniform approach allows for an accurate picture of the overall funded status of these 100 pension plans based on an independent application of Actuarial Standards Board (ASB) standards of practice, actual investment portfolios, and current capital market assumptions. We are not aware of any other study that has taken this approach and we feel this is an important story that needs to be told. A copy of the study is included in the Supplemental Information section.

We also believe consultants have a responsibility to become thoroughly familiar with each client's business environment. With this knowledge, we are able to supplement the centralized communications with specific and targeted information relative to trends and emerging issues affecting each client's benefits and business issues. We strive to be business partners and not just the actuary.

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## G. RISK MANAGEMENT

1. *Describe your system of controls to assure the accuracy of the processing and reporting of information? Do you have documented policies and procedures?*

All Milliman projects are prepared by our actuarial staff and technicians. All of their work is supervised and reviewed by a staff supervisor who is an experienced actuary, normally with seven or more actuarial exams passed. The staff supervisor has their work reviewed by the Managing Actuary. A final review of the project is then made by the Lead Consultant. The work is then sent through our peer review program.

Milliman has a formal pre-release peer review policy which requires that all work product must be reviewed by another Milliman consultant who has not been involved in the project prior to the release of the report to the client. In transition situations, additional requirements apply including matching results to the prior actuary double-checking plan provisions, evaluating actuarial assumptions and other items. Milliman also has a formal post-release peer review program. Milliman professionals will come on-site to a local office and review the work product and files for compliance with Milliman requirements.

2. *Describe the various types of insurance and indemnification provided to protect clients of service(s) proposed, including (Be sure to include specific dollar coverages):*

- *Errors and Omissions Coverage*
- *Risk Coverage*
- *Carriers*
- *Levels*
- *Limits*
- *Deductibles*

It is contrary to Milliman's standard practice to disclose such details about our insurance coverage in a written proposal. We will provide full disclosure about our coverage orally at your request. We certify that Milliman maintains third party fidelity and professional liability/errors and omissions coverage appropriate for a consulting firm of our size, commensurate with the services described in the Request for Proposal.

3. *What steps do you take to ensure the confidentiality of client data?*

Industry standard firewalls are used to protect Milliman applications and data. Firewall rules are configured based on the concept of least privilege meaning unless specifically granted, access is denied. Firewall log events and activities are monitored by an IT consultant. An intrusion detection and prevention system (IDPS) is installed on the network. A third party firm has been engaged to monitor the IDPS.

Milliman websites transmit sensitive data utilizing Hypertext Transfer Protocol Secure (HTTPS) using Secure Socket Layer (SSL) encryption which enables 128-bit encryption when communicating with Internet browsers. Milliman Milwaukee uses Thawte as a trusted certificate authority to inform users that the websites are authentic.

User login to the website requires use of a user ID and password. Users are authenticated against the application server upon logging into their accounts. Passwords are required to be a minimum length of 8 alphanumeric characters. There is an idle session time out of 30 minutes.

**H. FEES**

1. Describe your basic approach to charging fees. Do you prefer flat fees? Do you prefer transaction-based fees? Do you prefer to blend multiple fee structures?

We will provide a fixed fee covering the mutually agreed upon services, such as the following:

- Preparation and presentation of the annual actuarial report to the System (includes attendance at annual meeting)
- Actuarial certification for CAFR

Our fixed fees to provide these services are outlined as follows and assume the receipt of clean data from the System in electronic format. Any work required to correct data errors or problems will result in additional fees.

Actuarial and Consulting Services	2014 Fees
(a) Annual Actuarial Valuation Report	To be determined
(b) Benefit Estimates and Final Calculation.*	To be determined

\* DRO/EDRO calculations billed at time and expense

Additional work will be billed on a time-and-expense basis. At the System's request, a "not-to-exceed" price quote can be provided before starting a project. Current billing rates are as follows:

**Hourly Rates**

Name	Position	2013 Rate
Timothy J. Herman	Consulting Actuary	\$430
Jack M. Chmielewski	Actuary	\$244
William V. Hogan	Peer Review Actuary	\$465
Allan L. Bittner	Peer Review Actuary	\$352
Consulting/Peer Review Actuary	Actuary/Consulting Actuary	\$320 - \$475
Actuarial Associate	Staff	\$200 - \$300
Actuarial Analyst	Staff	\$150 - \$200

After 2013, the hourly rates will be adjusted according to Milliman's standard practices.

2. What costs are involved in implementing your program? Please state whether these costs will be passed to the system and whether the cost will be included in the annual retainer.

Milliman is committed to delivering actuarial and consulting services in a timely manner. We have the resources available to be able to step in and provide these services without additional hiring and capital expenditures.

In the first year, there are significant additional costs relating to the setup of computer programs, staff time required to become familiar with plan provisions and administrative systems and replication of the prior actuary's results. There will be no specific charges for these setup expenses.

3. How are fees for additional work determined?

If desired by the System, Milliman will provide additional services based on time and expense. For example, if an experience study is requested, this will be an additional service. The 2013 hourly rates are shown in the table

on the prior page. After 2013, the hourly rates will be adjusted according to Milliman's standard practices. Upon request, we will provide a fee estimate in advance when the project scope is determined. Additional services would include any meetings requested to consult on the results of our modeling and consulting on plan design alternatives.

**4. Do you charge secretarial or clerical time to clients?**

No additional secretarial or clerical charges are applied to our standard billing rates.

**5. Do you charge for incidental fees such as copies, postage, telephone toll charges, and travel costs?**

No additional incidental fees for copies, postage, or telephone charges will apply. However, travel and out-of-pocket expenses will be billed at cost.

**6. How do you determine fee increases? What has been the average fee increase in your organization's fees over the past three years? What would cause any of your fee quotes to change significantly?**

Fees for annual retainer services are typically agreed upon in advance. While not all retainer fees increase on an annual basis; where they do, the increases are in line with price inflation which has generally been in the 2-3% range. Significant changes in fees are generally the result of significant changes to the level of services requested to be included in the annual retainer services. An example of a newly required service is the additional actuarial calculations and reporting that will be required under the new GASB 67/68 standards.

**7. Are all Michigan public sector retirement system clients charged the same rates? If not, how are the different rates determined?**

The rates for public sector retirement clients are determined based on the size and complexity of the plan and on the level of services included in the annual retainer. Because each client is different, the annual retainer rates are different.

**8. Are any existing public sector retirement system clients charged less than the fees you are proposing for the System?**

Because Milliman services a wide variety of public sector clients and offers different service levels to each client, we expect that there are existing public sector retirement clients who are charged less than the fees we would propose for the system. However, you should be aware that we will prepare a competitive fee quote and honor our commitment to provide the services requested at our fee quote.

**9. Are you willing to include in our operating agreement a "most favored nation" clause to ensure that our fees do not exceed the lowest fee charged to other public sector retirement system clients?**

Milliman serves over 7,500 clients across all disciplines and over 3,500 clients in the retirement practice in the capacity of retained actuary or for special projects. Because each agreement is arrived at independently, we are not willing to include a "most favored nation" clause in our operating agreement.

I. MISCELLANEOUS

1. *Is your organization a member of MAPERS and/or NCPERS? What other affiliations does your organization maintain to keep informed on unique issues and developments affecting public employee retirement systems?*

Milliman is a member of MAPERS. At the 2013 Fall Conference, Mr. Tim Herman and Mr. Kevin Hicks led a session on "Pension Administration Systems."

In addition to MAPERS, Milliman's commitment to the public sector is substantial by any measure:

- Milliman publishes *PERiScope*, a newsletter that covers current issues and trends in public sector plans.
- Milliman consultants frequently speak at national meetings and serve on advisory committees to such public groups as the Governmental Accounting Standards Board.

Milliman has been instrumental in the preparation and authorship of two texts, Retirement Systems for Public Employees and Benefit Design in Public Retirement Systems. These texts are recognized by legislators and trustees as authoritative references in the area of public employee retirement systems.

2. *Are the individuals whom you intend to assign to the system enrolled actuaries?*

The lead staff on this engagement are Fellows of the Society of Actuaries, Enrolled Actuaries, and members of the American Academy of Actuaries.