

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
TUESDAY, FEBRUARY 10, 2015 @ 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.	JANUARY 13, 2015
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
	A.	THE BOGDAHN GROUP - 4 <sup>TH</sup> QUARTER REPORT 2014
	B.	MONTHLY REPORTS - No. 2015-5
13 - 15 .....	1.	PORTFOLIO VALUE - 1/1/15 - 1/31/2015
16 .....	2.	CHANGE IN BOOK AND MARKET VALUE - 12/31/2014
	3.	MONEY MANAGERS ON WATCH - (EFFECTIVE DATE)
	a.	NONE
17 - 24 .....	4.	MONEY MANAGER REPORTS
	a.	CORNERSTONE - ENDING 12/31/2014 & QUARTERLY REPORT ENDING 12/31/2014
	b.	EAGLE ASSET MGMT - ENDING 12/31/2014
	c.	GENEVA CAPITAL QUARTERLY PROXY REPORT -ENDING 12/31/2014
	d.	HOTCHKIS & WILEY - QUARTER ENDING 12/31/2014 and QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
	e.	INTEGRITY ASSET MANAGEMENT QUARTERLY REPORT - ENDING 12/31/2014
	f.	MFS INVESTMENT - ENDING 12/31/2014, QUARTERLY ENDING 12/31/2014 and QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
	g.	MFS HERITAGE TRUST - ENDING 12/31/2014, QUARTERLY REPORT ENDING 12/31/2014, AND QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
	h.	MACKAY SHIELDS - QUARTERLY REPORT ENDING 12/31/2014
	i.	SCHRODERS - ENDING 12/31/2014 AND QUARTERLY REPORT ENDING 12/31/2014

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  - a. ABEL/NOSER - SUMMARY ENDING 12/31/2014
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- 84 - 89 ..... 6. NORTHERN TRUST
  - a. SUMMARY EARNINGS - ENDING
  
- 90 ..... 7. REFUNDS/RETIREMENTS ENDING 1/31/2015
  
- 91 - 96 ..... 8. BCERS YTD BUDGET REPORT - ENDING 1/31/2015
  
- 97 ..... 9. APPROVED EXPENSES - ENDING 1/31/2015
  
- 98 - 129 ..... C. THE BOGDAHN GROUP
  - 1. CONSENT TO CHANGE IN INTERNAL CONTROL No. 2015-6
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- 130 -135 ..... D. CORPORATION COUNSEL
  - 1. RECEIVE AMENDMENT TO BAY COUNTY EMPLOYEE'S RETIREMENT SYSTEM ORDINANCE - DEPT WATER & SEWER No. 2015-7
  
- 136 - 143 ..... E. CORRESPONDENCE - COMMISSION RECAPTURE LETTERS
  - 1. EAGLE ASSET
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  - 4. INTEGRITY
  - 5. ATALANTA SOSNOFF
  - 6. SCHRODERS
  - 7. HOTCHKIS & WILEY
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- 144 - 145 ..... F. NON-DUTY DISABILITY RETIREMENT - TIM HENIKA NO. 2015- 8
  
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VI. ANNOUNCEMENTS

- A. NEXT REGULAR MEETING - MARCH 10, 2015 AT 1:30 P.M., COMMISSIONERS CHAMBERS, 515 CENTER AVENUE 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
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149 - 150 ..... B. MAPERS - SPRING ONE DAY SEMINAR FRIDAY, MARCH  
13, 2015, AT THE SOMERSET INN IN TROY, MICHIGAN  
STARTING AT 8:00 A.M. ( PLEASE CONTACT REBECCA IF  
YOU WISH TO ATTEND)

VII. UNFINISHED BUSINESS

151 ..... A. CORRESPONDENCE FROM GABRIEL ROEDER SMITH  
  
1. EMAIL ADDRESSING QUESTION POSED BY  
TRUSTEE STARKWEATHER AT THE JAN 13, 2015  
MEETING REGARDING ACTUARIAL TABLES.

\*GABRIEL ROEDER SMITH WILL BE AT THE  
MARCH BOARDMEETING AND WILL ADDRESS  
ANY FOLLOW-UP QUESTIONS.

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 January 13, 2015 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. Coonan, Mr. Gromaski, Mr. Morse, Mr. Starkweather, and Ms. Goetz.

**Trustees Absent:** Mr. Herek and Mr. Pett

**Also Present:**

Consultant: The Bogdahn Group: Howard Pohl and Peter Brown.

Secretary/Finance Officer: Crystal Hebert

Retirement Administrator: Rebecca Marsters

Corporation Counsel: Shawna Walraven.

The meeting was called to order by Chairman, Steve Gray at 1:31 p.m.

MOTION 1: Moved, supported and carried to excuse Trustee Herek and Trustee Pett.

Chairman Gray turned the meeting over to Ms. Hebert, Secretary, to run the election. Ms. Hebert opened the floor to nominations for Chairman.

MOTION 2: Moved and supported to nominate Steve Gray for the position of Chairperson of the Bay County Employees' Retirement System for 2015.

Mr. Gray accepted.

MOTION 3: Moved, supported and carried to close the nominations and cast a unanimous ballot for Steve Gray to be Chairperson of the Board of Trustees for 2015.

MOTION 4: Moved and supported to nominate Richard Brzezinski for the position of Vice-Chairperson of the Bay County Employees' Retirement System for 2015.

Mr. Brzezinski accepted.

MOTION 5: Moved, supported and carried to close the nominations and cast a unanimous ballot for Richard Brzezinski to be Vice-Chairperson of the Board of Trustees for 2015.

Ms. Hebert turned the meeting over to Chairperson, Steve Gray.

MOTION 6: Moved, supported and carried to approve the minutes, as printed, from the November 12, 2014 meeting.

MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES (BCERS)  
JANUARY 13, 2015 - REGULAR MEETING  
PAGE 2

MOTION 7: Moved, supported and carried to approve the minutes, as printed, from the December 9, 2014 meeting.

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

Mr. Pett joined the meeting at 1:40 p.m.

Present today was Mr. Clay Lindsey, Vice President, Institutional Client Relations, Eagle Asset Management based in St. Petersburg, Florida to present the performance report. A copy was provided to all Trustees, in advance, via the web.

There have been no additions or subtractions from the team. He reports they have not made the announcement yet, but he states they are in the process of promoting Christopher Sassouni to portfolio co-manager. There are no planned changes to the process.

Mr. Lindsey went over the market overview. Last year, 2014, had its up and downs and finished the year quite strong with the index rallying up about 10% in the fourth quarter. They finished the year ahead of index. He stated biotech did much better this last year than the previous year.

Mr. Pohl asked about the weight in average cap now and percentage of the assets.

Mr. Lindsey stated the weighted average market cap is about 2.6 versus 2.2 for the index. He states probably 20% or so of weighting would be upwards of rebuilding.

He talked about performance attribution. They did well in consumer staples. Energy did well from a relative prospective. Energy dipped last quarter. They were a little underweight in energy and that helped. He stated stock selections were better than the index in energy, but the average energy stock in our index was down 33% in the fourth quarter with the drop. The industrial and consumer discretionary were a couple of areas that they lagged in the quarter. In the case of industrials, they also lagged for the full year. Industrials was kind of split; some areas benefitted from lower oil prices and other areas were hurt by lower oil prices.

Trustee Coonan asked with the oil prices down what other areas Mr. Lindsey thought would do well such as durable goods etc.

Mr. Lindsey stated that consumer staples should be a hit this year with lower oil prices. He stated they have purchased Cracker Barrel in the portfolio, a restaurant chain along the interstate.

He talked about the outlook. At some point, they expect interest rates are going to go up. They were underweight in REITs for this last year. They

think going into this next year that is probably a good thing. REITs is only about 3.5% of the portfolio so not a huge driver. The other thing he stated, as far as interest rates go, that should benefit the growth over value given the small cap space because there are more bond proxy type companies on the value side that should be heard more when interest rates pick up. He thinks from that prospective, being on the growth side of the equation should be beneficial going into the year. GDP looks to be about 3% this year as far as domestic verses international. They like the U.S. Markets more so than some of the international markets this year. They like small. They feel still a little bit expensive, but if you are looking at growth rates, growth rates are better for small and the fact that the small cap market seems to have more domestically focused names. He thinks that is a positive for small as well provided that the domestic economy is in better shape.

Mr. Pohl asked if he had a prediction for total returns for the year.

Mr. Lindsey stated they are thinking probably the average was low single digits; low to mid single digits. He stated that doesn't happen very often in small cap growth space. It may be a little bit of a gamble that they should expect that, that would happen again. He thinks the average was about 6% for small cap growth next year. They have heard kind of similar ideas from some of the strategists for next year.

Mr. Starkweather asked Mr. Lindsey to examine the limitations and guidelines the Board has given Eagle Asset for investing and let Mr. Pohl know if they would like any changes.

Mr. Lindsey thanked the Board for thinking of that. He did review the guidelines and stated they are within where they like to operate. He recommended no changes to the guidelines.

Trustee Coonan asked if timing was as important as stock selection.

Mr. Lindsey stated it could be if you like to load up in certain sectors. It is less important for Eagle Asset.

Mr. Lindsey answered questions of the board, concluded his presentation and departed.

MOTION 8: Moved, supported and carried to receive the report from Eagle Asset.

Next were Ms. Kimberly Hyland and Robert Almeida from MFS Investment Management, Boston Massachusetts to present on both the U.S. and International Growth Funds. A copy of their performance report was provided to all Trustees, in advance, via the web.

MFS currently has \$424 billion in assets under management. In the U.S. Growth Equity Strategy that Bay County is invested in, there is \$17 billion. In the International Growth Strategy, a total of \$16 billion. Ms. Hyland stated the sustainability and the growth of their business is not dependent on one asset

**MINUTES** BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES (BCERS)  
JANUARY 13, 2015 - **REGULAR MEETING**  
PAGE 4

class, one client type or one region of the world. They have well-diversified business platform.

There was one update. In September 2014, their President, Mike Roberge, was promoted to Co-CEO with Robert Manning, who is also their Chairman. Mike Roberge announced a CIO of Equities of Kevin Beatty and CIO of Fixed Income of Bill Adams. They did this for long-term planning. That is the only update from the firm level.

Summary of U.S. Growth Equity portfolio managed by MFS. As of November 30, 2014 the U.S. Growth Equity portfolio was up 5.2% versus Russell 1000 growth index up 4.8% for the 4<sup>th</sup> quarter. For the year-to-date, they did finish the year behind the benchmark up 9.7% for the year, but the Russell 1000 up about 13%. Since inception prospective through the end of the year, they continue to outperform the benchmark with the Bay County portfolio up 21% and the benchmark up 19.7%. Looking back the last few years, it is has been very strong; absolute returns in the markets especially in the U.S. markets.

Mr. Rob Almeida stated last year, 2014, was a strong year for U.S. equities. It was the third straight double-digit year for stocks. He stated a lot of interesting things happened last year. Specific to the Bay County portfolio and specific to the large cap community overall, another large surprise was the under performance of small cap stocks last year which was the largest under performance of small cap relative to U.S. Stock since 1998; about 835 basis points of under performance. One-third of the under performance last year could be sourced from Apple and Microsoft. Looking page 9, you can see the first two names Apple and Microsoft with Apple up 50% give or take and Microsoft up 30 some odd percent during the period. These two names combined make up over \$1 trillion of market capitalization. These two names combined make up for almost one tenth of the benchmark. Being underweight in these two areas, because of their low-growth characteristic, was a source of under performance for the portfolio during the period. On the positive side, was what was taking place in health care. From a contribution standpoint at a sector level, our positioning in health care was the largest source of out performance during the period. When you desegregate that, you can see three out of the top five contributors at individual stock level were ultimately the biggest drivers of positive action return; two out of the three are in the pharmaceutical sector.

The sector weights show how the portfolio was positioned at period end. Largest overweight in portfolio was in health care and largest underweight in the portfolio was technology. They are also underweight in consumer staples.

Trustee Coonan: Early in presentation talking about six years of growth and three years of double-digit growth in the U.S. Trustee Coonan asked if that pretty much had run on its own or was any of that reflective of any of the policies over the past six years.

Mr. Almeida clarified that he meant government policies. Mr. Almeida stated, sure. Low interest rates contributed to that. The return profile looks and feels similar to the periods in the past where we have had excessive valuations driven by fund flows and interest rates. Today, I think QV has

contributed to corporate America's ability to squeeze the margin and squeeze profits, but I do not believe it has been the single largest contributor to the stock.

Mr. Brzezinski: Mentioned at the beginning of the presentation they underperformed the benchmark this year. He asked what the plan is to correct that or prevent that.

Mr. Almeida stated what really made 2014 unique was episodically, every calendar year, we see periods where the market undergoes a bout of "indigestion" and feeds on high-quality, low-growth assets. The market gets defensive and that can happen over a period of six weeks, 12 weeks, maybe even a bit longer. It happens every single year. It might be a global issue, whatever. In mid February of last year, the market started giving back the sloppy gains from the prior year. What began was that we noted lower growth, very, very high quality mega cap assets and what was unique was it persisted the whole year and we haven't seen that. So from a 'what are we doing about it prospective,' ultimately stock prices are a reflection of two things cash flow and how much you are willing to pay for the cash flow. Now when you have companies with lower rates of cash flow trading at higher valuations our expectations are that should re-balance.

Ms. Hyland added at MFS, with all their portfolios, take a three-year prospective. Their goal is long-term outperforming the benchmark over three years. All of their investors whether analysts or portfolio managers are compensated on the three-year value add in the clients' portfolios. They believe having that long-term prospective gives them a very good edge in today's market place where everybody is so short-termed focused and so many hedge funds are focused on quarterly returns. They do focus on the long term in all the strategies at MFS. They believe over the three years they can add value above the benchmark.

Trustee Brzezinski asked if in 2015 they continue to see earnings grow.

Mr. Almeida stated they look back from the beginning or the end of the recession to date. Corporate earnings growth have been mid teens. REITs celebrated in 2013 to 6%. REITs celebrated 2014 around, from an earnings standpoint, 7% and 10% would be his guess. In 2015, given what has happened in the energy complex that will weigh it down, so somewhere between 5% and 8%, would be his guess, from an earnings growth. He believes the stocks that will really work in 2015, relative to the market, will become REITs that have earnings, sustainability, and maturity. So, given returns have been so high and stimuli is now fading and when there is an abundance of something, an abundance of earnings growth, there is a scarcity value and where there is a lack of it, scarcity value starts to set. Active managers have struggled the last few years just an abundance of return, abundance of earnings and abundance of positive metrics; now as it gets hard to grow as we continue to walk down the path in 2015. The market will reward or should reward a premium to those with sustainability. He believes they have those in the portfolio under owning those that don't have it.

Trustee Starkweather asked that they re-examine the investment guidelines and

policies and let Howard Pohl, the consultant for The Bogdahn Group, know if they would like any changes.

Ms. Hyland went over the Executive Summary of the International Growth Portfolio. This portfolio was started at the beginning of August, only four months ago. The performance that you see here has been the performance of the portfolio from August 6, 2014 through the end of November. We were outperforming in that period. They finished the year since inception underperforming a little bit less than is seen here. The biggest reason for the under performance in that period was really they have an overweight in consumer's staples -- an overweight in consumer staples that are downsized. These companies are based in Europe. They derive a lot of their revenues from all over the world; a lot of revenues from emerging markets. So, it is part of two factors with that emerging markets exposure. One is they have seen emerging market growth slow down over the past few years. The second was the currency exposure of these companies. The Euro and the Pound come down and there were also issues with the Yen currency. She stated they are long-term investors in this portfolio. They have been overweight in consumer staples sector for a long time in this strategy. She believed if you went back the last five to seven years, you would see that has been one of the biggest over weights in this portfolio and they will continue to be overweight in consumer staples. They do believe that the consumer staples sector has what they look for in companies when they built this portfolio. It has high-quality companies. It has sustainable, above average growth rates through an entire economic cycle. They never like to underperform for their clients. They do think they can out perform over the long term and look forward to adding value in this portfolio and in the U.S. Equity portfolio over the long term.

Trustee Brzezinski stated in general over the last few years, the U.S. stocks have outperformed international. He asked if she saw that changing or what would cause that.

Ms. Byland answered that similar to last year, when you look around the world, the strongest area right now in economic growth continues to be the U.S. I think in 2013 everybody was like, Oh, we didn't go into a recession. We didn't go into default, great. All these domestic European companies like banks and utilities in the second half of 2013 took off. But then in 2014 it was the realization of there is really not much economic growth in Europe and you had the Ukranian and Russian crisis which had a great impact on European economy. She believes that Europe is still trying to figure things out. She thinks that is an area where they are going to struggle for economic growth and when you look out into those emerging markets and think about China, those are areas where you saw 8% growth for the past 10 years. She believes what we are going through right now is a sort of re-breathing of that growth. She stated she thinks it will probably end up to be somewhere around 3% to 4% growth which they think is very good growth. It is coming down to where it was and the market does need to sort of flush that out and work its way through the system. Once we can get beyond the re-rating of lower growth, we do think that there will be better opportunities in emerging markets. They do think the U.S. will continue to be another great spot going forward.

Trustee Brzezinski asked Ms. Byland, other than for diversification purposes,

if she were sitting on a pension board, how she would invest.

Ms. Hyland answered that she thought having a fully diverse portfolio was hard to time. You don't know what sort of event could trigger a change in direction in the market. Sometimes it takes a while and sometimes it can be overnight. If you try to time those and wait it out, you can miss it. If you stay invested over the long term, you are going to benefit from it. It is the same with having diversification around the world with equities. It is tough to decide, but if you have the long-term prospective, you will benefit from the gains.

Ms. Byland and Mr. Almeida answered questions of the Trustees, concluded the presentation and departed.

MOTION 9: Moved, supported and carried to receive the report from MFS.

RES. 2015-1:

Moved, supported and carried to adopt resolution 2015-1 to receive the following monthly reports: Portfolio value ending 12/31/14; Change in Book & Market Value; Money Managers on Watch - None; Money managers reports: Baird, Cornerstone, Eagle Asset Management, Hotchkis & Wiley, Loomis Sayles, MFS Heritage Trust, MFS Investment, Mackay Shields all ending 11/30/14; Recapture Services: Abel/Noser, CAPIS ending 11/30/14; Refunds & Retirements ending 12/31/14; BCERS YTD Budget Report ending 12/31/14 and Approved Expenses ending 12/31/14.

MOTION 10: Moved, supported and carried to receive the Retirement Election results.

RES. 2015-2:

Moved, supported and carried to adopt resolution 2015-2 approving the BCERS Securities Litigation Policy. (Attached)

Mr. Pohl, Consultant, The Bogdahn Group, suggested the same policy be adopted for the VEBA.

RES. 2015-3:

Moved, supported and carried to adopt resolution 2015-3 approving the Securities Lending Agreement Addendum and Amendment.

MOTION 11: Moved, supported and carried to approve the Notice of Meetings for 2015.

MOTION 12: Moved, supported and carried to receive correspondence from Eagle Asset Management and Integrity regarding re-balancing of accounts.

**ANNOUNCEMENTS:**

- A. Next regularly scheduled meeting will be Tuesday, February 10, 2015 at 1:30 P.M. in Commissioner's Chambers, 515 Center Avenue - 4<sup>th</sup> Floor, Bay City, MI 48708.

**UNFINISHED BUSINESS:** None

**NEW BUSINESS:**

Mr. Pohl, Consultant, The Bogdahn Group, informed the Board of a change at The Bogdahn Group regarding Joe Bogdahn, Chairman, and Mike Welker, the CEO. Joe will be stepping back and just be Chairman along with doing new business presentations and speeches. The management, which for the last 3 years has been under Mike Welker and the current team, will stay the same. However, Joe Bogdahn will sell his shares back to Mike Welker with the idea that over the next year there will be a plan to broaden the ownership among deserving employees. Joe will continue to own 5% of the firm. Everything in terms of the management and the people and the processes will stay the same. Mr. Pohl will be sending a formal notice of the change.

Also under new business, a separate resolution was handed to each Trustee. Chairman Gray stated this was a situation on an individual from the Road Commission who put in for a non-duty disability back in November. It was held up in the Medical Examiner's office for quite some time. Chairman Gray apologized that it was not ready to go when the agenda was put together. Chairman Gray asked the Board to act on this today.

RES. 2015-4:

Moved, supported, and carried to approve the non-duty disability application for Mr. Randy Borchardt.

Chairman Gray asked if there was any discussion. There was no discussion.

**MISCELLANEOUS BUSINESS**

Trustee Starkweather referred to page 21 of the agenda, the Change in Book and Market Value commenting that this report contained the type of information the Board was looking for.

Trustee Starkweather commented that he is concerned with the actuarial tables currently being used. He would like it to be brought up in discussion with the actuaries. He stated that most of the actuarial tables being used are predicated on 2000 and 2004. There is a new set of actuarial tables coming out this year. Trustee Starkweather is concerned on longer life expectancies that the current actuarial tables being used will be found to be obsolete and that the retirement fund is possibly not funded as it should be when the new actuarial tables are applied.

Chairman Gray asked Ms. Walraven, Corporation Counsel, to put this on her list for further discussion in their upcoming meeting and have someone make a call to the actuaries to discuss that concern.



**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**

**POLICY RESOLUTION**

**Adopted: January 13, 2015**

**Re: Securities Litigation**

**WHEREAS**, the Board of Trustees of the Bay County Employees Retirement System ("Board") has a fiduciary responsibility to the members and beneficiaries of the Retirement System to preserve and protect the assets of the Retirement System, and

**WHEREAS**, certain of such assets held by the Retirement System are from time to time subject to potential claims by investors seeking compensation for fraud, mismanagement, breach of fiduciary duty, and the like, and

**WHEREAS**, the Board is of the belief that it is in the best interests of Retirement System members and beneficiaries to participate in the litigation of valid securities claims, and

**WHEREAS**, in fulfillment of its fiduciary obligation, the Board believes that it is in the best interest of the Retirement System to delegate the monitoring of available claims and processing of those claims to the Board's custodian bank, now therefore be it

**RESOLVED**, that the Board's custodian bank is hereby authorized to monitor available securities litigation claims and process those claims on behalf of the Retirement System, and further

**RESOLVED**, that the Board's custodian bank shall provide periodic reports to the Board regarding the results of its monitoring and processing on behalf of the Retirement System, and further

**RESOLVED**, that a copy of this resolution be forwarded to the Board's legal counsel, custodian, and other appropriate representatives so that each may act consistent herewith.

**MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE**  
**JANUARY 13, 2015**

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 1:31 P.M.

**MOTIONS**

Mr. Pett entered the meeting at 1:40 p.m.

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

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

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

**MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE**  
**JANUARY 13 , 2015**

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 1:31 P.M.

**RESOLUTIONS**

<b>TRUSTEE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
BRZEZINSKI	S	Y	M	S						
COONAN	Y	M	Y	M						
GRAY	Y	Y	Y	Y						
GROMASKI	Y	Y	Y	Y						
HEREK	E	E	E	E						
MORSE	Y	Y	S	Y						
PETT	Y	S	Y	Y						
STARKWEATHER	M	Y	Y	Y						
GOETZ	Y	Y	Y	Y						

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

**BAY COUNTY RETIREMENT BOARD  
2/10/2015  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

RESOLVED By the Bay County Retirement Board that the following reports are received:

1. PORTFOLIO VALUE - 1/1/15 - 1/31/15
2. CHANGE IN BOOK AND MARKET VALUE - 1/31/15
3. MONEY MANAGERS ON WATCH - NONE
4. MONEY MANAGER REPORTS
  - a. CORNERSTONE - ENDING 12/31/2014 & QUARTERLY REPORT ENDING 12/31/2014
  - b. EAGLE ASSET MGMT - ENDING 12/31/2014
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  - d. HOTCHKIS & WILEY - QUARTER ENDING 12/31/2014 & QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
  - e. INTEGRITY ASSET MANAGEMENT QUARTERLY REPORT - ENDING 12/31/2014
  - f. MFS INVESTMENT - ENDING 12/31/2014, QUARTERLY ENDING 12/31/2014 & QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
  - g. MFS HERITAGE TRUST - ENDING 12/31/2014, QUARTERLY REPORT ENDING 12/31/2014, & QUARTERLY PROXY VOTING REPORT ENDING 12/31/2014
  - h. MACKAY SHIELDS - QUARTERLY REPORT ENDING 12/31/2014
  - i. SCHRODERS - ENDING 12/31/2014 & QUARTERLY REPORT ENDING 12/31/2014
5. RECAPTURES SERVICES
  - a. ABEL/NOSER - SUMMARY ENDING 12/31/14
  - b. CAPIS - SUMMARY ENDING 12/31/14
6. NORTHERN TRUST SUMMARY EARNINGS - 1/31/15
7. REFUNDS/RETIREMENTS -ENDING 1/31/15
8. BCERS YTD BUDGET REPORT - ENDING 1/31/15
9. APPROVED EXPENSES - 1/31/15

STEVE GRAY, CHAIR  
AND BOARD

MONTHLY REPORTS FEBRUARY

MOVED BY TRUSTEE \_\_\_\_\_  
SUPPORTED BY TRUSTEE \_\_\_\_\_

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:  
 Roll Call: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_  
 Voice: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_  
 Disposition: Adopted \_\_\_\_\_ Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_  
 Amended \_\_\_\_\_ Corrected \_\_\_\_\_ Referred \_\_\_\_\_

RET.	BAIRD	BARRINGS	CORNERSTONE	DENVER	EAGLE (RJFU)	GENEVA	HOTCHKISS & WILEY	LOOMIS SAVLES	MACKAY SHIELDS	MES NATIONAL	INTEGRITY	SCHRODER	COLUMBIA	VANGUARD	WENTWORTH	CASH	TOTAL
2014	1503	444	2824	2820	4299	5242	3012	5082	6022	283023	90192	9332	4407	8414			
JAN	24,493,170.06	15,810,418.52	10,992,785.36	15,836.55	10,945,477.78	23,655,590.91	11,039,089.76	33,704,722.73	17,312,317.81	42,185,690.33	25,341,799.15	17,997,691.80	42,025,846.40	12,827,293.37	1,556.12	2,315,529.80	290,378,576.53
FEB	24,551,115.13	16,433,350.37	11,477,184.97	15,637.07	11,334,968.12	23,126,136.82	11,628,222.96	34,155,815.39	17,896,798.78	44,594,775.30	25,791,007.32	19,007,323.01	43,808,057.15	13,413,634.59	1,556.12	4,108,395.47	301,343,958.57
MARCH	24,451,455.29	16,112,044.93	11,576,093.43	15,637.72	10,990,678.91	22,732,378.59	11,990,593.12	34,155,505.52	17,899,095.57	43,121,008.00	26,219,742.92	19,196,248.07	44,725,223.10	13,525,599.60	1,556.12	2,878,706.83	299,471,561.63
APRIL	24,633,385.70	16,183,335.27	11,989,963.90	15,639.20	10,525,312.54	22,013,618.56	11,924,999.92	34,628,998.79	17,928,509.41	42,446,609.11	25,950,856.13	19,091,951.23	44,652,815.17	13,624,971.35	1,556.12	1,904,660.39	297,365,105.79
MAY	24,915,012.39	16,295,688.70	12,255,489.81	69.80	10,420,987.19	22,030,229.29	11,146,295.86	35,133,493.30	18,321,580.97	43,994,227.39	24,495,435.08	19,283,222.79	45,859,847.45	13,944,380.56	0.00	4,112,797.10	302,207,316.74
JUNE	24,991,343.86	16,934,004.48	12,423,450.65	69.55	11,211,134.08	22,793,475.88	11,897,020.17	35,255,278.33	18,956,218.19	44,409,394.79	25,300,477.75	19,531,835.83	46,766,822.63	14,232,341.81	0.00	2,827,143.13	306,715,610.23
JULY	24,899,118.41	16,367,025.77	12,427,115.99	0.00	10,702,518.89	22,342,644.27	10,102,456.71	35,165,719.09	18,439,015.63	44,224,655.02	22,450,666.87	18,977,929.77	46,273,869.13	14,035,880.67	0.00	4,732,900.57	301,081,336.79
AUG	25,094,048.76	16,894,004.48	12,056,555.53	0.00	11,251,620.17	23,151,757.08	10,593,782.74	35,786,393.56	18,956,511.20	45,669,476.94	16,013,777.36	23,650,543.87	48,252,228.01	14,599,745.59	0.00	3,328,213.24	308,249,251.60
SEPT	24,993,488.66	16,894,004.48	12,056,555.53	19.33	10,792,998.67	22,625,467.17	9,992,893.60	35,253,903.22	18,924,801.56	45,034,121.49	16,230,920.42	22,352,255.66	18,283,483.13	14,392,005.44	0.00	2,547,573.95	300,438,296.23
OCT	25,236,207.74	16,894,004.48	12,056,555.53	149.60	11,278,898.26	22,465,418.36	10,403,980.42	35,656,539.52	18,956,653.59	46,283,514.21	15,584,345.23	22,975,597.50	17,823,145.47	14,743,049.37	1,751.33	4,541,377.08	305,492,950.46
NOV	25,439,432.77	16,894,004.48	12,056,555.53	323.35	11,418,581.63	23,163,708.37	10,653,505.44	35,652,148.88	18,924,812.55	47,779,978.09	15,574,301.34	23,291,452.55	17,705,890.73	15,140,262.36	4,238.31	3,629,958.90	309,093,939.96
DEC	25,469,626.50	16,894,004.48	12,056,555.53	0.00	10,177,484.32	23,224,677.88	10,996,665.11	35,629,616.15	19,132,349.33	47,292,084.35	15,743,791.93	22,009,079.05	17,488,433.13	15,101,384.52	0.00	5,509,110.24	308,758,612.51
2014 YTD	55,774.38	89,402.10	54,077.80	0.00	91,945.35	170,832.00	83,181.12	107,817.74	90,783.05	196,921.52	18,178.37	149,731.00	110,633.21	189,584.68	0.00		3,320,172.31

RET.	BAIRD	BARRINGS	CORNERSTONE	DENVER	EAGLE (RJFU)	GENEVA	HOTCHKISS & WILEY	LOOMIS SAVLES	MACKAY SHIELDS	MES NATIONAL	INTEGRITY	SCHRODER	COLUMBIA	VANGUARD	WENTWORTH	CASH	TOTAL
2015	1503	444	2824	2820	4299	5242	3012	5082	6022	283023	90192	9332	4407	8414			
JAN	25,924,494.81	18,548.92	14,930,255.11	0.11	9,746,990.22	22,739,052.32	10,468,425.37	36,773,554.50	19,088,857.01	46,475,341.50	15,278,006.70	21,347,500.05	17,389,557.17	44,653,307.62	14,648,350.99	4,580,099.44	304,088,341.84
FEB																	
MARCH																	
APRIL																	
MAY																	
JUNE																	
JULY																	
AUG																	
SEPT																	
OCT																	
NOV																	
DEC																	
2015 YTD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

RET.	BAIRD	BARRINGS	CORNERSTONE	DENVER	EAGLE (RJFU)	GENEVA	HOTCHKISS & WILEY	LOOMIS SAVLES	MACKAY SHIELDS	MES NATIONAL	INTEGRITY	SCHRODER	COLUMBIA	VANGUARD	WENTWORTH	CASH	TOTAL
2014 YTD	1503	444	2824	2820	4299	5242	3012	5082	6022	283023	90192	9332	4407	8414			
1ST QTR	18,338.59	37,658.52	17,384.14	23,364.79	43,446.00	28,839.33	28,350.69	21,673.73	64,004.26	52,095.00	36,475.39	54,677.10	2,895,900.88	3,320,172.31			
2ND QTR	18,698.51	38,578.02	18,628.53	23,928.30	41,777.00	28,786.42	27,038.78	22,398.39	65,007.42	51,097.00	37,522.80	56,717.85	3,257,483.80	3,257,483.80			
3RD QTR	18,737.26	13,165.56	18,094.93	21,627.11	42,975.00	25,949.37	27,032.71	23,663.88	67,629.74	18,178.37	46,539.00	57,189.73	4,177,835.69	4,177,835.69			
4TH QTR				21,627.15	43,034.00	27,394.86	23,328.86	23,328.86									
2014 YTD	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

INVESTMENT MANAGER FEES ARE PAID FROM: 73127400 80100 (Professional Services)

BAIRD GOVERNMENTAL FIXED INCOME MANAGER

GOVERNMENTAL RETIREMENT MUTUAGENDA TRMAGRENTREMENT PORTFOLIO 2015

BARING  
COLUMBIA  
CORNERSTONE REAL ESTATE  
EAGLE  
GENEVA  
HOTCHKISS & WILEY  
INTEGRITY  
LOOMIS SAYLES  
MACKEY SHIELDS  
MFS  
SCHRODER  
WENTWORTH

LARGE CAP GROWTH INTERNATIONAL EQUITY MANAGER  
LARGE CAP DEEP VALUE MANAGER  
REAL ESTATE INVESTMENT TRUST MANAGER  
SMALL-CAP GROWTH MANAGER  
MID-CAP GROWTH MANAGER  
SMALL CAP VALUE MANAGER  
MID-CAP VALUE MANAGER  
CORPORATE BOND MANAGER  
CONVERTIBLE BOND MANAGER  
LARGE CAP GROWTH EQUITY MANAGER  
INTERNATIONAL SMALLMID CAP EQUITY MANAGER  
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
HOTCHKIS & WILEY	1.00% - ON ASSETS UNDER MANAGEMENT
INTEGRITY	.85% - FIRST \$15 MILLION .75% - NEXT \$25 MILLION
LOOMIS SAYLES	.35% - FIRST \$20 MILLION .25% - NEXT \$80 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

◆ Change in Book and Market Value

	Cost	Market value	For more information
Opening balance	245,362,377.20	289,791,539.91	
Miscellaneous Cash Receipts	5,434,634.56	5,434,634.56	See funding & disbursement summary
Participant Contributions	435,468.79	435,468.79	See funding & disbursement summary
Sponsor Contributions	986,197.34	986,197.34	See funding & disbursement summary
Intra-portfolio Transfers In	6,046,828.06	6,046,828.06	See funding & disbursement summary
Security Receipts	0.00	1.05	See funding & disbursement summary
Benefit Payment Redeposits	9,380.93	9,380.93	See funding & disbursement summary
Total receipts	12,912,509.68	12,912,510.73	See funding & disbursement summary
Miscellaneous Cash Disbursements	- 5,254,539.85	- 5,254,539.85	See funding & disbursement summary
Intra-portfolio Transfers Out	- 6,046,828.06	- 6,046,828.06	See funding & disbursement summary
Benefit Payments / Beneficiary Payments	- 3,992,005.80	- 3,992,005.80	See funding & disbursement summary
Total disbursements	- 15,293,373.71	- 15,293,373.71	See funding & disbursement summary
Income received	1,363,596.94	1,363,596.94	See income & expense summary, cash activity detail
Expenses paid	- 762,146.35	- 762,146.35	See income & expense summary
Unrealized gain/loss change	0.00	6,372,065.29	See asset summary
Unrealized gains/loss on security movements	0.00	- 1.05	See funding & disbursement summary
Realized gain/loss	3,914,692.15	3,914,692.15	See realized gain/loss summary
Accrued income change	85,359.77	85,359.77	See income & expense summary
Closing balance	247,593,015.68	308,384,243.68	



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

**Percent Total Return  
 Per Period**

Time Period	12/31/2014	Portfolio		FTSE/NAREIT Equity REIT Index
		Gross	Net	
1 Month		2.61%	2.56%	1.87%
YTD		33.21%	32.44%	30.14%
1 Year		33.21%	32.44%	30.14%
3 Year		17.71%	17.01%	16.33%
5 Year		18.29%	17.59%	16.88%
Inception (October 21, 2008)		18.41%	17.71%	16.13%



CORNERSTONE

December 31, 2014

Bay County Employees' Retirement System

Symbol	Description	Property Type	Shares	Cost	Cost Per Share	Closing Price 12/31/2014	Percentage of Portfolio	Market Value 12/31/2014	Dividend Yield
AVB	AvalonBay Communities Inc	Apartment	6,016	\$908,665	\$151.04	\$163.39	7.01%	\$982,954	2.8%
EDR	Education Realty Trust Inc	Apartment	5,376	\$155,651	\$28.95	\$36.59	1.40%	\$196,708	3.8%
EQR	Equity Residential	Apartment	12,130	\$778,063	\$64.14	\$71.84	6.21%	\$871,419	2.8%
ESS	Essex Property Trust Inc	Apartment	3,200	\$563,783	\$176.18	\$206.60	4.71%	\$661,120	2.5%
GPT	Gramercy Property Trust Inc	Diversified	15,480	\$107,404	\$6.93	\$6.90	0.76%	\$106,881	2.2%
VNO	Vornado Realty Trust	Diversified	4,554	\$344,792	\$75.71	\$117.71	3.82%	\$536,051	2.5%
ARCP	American Realty Capital Proper	Free Standing	9,360	\$86,154	\$9.20	\$9.05	0.60%	\$84,708	10.1%
DOC	Physicians Realty Trust	Healthcare	6,930	\$83,065	\$11.99	\$16.60	0.82%	\$115,038	5.4%
HCN	Health Care REIT Inc	Healthcare	7,710	\$466,379	\$60.49	\$75.67	4.16%	\$583,416	4.2%
NHI	National Health Investors Inc	Healthcare	2,157	\$128,258	\$59.46	\$69.96	1.08%	\$150,904	4.4%
SBRA	Sabra Health Care REIT Inc	Healthcare	5,240	\$145,734	\$27.81	\$30.37	1.13%	\$159,139	5.0%
VTR	Ventas Inc	Healthcare	4,587	\$279,234	\$60.88	\$71.70	2.34%	\$328,888	4.1%
AHT	Ashford Hospitality Trust Inc	Hotels	7,280	\$91,316	\$12.54	\$10.48	0.54%	\$76,294	4.6%
CLDT	Chatham Lodging Trust	Hotels	4,820	\$138,615	\$28.76	\$28.97	1.00%	\$139,635	3.2%
CHSP	Chesapeake Lodging Trust	Hotels	9,130	\$197,047	\$21.58	\$37.21	2.42%	\$339,727	3.2%
DRH	DiamondRock Hospitality Co	Hotels	15,540	\$189,968	\$12.22	\$14.87	1.65%	\$231,080	2.8%
FCH	FelCor Lodging Trust Inc	Hotels	22,340	\$161,554	\$7.23	\$10.82	1.72%	\$241,719	0.7%
HST	Host Hotels & Resorts Inc	Hotels	15,555	\$275,948	\$17.74	\$23.77	2.64%	\$369,742	3.2%
LHO	Lasalle Hotel Properties	Hotels	5,990	\$172,016	\$28.72	\$40.47	1.73%	\$242,415	3.5%
HOT	Starwood Hotels & Resorts Worl	Hotels/Not Indexed	1,310	\$100,868	\$77.00	\$81.07	0.76%	\$106,202	4.9%
FR	First Industrial Realty Trust	Industrial	9,581	\$157,876	\$16.48	\$20.56	1.40%	\$196,985	2.0%
STAG	STAG Industrial Inc	Industrial	5,192	\$108,211	\$20.84	\$24.50	0.91%	\$127,204	5.3%
PLD	Prologis Inc	Industrial	13,880	\$604,800	\$43.57	\$43.03	4.26%	\$597,256	3.1%
ARE	Alexandria Real Estate Equite	Office	2,220	\$151,335	\$68.17	\$88.74	1.40%	\$197,003	3.2%
BXP	Boston Properties Inc	Office	4,570	\$423,609	\$92.69	\$128.69	4.19%	\$588,113	5.5%
BDN	Brandywine Realty Trust	Office	7,910	\$119,044	\$15.05	\$15.98	0.90%	\$126,402	3.8%
CUZ	Cousins Properties Inc	Office	18,640	\$206,377	\$11.07	\$11.42	1.52%	\$212,869	2.6%
HIW	Highwoods Properties Inc	Office	10,200	\$371,178	\$36.39	\$44.28	3.22%	\$451,656	3.8%
KRC	Kirroy Realty Corp	Office	5,872	\$321,671	\$54.78	\$69.07	2.89%	\$405,579	2.0%
PGRE	Paramount Group Inc	Office/Not Indexed	8,830	\$158,933	\$18.00	\$18.59	1.17%	\$164,150	0.0%
GGP	General Growth Properties Inc	Regional Mall	13,331	\$280,239	\$21.02	\$28.13	2.67%	\$375,001	2.2%
SPG	Simon Property Group Inc	Regional Mall	8,558	\$839,819	\$98.13	\$182.11	11.11%	\$1,558,497	2.8%
CUBE	CubeSmart	Self-Storage	16,600	\$295,720	\$17.81	\$22.07	2.61%	\$366,362	2.5%
EKR	Extra Space Storage Inc	Self-Storage	7,400	\$341,315	\$46.12	\$58.64	3.09%	\$433,936	3.1%
AKR	Acadia Realty Trust	Shopping Centers	15,361	\$406,874	\$26.49	\$32.03	3.51%	\$492,013	3.8%
KRG	Kite Realty Group Trust	Shopping Centers	6,562	\$163,833	\$24.97	\$28.74	1.34%	\$188,592	3.6%
REG	Regency Centers Corp	Shopping Centers	6,330	\$321,811	\$50.84	\$63.78	2.88%	\$403,727	2.9%
RPT	Ramco-Gershenson Properties Tr	Shopping Centers	11,660	\$187,246	\$16.06	\$18.74	1.56%	\$218,508	4.1%
SKT	Tanger Factory Outlet Centers	Shopping Centers	8,390	\$301,992	\$35.99	\$36.96	2.21%	\$310,094	2.6%
Total Equities							99.3%	\$ 13,937,989	3.2%
Total Cash & Cash Equivalents							0.7%	\$ 91,791	
Total Portfolio Value							100.0%	\$ 14,029,780	

8

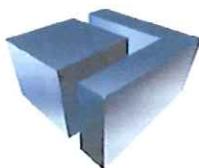


# Quarterly Report

## Bay County Employees' Retirement System

December 31, 2014





## CORNERSTONE

January 30, 2015

Bay County Employees' Retirement System  
Bay County Voluntary Employees' Beneficiary Association  
Bay County Building  
515 Center Avenue, Suite 706  
Bay City, MI 48708-5128

Dear Bay County Employees' Retirement System:

The total return of the Bay County Employees' Retirement System REIT account for the quarter ended December 31, 2014 is as follows:

### Total Returns Ending December 31, 2014

Portfolio	Q4 2014	1 Year
Bay County Employees' Gross	16.37%	33.21%
Bay County Employees' Net	16.20%	32.44%
<i>FTSE NAREIT Equity REIT Index</i>	<i>14.20%</i>	<i>30.14%</i>

### Market Overview

The FTSE NAREIT Equity REIT Index ("The Index") increased 14.20% in the fourth quarter, outperforming the S&P 500 Index which was up 4.93% in the same period. The sector benefited from private institutional real estate demand and a strong U.S. economy that supported favorable property-level fundamentals. Pro-cyclical real estate sectors were generally the top performers in the quarter.

Among sectors with material holdings, the Health Care sector posted the highest returns relative to The Index, followed by Hotels. The Health Care sector benefited from declining long-term interest rates, which favors longer term lease sectors. Quarterly returns were above average in the Hotel sector due to strong RevPAR growth due to the robust domestic economy.

The Free Standing sector posted the lowest return relative to The Index in the fourth quarter, primarily due to the sharp decline of one company: American Realty Capital Properties (ARCP). In October, ARCP reported accounting irregularities that led to an internal investigation by the

board and investigations by the SEC and FBI. The Strategy has an underweight position in this company.

## **Market Commentary**

The strong employment report in November dispelled some economists' forecast of a slowing economy. The fourth quarter monthly average of 289,000 new jobs shows continued acceleration in job growth. Although plunging fuel prices does not bode well for the oil industry, it was welcomed by the consumer. Third quarter GDP, which was revised up to 5% in December, was the best since 2003, providing assurance the economy is expanding. Consumer spending contributed 2.2 percentage points to GDP growth.

## **Property Markets**

### **Office**

The U.S. office recovery continues to build momentum with some submarkets approaching full recovery. Over the last several quarters net absorption has posted its strongest pace since 2006. Vacancy dropped another 20 basis points nationally in the fourth quarter to 13.9% (10.7% for class A downtown). Average asking rents have been rising at a slow but steady pace for over the past three years and rent increases are expected to accelerate in 2015 as new supply is running at less than half the pace of forecast demand. Market conditions continue to tighten in the nation's leading technology centers including Austin, Boston, Denver, Seattle and Raleigh. A 40 basis points quarterly increase in Houston's office vacancy follows a modest rise in the third quarter, as construction activity in the Energy Corridor outpaces absorption and a near-term imbalance likely continues for several quarters as the oil price collapse begins to impact office employment. The office sector is on solid ground in 2015 with improving fundamentals. Overall office supply is forecast to average less than 1% growth annually over the next few years. Markets with the strongest forecast 2015 rent gains include Austin, Dallas and the Southeast Florida metros.

### **Industrial**

The industrial market recovery kicked into high gear in 2014 with availability approaching pre-recession levels. Average rents were up almost 5% for the year, and construction is beginning to ramp up but is still lagging demand by a wide margin. We expect another strong year in 2015 as absorption is outpacing new deliveries by a healthy two-to-one margin. Availability declined 20 basis points in the fourth quarter to 10.3% nationwide, and is forecast to drop below the pre-recession low of 9.7% later this year, supporting similarly strong rent gains. The strong dollar does take some of the steam out of the resurgent U.S. manufacturing sector, and West Coast port congestion poses another near term challenge, but these headwinds are mitigated by improving consumer fundamentals and the anticipated recovery in single family housing. Occupancy improvement is widespread with 52 of 60 markets showing gains and rent growth. Among the major markets, Riverside County, Atlanta, Chicago and Houston continue to capture the lion's share of demand. These four markets account for over one-third of the total 2014 absorption, though Houston likely faces a speed bump in the pace of absorption this year. The strongest rent growth is reported in San Francisco, Seattle and Atlanta.

## **Apartment**

Despite active supply, performance in the apartment sector remains strong with national average vacancy rising 10 basis points to 4.4% in the fourth quarter, but down 50 basis points for the year and well below the 5.2% twenty-year average. The sector is expected to maintain solid occupancies and slower rent growth in the near term as supply is meeting strong demand growth, and the current wave of new supply appears to be cresting in several markets including Seattle and Washington D.C. Across 62 major markets, vacancy declined from the previous year in 56, held steady in 2, and increased slightly in 4 (Austin, New York, Oklahoma City, and Pittsburgh). Quarterly performance in markets with exposure to energy production was mixed. Denver and Houston showed occupancy gains of 50 basis points and 70 basis points, respectively, over last year, while Oklahoma City and Pittsburgh saw vacancy rise by 60 basis points and 140 basis points, respectively. Markets with the largest active construction pipelines include Austin, Charlotte, Dallas, Houston, Nashville, Orlando, Raleigh, San Jose, Salt Lake City and Seattle. These markets are forecast to see supply growth above 3% through 2016. We expect slower rent growth and potential submarket imbalances as new supply comes on line.

## **Retail**

Improving labor markets and falling energy prices are boosting consumer sentiment, which suggests stronger gains for the sector in 2015. Through 2014 retail real estate occupancy gains maintained a modest trajectory while availability rates declined a slight 10 basis points in the fourth quarter to 11.4%, with performance almost evenly split among the nation's 60 major markets. Retail space market recovery is lagging other property sectors but the outlook for 2015 remains bright. The fourth quarter capped 2014 with a spectacular November-December holiday sales performance. According to the U.S. Census Bureau, total retail and food services sales during the two-month holiday period grew 3.8% on a year-over-year comparison. Shopping center-inclined sales climbed 3.6% in the final two months of 2014, accelerating from +2.0% in the prior year; while GAFO-store sales — an even tighter metric — rose 2.9%, up significantly from a paltry +0.9% in 2013. In fact, same-store sales for many retailers gained 4.9% during the holidays, making it their strongest season since 1999. We expect 2015 to be even better for retail as the U.S. economy goes full speed towards recovery. Trends to watch in 2015 include a further slide in gasoline prices, presenting consumers with more discretionary dollars; more department store closings, potentially risking mall owners as they scramble to back fill these stores with huge footprints; shrinking store formats with the larger stores downsizing; and more retailers adopting an omni-channel approach.

## **Hotel**

Preliminary data showed that the hotel sector outperformed expectations in 2014, with record revenues driven by solid occupancy gains in all "Top 25" markets. Group demand, which has been missing from the recovery, surged in 2014 pushing the sector to new peak occupancy levels. RevPAR grew a record 8.4% in 2014 (through November), led by Nashville (18.9%), Denver (16.1%) and Atlanta (10.3%). Room sales growth (4.4%) outpaced room supply (0.9%). Both PwC and Smith Travel Research have revised their 2015 RevPAR forecasts upward, reflecting the robust positive momentum that the industry is riding into the new year. On a 12 month trailing basis, occupancy is now 50 basis points above its previous peak. Average Daily Room Rate is 7.7% above previous peak and RevPAR is 11.8% above previous peak. While supply is not a risk nationally, construction is very active in New York, Houston, Austin and Miami. Given our favorable U.S. macroeconomic outlook, 2015 will see higher occupancies and

room rates, and more supply particularly in the limited service and boutique sectors. As in previous hotel cycles, brands are taking advantage of record revenues and demand to expand and further differentiate their presence with brands and formats targeted at specific demographic trends and consumer preferences.

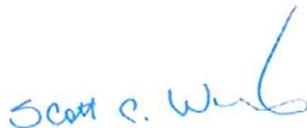
## REIT Outlook

We expect performance strength in the U.S. REIT market in 2015, with returns in the 8% to 12% range. Property fundamentals are expected to continue to remain favorable. We expect the Federal Reserve to hike rates during the year, but believe global pressures will keep long-term rates historically lower for the near-term. Earnings growth and current valuations can weather this environment. We will continue to focus on our pro-cyclical portfolio strategy in 2015 as the U.S. economy is expected to remain on course, while monitoring the downside risk of global economic slowdown in Europe and Asia and higher volatility.

Sincerely,



David Wharmby, CFA  
Managing Director, Global Head of Real Estate Securities, Portfolio Manager



Scott Westphal, CFA, CPA  
Managing Director, Portfolio Manager



# CORNERSTONE

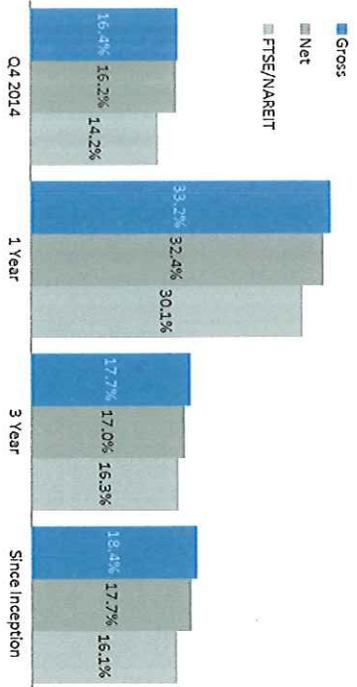
PERFORMANCE HISTORY  
Bay County Employees' Retirement System

Total Return as of 12/31/2014

Time Period	Portfolio Returns Gross	Net	FTSE/NAREIT Equity Index
Q4 2014	16.37%	16.20%	14.20%
YTD 2014	33.21%	32.44%	30.14%
1 Year	33.21%	32.44%	30.14%
3 Year	17.71%	17.01%	16.33%
5 Year	18.29%	17.59%	16.88%
Since Inception	18.41%	17.71%	16.13%

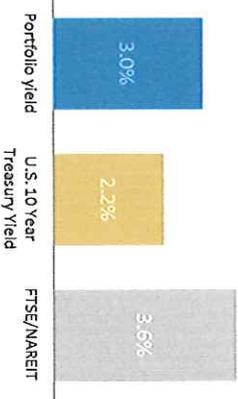
\* Inception Date 10/21/2008

### Returns Summary



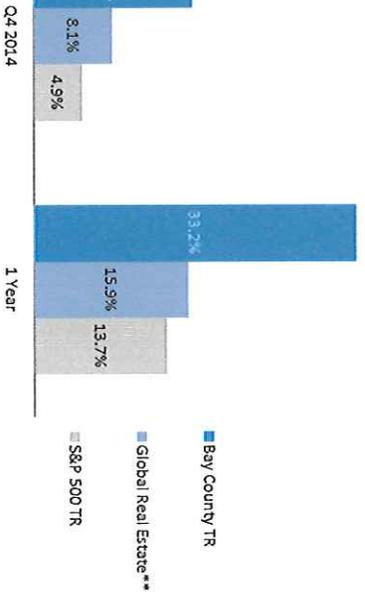
Past performance is not a guarantee of future performance.

### Dividend Yields<sup>1</sup>



<sup>1</sup>All forward yields

### Capital Markets & Real Estate Comparison



\*\* FTSE EPRA/NAREIT Developed Index

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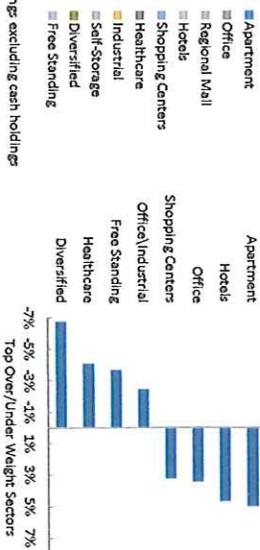
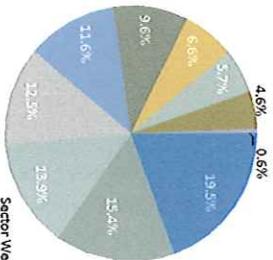
Bay County Employees' Retirement System  
December 31, 2014

Top Ten Equity Holdings

Ticker	Security	Total Portfolio		Sector	Quantity	Market Close Price	Portfolio Market Value	Equity Weight*	Dividend Yield	Security Market Return Quarter
		Weight	Weight							
SPG	Simon Property Group Inc	11.1%	Regional Mall	8,558	\$182.11	\$1,558,497	11.2%	2.8%	11.6%	
AVB	AvalonBay Communities Inc	7.0%	Apartment	6,016	\$163.39	\$982,954	7.1%	2.8%	16.7%	
EQR	Equity Residential	6.2%	Apartment	12,130	\$71.84	\$871,419	6.3%	2.8%	17.5%	
ESS	Essex Property Trust Inc	4.7%	Apartment	3,200	\$206.60	\$661,120	4.7%	2.5%	16.3%	
PLD	Prologis Inc	4.3%	Industrial	13,880	\$43.03	\$597,256	4.3%	3.1%	15.1%	
BXP	Boston Properties Inc	4.2%	Office	4,570	\$128.69	\$588,113	4.2%	5.5%	15.5%	
HCN	Health Care REIT Inc	4.2%	Healthcare	7,710	\$75.67	\$583,416	4.2%	4.2%	22.7%	
VNO	Vornado Realty Trust	3.8%	Diversified	4,564	\$117.71	\$536,051	3.8%	2.5%	18.5%	
AKR	Aacadia Realty Trust	3.5%	Shopping Centers	15,361	\$32.03	\$492,013	3.5%	3.8%	18.1%	
HIW	Highwoods Properties Inc	3.2%	Office	10,200	\$44.28	\$451,656	3.2%	3.8%	15.0%	
							<b>\$7,322,496</b>	<b>52.5%</b>	<b>3.2%</b>	

FTSE NAREIT Equity Index vs. Portfolio Sector Weightings

Sector	Equity Weight*	NAREIT Equity Index Weight		Over/Under Weight
		Index Weight	Over/Under Weight	
Apartment	19.5%	14.4%	5.0%	
Regional Mall	13.9%	14.2%	-0.3%	
Self-Storage	5.7%	5.8%	0.0%	
Industrial	6.6%	4.7%	2.0%	
Diversified	4.6%	11.4%	-6.7%	
Hotels	12.5%	7.9%	4.7%	
Shopping Centers	11.5%	8.4%	3.2%	
Healthcare	9.6%	13.7%	-4.1%	
Office/Industrial	0.0%	2.4%	-2.4%	
Manufactured Homes	0.0%	1.0%	-1.0%	
Office	15.4%	12.0%	3.4%	
Free Standing	0.6%	4.3%	-3.7%	
		<b>100.0%</b>	<b>100.0%</b>	



\*Note: Weight excludes cash and cash equivalents.  
Sector weights include securities that are not in the index.

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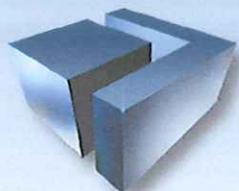
**CORNERSTONE**

Bay County Employees' Retirement System  
December 31, 2014

Symbol	Description	Property Type	Shares	Cost	Cost Per Share	Closing Price 12/31/2014	Percentage of Portfolio	Market Value 12/31/2014	Dividend Yield
<b>Equity Holdings</b>									
AVB	AvalonBay Communities Inc	Apartment	6,016	\$908,665	\$151.04	\$163.39	7.01%	\$982,954	2.8%
EOR	Education Realty Trust Inc	Apartment	5,376	\$155,651	\$28.95	\$36.59	1.40%	\$196,708	3.8%
EQR	Equity Residential	Apartment	12,130	\$778,063	\$64.14	\$71.84	6.21%	\$871,419	2.8%
ESS	Essex Property Trust Inc	Apartment	3,200	\$563,783	\$176.18	\$206.60	4.71%	\$661,120	2.5%
GPT	Gamergy Property Trust Inc	Diversified	15,490	\$107,404	\$6.93	\$6.90	0.76%	\$106,881	2.2%
VNO	Vornado Realty Trust	Diversified	4,554	\$344,792	\$75.71	\$117.71	3.82%	\$536,051	2.5%
ARCP	American Realty Capital Proper	Free Standing	9,360	\$86,154	\$9.20	\$9.05	0.60%	\$84,708	10.1%
DOC	Physicians Realty Trust	Healthcare	6,930	\$83,065	\$11.99	\$16.60	0.82%	\$115,038	5.4%
HGN	Health Care REIT Inc	Healthcare	7,710	\$466,879	\$60.49	\$75.67	4.16%	\$583,416	4.4%
NHI	National Health Investors Inc	Healthcare	2,157	\$128,258	\$59.46	\$69.96	1.08%	\$150,904	4.2%
SBR	Sabra Health Care REIT Inc	Healthcare	5,240	\$145,734	\$27.81	\$30.37	1.13%	\$159,139	5.0%
VTR	Ventus Inc	Healthcare	4,587	\$279,234	\$60.88	\$71.70	2.34%	\$328,888	4.1%
AHT	Ashford Hospitality Trust Inc	Hotels	7,280	\$91,316	\$12.54	\$10.48	0.54%	\$76,294	4.6%
CLDT	Chatham Lodging Trust	Hotels	4,820	\$138,615	\$28.76	\$28.97	1.00%	\$139,635	3.2%
CHSP	Chesapeake Lodging Trust	Hotels	9,130	\$197,047	\$21.58	\$37.21	2.42%	\$339,727	3.2%
DRH	DiamondRock Hospitality Co	Hotels	15,540	\$189,968	\$12.22	\$14.87	1.65%	\$231,080	2.8%
FCH	FelCor Lodging Trust Inc	Hotels	22,340	\$161,554	\$7.23	\$10.82	1.72%	\$241,719	0.7%
HST	Host Hotels & Resorts Inc	Hotels	15,555	\$275,948	\$17.74	\$23.77	2.64%	\$369,742	3.2%
LHO	Lasalle Hotel Properties	Hotels	5,990	\$172,016	\$28.72	\$40.47	1.73%	\$242,415	3.5%
HOT	Starwood Hotels & Resorts Worl	Hotels	1,310	\$100,868	\$77.00	\$81.07	0.76%	\$106,202	4.9%
FR	First Industrial Realty Trust	Industrial	9,581	\$157,876	\$16.48	\$20.56	1.40%	\$196,985	2.0%
STAG	STAG Industrial Inc	Industrial	5,192	\$108,211	\$20.84	\$24.50	0.91%	\$127,204	5.3%
PLD	Prologis Inc	Industrial	13,880	\$604,800	\$43.57	\$43.03	4.28%	\$597,256	3.1%
ARE	Alexandria Real Estate Equitie	Office	2,220	\$151,335	\$68.17	\$88.74	1.40%	\$197,003	3.2%
BXP	Boston Properties Inc	Office	4,570	\$423,609	\$92.69	\$128.69	4.19%	\$558,113	5.5%
BDN	Brandywine Realty Trust	Office	7,910	\$119,044	\$15.05	\$15.98	0.90%	\$126,402	3.8%
CUZ	Cousins Properties Inc	Office	18,640	\$206,377	\$11.07	\$11.42	1.52%	\$212,869	2.6%
HLW	Highwoods Properties Inc	Office	10,200	\$371,178	\$36.39	\$44.28	3.22%	\$451,656	3.8%
KRC	Kirroy Realty Corp	Office	5,872	\$371,671	\$64.78	\$69.07	2.89%	\$405,579	2.0%
PGRE	Paramount Group Inc	Office	8,830	\$158,933	\$18.00	\$18.59	1.17%	\$164,150	0.0%
GGP	General Growth Properties Inc	Regional Mail	13,331	\$280,239	\$21.02	\$28.13	2.67%	\$375,001	2.2%
SPG	Simon Property Group Inc	Regional Mail	8,558	\$839,819	\$98.13	\$182.11	11.1%	\$1,538,497	2.8%
CUBE	CubeSmart	Self-Storage	16,600	\$295,720	\$17.81	\$22.07	2.61%	\$366,362	2.5%
EXR	Extra Space Storage Inc	Self-Storage	7,400	\$341,315	\$46.12	\$58.64	3.09%	\$433,936	3.1%
AKR	Acadia Realty Trust	Shopping Centers	6,562	\$406,874	\$26.49	\$32.03	3.51%	\$492,013	3.8%
KRG	Kite Realty Group Trust	Shopping Centers	6,361	\$163,833	\$24.97	\$28.74	1.34%	\$188,592	3.6%
REG	Regency Centers Corp	Shopping Centers	6,330	\$321,811	\$50.84	\$63.78	2.88%	\$403,727	2.9%
RPT	Ramco-Gershenson Properties Tr	Shopping Centers	11,660	\$187,246	\$16.06	\$18.74	1.56%	\$218,508	4.1%
SKT	Tanger Factory Outlet Centers	Shopping Centers	8,390	\$301,992	\$35.99	\$36.96	2.21%	\$310,094	2.6%

Total Equities 99.3% \$ 13,937,989 3.2%  
 Total Cash & Cash Equivalents 0.7% \$ 91,791  
 Total Portfolio Value 100.0% \$ 14,029,780

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For additional information on the  
**Bay County Employees' Retirement System**  
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## Bay County Employees' Retirement System - 05231100

Portfolio Style: SmallCap Growth Equity

### Portfolio Summary

	Month To Date	Year To Date
Beginning Market Value	11,418,467.74	11,026,120.85
Contributions	0.00	0.00
Withdrawals	-1,500,025.00	-1,500,291.75
Dividend and Interest Income	3,686.86	45,170.33
Change in Market Value	255,352.08	606,482.25
Ending Market Value	10,177,481.68	10,177,481.68

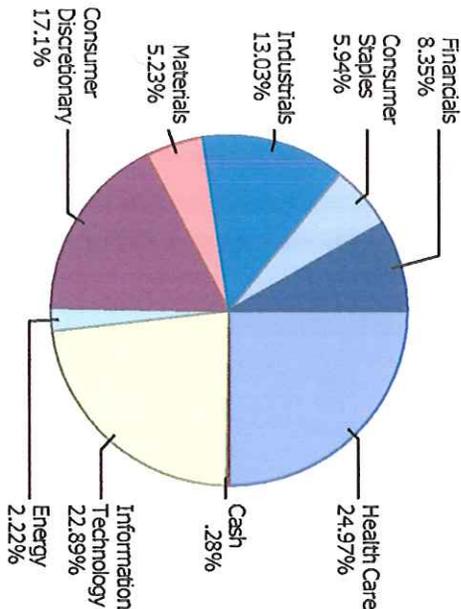
### Performance Summary

	MTD	QTD	YTD	1 Year	3 Years	5 Years	Annualized Since Inception
Gross	2.33	8.26	5.97	5.97	19.52		18.97
Net	2.33	8.03	5.05	5.05	18.44		18.03
RU20GRTR <sup>1</sup>	2.97	10.06	5.60	5.60	20.14		20.59

<sup>1</sup> Russell 2000 Growth Index

Performance is based on fiscal year end of portfolio

### Industry Weightings



### Top Ten Holdings

Security Description	Total Market Value	% of Market Value
NATUS MEDICAL INC	310,772.92	3.05%
UNIVERSAL ELECTRONICS INC	284,766.37	2.80%
IMPERVA INC	240,625.24	2.36%
PANTRY INC	235,998.08	2.32%
QUAKER CHEMICAL CORP	235,346.28	2.31%
GENESCO INC	199,824.96	1.96%
CENTENE CORP	199,392.00	1.96%
MARTIN MARIETTA MATERIALS	196,038.64	1.93%
CAVIUM INC	174,888.78	1.72%
BELMOND LTD-CLASS A	174,466.48	1.71%

# Proxy Voting Report

Produced by Glass, Lewis & Co.

Oct 01, 2014 to Dec 31, 2014  
 4Q 2014 PROXY VOTING REPORT - BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM (BCERS)

## Ballot Status Summary

Number of Meetings	3	
Number of Ballots	3	
Confirmed	3	% Of All Ballots 100.0%
Validated	0	% Of All Ballots NA
Sent Ballots	0	% Of All Ballots NA
Unsent Ballots	0	% Of All Ballots NA
Take No Action	0	% Of All Ballots NA
No Vote Cast	0	% Of All Ballots NA

## Vote Against Management (VAM) Summary

Number of Meetings	3	Number of Proposals	34
Number of Countries (Country of Origin)	2	Number of Countries (Country of Trade)	1
Number of Meetings With VAM	0	% of All Meetings Voted	NA
Number of Proposals With VAM	0	% of All Proposals Voted	NA
Number of Meetings With Votes For Mgmt	3	% of All Meetings Voted	100.0%
Number of Proposals With Votes For Mgmt	34	% of All Proposals Voted	100.0%
Number of Abstain Votes	0	% of All Proposals Voted	NA

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Number of No Votes Cast	0	% of All Proposals Voted	N/A
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### Votes Against Policy (VAP) Summary

Number of Meetings	3	Number of Proposals	34
Number of Countries (Country of Origin)	2	Number of Countries (Country of Trade)	1
Number of Meetings With VAP	0	% of All Meetings Voted	N/A
Number of Proposals With VAP	0	% of All Proposals Voted	N/A
Number of Meetings With Votes For Policy	3	% of All Meetings Voted	100.0%
Number of Proposals With Votes For Policy	34	% of All Proposals Voted	100.0%
Number of Abstain Votes	0	% of All Proposals Voted	N/A
Number of No Votes Cast	0	% of All Proposals Voted	N/A
Number of Proposals with Votes with GL	34	% of All Proposals Voted	100.0%

### Proposal Summary

Number of Meetings: 3  
 Number of Mgmt Proposals: 34  
 Number of Shareholder Proposals: 0

Mgmt Proposals Voted FOR	34	% of All Mgmt Proposals	100.0%
Mgmt Proposals Voted Against/Withhold	0	% of All Mgmt Proposals	N/A
Mgmt Proposals Voted Abstain	0	% of All Mgmt Proposals	N/A
Mgmt Proposals With No Votes Cast	0	% of All Mgmt Proposals	N/A
Mgmt Proposals Voted 1 Year	0	% of All Mgmt Proposals	N/A
Mgmt Proposals Voted 2 Years	0	% of All Mgmt Proposals	N/A
Mgmt Proposals Voted 3 Years	0	% of All Mgmt Proposals	N/A

ShrHldr Proposal Voted FOR	0	% of All ShrHldr Proposals	N/A
ShrHldr Proposals Voted Against/Withhold	0	% of All ShrHldr Proposals	N/A
ShrHldr Proposals Voted Abstain	0	% of All ShrHldr Proposals	N/A
ShrHldr Proposals With No Votes Cast	0	% of All ShrHldr Proposals	N/A

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NA	0
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Pall Corp.

Voted	Ballot Created	Ballot Status	Confirmed	Decision Status	Approved	Ticker	Country Of	Share Blocking
Ballot Created	11/01/2014	Ballot Voted	12/04/2014	Approved	For	PULL	US	No
Vote Deadline Date	12/09/2014	Record Date	10/14/2014					
Contested	No	Agenda Type	Mgmt					
Ballot Sec ID	CUSIP9-696423307							

Annual Meeting Agenda (12/10/2014)

- 1 Elect Army E. Alving
- 2 Elect Robert B. Courts
- 3 Elect Mark E. Goldstein
- 4 Elect Cheryl W. Gnsé
- 5 Elect Ronald L. Hoffman
- 6 Elect Lawrence D. Kingsley
- 7 Elect Dennis N. Longstreet
- 8 Elect Craig Owens
- 9 Elect Katharine L. Plourde
- 10 Elect Edward Travaglianti
- 11 Elect Bret W. Wise
- 12 Ratification of Auditor
- 13 Amendment to the 2012 Stock Compensation Plan
- 14 Advisory Vote on Executive Compensation

Accounts With Shares

Shares Voted	Holdings Id	Shares Held	Shares On Loan	Policy Id
3,186	bcers	3,186	0	Geneva Policy
<b>Totals</b>		<b>3,186</b>	<b>0</b>	

Paraxel International Corp

Voted	Ballot Created	Ballot Status	Confirmed	Decision Status	Approved	Ticker	Country Of	Share Blocking
Ballot Created	10/25/2014	Ballot Voted	11/30/2014	Approved	For	PRXL	US	No
Vote Deadline Date	12/03/2014	Record Date	10/10/2014					
Contested	No	Agenda Type	Mgmt					
Ballot Sec ID	CUSIP9-699452107							

Annual Meeting Agenda (12/04/2014)

- 1 Election of Directors
  - 1.1 Elect Patrick J. Fortune
  - 1.2 Elect Ellen M. Zane
- 2 Advisory Vote on Executive Compensation
- 3 Ratification of Auditor

Accounts With Shares

Shares Voted	Holdings Id	Shares Held	Shares On Loan	Policy Id
11	bcers	6,441	6,430	Geneva Policy
<b>Totals</b>		<b>6,441</b>	<b>6,430</b>	

Annual Meeting Agenda (11/04/2014)

	Void	Ballot Status	Confirmed	Decision Status	Approved		Share Blocking
	Ballot Created	Ballot No	Ballot Voted	Record Date	Agenda Type	Record Date	Agenda Type
	Contested	Vote Deadline Date	Record Date	Agenda Type	Record Date	Agenda Type	Record Date
	Ballot Sec ID	CUSIP-	Geneva Policy	Vote Cast	PRGO	Share Blocking	No
							Trade US
1	Elect Laurie Bras	FOR	FOR	FOR	FOR	FOR	FOR
2	Elect Gary M. Cohen	FOR	FOR	FOR	FOR	FOR	FOR
3	Elect Jacquelyn A. Fouse	FOR	FOR	FOR	FOR	FOR	FOR
4	Elect David T. Gibbons	FOR	FOR	FOR	FOR	FOR	FOR
5	Elect Ran Gottfried	FOR	FOR	FOR	FOR	FOR	FOR
6	Elect Ellen R. Hoffing	FOR	FOR	FOR	FOR	FOR	FOR
7	Elect Michael J. Jandemca	FOR	FOR	FOR	FOR	FOR	FOR
8	Elect Gary K. Kunkle, Jr.	FOR	FOR	FOR	FOR	FOR	FOR
9	Elect Herman Morris, Jr.	FOR	FOR	FOR	FOR	FOR	FOR
10	Elect Donal O'Connor	FOR	FOR	FOR	FOR	FOR	FOR
11	Elect Joseph C. Papa	FOR	FOR	FOR	FOR	FOR	FOR
12	Ratification of Auditor	FOR	FOR	FOR	FOR	FOR	FOR
13	Advisory Vote on Executive Compensation	FOR	FOR	FOR	FOR	FOR	FOR
14	Authority to Repurchase Shares	FOR	FOR	FOR	FOR	FOR	FOR
15	Price Range for Reissuance of Treasury Stock	FOR	FOR	FOR	FOR	FOR	FOR
16	Reduction of Share Premium Account	FOR	FOR	FOR	FOR	FOR	FOR

Accounts With Shares

	Shares Voted	Holdings Id	Shares Held	Shares On Loan	Policy Id
Northern Trust Company- Bay County	3,129	bcers	3,129	0	Geneva Policy
Employees' Retirement System					
<b>Totals</b>	<b>3,129</b>		<b>3,129</b>	<b>0</b>	

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value

Total Market Value: \$10,997,433 (3.2% Cash)

Quarter Ended December 31, 2014

Performance Returns - Gross of Fees				Weighted Average Portfolio Characteristics				
	MTD	QTD	YTD	Since Incept	Portfolio	Rus 2000 V	Rus 2000	
Portfolio - Total Return	3.23 %	10.05 %	13.98 %	11.16 %	14.9x	16.2x	17.6x	
Portfolio - Equity Only	3.32	10.30	14.58	11.18	6.9x	8.9x	10.5x	
					Price / Book Ratio	1.4x	2.2x	
Russell 2000 Value Index	2.73	9.40	4.22	8.48	Dividend Yield	1.1%	2.0%	
Russell 2000 Index	2.85	9.73	4.90	8.81	Market Capitalization (mm)	\$2,228	\$1,750	
S&P 500 Index	-0.25	4.93	13.69	8.40	# of Holdings / 1-Yr Turnover	60 / 42%	\$1,930	
<i>Comment: Return of portfolio: 12/1/03. Periods over one year are average annualized returns.</i>								
Top and Bottom Five Contributors to Performance				Trading Data				
	End Wgt	Ttl Ret	Cont.	Major Buy/Sell	*New Buy/Sell	+/-	End Wgt	
Matson Inc.	2.89 %	38.77 %	1.25 %	KBR Inc.		1.3% *	5.5 %	
WellCare Health Plans Inc.	3.28	36.00	1.05	Louisiana-Pacific Corp.		1.2% *	4.3	
Meritor Inc.	3.09	39.63	0.96	Rowan Companies PLC		1.1%	3.9	
Horace Mann Educ. Corp.	4.29	17.22	0.70	Popular Inc.		1.0%	3.8	
Masonite Int'l Corp.	5.48	10.98	0.61	Kosmos Energy Ltd.		1.0% *	3.3	
NRG Energy Inc.	1.57 %	-11.17 %	-0.23 %	(Masonite Int'l Corp.)		-0.8%	3.2	
Kaiser Aluminum Corp.	2.99	-5.82	-0.24	(On Semiconductor Corp.)		-1.0%	3.1	
Hudson Global Inc.	1.03	-17.99	-0.26	(Matson Inc.)		-1.3%	3.1	
Noranda Aluminum Hldg	1.06	-21.93	-0.34	(Geo Grp Inc.)		-1.4%	3.0	
McDermott Int'l Inc.	0.37	-49.13	-0.41	(Rent-A-Center Inc.)		-2.6% *	2.9	
Performance Attribution				Top Ten Stocks - Total Portfolio				
Portfolio	Avg Wgt	Equ. Ret	Avg Wgt	Equ. Ret	Sector	Stock	Total	End Wgt
Energy	2.84 %	-26.96 %	4.97 %	-29.34 %	1.39	0.29	1.68	12.1 %
Industrials	24.40	14.07	13.03	9.34	-0.01	1.17	1.16	10.1
Health Care	11.37	15.74	5.17	17.97	0.48	-0.21	0.26	8.0
Telecommunication Services	0.00	0.00	0.75	4.70	0.04	0.00	0.04	6.0
Consumer Discretionary	10.27	13.19	11.36	14.07	-0.07	-0.04	-0.11	5.5
Consumer Staples	0.00	0.00	2.67	15.72	-0.17	0.00	-0.17	5.5
Information Technology	9.08	9.47	10.07	11.79	0.01	-0.18	-0.17	5.0
Financials	30.03	11.27	40.76	11.58	-0.20	-0.15	-0.34	3.9
Utilities	5.13	6.32	6.75	17.57	-0.10	-0.57	-0.67	3.6
Materials	6.88	-5.30	4.46	4.18	-0.13	-0.65	-0.78	3.2
					1.23	-0.33	0.90	

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.

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# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

December 31, 2014

<u>Assets</u>		<u>Transactions Summary</u>	
Total Market Value:	\$10,997,433	Total Purchases:	\$1,222,054
		Total Sales:	\$1,349,416
Total Equity Value:	\$10,646,342	Total Commissions:	\$1,662
Total Cash Value:	\$347,058	Average Transaction Cost/Share:	\$0.013
Total Accrued Value:	\$4,034		
% Cash of Portfolio:	3.2%		

## Performance Returns

Commencement of Portfolio  
December 1, 2003

	<u>MTD</u>	<u>QTD</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>10 Yrs</u>	<u>Inception</u>
	Since						
Portfolio - Total Return	3.23 %	10.05 %	13.98 %	28.68 %	22.78 %	9.40 %	11.16 %
Portfolio - Equity Only	3.32	10.30	14.58	29.48	23.37	9.32	11.18
Russell 2000 Value Index	2.73	9.40	4.22	18.29	14.26	6.89	8.48
Russell 2000 Index	2.85	9.73	4.90	19.21	15.55	7.77	8.81
S&P 500 Index	-0.25	4.93	13.69	20.41	15.45	7.67	8.40

Periods over one year are average annualized returns  
Performance shown gross of fees  
Past performance is no guarantee of future performance

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

December 31, 2014

## MARKET REVIEW AND OUTLOOK

### Market Commentary

U.S. small cap equities continued to generate positive returns for investors. While the Russell 200 Index returned +4.9% in 2014, small cap equities underperformed large cap equities by about 9 percentage points over the year. The extended bull market for both large and small cap equities is very different than the "irrational exuberance" bull market of the 1990s, which was driven by irrational growth expectations and swelling price-to-earnings multiples. The stock market's rise over the past six years has been powered by broad corporate earnings growth. Moreover, household debt has been reduced by about 25% and corporate debt has been more than halved — an unprecedented deleveraging cycle that has de-risked the market considerably. Small cap stock prices are up, earnings are higher, balance sheets are stronger, interest rates are lower, and inflation remains subdued. The U.S. economy has demonstrated clear progress but growth outside the U.S. has somewhat disappointed. Taking into account the confluence of these factors, we find the broad small cap equity market reasonably valued for the risks at hand; it is neither especially compelling nor overextended. We have identified valuation opportunities selectively, as demonstrated by the portfolio's discount to the market, but we remain highly reluctant to assume undue risk. The portfolio trades at 9.6x our estimate of normal/sustainable earnings compared to the Russell 2000 Value Index trading at 15.1x normal earnings and 16.2x next year's consensus earnings. We remain keenly focused not only on valuation support as a primary risk control, but also on strong balance sheets, sustainable cash flows, and prudent use of capital.

Crude oil prices tumbled 46% during 2014, precipitated by concerns about economic growth in developing economies (i.e. shrinking demand) without a corresponding slowdown in production from the world's major oil producers (i.e. excess supply). Because the U.S. is a net importer of crude oil, lower prices should have a modestly positive effect on economic growth. Certain sectors (e.g. consumer related) benefit at the expense of others (e.g. energy), however, which was reflected in significant performance dispersion between small cap sectors during the year. Small cap energy stocks returned -36% as a group, making it the worst-performing sector by a tremendous margin.

In December, the Bureau of Economic Analysis revised real U.S. GDP growth to a +5.0% annual rate for the quarter ended 9/30/14. This was on the heels of a +4.6% real growth rate in the previous quarter and marked the fastest pace in more than a decade. The primary driver was increased consumer spending, but business investment, exports, and government spending also increased. Also in 2014, the unemployment rate dipped below 6% for the first time in six years and consumer confidence hit a seven-year high. An improved economy, robust corporate earnings, and lower financial leverage provide a sound backdrop for the small cap equity market but stock prices have increased accordingly. Amenable environments can persist for long periods, though we remain somewhat guarded. In the current environment, we have identified attractive valuation opportunities selectively while emphasizing appropriate risk controls, and are optimistic regarding the portfolio's resulting risk/return profile.

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

December 31, 2014

## Attribution: 2014

The Hotchkis & Wiley Small Value portfolio considerably outperformed the Russell 2000 Value Index in 2014. Stock selection was positive or neutral in 8 of the 10 GICS sectors for the year, which drove the year's outperformance. Stock selection was particularly strong in industrials and financials. The underweight position in energy also helped, as this was the worst-performing sector in the market by a wide margin. The largest individual performance contributors were Taro Pharmaceutical, Meritor, and Con-Way. Stock selection in energy and an overweight position in industrials were modest performance detractors. The largest individual performance detractors were Quiksilver, Converse, and Hanger.

## Portfolio Activity: 2014

The portfolio's largest sector increase over the year was healthcare as we added to the existing position in WellCare Health Plans. We also increased the weight in financials by adding a new position in regional bank Popular, though we remain underweight the sector due to an underweight in REITs. We trimmed the weight in both consumer discretionary and industrials by taking gains in some strong performers that began to approach our valuation targets.

*Performance comparison is based on gross of management fee returns. Portfolio attribution is based on a representative Small Cap Value portfolio. Certain client portfolio(s) may or may not hold the securities discussed due to the account's guideline restrictions, cash flow, tax and other relevant considerations. Equity performance attribution is an analysis of the portfolio's return relative to a selected benchmark, is calculated using daily holding information and does not reflect management fees and other transaction costs and expenses. Returns calculated using this buy-and-hold methodology can differ from actual portfolio returns due to intraday trades, cash flows, corporate actions, accrued/miscellaneous income, and trade price and closing price difference of any given security. Specific securities identified are the largest contributors (or detractors) on a relative basis to the Russell 2000 Value Index. Securities' absolute performance may reflect different results. Securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients, and are not indicative of current or future holdings or trading activity. H&W has no obligation to disclose purchases or sales of these securities. No assurance is made that any securities identified, or all investment decisions by H&W were, or will be profitable.*

*The commentary is for information purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Portfolio managers' opinions and data included in this commentary are as of December 31, 2014 and are subject to change without notice. Any forecasts made cannot be guaranteed. Information obtained from independent sources is considered reliable, but H&W cannot guarantee its accuracy or completeness. Certain information presented is based on proprietary or third-party estimates, which are subject to change and cannot be guaranteed. Equity securities may have greater risks and price volatility than U.S. Treasuries and bonds, where the price of these securities may decline due to various company, industry and market factors. Investing in value stocks presents the risk that value stocks may fall out of favor with investors and underperform growth stocks during given periods. Investing in smaller and/or newer companies involves greater risks than those associated with investing in larger companies, such as business risk, significant stock price fluctuations and illiquidity. All investments contain risk and may lose value. Past performance is no guarantee of future results. ©2014 Hotchkis & Wiley*

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**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
 Summary of Investment Portfolio  
 As of December 31, 2014

On a Trade Date Basis (US)

	<u>Market Value</u>	<u>% of Total Portfolio</u>	<u>Estimated Dividend Income</u>	<u>Dividend Yield</u>
CASH & CASH EQUIVALENTS	347,057.68	3.16		
EQUITIES	10,646,341.61	96.81	116,265.76	1.09
ACCRUED INCOME	4,033.98	0.04		
TOTAL PORTFOLIO	<u>10,997,433.27</u>	100.00		

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## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Hotchkis & Wiley Capital Management, LLC

Institution Account(s): 1122 Bay Counties Emp Retirement System

### Ruby Tuesday, Inc.

<b>Meeting Date:</b> 10/08/2014	<b>Country:</b> USA	<b>Primary Security ID:</b> 781182100	<b>Meeting ID:</b> 915811
<b>Record Date:</b> 08/11/2014	<b>Meeting Type:</b> Annual	<b>Ticker:</b> RT	
<b>Primary CUSIP:</b> 781182100	<b>Primary ISIN:</b> US7811821005	<b>Primary SEDOL:</b> 2757616	
	<b>Shares Voted:</b> 0	<b>Votable Shares:</b> 0	<b>Shares on Loan:</b> 9,200
			<b>Shares Instructed:</b> 0

Total Ballots: 1

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Stephen I. Sadove	Mgmt	For	For	For
1b	Elect Director Mark W. Addicks	Mgmt	For	For	For
1c	Elect Director Donald E. Hess	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	For
3	Ratify Auditors	Mgmt	For	For	For

#### Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
1122 Bay Counties Emp Retirement System, 1122	2622536	Approved	vswade	09/30/2014	vswade	09/30/2014	0	0
<b>Total Shares:</b>							<b>0</b>	<b>0</b>

### Taro Pharmaceutical Industries Ltd.

<b>Meeting Date:</b> 12/22/2014	<b>Country:</b> Israel	<b>Primary Security ID:</b> M8737E108	<b>Meeting ID:</b> 929934
<b>Record Date:</b> 11/24/2014	<b>Meeting Type:</b> Annual	<b>Ticker:</b> TARO	
<b>Primary CUSIP:</b> M8737E108	<b>Primary ISIN:</b> IL0010827181	<b>Primary SEDOL:</b> 2872423	
	<b>Shares Voted:</b> 100	<b>Votable Shares:</b> 100	<b>Shares on Loan:</b> 1,100
			<b>Shares Instructed:</b> 100

Total Ballots: 1

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Reelect Dilip Shanghvi, Chairman, as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against
1.2	Reelect Subramanian Kalyanasundaram (Kal Sundaram), CEO, as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against
1.3	Reelect Sudhir Valia as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against
1.4	Reelect James Kedrowski as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against

## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Hotchkis & Wiley Capital Management, LLC

Institution Account(s): 1122 Bay Counties Emp Retirement System

## Taro Pharmaceutical Industries Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.5	Reelect Dov Pekelman as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against
2	Reappoint Ziv Haft Certified Public Accountants (Israel), a BDO member firm as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For
3	Discuss Financial Statements and the Report of the Board for 2013	Mgmt			

### Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
1122 Bay Counties Emp Retirement System, 1122	2622536	Confirmed	vwade	12/12/2014	vwade	12/12/2014	100	100
<b>Total Shares:</b>							<b>100</b>	<b>100</b>

# Performance Summary



INTEGRITY ASSET MANAGEMENT

## Bay County Employees' Retirement System

Quarter Ending December 2014

As of 12/31/14	Market Value (\$)	% of Total
Equity	21,651,092.80	98.37
	21,651,092.80	98.37
Cash	358,240.02	1.63
Receivables	19,502.85	0.09
Payables	(46,192.04)	(0.21)
	331,550.83	1.51
Accrued Income/Dividends	26,673.40	0.12
<b>Total</b>	<b>22,009,317.03</b>	<b>100.00</b>

Gross Rate of Return as of 12/31/14 Inception Date 01/03/07	Month-to-Date (%)	Quarter-to-Date (%)	Year-to-Date (%)	1 Year (%)	3 Years (%)	5 Years (%)	Since Inception (%)
<b>Total Portfolio</b>	1.32	5.57	12.11	12.11	22.73	18.48	8.85
Russell Midcap <sup>®</sup> Value Index	0.75	6.05	14.75	14.75	21.93	17.42	7.75
<b>Relative Performance</b>	<b>0.57</b>	<b>-0.48</b>	<b>-2.64</b>	<b>-2.64</b>	<b>0.80</b>	<b>1.06</b>	<b>1.10</b>

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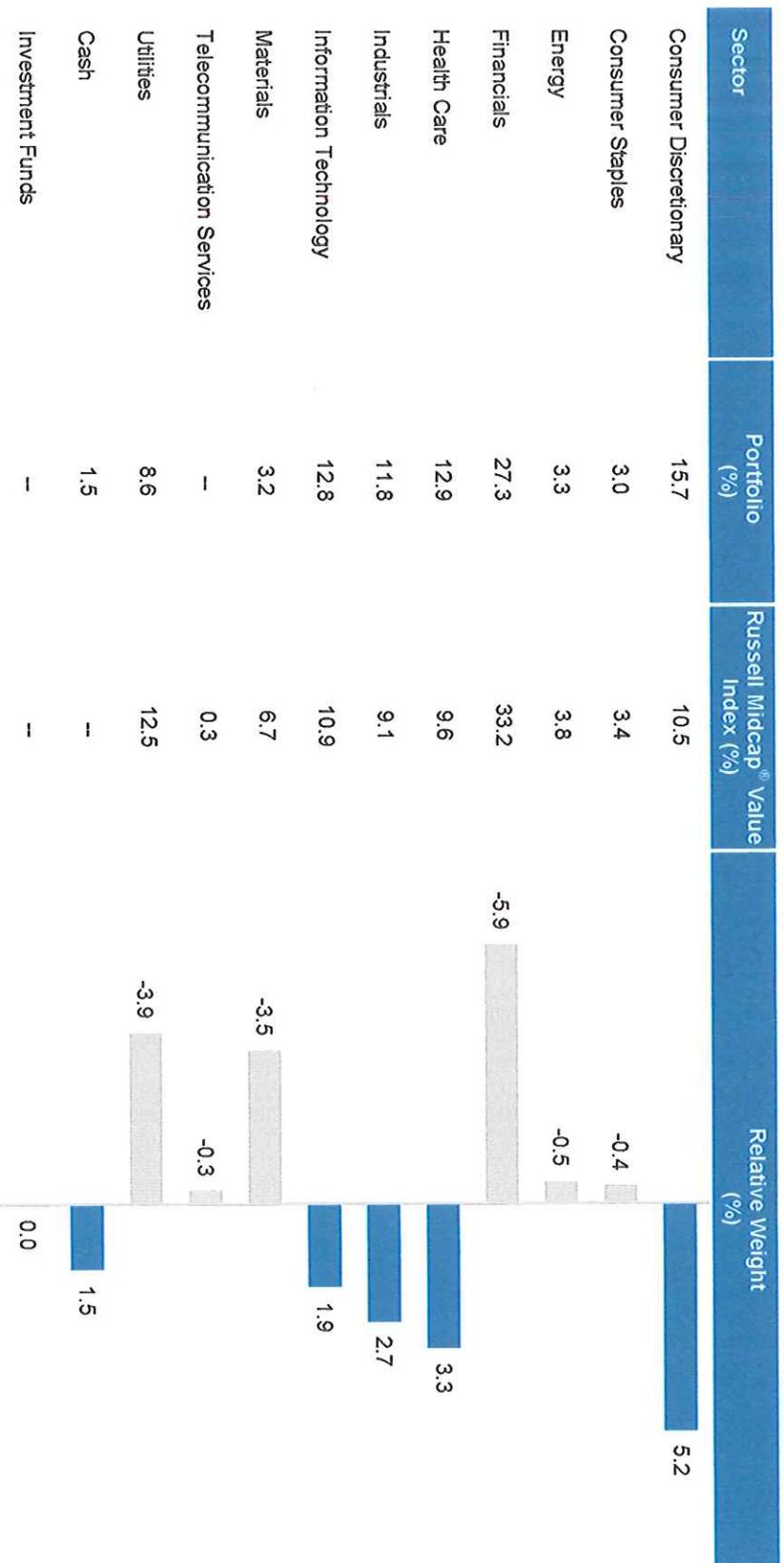
# Sector Allocation



INTEGRITY ASSET MANAGEMENT

## Bay County Employees' Retirement System

Quarter Ending December 2014



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Source: Factset

Percentage allocations listed above may not add up to 100% due to rounding methodology.

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Confidential

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# Characteristics and Top 10 Holdings



INTEGRITY ASSET MANAGEMENT

## Bay County Employees' Retirement System

Quarter Ending December 2014

Characteristics	Portfolio	Russell Midcap <sup>®</sup> Value Index	Top 10 Holdings	(%)
Price/Earnings - Forward 12 Months (x)	15.3	16.0	ZMH Zimmer Holdings Inc	1.71
Price/Book (x)	1.9	1.8	HCN Health Care REIT Inc	1.58
Price/Cash Flow (x)	10.2	10.2	HST Host Hotels & Resorts Inc	1.56
Price/Sales (x)	1.0	1.3	WOOF VCA Inc	1.52
Dividend Yield (%)	1.4	2.0	AMP Ameriprise Financial Inc	1.51
Weighted Average Market Cap (\$ Mil)	9,914.4	12,051.5	IVZ Invesco Ltd	1.51
			GCI Gannett Co Inc	1.45
			CI Cigna Corp	1.43
			HNT Health Net Inc	1.41
			LNC Lincoln National Corp	1.41
			<b>Total</b>	<b>15.09</b>

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Characteristics Source: Factset

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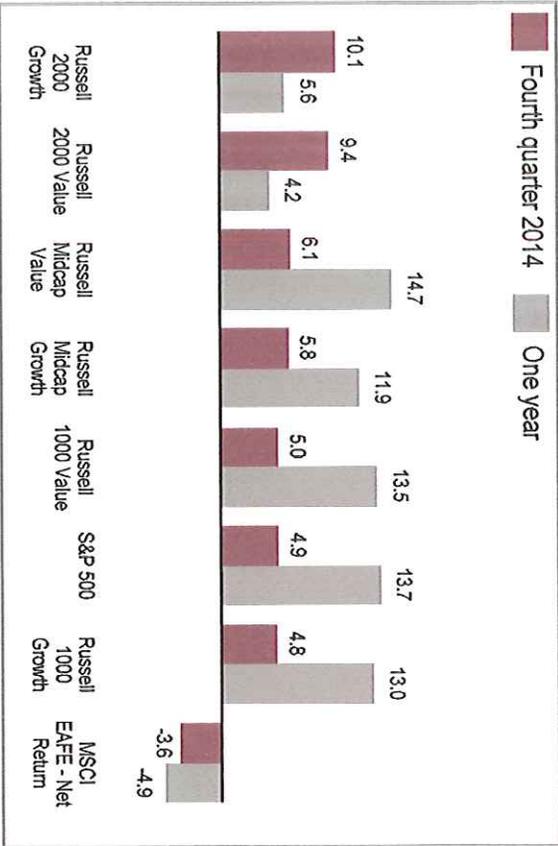
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# MARKET OVERVIEW

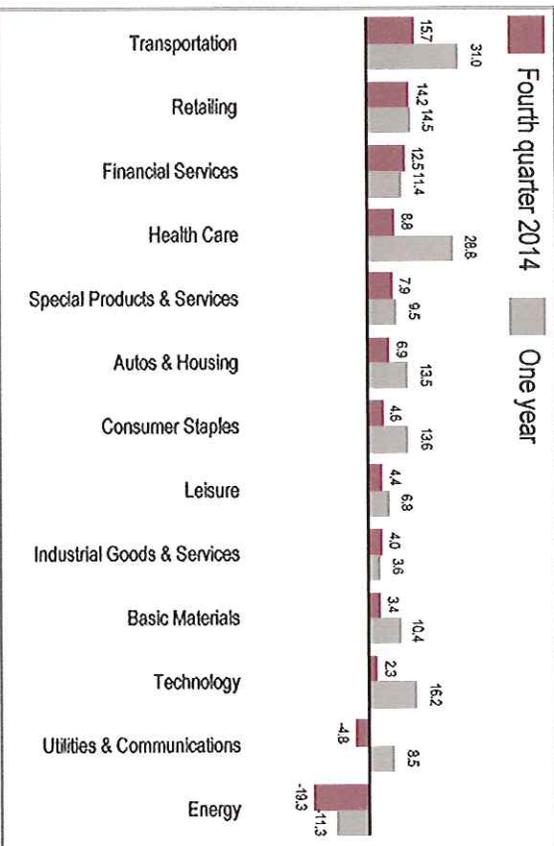


Style performance (%) (USD) as of 31-Dec-14



Source for benchmark performance: SPAR, FactSet Research Systems Inc. All indices represent total return unless otherwise noted.

Sector performance (%) (USD) as of 31-Dec-14



Source: FactSet Sector performance based on MFS sector classification. The analysis of Russell 1000 Growth Index constituents are broken out by MFS defined sectors.

## Market review as of 31-Dec-2014

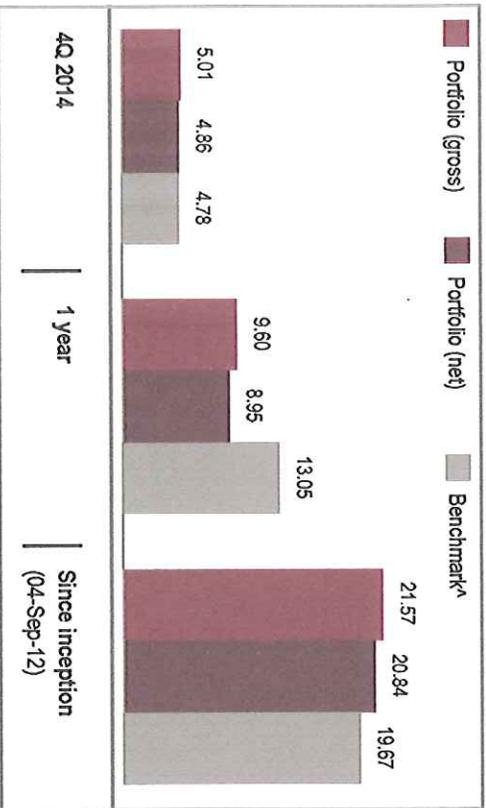
- The U.S. market, as measured by the S&P 500 Index, was resilient during Q4 after falling in early October and enduring a small pullback in December, which was mainly driven by the accelerated fall in the price of oil.
- In general, the U.S. economy picked up the pace of growth during the 4th quarter and back half of the year after posting slower growth during the beginning of 2014. Global growth remains unsynchronized as the U.S. is the growth leader among the major economies. While the Federal Reserve has ended its quantitative easing and is guiding the market toward a midyear rate tightening cycle, other monetary policymakers (i.e. ECB, BOJ and potentially the People's Bank of China) will most likely continue "super easy" monetary conditions.
- In addition, investors bid up the price of defensive, higher yielding stocks such as REITs and electric power companies in Q4, continuing a theme which persisted throughout 2014. In contrast, most companies related to energy had a very difficult quarter as the falling price of oil and natural gas was accelerated when OPEC decided not to cut production during their November meeting.

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# EXECUTIVE SUMMARY



## Performance results (%) gross and net of fees (USD) as of 31-Dec-14



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>m</sup> Russell 1000 Growth Index

## Asset summary (USD)

Beginning value as of 30-Sep-14	45,033,802
Contributions	0
Withdrawals	0
Change in market value	+2,258,137
Ending value as of 31-Dec-14	47,291,938

## Sector weights (%) as of 31-Dec-14

	Portfolio	Benchmark <sup>m</sup>
<b>Top overweights</b>		
Health Care	20.5	14.2
Financial Services	10.9	6.2
Retailing	12.1	9.7
<b>Top underweights</b>		
Technology	18.5	23.3
Consumer Staples	4.9	8.9
Basic Materials	1.7	4.6

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

The Growth Equity portfolio performed in line with the Russell 1000 Growth Index in the fourth quarter of 2014.

### Contributors

- Financial Services – Stock selection and an overweight position
- Retailing – Stock selection and an overweight position
- Utilities & Communications – Stock selection and an overweight position
- Individual stocks:
  - IBM Corp (not held)
  - Schlumberger Ltd (not held)

### Detractors

- Transportation – Stock selection and an underweight position
- Technology – Stock selection
- Energy – Stock selection
- Individual stocks:
  - Wynn Resorts Ltd

# PERFORMANCE RESULTS



Performance results (%) gross and net of fees (USD) as of 31-Dec-14

Period	Portfolio gross (%)	Portfolio net (%)	Russell 1000 Growth Index (%)	Excess return net vs benchmark (%)
4Q 2014	5.01	4.86	4.78	0.08
3Q 2014	1.25	1.09	1.49	-0.40
2Q 2014	3.15	3.00	5.13	-2.13
1Q 2014	-0.06	-0.21	1.12	-1.33
2014	9.60	8.95	13.05	-4.10
2013	38.34	37.51	33.48	4.03
1 year	9.60	8.95	13.05	-4.10
Since client inception (04-Sep-12)	21.57	20.84	19.67	1.17

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.

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

Performance results (%) gross and net of fees (USD)				
Period	Portfolio gross	Portfolio net	Benchmark <sup>a</sup>	Excess <sup>a,b</sup>
December	-1.02	-1.07	-1.04	-0.03
November	3.23	3.18	3.17	0.01
October	2.78	2.73	2.64	0.09
4Q 2014	5.01	4.86	4.78	0.08
3Q 2014	1.25	1.09	1.49	-0.40
2Q 2014	3.15	3.00	5.13	-2.13
1Q 2014	-0.06	-0.21	1.12	-1.33
1 year	9.60	8.95	13.05	-4.10
Since client inception (04-Sep-12)	21.57	20.84	19.67	1.17

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>b</sup> Excess return net vs benchmark (%)

The Growth Equity portfolio performed in line with Russell 1000 Growth Index in the fourth quarter of 2014.

**Contributors**

Financial Services – Stock selection and an overweight position

Retailing – Stock selection and an overweight position

Utilities & Communications – Stock selection and an underweight position

**Individual stocks - Contributors**

IBM Corp (not held)

Schlumberger Ltd (not held)

**Detractors**

Transportation – Stock selection and an underweight position

Technology – Stock selection

Energy – Stock selection

**Individual stocks - Detractors**

Wynn Resorts Ltd

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**Bay County Employees' Retirement System - Growth Equity**

**BCS**

Valuation Summary

31-Dec-14

Portfolio Currency: USD

	Cost	Market Value	Accrued Income	Total Value	Total Value
CASH	1,345,041.50	1,345,041.50	0.00	1,345,041.50	2.84%
COMMON STOCK	33,303,418.89	45,170,149.24	26,852.50	45,197,001.74	95.57%
ADR	783,125.33	749,895.07	0.00	749,895.07	1.59%
	<b>35,431,585.72</b>	<b>47,265,085.81</b>	<b>26,852.50</b>	<b>47,291,938.31</b>	<b>100.00%</b>
	Accrued Income		26,852.50		
	Total Value		47,291,938.31		

This report contains trade date position values, calculated by MFS. This is not the official book of record for the account. Cash is a net cash balance comprised of cash on deposit, and payables and receivables that have not settled.

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Valuation Summary by Country 31-Dec-14 Portfolio Currency: USD

Issuer Country	Cost	Market Value	Accrued Income	Total Value	Total Value
<b>CASH</b>					
United States	1,345,041.50	1,345,041.50	0.00	1,345,041.50	2.84%
<b>COMMON STOCK</b>					
Canada	262,662.47	374,156.56	62.41	374,218.97	0.79%
United States	33,050,756.42	44,795,992.68	26,790.09	44,822,782.77	94.78%
<b>ADR</b>					
China	85,229.45	78,703.16	0.00	78,703.16	0.17%
France	697,895.88	671,191.91	0.00	671,191.91	1.42%
	783,125.33	749,895.07	0.00	749,895.07	1.59%
<b>Portfolio Totals:</b>	<b>35,431,585.72</b>	<b>47,265,085.81</b>	<b>26,852.50</b>	<b>47,291,938.31</b>	<b>100.00%</b>
Accrued Income			26,852.50		
Total Value				47,291,938.31	

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This report contains trade date position values, calculated by MFS. This is not the official book of record for the account. Cash is a net cash balance comprised of cash on deposit, and payables and receivables that have not settled.

## Vote Summary Report

Reporting Period: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): Bay Country Employees' Retirement System

## Oracle Corporation

<b>Meeting Date:</b> 11/05/2014	<b>Country:</b> USA	<b>Primary Security ID:</b> 68389X105	<b>Meeting ID:</b> 920721
<b>Record Date:</b> 09/08/2014	<b>Meeting Type:</b> Annual	<b>Ticker:</b> ORCL	
<b>Primary CUSIP:</b> 68389X105	<b>Primary ISIN:</b> US68389X1054	<b>Primary SEDOL:</b> 2661568	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Jeffrey S. Berg	Mgmt	For	For	Withhold
1.2	Elect Director H. Raymond Bingham	Mgmt	For	Withhold	Withhold
1.3	Elect Director Michael J. Boskin	Mgmt	For	Withhold	Withhold
1.4	Elect Director Safra A. Catz	Mgmt	For	For	Withhold
1.5	Elect Director Bruce R. Chizen	Mgmt	For	Withhold	Withhold
1.6	Elect Director George H. Conrades	Mgmt	For	For	Withhold
1.7	Elect Director Lawrence J. Ellison	Mgmt	For	For	Withhold
1.8	Elect Director Hector Garcia-Molina	Mgmt	For	For	Withhold
1.9	Elect Director Jeffrey O. Henley	Mgmt	For	For	Withhold
1.10	Elect Director Mark V. Hurd	Mgmt	For	For	Withhold
1.11	Elect Director Naomi O. Selligman	Mgmt	For	For	Withhold
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	Against
3	Ratify Auditors	Mgmt	For	For	For
4	Provide Vote Counting to Exclude Abstentions	SH	Against	Against	Against
5	Adopt Multiple Performance Metrics Under Executive Incentive Plans	SH	Against	For	For
6	Adopt Specific Performance Standards	SH	Against	For	For
7	Adopt Proxy Access Right	SH	Against	For	For

## The Estee Lauder Companies Inc.

<b>Meeting Date:</b> 11/14/2014	<b>Country:</b> USA	<b>Primary Security ID:</b> 518439104	<b>Meeting ID:</b> 920893
<b>Record Date:</b> 09/15/2014	<b>Meeting Type:</b> Annual	<b>Ticker:</b> EL	
<b>Primary CUSIP:</b> 518439104	<b>Primary ISIN:</b> US5184391044	<b>Primary SEDOL:</b> 2320524	

**Vote Summary Report**

Reporting Period: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): Bay Country Employees' Retirement System

**The Estee Lauder Companies Inc.**

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Charlene Barshefsky	Mgmt	For	For	For
1.2	Elect Director Wei Sun Christianson	Mgmt	For	For	For
1.3	Elect Director Fabrizio Freda	Mgmt	For	For	For
1.4	Elect Director Jane Lauder	Mgmt	For	For	For
1.5	Elect Director Leonard A. Lauder	Mgmt	For	For	For
2	Ratify Auditors	Mgmt	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For

**Whiting Petroleum Corporation**

Meeting Date: 12/03/2014

Country: USA

Primary Security ID: 966387102

Meeting ID: 927185

Record Date: 10/14/2014

Meeting Type: Special

Ticker: WLL

Primary CUSIP: 966387102

Primary ISIN: US9663871021

Primary SEDOL: 2168003

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Issue Shares in Connection with Acquisition	Mgmt	For	For	For
2	Adjourn Meeting	Mgmt	For	For	For





# Bay County Employees' Retirement System

MFS® Heritage Trust Company CIT - MFS International Growth Fund  
(Class 1 Shares)



Q4 | 31 December 2014

Performance results (%) class 1 shares net of expenses (USD)	Portfolio	Benchmark <sup>^</sup>	Excess returns
4Q 2014	-1.97	-2.30	0.33
Since client inception (06-Aug-14)	-4.61	-4.22	-0.39

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.**

For periods prior to the inception date of a unit class, performance information shown for such class is based on the performance of an older class of units that dates back to the Fund's inception, as adjusted to reflect differences in fees paid and expenses incurred by the newer class.

Net of expenses does not include management fees.

<sup>^</sup> MSCI All Country World (ex-US) Growth Index (net div)

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. All results are historical and assume the reinvestment of dividends and capital gains.

## Asset summary (USD)

Beginning value as of 30-Sep-14	15,584,344
Contributions	0
Withdrawals	0
Change in market value	-306,339
Ending value as of 31-Dec-14	15,278,006

Characteristics	Portfolio	Benchmark <sup>^</sup>
IBES long-term EPS growth <sup>1</sup>	8.9%	11.1%
- weighted median		
Return on equity (3-year average)	16.7%	15.0%
- weighted median		
Return on invested capital	11.2%	10.6%
- weighted median		
Market capitalization (USD) <sup>2</sup>	35.9 bn	29.6 bn
Number of holdings	90	1,066
Trailing 1 year turnover <sup>3</sup>	22%	-
Barra predicted tracking error <sup>4</sup>	2.61%	-

<sup>1</sup> Source: Thomson Reuters

<sup>2</sup> Weighted median.

<sup>3</sup> (Lesser of Purchase or Sales)/Average Month End Market Value

<sup>4</sup> Source: Barra

**No forecasts can be guaranteed.**

## Top 10 Issuers

Top 10 Issuers	Sector
NESTLE SA	Consumer Staples
DANONE	Consumer Staples
BAYER AG	Health Care
CANADIAN NATIONAL RAILWAY CO	Transportation
LVMH MOET HENNESSY	Retailing
COMPASS GROUP EQUITY	Special Products & Services
TAIWAN SEMICONDUCTOR	Technology
MANUFACTURING COMPANY LIMITED	
ROCHE HOLDINGS AG	Health Care
ACCENTURE PLC	Special Products & Services
UBS GROUP AG	Financial Services

Sectors (%)	Portfolio	Benchmark <sup>^</sup>
Consumer Staples	19.2	12.8
Financial Services	13.5	17.0
Health Care	10.2	13.4
Technology	9.7	11.1
Special Products & Services	9.5	4.4
Basic Materials	7.5	6.6
Industrial Goods & Services	7.4	6.7
Retailing	7.1	6.9
Transportation	4.4	3.9
Leisure	3.9	3.8
Autos & Housing	3.7	5.7
Energy	2.6	2.7
Utilities & Communications	0.8	5.0

Regions (%)	Portfolio	Benchmark <sup>^</sup>
Europe ex-U.K.	43.3	34.2
United Kingdom	19.3	12.3
Emerging Markets	13.9	22.1
Japan	10.5	14.9
North America	7.6	7.6
Asia/Pacific ex-Japan	3.3	8.6
Developed - Middle East/Africa	1.4	0.4

0.7% cash and other assets less liabilities.

FOR EXISTING INSTITUTIONAL CLIENT USE ONLY.

MFS Heritage Trust Company

<sup>^</sup> MSCI All Country World (ex-US) Growth Index

## FOR MORE INFORMATION CONTACT

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PSR-HTG-31-Dec-14

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Bay County Employees' Retirement System  
MFS® Heritage Trust Company CIT - MFS International Growth Fund  
Class 01 Shares  
Report as of 31 December 2014

Performance results (%) class 01 shares net of expenses (USD)

Period	Portfolio net	Benchmark <sup>^</sup>	Excess <sup>^A</sup>
December	-2.96	-3.38	0.42
November	1.09	1.46	-0.37
October	-0.06	-0.35	0.29
4Q 2014	-1.97	-2.30	0.33
Since client inception (06-Aug-14)	-4.61	-4.22	-0.39

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.

For periods prior to the inception date of a unit class, performance information shown for such class is based on the performance of an older class of units that dates back to the Fund's inception, as adjusted to reflect differences in fees paid and expenses incurred by the newer class.

Net of expenses does not include management fees.

<sup>^</sup> MSCI All Country World (ex-US) Growth Index (net div)

<sup>^A</sup> Excess return net vs benchmark (%)

FOR EXISTING INSTITUTIONAL CLIENT USE ONLY.

MFS Heritage Trust Company



**MFS**  
 MFS HERITAGE TRUST COMPANY™  
 111 Huntington Avenue, Boston, Massachusetts 02199

**MFS HERITAGE TRUST COMPANY**

Account Statement  
 01/01/2014 - 12/31/2014  
 Page 1 of 2

Registration: BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
 (BCERS)  
 Account Number: 193

BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
 (BCERS)  
 ATTN: CRYSTAL HEBERT  
 515 CENTER AVENUE, STE 701  
 BAY CITY, MI 48708

**Account Summary - Period**

Fund Name	12/31/2014 NAV	Beginning Market Value	Period Purchases	Period Redemptions	Ending Units	Ending Market Value
MFS INTERNATIONAL GROWTH FUND CL 1	\$121.69	\$0.00	\$16,013,777.36	(\$0.00)	128,548.573	\$15,278,005.85
Account Total		\$0.00				\$15,278,005.85

**Account Summary - YTD**

Fund Name	YTD Purchases	YTD Redemptions	Account Inception
MFS INTERNATIONAL GROWTH FUND CL 1	\$16,013,777.36	(\$0.00)	08/06/14

193 BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

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MFS HERITAGE TRUST COMPANY, INC.  
 111 Huntington Avenue, Boston, Massachusetts 02119

**MFS HERITAGE TRUST COMPANY**

Account Statement  
 01/01/2014 - 12/31/2014  
 Page 2 of 2

**Transaction History**

Trade Date	Transaction Type	Gross Amount	Net Amount	NAV	Transaction Units	Total Units
<b>MFS INTERNATIONAL GROWTH FUND CL 1</b>						
08/06/2014	PURCHASE BY WIRE	\$15,700,000.00	\$15,700,000.00	\$127.57	123,069.687	123,069.687
08/07/2014	PURCHASE BY WIRE	\$313,777.36	\$313,777.36	\$126.58	2,478.886	125,548.573

**Message**

Please contact your MFS relationship team for any questions regarding your account statement or transaction confirm.

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## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS International Growth Fund\*

### Ambev S.A.

Meeting Date: 10/01/2014

Country: Brazil

Primary Security ID: P0273U106

Meeting ID: 918406

Record Date: 09/12/2014

Meeting Type: Special

Ticker: ABEV3

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
	Meeting for ADR Holders	Mgmt			
1	Approve Agreement to Absorb Londrina Bebidas Ltda. (Londrina Bebidas)	Mgmt	For	Refer	For
2	Appoint Independent Firm to Appraise Proposed Transaction	Mgmt	For	Refer	For
3	Approve Independent Firm's Appraisal	Mgmt	For	Refer	For
4	Approve Absorption of Londrina Bebidas	Mgmt	For	Refer	For
5	Amend Articles to Reflect Changes in Capital	Mgmt	For	Refer	For
6	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	Refer	For
7	Consolidate Bylaws	Mgmt	For	Refer	For

### Akzo Nobel NV

Meeting Date: 10/08/2014

Country: Netherlands

Primary Security ID: N01803100

Meeting ID: 915752

Record Date: 09/10/2014

Meeting Type: Special

Ticker: AKZA

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
	Special Meeting	Mgmt			
1	Elect M. Castella to Management Board	Mgmt	For	For	For

### Pernod Ricard

Meeting Date: 11/06/2014

Country: France

Primary Security ID: F72027109

Meeting ID: 921442

Record Date: 10/31/2014

Meeting Type: Annual/Special

Ticker: RI

## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS International Growth Fund\*

## Pernod Ricard

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
	Ordinary Business	Mgmt			
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For	For
3	Approve Allocation of Income and Dividends of EUR 1.64 per Share	Mgmt	For	For	For
4	Approve Auditors' Special Report on Related-Party Transactions	Mgmt	For	For	For
5	Reelect Martina Gonzalez-Gallarza as Director	Mgmt	For	For	For
6	Reelect Ian Gallienne as Director	Mgmt	For	For	For
7	Elect Gilles Samyn as Director	Mgmt	For	For	For
8	Approve Remuneration of Directors in the Aggregate Amount of EUR 910,000	Mgmt	For	For	For
9	Advisory Vote on Compensation of Daniele Ricard, Chairman of the Board	Mgmt	For	For	For
10	Advisory Vote on Compensation of Pierre Pringuet, Vice Chairman and CEO	Mgmt	For	For	For
11	Advisory Vote on Compensation of Alexandre Ricard, Vice CEO	Mgmt	For	For	For
12	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	Refer	Against
	Extraordinary Business	Mgmt			
13	Authorize up to 1.5 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For	For
14	Authorize up to 1.5 Percent of Issued Capital for Use in Stock Option Plans	Mgmt	For	Refer	Against
15	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For	For
16	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For	For

## LVMH Moët Hennessy Louis Vuitton

Meeting Date: 11/25/2014

Country: France

Primary Security ID: F58485115

Meeting ID: 924934

Record Date: 11/19/2014

Meeting Type: Special

Ticker: MC

## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS International Growth Fund\*

## LVMH Moët Hennessy Louis Vuitton

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
	Extraordinary Business	Mgmt			
1	Amend Article 28 of Bylaws Re: Allocation of Income and Dividends	Mgmt	For	For	For
	Ordinary Business	Mgmt			
2	Approve Transfer from Carry Forward Account to Other Reserves Account	Mgmt	For	For	For
3	Approve Distribution in Kind of 2 Hermes International Shares per 41 LVMH Shares	Mgmt	For	For	For

## Chr.Hansen Holdings A/S

Meeting Date: 11/27/2014

Country: Denmark

Primary Security ID: K1830B107

Meeting ID: 850829

Record Date: 11/20/2014

Meeting Type: Annual

Ticker: CHR

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
1	Receive Report of Board	Mgmt			
2	Approve Preparation and Presentation of Annual Report in English	Mgmt	For	For	For
3	Approve Annual Report	Mgmt	For	For	For
4	Approve Allocation of Income and Dividends of DKK 3.77 Per Share	Mgmt	For	For	For
5	Approve Remuneration of Directors	Mgmt	For	For	For
6a	Approve DKK 26.5 Million Reduction in Share Capital via Share Cancellation	Mgmt	For	For	For
6b	Amend Guidelines for Incentive-Based Compensation for Executive Management and Board	Mgmt	For	Refer	Against
7a	Reelect Ole Andersen as Director and Board Chairman	Mgmt	For	For	For
7ba	Reelect Frederic Stevenin as Director	Mgmt	For	For	For
7bb	Reelect Mark Wilson as Director	Mgmt	For	For	For
7bc	Reelect Soren Carlsen as Director	Mgmt	For	For	For
7bd	Reelect Dominique Reiniche as Director	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS International Growth Fund\*

### Chr.Hansen Holdings A/S

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
7be	Elect Tiina Mattila-Sandholm as New Director	Mgmt	For	For	For
7bf	Elect Kristian Villumsen as New Director	Mgmt	For	For	For
8	Reelect PricewaterhouseCoopers as Auditors	Mgmt	For	For	For
9	Authorize Editorial Changes to Adopted Resolutions in Connection with Registration with Danish Authorities	Mgmt	For	For	For

### Reckitt Benckiser Group plc

Meeting Date: 12/11/2014

Country: United Kingdom

Primary Security ID: G74079107

Meeting ID: 929882

Record Date: 12/09/2014

Meeting Type: Special

Ticker: RB.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
1	Approve Demerger of the Pharmaceuticals Business by Way of Dividend in Specie	Mgmt	For	Refer	For

### Bellway plc

Meeting Date: 12/12/2014

Country: United Kingdom

Primary Security ID: G09744155

Meeting ID: 850575

Record Date: 12/10/2014

Meeting Type: Annual

Ticker: BWY

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Remuneration Policy	Mgmt	For	For	For
3	Approve Remuneration Report	Mgmt	For	For	For
4	Approve Final Dividend	Mgmt	For	For	For
5	Re-elect John Watson as Director	Mgmt	For	For	For
6	Re-elect Ted Ayres as Director	Mgmt	For	For	For
7	Re-elect Keith Adey as Director	Mgmt	For	For	For
8	Re-elect Mike Toms as Director	Mgmt	For	For	For
9	Re-elect John Cuthbert as Director	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 10/01/2014 to 12/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS International Growth Fund\*

### Bellway plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
10	Re-elect Paul Hampden Smith as Director	Mgmt	For	For	For
11	Re-elect Denise Jagger as Director	Mgmt	For	For	For
12	Reappoint KPMG LLP as Auditors	Mgmt	For	For	For
13	Authorise Board to Fix Remuneration of Auditors	Mgmt	For	For	For
14	Approve Employee Share Option Scheme	Mgmt	For	For	For
15	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For	For
16	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For	For
17	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For	For
18	Authorise the Company to Call EGM with Two Weeks' Notice	Mgmt	For	For	For

### HDFC Bank Limited

Meeting Date: 12/15/2014  
Record Date: 10/31/2014

Country: India  
Meeting Type: Special

Primary Security ID: Y3119P174  
Ticker: 500180

Meeting ID: 928755

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Voting Policy Rec	Vote Instruction
	Postal Ballot	Mgmt			
1	Approve Issuance of Long Term Bonds/Non-Convertible Debentures	Mgmt	For	Refer	For
2	Approve Appointment and Remuneration of S. Gopinath, Independent Non-Executive Chairman	Mgmt	For	For	For

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM



## Portfolio Composition and Performance – Account 1256

December 31, 2014

Composition	Market Value	Percent of Total
Fixed Income	14,726,600	76.41
Equity	3,414,854	17.72
Cash & Equivalents	1,131,487	5.87
<b>Total Portfolio</b>	<b>\$19,272,941</b>	<b>100.00%</b>

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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)	-0.13%	3.28%	11.15%	11.15%	11.93%	8.73%	111.62%	6.88%
ML Convrt Inv Grade BDS (Inc Mandatory)	-0.76%	4.07%	15.69%	15.69%	16.26%	10.43%	87.08%	5.72%
ML CVT ALL IG 5% CAP	-0.15%	4.94%	13.93%	13.93%	14.25%	N/A	N/A	N/A

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

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM



## Summary Report — Account 1256

December 31, 2014

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	11,831,382	80.39	1.46	14,681,993	76.18	1.18	172,679
Stocks	2,886,572	19.61	2.90	3,403,640	17.66	2.46	83,712
Cash & Equivalents	0	0.00		1,131,487	5.87	0.09	1,018
Accrued Income				55,821	0.29		
<b>Total Portfolio</b>	<b>\$14,717,954</b>	<b>100.00%</b>	<b>1.74</b>	<b>\$19,272,941</b>	<b>100.00%</b>	<b>1.34</b>	<b>\$257,409</b>

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# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM



## Broker Commission Report — Account 1256 Quarter Ending December 31, 2014

Broker	Broker Commission
JOHNSON RICE	101.12
JP MORGAN CHASE	202.28
LEERINK SWANN LLC	152.00
MORGAN STANLEY & CO., INCORPORATED	219.76
TUDOR PICKERING HOLT & CO.	202.28
<b>Total</b>	<b><u>\$877.44</u></b>

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

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

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



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	\$9,196.0961	\$17,488,234.35	100.00%
TOTAL VALUE					\$17,488,234.35	100.00%

**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
TOTAL VALUE			\$0.00	\$0.00	\$0.00	\$0.00

**Transaction Detail**

Trade Date	Transaction	Dollar Amount	Price	Shares	Total Shares
SCHRODER INTERNATIONAL SMALL CO'S FUND FUND/ACCOUNT NUMBER: 3179-50306					
	BALANCE FORWARD				1,901.702
	ENDING BALANCE	\$17,488,234.35	\$9,196.0961		1,901.702

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# Schroders Bay County Employees' Retirement System

## Investment Report – Schroder International Small Companies Fund

---

### Account Manager

Matthew Dobbs  
Tel: 44 20 7658 6973  
e-mail: matthew.dobbs@schroders.com

### Client Service Contact

Cathie Mazza  
Tel: 1 212 641 3889  
e-mail: Cathie.Mazza@schroders.com

### Client Executive

Allie Koonin  
Tel: 1 212 641 3811  
e-mail: allison.koonin@schroders.com

### Schroder Investment Management North America Inc.

875 Third Avenue  
New York, NY 10022-6225

Tel: 1 212 641 3881  
Fax: 1 212 641 3985

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**Schroders**

## Overview

### Fund Valuation

Value at 30 September 2014	Net Cash Flow	Value at 31 December 2014
US\$ 18,263,285	US\$ -	US\$ 17,488,234

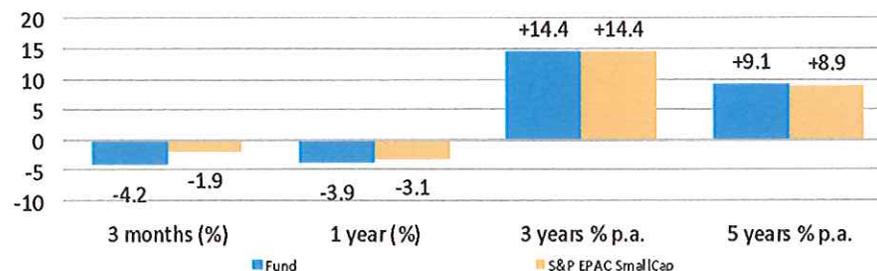
### Performance

Periods to 31 December 2014

Total returns US\$	3 months (%)	1 year (%)	3 years % p.a.	5 years % p.a.	SI** % p.a.
Fund	-4.2	-3.9	+14.4	+9.1	+5.3
Index*	-1.5	-1.6	+15.9	+10.4	+5.9
S&P EPAC SmallCap	-1.9	-3.1	+14.4	+8.9	+4.4
Value added rel Index*	-2.7	-2.3	-1.5	-1.3	-0.6
Difference vs EPAC Sm	-2.3	-0.8	+0.0	+0.2	+0.9

Source: Schroders. Gross of fees. \*S&P EPAC SmallCap Index plus 50 basis points \*\*Since Inception June 30, 2006  
All subsequent performance comments and numbers are relative to S&P EPAC SmallCap Index

### Performance versus benchmark (%)



### Summary

International equities finished down in a volatile quarter. The Federal Reserve (Fed) ended its quantitative easing programme but other central banks (notably the Bank of Japan) continued to ease monetary policy. Oil prices fell further, particularly after OPEC elected not to cut output. International smaller companies outperformed large caps with the S&P EPAC SmallCap Index returning -1.9% compared to the MSCI EAFE return of -3.6%, thanks to outperformance in Europe more than offsetting underperformance in the Pacific.

The Fund trailed the index in the fourth quarter returning -4.2% compared to the S&P EPAC SmallCap Index return of -1.9%. Negative stock selection has been the most significant factor as a result of relative weakness in the United Kingdom and continental Europe. Regional allocation was a headwind to a lesser extent as the negative impact from Emerging Markets exposure was partially offset by the benefit from being underweight Pacific ex Japan, which was the weakest region in the quarter.

As a result of underperformance in Q4, the Fund trailed the index for 2014 as a whole returning -3.9% compared to the S&P EPAC SmallCap Index return of -3.1%. Underperformance was a result of negative stock selection partially offset by positive regional allocation. Stock selection weakness came predominantly from continental Europe with some offset from positive selection in Japan. From an allocation perspective, we benefited from our exposure to Emerging Markets and underweighting in Pacific ex Japan.

Although returns have been negative for 2014, smaller companies have once again outperformed their larger counter-parts over the period. However, the phenomenon was not universal – small cap outperformance was largely confined to financials and materials. Going forward, international small cap equities will be subject to the same factors as larger peers, most pertinently future trends in the dollar, global monetary policies, commodity prices, and the scarcity of pricing power. We see a continuation of steady global expansion in real terms of around 3%, with the United States leading the way. This is likely to continue to support the dollar, but lack of pricing pressures suggest the monetary settings, even in the United States, will remain accommodative. Europe continues to expand but below potential, while the fortunes of Emerging Markets are likely to diverge between those with policy flexibility and improved terms of trade (primarily Asia) and the commodity dependent countries. After a difficult fourth quarter of relative performance, we have been closely reviewing our holdings, but the result has been little change in the Funds. We continue to have conviction in the stocks (though acknowledge that any stocks in the energy and material sectors are facing a sharply changing environment) and take comfort from the overall metrics of the Fund including higher returns and growth than the Index, lower financial leverage and similar valuations.

# Market Summary

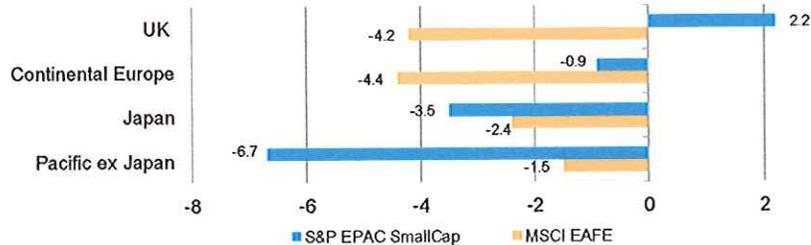
International equities finished down in a volatile quarter. The Federal Reserve ended its quantitative easing programme but other central banks continued to ease monetary policy. Oil prices fell further, particularly after OPEC elected not to cut output. International smaller companies outperformed large caps with the S&P EPAC SmallCap Index returning -1.9% compared to the MSCI EAFE return of -3.6%, thanks to outperformance in Europe more than offsetting underperformance in the Pacific.

Weaker-than-expected macroeconomic data, mainly in Germany, at the start of the quarter meant Europe started on a shaky footing with a sharp sell-off. However, macroeconomic releases later in the period showed an improvement. Overall though, the eurozone's economic performance remained lacklustre with GDP growth of just 0.1% in Q3 and inflation remaining low. Markets were somewhat disappointed that the European Central Bank (ECB) took no further steps to boost growth, but ECB President Mario Draghi and other policymakers hinted that further easing could come early in 2015. The tail end of the period saw the re-emergence of eurozone break-up risk with Greece calling parliamentary elections for 25 January. In the United Kingdom, oil's retreat meant inflation continued to tick down helping push back UK interest rate rise expectations. This supported domestically focused sectors such as the general retailers. Small caps outperformed thanks to lower exposure to energy and more resilience among financials.

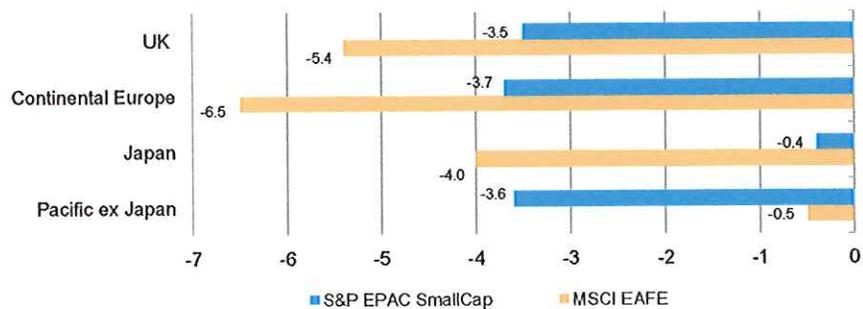
Despite Japanese equities posting positive local market returns, yen weakness again meant the market fell in US dollar terms. The announcement of further monetary policy easing by the Bank of Japan (BoJ) at the end of October constituted a genuine surprise for the financial markets sending the yen lower. Prime Minister Abe announced a delay in the consumption tax increase and a snap general election which he won comfortably. Economic data released late in the period were generally weaker than expected and inflation continued to drift lower. Small caps underperformed large, particularly in consumer cyclical, information technology and material sectors where smaller companies generally derive less direct benefit from the weaker yen.

In Asia ex Japan, despite weakening economic data, Chinese equities posted strong gains for the quarter, spurred on by a November interest rate cut by the People's Bank of China (PBoC), the first one in two years. However, data continued to show the economy struggling to maintain its pace of expansion. Meanwhile in Hong Kong, disruptive pro-democracy street protests ended supporting the market. Korean stocks continued to fall over the quarter.

**S&P and MSCI returns by major region US\$ 3 months to 31 December 2014**



**S&P and MSCI returns by major region US\$ 12 months to 31 December 2014**



Source: S&P, MSCI.

## Performance

### Performance attribution

Periods to 31 December 2014

Total returns	3 months %	12 months %	3 years % p.a.	5 years % p.a.
Stock selection	-1.6	-1.2	+0.8	+0.1
Region weightings	-0.2	+0.9	-0.4	-0.3
Currency hedging	0.0	0.0	0.0	0.0
Residual	-0.5	-0.5	-0.4	+0.4
<b>Total value added</b>	<b>-2.3</b>	<b>-0.8</b>	<b>0.0</b>	<b>+0.2</b>

Source: Schroders, FactSet PA2.

The Fund trailed the index in the fourth quarter returning -4.2% compared to the S&P EPAC SmallCap Index return of -1.9%. Negative stock selection has been the most significant factor as a result of relative weakness in the United Kingdom and continental Europe. Regional allocation was a headwind to a lesser extent as the negative impact from Emerging Markets exposure was partially offset by the benefit from being underweight Pacific ex Japan, which was the weakest region in the quarter.

The United Kingdom was the most significant detractor from relative performance as a result of our overweight and stock selection in the energy (**EnQuest, Premier Oil, Lamprell**) sector, and stock selection and our underweight in the consumer discretionary (**SuperGroup**) sector.

Stock selection in continental Europe was a significant detractor in the fourth quarter as a result of shortfalls in energy and financials (insurance holdings such as **Storebrand, FBD**) sectors. Relative weakness in the energy sector was a result of one stock, **OW Bunker**, which filed for bankruptcy at the start of the November as a result of an internal fraud - the shares are currently suspended from trading but we are pricing the position at zero assuming nothing will be recoverable. There was only modest offset from positive stock selection in materials (**Borregaard**) and consumer discretionary (**Montupet, ZEAL Network**).

Pacific ex Japan was the only region where fund performance bettered that of the index thanks to our underweights in Korea and Australia. By sector, consumer discretionary (**Techtronic Industries, Yue Yuen Industrial**) holdings have been the most significant contributor to relative performance. Our exposure to Asian emerging markets hampered relative performance as a result of our holdings in Taiwan (**Gourmet Master, Posiflex Technologies, Toung Loong Textile**).

Fund performance in Japan has broadly traced that of the index. Stock selection shortfalls in the energy (**Modec**) and financials (**Daibiru**) sectors were offset by positive stock selection in materials (**JSP, Nippon Soda**) and industrials (**Obara Group, Trusco Nakayama**).

As a result of underperformance in Q4, the Fund trailed the index for 2014 as a whole returning -3.9% compared to the S&P EPAC SmallCap Index return of -3.1%. Underperformance was a result of negative stock selection partially offset by positive regional allocation. Stock selection weakness came predominantly from continental Europe with some offset from positive selection in Japan. From an allocation perspective, we benefited from our exposure to Emerging Markets and underweighting in Pacific ex Japan.

### Stock and Region Selection Impact

3 months to 31 December 2014

	Stock selection %	Region allocation %	Total* %
UK	-1.0	0.0	-1.0
Japan	0.0	0.0	0.0
Continental Europe	-0.7	0.0	-0.7
Pacific ex Japan	+0.1	+0.2	+0.3
Emerging Markets	0.0	-0.4	-0.4
Cash	-	0.0	0.0

\*Contribution to performance relative to S&P EPAC SmallCap. Source: Schroders, FactSet PA2.

## Fund Activity

Country Changes – 3 months to 31 December 2014

<b>Continental Europe</b>	We remain underweight, but to a modest extent. Valuations are not materially out of line with historic norms (i.e. no longer offer the extreme attractions of two years ago) either in absolute terms or relative to large cap. Consensus is for tangible action by the ECB post meeting later this month, so there may be scope for disappointment. Even assuming aggressive action, the lack of fiscal co-ordination across Europe and structural impediments to growth prevent a more positive stance. However, we continue to see specific stock opportunities in the region, with a slight bias towards cyclical rather than defensive growth, and have added to the consumer discretionary area in particular. In terms of country exposure, we are overweight Ireland and Italy and underweight Switzerland and Spain.
<b>UK</b>	Small cap performance relative to large snapped back impressively in the fourth quarter, although it reflected some specific sectoral trends rather than a more wholesale change in attitude to the asset class. Apart from the prospective benefit of lower energy costs, the domestic economic environment is becoming less supportive although the recent weakness in sterling (admittedly more marked versus the dollar than the more critical euro) should provide a following wind for exporters. Political uncertainty will remain levitated in the lead up to the General Election on 7th May while small cap valuations are now around historic norms viz-a-viz large. We remain modestly underweight.
<b>Japan</b>	Recent moves have taken the yen to firmly below its long-term PPP justified level. Hitherto, corporate Japan has preferred to take the benefit to margins rather than cut prices in pursuit of volume and market share. Real household earnings growth remains elusive, although the recent election results demonstrate that the Abe administration has a strong popular mandate. However, we continue to believe that the key to unlocking the intrinsic value offered by the market rests with significant changes in attitudes to shareholder return and balance sheet structures. We remain underweight, with little change in stance over the quarter.
<b>Pacific ex Japan/EM Asia</b>	For most of our regional exposure, a combination of steady global economic expansion, subdued input costs and low interest rates comprises a benign environment. While a stronger dollar is a potential headwind, this should be partly offset by the benefit of stronger trade momentum for the export sensitive Asian economies, and the Fund continues to include a significant exposure to good quality exporters, particularly in Hong Kong and Taiwan. We remain somewhat cautious on China given the challenges in the real estate and credit markets which have been important engine for growth since the GFC, and a smooth adjustment to more consumer-led growth is unlikely. Australia is more challenged given the commodity exposure, while valuations in the non-commodity sectors are beginning to get somewhat stretched. It remains one of our largest underweights in the region.

Country Weightings versus Benchmark Index\* at 31 December 2014

Fund (%)	Index (%)		3 month change in active weight (%)
17.8	15.8	Pacific ex. Japan / EM Asia	2.0
41.0	41.9	Continental Europe	-0.9
19.5	21.6	Japan	-2.1
18.4	20.7	UK	-2.3
3.3	0.0	Cash	3.3

S&P EPAC SmallCap Index.

## Policy

The New Year has started nervously, and continues what has been a disappointing close to 2014. The relative serenity of the Summer has been replaced by dramatic, and not entirely reassuring, market adjustments, as much in currency and commodity markets as in equities and bonds. Currencies have certainly amplified the relatively meager returns available in non-US equity markets, which have also wrestled with their own, more home-grown, problems. These have primarily surrounded fading growth trends and continued disinflationary forces which monetary authorities (ECB, Bank of Japan, PBOC) have displayed varying degrees of willingness to address.

Investors who believe that "a weakening oil price is good" have been somewhat taken aback by the apparent reaction to a halving in oil prices since the middle of last year. Much of this is due to the fact that the "losers" of such a dramatic move (energy companies, their suppliers and their bankers) feel the negative effects far quicker than the positive impact filtering through to consumers and users of oil and gas. Overall, we firmly believe that the move in oil prices is very positive for growth prospects in most developed economies (Japan, continental Europe in particular) and also for most Emerging Markets, primarily in Asia.

On the face of it, the general pessimism on growth, compounded in investors' minds by the strength of the US dollar (tightening liquidity), represents a disconnect which offers an opportunity for investors. Global economic expansion in line with the last few years (3.0% in real terms) appears on the cards in 2015. This should not be a bad environment for returns. However, disinflationary forces will persist, and although this augurs well for the policy environment, it will also be a challenge for companies on the wrong side of the disruptive and generally deflationary trends in place. Hopefully, these are conditions that should favor our focus on companies offering secular growth prospects, generating higher than average returns, focused management and stronger than average financials. With some big profit pools under siege (regulation, environmental pressure, automation, the internet and social networking) this is a fascinating environment for identifying smaller companies on the "right" side of these changes.

It is difficult to demur with the consensus view that the Eurozone will remain the main drag on global economic activity. Expansion at around 1% continues the trend of 2014 with headwinds including the relative resilience of the euro, little sign of bank lending growth resuming, continued fiscal pressures and geopolitical risks. As mentioned above, lower energy prices should help, but also re-enforce the generally deflationary environment. The wild card is action from the ECB. It is hardly as if they have not been pretty active in 2014 at least in the rhetoric; tangible action has been less forthcoming and anything short of what had been promised will not be well taken by markets. However, it remains a moot point whether any action the ECB takes can really address the fundamental causes of Europe's malaise in the absence of fiscal transfers (from Germany to the rest), restructuring of sclerotic labor markets and better corporate returns.

Furthermore, while overall valuations have become more attractive as markets have retreated, they are not compelling in a historic context, so selectivity remains key. More economically sensitive growth stocks have understandably suffered in the recent sell-off, and it has been here that we have found a number of new investment opportunities. New holdings include **Modern Times Group** (Nordic FTA and pay TV operator unduly punished for small Russian exposure), **Beter Bed**, a Dutch furniture retailer, and **Oerlikon**, a Swiss industrial group benefitting from invigorated management.

The United Kingdom continues to expand faster than other major developed economies, but there has been a marked loss of momentum, reflecting a combination of strong sterling, a slowing housing market (partly due to fiscal noise and tighter mortgage regulation), European sluggishness, and increased political uncertainty in the run up to the General Election on 7th May. The only new holding over the quarter was **Brewin Dolphin**, a private client orientated asset manager, with the one disposal being **Kier Group** on concern over strategy. We have been closely monitoring the energy exposure.

## Policy continued

Japan has entered into the second phase of the great monetary experiment, though in truth the original aims of Abenomics first “Three Arrows” phase can scarcely be regarded as complete, crucially as regards the restructuring part. Even the commitment to fiscal pump-priming has been partly reversed by the sales tax increase, which in turn is proving a challenging hurdle to generating real wage growth. The recent decline in the yen has now decisively moved the currency to well below its PPP level and raises pressure on competitors to Japan, most notably Korea and China. It should provide further impetus to corporate profits, and insofar as our Fund is overweight foreign earnings should continue to support relative numbers. A key swing factor remains, to our minds, changes in corporate attitudes to shareholders and balance sheet efficiency. Activity was confined to reducing a number of holdings approaching fair value (**Koito Manufacturing, Kureha, Eagle Industries**) to fund additions to internet holdings **Kakaku.Com** and **Digital Garage**.

Much has been written about the challenges facing Emerging Markets and Asia. It is understandable that these markets are grouped together, but the validity of this broad brush approach was never very convincing, and seems even less so now. Clearly, commodity dependent and foreign capital dependent markets and economies facing severe headwinds, and we continue to avoid these, while the developed market analogue which is Australia remains a significant underweight. However, for many markets (primarily in Asia) the decline in energy prices is a major positive. It has also enabled a number of authorities to make material improvements to energy policy, with fuel subsidies cut across a swathe of ASEAN countries and India. Relief in input costs is also beneficial to industrial exporters throughout the region, although the challenge of a weakening yen need to also be factored in. We remain cautious about China despite the current liquidity driven surge in the domestic A share market. The underlying fundamentals facing the economy and corporate sector remains challenging given an expensive currency, tightening liquidity and slowing growth (particularly in the infrastructure and real estate sectors to which many smaller companies are exposed). Our only outright sale in the region was Taiwanese elevator manufacturer **Yungtay Engineering** because of its exposure to the Chinese construction market.

## Fund Analysis

### Top Ten Holdings at 31 December 2014

	Country	Fund %
XING AG	Germany	1.5
Smurfit Kappa Group Plc	Ireland	1.5
Helvetia Holding AG	Switzerland	1.5
Montupet SA	France	1.4
Delta Lloyd N.V.	Netherlands	1.3
Lectra SA	France	1.3
Glanbia Plc	Ireland	1.2
Techtronic Industries Co., Ltd.	Hong Kong	1.2
freenet AG	Germany	1.2
TOM TAILOR Holding AG	Germany	1.2
<b>Total</b>		<b>13.3</b>

### Fund Characteristics at 31 December 2014

	Fund %	Index* %
Number of securities	198	3,657
PE 12mths Fwd (x)	16.0	16.9
Dividend Yield (%)	2.1	2.2
Price/book (x)	1.9	1.6
3 year earnings growth (%) p.a.	18.5	11.7
Return on equity (%)	14.1	11.6
Market Capitalization (%)		
	>US\$5 billion	5.6
	US\$1-5 billion	47.7
	<US\$1 billion	46.7
5 Yrs Standard Deviation (%)	16.9%	17.1%
5 Yrs Historic Tracking Error (%)	2.9%	-

\* S&P EPAC SmallCap Index

Source: Schroders, Style Research, Factset, S&P

Performance figures are presented on a "gross basis" and do not reflect the deduction of investment advisory fees

#### Important Information:

The views and opinions contained herein are those of the Investment Team, and do not necessarily represent Schroder Investment Management North America Inc's house view.

Any sectors mentioned are for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

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The opinions stated in this document include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized.

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Ms. Crystal Herbert  
 Bay County Financial Officer  
 Bay County Retirement System  
 515 Center Avenue  
 Suite 701  
 Bay City, MO 48708

Date 1/15/2015  
 Page 1 of 2

Commission Program Review  
 Rep: MARY DAVIDSON

**Month Summary: BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**

*Period: December 1, 2014 To December 31, 2014*

	<u>December 2014</u>	<u>Year To Date</u>
Opening Balance:	\$2.00 <i>*cr</i>	\$0.00*
Commission:	\$62.50	\$354.00
Credit:	\$1.00	\$4.00
Payments:	\$0.00	\$0.00
Adjustments:	\$0.00	\$1.00 <i>db</i>
Ending Balance:	\$3.00 <i>cr</i>	\$3.00 <i>cr</i>

*\*Previous Year's closing balance*

**Manager Commission Summary**

	<u>December 2014 Commission</u>	<u>December 2014 Credit</u>	<u>Year to Date Commission</u>	<u>Year to Date Credit</u>
HOTCHKIS & WILEY	\$62.50	\$1.00	\$354.00	\$4.00
Total:	\$62.50	\$1.00	\$354.00	\$4.00

**Adjustments Summary**

	<u>December 2014</u>	<u>Year to Date</u>
TO ADJUST BALANCE	\$0.00	-\$1.00 <i>db</i>
Total:	\$0.00	-\$1.00 <i>db</i>

***Are you considering making a portfolio change soon? Contact your Abel Noser representative or Transitions@abelnoser.com for information about our Transition Service which was rated #1 in the 'Overall Service' category in the 2013 aiCIO Global TM Survey.***

*In order to comply with ERISA; It is our understanding that the monies disbursed from your commission recapture account are for the exclusive benefit of the plan's participants and their beneficiaries. Please contact us if you see there are any exceptions to this compliance.*

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Date 1/15/2015

Page 2 of 2

Commission Program Review

Rep: MARY DAVIDSON

Trade Details: BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Period: December 1, 2014 To December 31, 2014

Account: 1122-BAY COUNTY EMPL RET SYSTEM/ HOTCHKIS EAN71916

<u>trade date</u>	<u>side</u>	<u>ticker</u>	<u>security description</u>		<u>share</u>	<u>commission</u>	<u>credit</u>	<u>cumulation</u> <u>credit</u>
12/01/14	B	KOS	KOSMOS ENERGY LTD	SHS	500	\$5.00	\$0.00	\$0.00
12/02/14	B	KOS	KOSMOS ENERGY LTD	SHS	300	\$3.00	\$0.00	\$0.00
12/02/14	S	MATX	MATSON INC	COM	200	\$2.00	\$0.00	\$0.00
12/03/14	S	MATX	MATSON INC	COM	100	\$1.00	\$0.00	\$0.00
12/04/14	S	MATX	MATSON INC	COM	200	\$2.00	\$0.00	\$0.00
12/09/14	S	RCII	RENT A CTR INC NEW	COM	1,700	\$17.00	\$0.00	\$0.00
12/09/14	B	WLH	LYON WILLIAM HOMES	CL A N	300	\$3.00	\$0.00	\$0.00
12/10/14	B	WLH	LYON WILLIAM HOMES	CL A N	300	\$3.00	\$0.00	\$0.00
12/11/14	B	WLH	LYON WILLIAM HOMES	CL A N	100	\$1.00	\$0.00	\$0.00
12/19/14	B	KBR	KBR INC	COM	300	\$1.50	\$0.00	\$0.00
12/19/14	B	KBR	KBR INC	COM	1,100	\$11.00	\$0.00	\$0.00
12/19/14	S	MATX	MATSON INC	COM	500	\$5.00	\$0.00	\$0.00
12/22/14	S	MATX	MATSON INC	COM	100	\$1.00	\$0.00	\$0.00
12/23/14	B	HGR	HANGER INC	COM NE	200	\$2.00	\$0.00	\$0.00
12/23/14	B	HGR	HANGER INC	COM NE	100	\$2.00	\$1.00	\$1.00
12/24/14	B	HGR	HANGER INC	COM NE	100	\$1.00	\$0.00	\$1.00
12/26/14	B	HGR	HANGER INC	COM NE	200	\$2.00	\$0.00	\$1.00
Account Total:					6,300	\$62.50	\$1.00	
Grand Total:					6,300	\$62.50	\$1.00	

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**CAPITAL**  
**INSTITUTIONAL**  
**SERVICES, INC.**

1601 Elm Street, Suite 3900  
 Dallas, Texas 75201

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 800.247.6729

Founded 1977  
 Member NYSE, FINRA, NFA, SIPC

**Bay County Employees' Ret. Sys.**

CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

**Summary of Segregated Account Detail**

	December	YTD
Payment from Segregated Account	\$ 771.05	\$ 1,593.03
	<u>\$ 771.05</u>	<u>\$ 1,593.03</u>

**Segregated Account Detail**

Service Period	Comments/Notes	Vendor Invoice #	Date Paid	December	Prior Months	YTD	Mixed Use %
<b>Payment from Segregated Account</b>							
August 2014	Commission Recapture	296555Bay Count	09/15/2014		\$ 356.72		
September 2014	Commission Recapture	297163Bay Count	10/14/2014		\$ 212.45		
October 2014	Commission Recapture	297734Bay Count	11/14/2014		\$ 252.81		
November 2014	Commission Recapture	298218Bay Count	12/12/2014	\$ 771.05			
			<b>Payment from Segregated Account Total</b>	<u>\$ 771.05</u>	<u>\$ 821.98</u>	<u>\$ 1,593.03</u>	
			<b>Grand Total</b>	<u>\$ 771.05</u>	<u>\$ 821.98</u>	<u>\$ 1,593.03</u>	

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Account Executive: Jon Lantz  
 Phone: (214) 978-4778

Sales Assistant: Christilla Moreno  
 Phone: (214) 978-4743



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**Bay County Employees' Ret. Sys.**

CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

**Summary of Execution by Security Type**

	December	YTD
U.S. Equity	\$0.00	\$142.97
	\$ 0.00	\$ 142.97

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Sales Assistant: Christilla Moreno  
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79



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**Bay County Employees' Ret. Sys.**  
CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

**Summary of Directed Commission by Manager**

Columbia Management Advisors	Shares	Commission		Recapture Allocation	
		December	YTD	December	YTD
Columbia Management Advisors	16,203	\$486.09	\$1,963.98	\$259.25	\$1,047.46
Eagle Asset Management	11,239	233.76	1,518.21	121.37	822.62
Geneva Capital Management LLC	0	0.00	45.32	0.00	33.99
MFS Investment Management	0	0.00	106.97	0.00	69.58
	<b>27,442</b>	<b>\$ 719.85</b>	<b>\$ 3,634.48</b>	<b>\$ 380.62</b>	<b>\$ 1,973.65</b>

**Recapture Commission Activity**

Trade Date	Stmt Date	Post Date	Side	Shares	Ticker	Security Description	Brokerage Account Number	Brokerage Account Name	Ex Brkr	Price	Commission	Recapture Allocation
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<b>Columbia Management Advisors</b>													
11/05/2014	11/10/2014	12/24/2014	B	3,075	ESRX	EXPRESS SCRIPTS HLDG CO	3MB01C57	ES3D BAY COUNTY	WEEDEN	77.0788	92.25	49.20	
11/05/2014	11/10/2014	12/24/2014	S	1,187	GPS	GAP INC DELAWARE	3MB01C57	ES3D BAY COUNTY	WEEDEN	37.2714	35.61	18.99	
11/05/2014	11/10/2014	12/24/2014	S	2,466	GPS	GAP INC DELAWARE	3MB01C57	ES3D BAY COUNTY	WEEDEN	37.2200	73.98	39.46	
11/06/2014	11/12/2014	12/24/2014	B	577	ESRX	EXPRESS SCRIPTS HLDG CO	3MB01C57	ES3D BAY COUNTY	WEEDEN	77.3933	17.31	9.23	
11/06/2014	11/12/2014	12/24/2014	S	2,465	GPS	GAP INC DELAWARE	3MB01C57	ES3D BAY COUNTY	WEEDEN	37.4960	73.95	39.44	
11/06/2014	11/12/2014	12/24/2014	B	2,000	TDC	TERADATA CORP DEL	3MB01C57	ES3D BAY COUNTY	WEEDEN	43.3462	60.00	32.00	
11/12/2014	11/17/2014	12/24/2014	S	2,559	GPS	GAP INC DELAWARE	3MB01C57	ES3D BAY COUNTY	WEEDEN	39.0176	76.77	40.94	
11/18/2014	11/21/2014	12/24/2014	B	278	GLW	CORNING INC	3MB01C57	ES3D BAY COUNTY	WEEDEN	20.4423	8.34	4.45	
11/20/2014	11/25/2014	12/24/2014	B	1,596	GLW	CORNING INC	3MB01C57	ES3D BAY COUNTY	WEEDEN	20.6704	47.88	25.54	
<b>Total for Columbia Management Advisors</b>											<b>16,203</b>	<b>\$ 486.09</b>	<b>\$ 259.25</b>

**Eagle Asset Management**

12/16/2014	12/19/2014	12/17/2014	S	2,118	MTW	MANTOWOC CO INC WIS	3PF07W51	05231100 BAY CITY	CAPIS	16.9816	42.36	21.18
12/16/2014	12/19/2014	12/17/2014	S	3,748	MGAM	MULTIMEDIA GAMES HOLDING	3PF07W51	05231100 BAY CITY	CAPIS	35.9337	74.96	37.48
12/17/2014	12/22/2014	12/18/2014	S	962	MTW	MANTOWOC CO INC WIS	3PF07W51	05231100 BAY CITY	CAPIS	16.8009	19.24	9.62
12/17/2014	12/22/2014	12/18/2014	S	1,154	MTW	MANTOWOC CO INC WIS	3PF07W51	05231100 BAY CITY	CAPIS	16.8398	23.08	11.54
12/17/2014	12/22/2014	12/18/2014	S	1,154	MTW	MANTOWOC CO INC WIS	3PF07W51	05231100 BAY CITY	CAPIS	16.9832	23.08	11.54
12/19/2014	12/24/2014	12/20/2014	S	898	THRX	THERAVANCE INC	3PF07W51	05231100 BAY CITY	CAPIS	15.1632	26.94	17.96
12/19/2014	12/24/2014	12/20/2014	S	1,205	THRX	THERAVANCE INC	3PF07W51	05231100 BAY CITY	CAPIS	15.2158	24.10	12.05

Account Executive: Jon Lantz  
Phone: (214) 978-4778

Sales Assistant: Christilla Moreno  
Phone: (214) 978-4743

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**CAPITAL**  
**INSTITUTIONAL**  
**SERVICES, INC.**

1601 Elm Street, Suite 3900  
 Dallas, Texas 75201

214.720.0055  
 800.247.6729

Founded 1977  
 Member NYSE, FINRA, NFA, SIPC

**Bay County Employees' Ret. Sys.**  
 CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

*Recapture Commission Activity*

Trade Date	Start Date	Post Date	Side	Shares	Ticker	Security Description	Brokerage Account Number	Brokerage Account Name	Ex Brkr	Price	Commission	Recapture Allocation
Total for Eagle Asset Management				11,239							\$ 233.76	\$ 121.37
Recapture Trade Total				27,442							\$ 719.85	\$ 380.62

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**Bay County Employees' Ret. Sys.**  
CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

Summary of Activity by Month

	Commission		Recapture Allocation		Redeemed Recapture		Balance
	Month	YTD	Month	YTD	Month	YTD	
Beginning Balance							
January	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
February	.00	.00	.00	.00	.00	.00	.00
March	.00	.00	.00	.00	.00	.00	.00
April	.00	.00	.00	.00	.00	.00	.00
May	.00	.00	.00	.00	.00	.00	.00
June	.00	.00	.00	.00	.00	.00	.00
July	94.07	94.07	64.99	64.99	.00	.00	64.99
August	549.82	643.89	291.73	356.72	.00	.00	356.72
September	426.41	1,070.30	212.45	569.17	356.72	356.72	212.45
October	520.26	1,590.56	252.81	821.98	212.45	569.17	252.81
November	1,467.04	3,057.60	771.05	1,593.03	252.81	821.98	771.05
December	719.85	3,777.45	380.62	1,973.65	771.05	1,593.03	380.62

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**Bay County Employees' Ret. Sys.**

CAPIS Account: 10263

Settlement Month Ending: 12/31/2014

**Explanation of Your Statement**

Total Commission is a summary of brokerage transactions by security type. The Commission Allocation is the amount applicable to Execution and Research/Recapture for both the month and the year-to-date.

Research Payment Detail receipts by vendor the payments made from the Commission Allocation for Research, including service period covered, any comments or notes, vendor invoice number, date paid, and the percentage allocated for mixed-use payments during the current month.

Payment from Segregated Account summarizes the year-to-date disbursements made based on the Commission Allocation for Recapture.

Trade Blotter shows the monthly detail of all brokerage transactions based on trade or settlement date and the corresponding Commission and Research/Recapture Allocation.

Execution Only Trade Blotter shows the monthly detail of all brokerage transactions based on trade or settlement date.

Directed Commission Reports show all trades executed for or by CAPIS at the direction of a plan sponsor. The manager's statement is a listing by each plan sponsor providing direction. The plan sponsor's statement provides a listing for each manager who has directed trades for the period.

Transition Statement will only be included if a change is made in reporting from Trade Date to Settlement Date or the reverse. This report is a summary of any transactions that fall into the transition period between the Trade Date and Settlement Date and vice versa.

**Research Commission Allocation**

The Commission Allocation for Research is not a contractual liability of CAPIS and is not redeemable in cash. CAPIS provides third-party research and brokerage services to clients for commission generated through transactions. CAPIS reserves the right to refuse payment of any invoice.

The Commission Allocation for Research and Recapture is calculated on settlement date. If your statement is based on trade date detail, your Commission Allocation balance could be higher or lower depending upon account activity between month end and final settlement date.

**Statement Online**

This statement may be viewed online by logging into the Concourse portal at [www.capis.com](http://www.capis.com). If you do not have a login ID or password, one can be obtained from your CAPIS Account Executive.

Our current financial statement is available online at [www.capis.com](http://www.capis.com). Additionally, this statement is available for your personal inspection at our offices or a copy will be mailed upon your written request.

Also available online or upon written request are our policies regarding the following programs: Customer Identification Program, Privacy Policy, Reg NMS 606 Report, SIPC Notification, Payment for Order Flow Practices, and Extended Hours Trading.

Please advise CAPIS promptly of any inaccuracies or discrepancies in your account statement. In order to protect your rights, including those under the Securities Investors Protection Act (SIPA), all oral communications regarding discrepancies must be re-confirmed in writing to the following address:

Capital Institutional Services, Inc.  
Attention: Compliance  
1601 Elm Street, Suite 3900  
Dallas, TX 75201

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# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
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ACCOUNT NUMBER : 2608694

ACCOUNT NAME : \*BAYCO - COLUMBIA MANAGEMENT

CURRENCY : USD

OPEN CASH	0.00	1,976.40	0.00	0.00	1,976.40
TERM CASH	0.00	9.36	0.00	0.00	9.36
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,985.76	0.00	0.00	1,985.76
TOTAL REBATES	0.00	144.73	0.00	0.00	144.73
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,841.03	0.00	0.00	1,841.03
BANK FEES	0.00	735.96	0.00	0.00	735.96
NET INCOME	0.00	1,105.07	0.00	0.00	1,105.07

ACCOUNT NUMBER : 2618668

ACCOUNT NAME : \*BAYCO - BAIRD -SL

CURRENCY : USD

OPEN CASH	2,124.59	0.00	0.00	0.00	2,124.59
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	2,124.59	0.00	0.00	0.00	2,124.59
TOTAL REBATES	1,270.35	0.00	0.00	0.00	1,270.35
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	854.24	0.00	0.00	0.00	854.24
BANK FEES	341.61	0.00	0.00	0.00	341.61
NET INCOME	512.63	0.00	0.00	0.00	512.63

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# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
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ACCOUNT NUMBER : 2622490

ACCOUNT NAME : \*BAYCO - MACKAY SHIELDS -SL

CURRENCY : USD

OPEN CASH	1,198.47	128.67	0.00	6.12	1,333.26
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	170.88	0.00	0.00	0.00	170.88
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,369.35	128.67	0.00	6.12	1,504.14
TOTAL REBATES	-894.57	8.42	0.00	0.23	-885.92
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	2,263.92	120.25	0.00	5.89	2,390.06
BANK FEES	905.12	48.01	0.00	2.33	955.46
NET INCOME	1,358.80	72.24	0.00	3.56	1,434.60

ACCOUNT NUMBER : 2622536

ACCOUNT NAME : \*BAYCO - HOTCHKIS & WILEY -SL

CURRENCY : USD

OPEN CASH	0.00	1,305.50	0.00	310.83	1,616.33
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	22.12	0.00	0.00	22.12
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,327.62	0.00	310.83	1,638.45
TOTAL REBATES	0.00	35.82	0.00	15.54	51.36
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,291.80	0.00	295.29	1,587.09
BANK FEES	0.00	514.22	0.00	117.38	631.60
NET INCOME	0.00	777.58	0.00	177.91	955.49

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# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
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ACCOUNT NUMBER : 2641401					
ACCOUNT NAME : *BAYCO - LOOMIS SAYLES -SL					
CURRENCY : USD					
OPEN CASH	1,014.75	0.00	577.91	0.00	1,592.66
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	23.81	0.00	0.81	0.00	24.62
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	1,038.56	0.00	578.72	0.00	1,617.28
TOTAL REBATES	59.01	0.00	-303.28	0.00	-244.27
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	979.55	0.00	882.00	0.00	1,861.55
BANK FEES	391.21	0.00	352.49	0.00	743.70
NET INCOME	588.34	0.00	529.51	0.00	1,117.85

ACCOUNT NUMBER : 2649057

ACCOUNT NAME : \*BAYCO GENEVA CAPITAL MGMT -SL

CURRENCY : USD

OPEN CASH	0.00	2,671.90	0.00	104.42	2,776.32
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,671.90	0.00	104.42	2,776.32
TOTAL REBATES	0.00	181.76	0.00	5.99	187.75
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,490.14	0.00	98.43	2,588.57
BANK FEES	0.00	995.19	0.00	39.26	1,034.45
NET INCOME	0.00	1,494.95	0.00	59.17	1,554.12

# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
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ACCOUNT NUMBER : 2653308					
ACCOUNT NAME : *BAYCO - INTEGRITY -SL					
CURRENCY : USD					
OPEN CASH	0.00	2,053.17	0.00	169.75	2,222.92
TERM CASH	0.00	74.06	0.00	0.00	74.06
NON CASH	0.00	8.37	0.00	5.85	14.22
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,135.60	0.00	175.60	2,311.20
TOTAL REBATES	0.00	21.75	0.00	-13.62	8.13
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,113.85	0.00	189.22	2,303.07
BANK FEES	0.00	844.17	0.00	75.57	919.74
NET INCOME	0.00	1,269.68	0.00	113.65	1,383.33

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ACCOUNT NUMBER : 2653296					
ACCOUNT NAME : *BAYCO - CORNERSTONE REALES-SL					
CURRENCY : USD					
OPEN CASH	0.00	1,448.36	0.00	0.00	1,448.36
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	0.00	0.00	0.00	0.00
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,448.36	0.00	0.00	1,448.36
TOTAL REBATES	0.00	78.56	0.00	0.00	78.56
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,369.80	0.00	0.00	1,369.80
BANK FEES	0.00	546.80	0.00	0.00	546.80
NET INCOME	0.00	823.00	0.00	0.00	823.00

# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
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ACCOUNT NUMBER : 2693063

ACCOUNT NAME : \*BAYCO - MFS INVESTMENTS -SL

CURRENCY : USD

OPEN CASH	0.00	2,494.34	0.00	283.65	2,777.99
TERM CASH	0.00	60.17	0.00	0.00	60.17
NON CASH	0.00	8.30	0.00	0.00	8.30
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	2,562.81	0.00	283.65	2,846.46
TOTAL REBATES	0.00	137.30	0.00	-194.48	-57.18
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,425.51	0.00	478.13	2,903.64
BANK FEES	0.00	969.48	0.00	191.15	1,160.63
NET INCOME	0.00	1,456.03	0.00	286.98	1,743.01

ACCOUNT NUMBER : 2695063

ACCOUNT NAME : \*BAYCO - EAGLE ASSET -SL

CURRENCY : USD

OPEN CASH	0.00	1,790.68	0.00	64.32	1,855.00
TERM CASH	0.00	52.64	0.00	0.00	52.64
NON CASH	0.00	0.00	0.00	9.43	9.43
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	0.00	1,843.32	0.00	73.75	1,917.07
TOTAL REBATES	0.00	-619.16	0.00	-27.77	-646.93
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,462.48	0.00	101.52	2,564.00
BANK FEES	0.00	981.97	0.00	40.48	1,022.45
NET INCOME	0.00	1,480.51	0.00	61.04	1,541.55

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# Securities Lending

## Summary Earnings Report for MR

2618668,2608694,2663296,2695063,2622536,2653308,26

From Dec 1, 2014 To Dec 31, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
GRAND TOTAL					
CURRENCY : USD					
OPEN CASH	4,337.81	13,869.02	577.91	939.09	19,723.83
TERM CASH	0.00	196.23	0.00	0.00	196.23
NON CASH	194.69	38.79	0.81	15.28	249.57
DEAL STOCKS	0.00	0.00	0.00	0.00	0.00
EXCLUSIVES	0.00	0.00	0.00	0.00	0.00
GROSS EARNINGS	4,532.50	14,104.04	578.72	954.37	20,169.63
TOTAL REBATES	434.79	-10.82	-303.28	-214.11	-93.42
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	4,097.71	14,114.86	882.00	1,168.48	20,263.05
BANK FEES	1,637.94	5,635.80	352.49	466.17	8,092.40
NET INCOME	2,459.77	8,479.06	529.51	702.31	12,170.65

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Although this report has been prepared using information believed to be reliable, it may contain information provided by third parties or derived from third party information, and/or information that may have been obtained from, categorized or otherwise reported based upon client direction. The Northern Trust Company does not guarantee the accuracy, timeliness or completeness of any such information. The information included in this report is intended to assist clients with their financial reporting needs, but you must consult with your accountants, auditors and/or legal counsel to ensure your accounting and financial reporting complies with applicable laws, regulations and accounting guidance. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

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Northern Trust

REFUNDS: FOR THE MONTH ENDED:

January 31, 2015

EMPLOYEE/BENEFICIARY	CONTRIBUTIONS	PROCESSED	DEPARTMENT	TERMINATION
Wollner, Emily	3,115.06	12/11/14	BABH	10/24/14
Marsh, Jeffrey	6,545.86	12/5/14	BABH	11/8/14
Jaime, Zachary	5,254.85	1/21/14	BABH	
Blohm, Lisa	1,051.27	1/21/15	BABH	

TOTAL REFUNDS: 15,967.04

NEW RETIREE	CONTRIBUTIONS TRANSFERRED	RETIREMENT GROUP/ COUNTY DEPT	EFFECTIVE DATE
DINAUER, IRENE	31,919.60	GENERAL - DEFERRED	1/13/2015
IRWIN, MARY	13,769.81	BMCF	1/13/2015
MAUL, MARK	\$24,800.02	LIBRARY	1/2/2015
BIRCH, THOMAS	\$85,149.63	LIBRARY	1/3/2015
WEBER, JOYCE	\$35,669.38	BMCF	1/3/2015

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
KRUG, CHELIUS	1,054.70	BMCF NON-UNION	12/12/2014
BUDA, TARAH	756.08	BMCF RN/LPN	12/18/2014

756.08

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# Bay County, Michigan

02/05/2015 09:03  
RMarsters

BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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91ytdbud 1

FOR 2015 01

ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
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7310 RETIREMENT SYSTEM FUND

73127400 RETIREMENT BOARD

RA FUND BALANCE, NET AS

73127400 40001	FUND BALANCE	0	0	.00	.00	.00	-1,300,000.00	-4.7%
73127400 40003	FUND BALANCE-RESRVS	36,190	36,190	.00	.00	.00	-13,613.59	-4.7%
73127400 40004	NET ASSETS - RESERV	3,763,344	3,763,344	.00	.00	.00	-59,245.43	-3.9%
<b>TOTAL FUND BALANCE, NET AS</b>		<b>3,799,534</b>	<b>3,799,534</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>3,799,534.00</b>	<b>.0%</b>

RJ LOCAL UNIT CONTRIBUT

73127400 59401	ER CONTR-BEHAVE.HEA	-1,300,000	-1,300,000	.00	.00	.00	-1,300,000.00	-4.7%
73127400 59402	ER CONTR-MOSQUITO C	-13,000	-13,000	613.59	613.59	.00	-13,613.59	-4.7%
73127400 59403	ER CONTR-HEALTH FUN	-57,000	-57,000	2,245.43	2,245.43	.00	-59,245.43	-3.9%
73127400 59404	ER CONTR-ROAD COMM	-520,000	-520,000	.00	.00	.00	-520,000.00	.0%
73127400 59405	ER CONTR-LIBRARY	-130,000	-130,000	.00	.00	.00	-130,000.00	.0%
73127400 59407	ER CONTR-GOLF COURSE	-6,000	-6,000	192.31	192.31	.00	-6,192.31	-3.2%
73127400 59408	ER CONTR-GENERAL FU	-375,000	-375,000	20,834.09	20,834.09	.00	-395,834.09	-5.6%
73127400 59409	ER CONTR-DWS	-250,000	-250,000	.00	.00	.00	-250,000.00	.0%
73127400 59410	ER CONTR-911 SERVIC	-45,000	-45,000	2,098.61	2,098.61	.00	-47,098.61	-4.7%
73127400 59411	ER CONTR-CHILD CARE	-40,000	-40,000	2,115.76	2,115.76	.00	-42,115.76	-5.3%
73127400 59412	ER CONTR-DIV ON AGI	-43,000	-43,000	2,889.08	2,889.08	.00	-45,889.08	-6.7%
73127400 59413	ER CONTR-RETIRE SYS	-1,800	-1,800	113.34	113.34	.00	-1,913.34	-6.3%
73127400 59414	ER CONTR-HOMELAND S	-3,500	-3,500	.00	.00	.00	-3,500.00	.0%
73127400 59415	ER CONTR-GYPSY MOTH	-2,000	-2,000	105.89	105.89	.00	-2,105.89	-5.3%
73127400 59416	ER CONTR-HOME REHAB	-180	-180	3.61	3.61	.00	-183.61	-2.0%
73127400 59418	ER CONTR-100% TAX E	-3,200	-3,200	154.19	154.19	.00	-3,354.19	-4.8%
73127400 59419	ER CONTR-MED CARE F	-700,000	-700,000	.00	.00	.00	-700,000.00	.0%
73127400 59424	ER CONTR-SELF INSUR	-500	-500	17.76	17.76	.00	-517.76	-3.6%
73127400 59427	ER CONTR-COMM. CORR	-3,100	-3,100	77.13	77.13	.00	-3,177.13	-2.5%
73127400 59429	ER CONTR-F.O.C. FUN	-2,100	-2,100	128.09	128.09	.00	-2,228.09	-6.1%
73127400 59430	ER CONTR-HOUSING FU	-6,800	-6,800	261.01	261.01	.00	-7,061.01	-3.8%
73127400 59434	ER CONTR-LOCAL CEO	0	0	.00	.00	.00	.00	.0%
73127400 59439	ER CONTR-SHERIFF DE	0	0	.00	.00	.00	.00	.0%
73127400 59501	BE CONTR-BEHAVE.HEA	-580,000	-580,000	.00	.00	.00	-580,000.00	.0%

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# Bay County, Michigan

02/05/2015 09:03  
Rmarsters

BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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FOR 2015 01

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 59502	EE CONTR-MOSQUITO C	-12,500	613.59	613.59	.00	-13,113.59	-4.9%
73127400 59503	EE CONTR-HEALTH FDN	-60,000	2,245.43	2,245.43	.00	-62,245.43	-3.7%
73127400 59504	EE CONTR-ROAD COMM	-130,000	.00	.00	.00	-130,000.00	.0%
73127400 59506	EE CONTR-LIBRARY	-75,000	.00	.00	.00	-75,000.00	.0%
73127400 59507	EE CONTR-GOLF COURSE	-4,800	192.31	192.31	.00	-4,992.31	-4.0%
73127400 59508	EE CONTR-GENERAL FU	-500,000	20,834.11	20,834.11	.00	-520,834.11	-4.2%
73127400 59509	EE CONTR-DWS	-85,000	.00	.00	.00	-85,000.00	.0%
73127400 59510	EE CONTR-911 SERV	-62,000	2,098.61	2,098.61	.00	-64,098.61	-3.4%
73127400 59511	EE CONTR-CHILD CARE	-40,000	2,115.76	2,115.76	.00	-42,115.76	-5.3%
73127400 59512	EE CONTR-DIV ON AGI	-43,000	2,889.08	2,889.08	.00	-45,889.08	-6.7%
73127400 59513	EE CONTR-RETIRE SYS	-1,800	113.35	113.35	.00	-1,913.35	-6.3%
73127400 59514	EE CONTR-HOMELAND S	0	.00	.00	.00	.00	.0%
73127400 59515	EE CONTR-GYPSY MOTH	-1,900	105.89	105.89	.00	-2,005.89	-5.6%
73127400 59516	EE CONTR-HOME REHAB	-180	3.61	3.61	.00	-183.61	-2.0%
73127400 59518	EE CONTR-100% TAX P	-3,000	154.19	154.19	.00	-3,154.19	-5.1%
73127400 59519	EE CONTR-MED CARE F	-380,000	.00	.00	.00	-380,000.00	.0%
73127400 59524	EE CONTR-SELF INSUR	-400	17.76	17.76	.00	-417.76	-4.4%
73127400 59527	EE CONTR-COMM. CORR	-3,100	77.13	77.13	.00	-3,177.13	-2.5%
73127400 59529	EE CONTR-F.O.C. FUN	-2,100	128.09	128.09	.00	-2,228.09	-6.1%
73127400 59530	EE CONTR-HOUSING FU	-6,800	261.01	261.01	.00	-7,061.01	-3.8%
73127400 59534	EE CONTR-LOCAL CFO	0	.00	.00	.00	.00	.0%
73127400 59599	EE CONTR-SHERIFF DE	-245,000	-30.33	-30.33	.00	-244,969.67	.0%
TOTAL LOCAL UNIT CONTRIBUT		-5,738,760	63,669.48	63,669.48	.00	-5,802,429.48	-1.1%
RP INTEREST & RENTALS							
73127400 66400	INVESTMENT INTEREST	-5,000,000	.00	.00	.00	-5,000,000.00	.0%
73127400 66500	GAIN ON SALE OF INV	-15,000,000	.00	.00	.00	-15,000,000.00	.0%
73127400 66501	UNREALIZED GAIN ON	-3,000,000	.00	.00	.00	-3,000,000.00	.0%
73127400 66502	GAIN ON FOREIGN CUR	-40,000	.00	.00	.00	-40,000.00	.0%
73127400 66600	SECURITIES LENDING	-300,000	.00	.00	.00	-300,000.00	.0%
TOTAL INTEREST & RENTALS		-23,340,000	.00	.00	.00	-23,340,000.00	.0%
RR OTHER REVENUE							
73127400 67104	MISCELLANEOUS REVENUE	0	.00	.00	.00	.00	.0%
73127400 67600	REIMBURSEMENTS	0	.00	.00	.00	.00	.0%
73127400 67601	REIMBURSEMENT - INDD	0	.00	.00	.00	.00	.0%

# Bay County, Michigan

02/05/2015 09:03 BAY COUNTY, MI  
 Rmatters YEAR-TO-DATE BUDGET REPORT

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FOR 2015 01

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 68900 TRADE-IN ALLOWANCE	0	0	.00	.00	.00	-25,000.00	.0%
73127400 69000 COMMISSION RECAPTUR	-25,000	-25,000	.00	.00	.00	-150,000.00	.0%
73127400 69200 CLAIMS/SETTLEMENTS/	-150,000	-150,000	.00	.00	.00	-175,000.00	.0%
TOTAL OTHER REVENUE	-175,000	-175,000	.00	.00	.00	-175,000.00	.0%

**XE WAGES & SALARIES**

73127400 70300 SALARIES-ELECTED OR	49,153	49,153	2,776.81	2,776.81	.00	46,376.19	5.6%
73127400 70500 TEMPORARY HELP	12,740	12,740	407.64	407.64	.00	12,332.36	3.2%
73127400 70501 PART TIME WAGES	6,238	6,238	573.61	573.61	.00	5,664.39	9.2%
73127400 70600 OVERTIME	2,809	2,809	.00	.00	.00	2,809.00	.0%
73127400 70800 HOLIDAY PAY	0	0	437.16	437.16	.00	-437.16	100.0%
73127400 71000 PER DIEM	3,420	3,420	135.00	135.00	.00	3,285.00	3.9%
73127400 71200 VACATION PAY	0	0	.00	.00	.00	.00	.0%
73127400 71202 SICK PAY	0	0	.00	.00	.00	.00	.0%
73127400 71203 TERMINATION SICK PA	0	0	.00	.00	.00	.00	.0%
73127400 71204 TERMINATION VACATION	0	0	.00	.00	.00	.00	.0%
TOTAL WAGES & SALARIES	74,360	74,360	4,330.22	4,330.22	.00	70,029.78	5.8%

**XF FRINGES**

73127400 71500 SOCIAL SECURITY	4,097	4,097	290.42	290.42	.00	3,806.58	7.1%
73127400 71600 HEALTH INSURANCE	12,989	12,989	1,082.34	1,082.34	.00	11,906.66	8.3%
73127400 71603 RETIREE HEALTH CARE	0	0	.00	.00	.00	.00	.0%
73127400 71632 EMPLOYER HEALTH	103	103	.00	.00	.00	103.00	.0%
73127400 71700 LIFE INSURANCE	131	131	7.20	7.20	.00	123.80	5.5%
73127400 71800 RETIREMENT	4,434	4,434	307.56	307.56	.00	4,126.44	6.9%
73127400 71900 OTHER FRINGE BENEFIT	96	96	.00	.00	.00	96.00	.0%
73127400 72001 STE ADMINISTRATION	0	0	.00	.00	.00	.00	.0%
73127400 72100 WORKERS' COMPENSAT	84	84	6.30	6.30	.00	77.70	7.5%
73127400 72200 SICK AND ACCIDENT I	517	517	33.05	33.05	.00	483.95	6.4%
73127400 72500 UNEMPLOYMENT COMPEN	251	251	18.88	18.88	.00	232.12	7.5%
TOTAL FRINGES	22,702	22,702	1,745.75	1,745.75	.00	20,956.25	7.7%

**XI SUPPLIES**

73127400 72700 OFFICE SUPPLIES	2,000	2,000	.00	.00	.00	2,000.00	.0%
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# Bay County Michigan

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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FOR 2015 01

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 72702	0	0	.00	.00	.00	.00	.0%
73127400 72800	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 72900	300	300	24.88	24.88	.00	275.12	8.3%
73127400 73000	600	600	.00	.00	.00	600.00	.0%
73127400 73301	500	500	.00	.00	.00	500.00	.0%
73127400 74200	150	150	.00	.00	.00	150.00	.0%
73127400 74700	0	0	.00	.00	.00	.00	.0%
73127400 75100	1,500	1,500	.00	.00	.00	1,500.00	.0%
TOTAL SUPPLIES	6,050	6,050	24.88	24.88	.00	6,025.12	.4%
XL OTHER SERVICES AND C							
73127400 80100	1,500,000	1,500,000	.00	.00	.00	1,500,000.00	.0%
73127400 80101	40,000	40,000	.00	.00	.00	40,000.00	.0%
73127400 80200	0	0	.00	.00	.00	.00	.0%
73127400 81200	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 81400	230,000	230,000	.00	.00	.00	230,000.00	.0%
73127400 81700	7,500	7,500	.00	.00	.00	7,500.00	.0%
73127400 82000	140,000	140,000	35,000.00	35,000.00	.00	105,000.00	25.0%
73127400 82900	250	250	.00	.00	.00	250.00	.0%
73127400 83500	0	0	.00	.00	.00	.00	.0%
73127400 85200	420	420	7.93	7.93	.00	412.07	1.9%
73127400 86100	15,000	15,000	.00	.00	.00	15,000.00	.0%
73127400 86500	2,000	2,000	.00	.00	.00	2,000.00	.0%
73127400 87500	300	300	24.08	24.08	.00	275.92	8.0%
73127400 90000	13,000,000	13,000,000	.00	.00	.00	13,000,000.00	.0%
73127400 90100	500	500	.00	.00	.00	500.00	.0%
73127400 93100	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 93700	500	500	.00	.00	.00	500.00	.0%
73127400 94601	0	0	.00	.00	.00	.00	.0%
73127400 94602	5,000	5,000	61.37	61.37	.00	4,938.63	1.2%
73127400 95500	500	500	.00	.00	.00	500.00	.0%
73127400 95600	110,094	110,094	.00	.00	.00	110,094.00	.0%
73127400 96200	1,500	1,500	.00	.00	.00	1,500.00	.0%
73127400 96201	10,000,000	10,000,000	.00	.00	.00	10,000,000.00	.0%
73127400 96203	0	0	.00	.00	.00	.00	.0%
73127400 96401	100,000	100,000	.00	.00	.00	100,000.00	.0%
73127400 96402	60,000	60,000	.00	.00	.00	60,000.00	.0%
73127400 96403	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96403	5,000	5,000	.00	.00	.00	5,000.00	.0%

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# Bay County, Michigan

02/05/2015 09:03  
RMarsters

BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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FOR 2015 01

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 96404 CONTRIB REFUND-MED	40,000	40,000	.00	.00	.00	40,000.00	.0%
73127400 96405 CONTRIB REFUND-B.A.	50,000	50,000	.00	.00	.00	50,000.00	.0%
73127400 96406 CONTRIB REFUND-D.W.	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96407 CONTRIB REFUND-LIBR	5,000	5,000	.00	.00	.00	5,000.00	.0%
73127400 96500 INSURANCE AND BONDS	22,000	22,000	.00	.00	.00	22,000.00	.0%
73127400 96730 MACHINERY & EQUIPME	2,000	2,000	.00	.00	.00	2,000.00	.0%
73127400 96740 OFFICE EQUIP. & FURN	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 96741 COMPUTER HARDWARE E	0	0	.00	.00	.00	.00	.0%
73127400 96742 COMPUTER SOFTWARE E	0	0	.00	.00	.00	.00	.0%
73127400 96770 BOOK EXPENSE	0	0	.00	.00	.00	.00	.0%
73127400 96999 BUDGET REDUCTION TA	0	0	.00	.00	.00	.00	.0%
TOTAL OTHER SERVICES AND C	25,351,114	25,351,114	35,093.38	35,093.38	.00	25,316,020.62	.1%

XQ CAPITAL OUTLAY

73127400 98001 COMPUTER SOFTWARE	0	0	.00	.00	.00	.00	.0%
TOTAL CAPITAL OUTLAY	0	0	.00	.00	.00	.00	.0%
TOTAL RETIREMENT BOARD	0	0	104,863.71	104,863.71	.00	-104,863.71	100.0%
TOTAL RETIREMENT SYSTEM FUND	0	0	104,863.71	104,863.71	.00	-104,863.71	100.0%
TOTAL REVENUES	-25,454,226	-25,454,226	63,669.48	63,669.48	.00	-25,517,895.48	
TOTAL EXPENSES	25,454,226	25,454,226	41,194.23	41,194.23	.00	25,413,031.77	
GRAND TOTAL	0	0	104,863.71	104,863.71	.00	-104,863.71	100.0%

\*\* END OF REPORT - Generated by Rebecca Marsters \*\*

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# Bay County Michigan

02/05/2015 09:03  
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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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## REPORT OPTIONS

Sequence	Field #	Total	Page Break
1	1	Y	N
2	9	Y	N
3	10	Y	N
4	0	N	N

Report title: BUDGET REPORT  
YEAR-TO-DATE BUDGET REPORT

Print Full or Short description: F  
Print MTD Version: Y  
Print Revenues-Version headings: N  
Format type: 1  
Print revenue budgets as zero: N  
Include Fund Balance: N  
Include requisition amount: N  
Multiyear view: D

Year/Period: 2015 / 1  
Print revenue as credit: Y  
Print totals only: N  
Suppress zero bal accts: N  
Print full GL account: N  
Double space: N  
Roll projects to object: N

Carry forward code: 1  
Print journal detail: N  
From Yr/Per: 2014 / 7  
To Yr/Per: 2014 / 7  
Include budget entries: Y  
Incl encumb/liq entries: Y  
Sort by JE # or PO #: J  
Detail format option: 1

Find Criteria  
Field Name Field Value

73127400

Org  
Object  
Project  
Rollup code  
Account type  
Account status

**BCERS Invoices Approved: January**

Invoice Date	Vendor	Amount	Description
12/29/2014	GRS	2,000.00	Calculations in excess of 25
1/9/2015	The Bogdahn Group	\$ 35,000.00	Q1 BCERS consulting fee
12/8/2014	various	165.68	mileage and training for precinct inspectors for 12/9/14 election
1/13/2015	Columbia	56,677.01	Q4 2014 money manager fee
1/16/2015	MFS	\$ 70,471.53	Q4 2014 money manager fee
1/16/2015	MFS Int'l	\$ 29,032.32	Q4 2014 money manager fee
1/12/2015	Geneva	43,034.00	Q4 2014 money manager fee
1/16/2015	Hotchkiss & Wiley	\$ 26,712.56	Q4 2014 money manager fee
1/15/2015	Eagle	\$ 21,627.15	Q4 2014 money manager fee
10/10/2014	Loomis & Sayles	\$ 27,032.71	Q3 2014 money manager fee
1/13/2015	Loomis & Sayles	27,394.56	Q4 2014 money manager fee

**VEBA Invoices Approved: January**

Invoice Date	Vendor	Amount	Description
1/9/2015	The Bogdahn Group	\$ 3,625.00	Q1 VEBA consulting fee

**BAY COUNTY RETIREMENT BOARD  
2/10/15  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

WHEREAS, effective January 1, 2015, a transaction was completed whereby Joe Bogdahn transferred the majority ownership position in Bogdahn Consulting, LLC, D/B/A The Bogdahn Group to Mike Welker.

WHEREAS, over the next several years, their goal is to broaden the ownership of the firm amongst the employees.

WHEREAS, The firm will remain employee-owned and 100% independent. There will be no change in firm personnel or the investment consulting process.

WHEREAS, The change in internal control constitutes assignment of Bay County Employees' Retirement System's investment consulting agreement to the revised employee ownership group.

WHEREAS, This change in internal ownership structure meets the definition of an assignment of our investment advisory contract under SEC rules, which requires BCERS consent.

RESOLVED That the Bay County Retirement Board approve the Client Consent and Acceptance Agreement.

RESOLVED That the Chairman of the Board is authorized to execute the Client Consent and Acceptance Agreement on behalf of the Bay County Retirement Board following legal review/approval.

STEVE GRAY, CHAIR  
AND BOARD

CONSENT TO CHANGE INTERNAL CONTROL THE BOGDAHN GROUP

MOVED BY TRUSTEE \_\_\_\_\_

SUPPORTED BY TRUSTEE

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:

Roll Call: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_  
 Voice: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_  
 Disposition: Adopted \_\_\_\_\_ Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_  
 Amended \_\_\_\_\_ Corrected \_\_\_\_\_ Referred \_\_\_\_\_



FROM: The Bogdahn Group  
TO: Valued Clients  
DATE: January 12, 2015  
RE: Change of Internal Control Notification

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The Bogdahn Group will celebrate its fifteenth anniversary in 2015. Since our inception, we have been fortunate to have had steady growth. We currently serve over 350 clients in 20 states and the District of Columbia with combined assets of approximately \$60 billion. Our clients are served by 54 employees who operate out of offices in Orlando, Chicago, Milwaukee, Detroit, Cleveland, and Pittsburgh, with additional professionals in Buffalo, Memphis, and Dallas.

Joe Bogdahn has been the majority equity owner of the firm since its inception. In 2005 and 2006, Mike Welker and Dave West became equity partners, respectively. Joe and Mike co-managed the firm for several years while Dave led our Investment Policy Committee. In 2011, Mike became the CEO and President of the firm, and we formalized an organizational structure to include an Executive Committee along with an oversight Board. With these leadership changes, Joe began to step away from the day-to-day management of the firm, while Mike and the Executive Committee stepped up to assume these responsibilities.

Over the past year, Joe and Mike have been working hard on a succession plan to ensure the long-term success and stability of the firm. Last week at our annual retreat it was announced that Mike has acquired the majority of the firm's equity and, over the next several years, their implicit goal is to broaden the ownership of the firm amongst the employees. This is a milestone event for The Bogdahn Group and is a tangible representation of the values and philosophy that have driven the firm since its inception. The firm will remain employee-owned and 100% independent. We want to emphasize there will be no change in firm personnel or our investment consulting process. Our clients will continue to experience the same high level of service and attention to detail from the firm and their consulting teams, and we will continue to retain and attract the best talent in the investment consulting industry.

This change of internal control constitutes an assignment of your investment consulting agreement to the revised employee ownership group. Accordingly, we are required by the Investment Advisers Act to notify our clients. Unless your client agreement stipulates written consent for a control change, this notification does not require any action by you as the terms of our existing agreement remain in place. We truly appreciate your business, and unless we hear to the contrary by April 1, 2015, we will conclude you consent to this change of internal control.

This is an extremely exciting time at The Bogdahn Group, and we firmly believe it puts us in a fantastic position to serve our clients and employees for the next fifteen years and beyond.

Please do not hesitate to call if you have any questions.

**Consent to Change in Internal Control**

Effective January 1, 2015, a transaction was completed whereby Joe Bogdahn transferred the majority ownership position in Bogdahn Consulting, LLC, D/B/A The Bogdahn Group to Mike Welker. This change in internal ownership structure meets the definition of an assignment of your investment advisory contract under SEC rules, which requires your consent. We ask that you provide this consent by signing and dating this notice in the space provided below and returning a signed copy to your consultant. Or, if you prefer, you may mail it to:

The Bogdahn Group  
4901 Vineland Road, Suite 600  
Orlando, FL 32811

**Client Consent and Acceptance:**

The undersigned consents to the assignment of its investment advisory agreement to the revised employee ownership group.

Client Name: \_\_\_\_\_

Signed: \_\_\_\_\_

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_



TO: The Bay County Employees' Retirement System – Trustees & Staff  
FROM: Howard Pohl and Peter Brown  
DATE: February 10, 2015  
SUBJECT: Investment Policy Statement - Update

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Over the last few months, The Bogdahn Group and Staff have been working on updating Investment Policy Statement (“IPS”) on behalf of the Bay County Employees’ Retirement System’s (the “System”) as a result of the acquisition of Becker Burke & Associates by The Bogdahn Group. The purpose of the updated IPS is due to Bogdahn’s preference to have all of its clients’ investment policies in a similar format and structure. The resulting proposed IPS includes Addendums for each of the investment managers that manages a separate account with the System. Bogdahn requests that each separate account investment manager review their respective addendum and sign it to confirm the strategy and associated benchmarks for which they are responsible.

Please note that the proposed IPS does not include any changes to the System’s asset allocation, investment strategy, portfolio composition or projected rate of return. Staff and Bogdahn have reviewed the IPS to ensure it conforms to the existing portfolio structure and any Michigan state statutes. As a result, we recommend the Board of Trustees approve and adopt the new IPS and associated Addendums for the System.

**CONFIDENTIAL – FOR CLIENT USE ONLY**

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

## Investment Policy

### I. PURPOSE OF INVESTMENT POLICY

The Bay County Employees Retirement System Board of Trustees ("Board") maintains that an important determinant of future investment returns is the expression and periodic review of the Bay County Employees' Retirement System ("Plan") investment objectives. To that end, the Board has adopted this Investment Policy and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - commensurate with the Prudent Investor Rule and any other applicable ordinances and statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board will employ investment professionals to oversee and invest the assets of the Plan. Within the parameters allowed in this document and their agreements with the Board, the investment management professionals shall have investment discretion over their mandates, including security selection, sector weightings and investment style.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) - (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

## II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The Investment Managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total fund:

Asset Class*	Target	Range	Benchmark Index
Domestic Equity	48%	38% - 58%	S&P 500, Russell Mid Cap, Russell 2000
International Equity	20%	10% - 20%	MSCI EAFE Index Net
Broad Market Fixed Income	21%	10% - 40%	Barclays Aggregate
Real Estate**	7%	0% - 10%	NCREIF ODCE / FTSE NAREIT
Alternatives**	4%	0% - 20%	BOAML IG Convertibles
Cash**	0%	0% - 5%	90-Day T-Bills

\* Please see **Appendix A** for a detail break-down of the Asset Classes and underlying strategies.

\*\* Benchmark will default to "broad market fixed income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan assets.

The Investment Consultant will monitor the aggregate asset allocation of the portfolio as detailed in **Appendix A**, and notify the Board of Trustees to rebalance to the target asset allocations based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed in a manner to maintain allocations within policy ranges while minimizing transaction costs. The Board does not intend to exercise short-term changes to the target allocation.

## III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers:

### A. Total Portfolio Performance

The performance of the total portfolio will be measured for rolling three (3) and five (5) year periods. The performance of the total portfolio will be compared to the return of the policy indexes comprised of 31% S&P 500, 12% Russell Midcap, 5% Russell 2000, 20% MSCI EAFE Net, 21% Barclays Aggregate, 5% NCREIF ODCE, 2% FTSE Equity REIT, and 4% BOAML IG Convertibles and 0% 90-Day T-Bill. .

1. On a relative basis, it is expected that the total portfolio performance will rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

2. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed the actuarial earnings assumption 7.5%, and provide inflation protection by meeting Consumer Price Index plus 3%. This absolute return objective will be evaluated in the context of the prevailing market conditions.

#### B. Equity Performance

The combined equity portion of the portfolio, defined as domestic and international common stocks is expected to perform at a rate at least equal to 45.6% (31%/68%) of the S&P 500 Index, 17.6% of the Russell Mid Cap Index, 7.4% of the Russell 2000 Index, and 29.4% of the MSCI- EAFE Index as well as above the median of combined equity fund performance over three (3) and five (5) year time periods. Similarly, the combined domestic equity and combined international equity portions of the portfolio shall each perform at least equal to their respective index target as well as above the median of combined domestic or international equity fund performance over three (3) and five (5) year time periods. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

#### C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The combined fixed income portion of the portfolio is expected to perform at a rate at least equal to the Barclays Capital U.S. Aggregate Bond Index as well as above the median of combined fixed income fund performance over three (3) and five (5) year time periods. All portfolios are expected to rank above the median of the appropriate peer universe over three (3) and five (5) year time periods.

#### D. Real Estate Performance

The overall objective of the real estate portion of the portfolio is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform similarly to the NCREIF ODCE Index as well as above the median of the real estate fund performance over the (3) and five (5) year time periods.

#### E. Real Estate Investment Trust ("REIT") Performance

The overall objective of the REIT portion of the portfolio is to add diversification and another stable income stream to the total fund. The REIT portion of the portfolio, defined as publicly traded real estate investment trusts, is expected to perform above to FTSE NAREIT Equity REIT Index as well as above the median of the REIT fund performance over the (3) and five (5) year time periods.

#### F. Alternative and Other Asset Performance

The overall objective of the alternative and/or "other asset" portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and/or enhance returns. This

portion of the portfolio will be measured against an appropriate benchmark, which will be outlined in the Investment Manager addendum at the time of investment.

#### IV. INVESTMENT GUIDELINES

##### A. Overall

All investment guidelines and restrictions of the State of Michigan are incorporated by reference, including, but not limited to:

- a. Michigan Public Act 314 of 1965, as amended; and
- b. Bay County Employees' Retirement System Ordinance.

##### B. Pooled Funds

Investments made by the Plan may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and limited liability corporations. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this IPS. In the event of investment by the Retirement System into a pooled fund, the Retirement System will adopt the prospectus or governing policy of that fund.

##### C. Alternative Investments

The Retirement System may invest in investments that would otherwise not be qualified under these Investment policies, to the extent permitted under MCL Section 38.1140d (informally referred to as the "basket clause").

##### D. Collective Investment Restrictions and Correcting Excess Investments

All investment managers and investment consultants are restricted individually, and collectively, by this IPS. The investment managers shall coordinate monthly with the investment consultant, who shall (among other things) assure collective compliance with this IPS. In the event any investment based on changes in the market value of the Retirement System assets, causes the Retirement System to exceed any limitation prescribed in this IPS, the assets may be reallocated by the Board of Trustees in a prudent manner to comply with PA 314 of 1965 and this Investment Policy.

##### E. Guidelines for Equity Investments

1. Not more than 70% of the Retirement System's assets in global stock as defined as in §12(b)(4)(b) of PA 314 of 1965.
2. The Retirement System shall not invest more than 5% of their total assets in any one corporation.

##### F. Guidelines for Fixed Income Investments and Cash Equivalent

Specific guidelines will be outlined for separate account managers in their addendums. For mutual funds and collective trusts guidelines will be outlined in their prospectus or offering document.

## V. COMMUNICATIONS

- A. On a monthly basis, the Custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.
- B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the County, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum.
- C. If an Investment Manager owns investments that complied with section IV at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investment in accordance with the prudent person standard of care, but no additional investment may be made unless authorized by law or ordinance. In addition, an action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.
- D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return and relative performance of the Plan on a gross and net of fee basis.
- E. The Board will meet periodically to review the Investment Consultant's performance report. The Board will meet with the Investment Managers and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis as prescribed by the Due Diligence Policy.
- F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities or investment programs with known cash needs and anticipated cash-flow requirements.

## VI. COMPLIANCE

- A. It is the direction of the Board that the Plan assets are held by a third party Custodian, and that all securities purchased by, and all collateral obtained by the Plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by authorized signers of the Board.
- B. At the direction of the Board, operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the Plan sponsor, to the extent possible.
- C. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval and shall vote all proxies associated with their portfolios. On a regular basis, at least annually, each manager shall report a record of their proxy vote. Additionally, any other proxy votes required for plan assets, such as commingled funds, collective trusts or mutual funds or other routine matters, shall be voted upon by the Finance Officer and/or the Board of Trustees. In the event there are non-routine matters or items that raise questions, those items shall be referred to the Investment Consultant for review and who shall recommend a vote to the Finance Officer.

## VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of an Investment Manager may be made. If, at any time, any three (3) of the following is breached, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five (5) of these are violated the Investment Consultant may recommend an Investment Manager evaluation for that mandate.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the median within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the median and under performance versus the benchmark.
- Three (3) year downside return greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside return greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.

- Failure to adhere to the Investment Policy, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the Investment Manager at any time for any reason.

### **VIII. APPLICABLE COUNTY ORDINANCES**

If at any time this document is found to be in conflict with the County Ordinances or applicable Michigan Statutes, the Ordinances and Statutes shall prevail.

### **IX. REVIEW AND AMENDMENTS**

It is the Board's intention to review this document at least annually subsequent to the actuarial report and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. By initialing and continuing acceptance of this Investment Policy, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the Plan's legal counsel for compliance with applicable law, and approved by the Board.

### **BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM**

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Chairman, Board of Trustees

\_\_\_\_\_  
Date

## BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

### APPENDIX A

#### Asset Allocation Implementation by Manager Styles

<b>Asset Class</b>	<b>Min</b>	<b>Target</b>	<b>Max</b>
<b>Total Equity (14)*</b>	<b>55%</b>	<b>68%</b>	<b>70%</b>
<b>Domestic Equity (14)*</b>	<b>38%</b>	<b>48%</b>	<b>58%</b>
<i>Large Cap</i>	<i>15%</i>	<i>31%</i>	<i>45%</i>
<i>LC Value</i>	<i>5%</i>	<i>10%</i>	<i>15%</i>
<i>LC Core</i>	<i>5%</i>	<i>11%</i>	<i>15%</i>
<i>LC Growth</i>	<i>5%</i>	<i>10%</i>	<i>15%</i>
<b>Mid Cap</b>	<b>6%</b>	<b>12%</b>	<b>18%</b>
<i>MC Value</i>	<i>3%</i>	<i>6%</i>	<i>9%</i>
<i>MC Growth</i>	<i>3%</i>	<i>6%</i>	<i>9%</i>
<b>Small Cap</b>	<b>2%</b>	<b>5%</b>	<b>10%</b>
<i>SC Value</i>	<i>1%</i>	<i>2.5%</i>	<i>5%</i>
<i>SC Growth</i>	<i>1%</i>	<i>2.5%</i>	<i>5%</i>
<b>International Equity (20k)*</b>	<b>10%</b>	<b>20%</b>	<b>20%</b>
<i>Large Cap</i>	<i>5%</i>	<i>10%</i>	<i>15%</i>
<i>Small Cap</i>	<i>5%</i>	<i>10%</i>	<i>15%</i>
<b>Core Fixed Income (17.(1)(a))*</b>	<b>10%</b>	<b>21%</b>	<b>40%</b>
<i>US Investment Grade Fixed Income</i>	<i>10%</i>	<i>21%</i>	<i>40%</i>
<i>US Corporate Bonds</i>	<i>5%</i>	<i>10.5%</i>	<i>20%</i>
<i>US Government &amp; MBS</i>	<i>5%</i>	<i>10.5%</i>	<i>20%</i>
<b>Real Estate (19)*</b>	<b>0%</b>	<b>7%</b>	<b>10%</b>
<i>Open Ended Core Real Estate (Private)</i>	<i>0%</i>	<i>5%</i>	<i>7.5%</i>
<i>REITS</i>	<i>0%</i>	<i>2%</i>	<i>7.5%</i>
<b>Alternatives (20)*</b>	<b>1%</b>	<b>4%</b>	<b>20%</b>
<i>Convertibles (20j)*</i>	<i>1%</i>	<i>4%</i>	<i>7.5%</i>
<b>Short Term / Cash</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>
<b>TOTAL</b>		<b>100%</b>	

\* Please note the numbers in parentheses refer to the sections of the Public Employee Retirement System Investment Act 314 of 1965 and as amended.

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Baird Advisors U.S. Government Fixed Income

*The investment objectives and guidelines for the assets managed by Baird Advisors ("Baird") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### **I. Specific Investment Goals**

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Baird to:

- A. The primary objective of the Baird portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the combined (50%) Barclay's Government Bond Index and (50%) Barclay's Mortgage Backed Securities Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the combined (50%) Barclay's Government Bond Index and (50%) Barclay's Mortgage Backed Securities Index and will be evaluated accordingly.

#### **II. Investment Guidelines**

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the securities held in the manager's portfolio among issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit characteristics with an government/mortgage backed fixed income bias and a "Core" focus.
- B. Foreign securities must be dollar-denominated and are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested fixed income portfolio. The manager shall notify the Bay County Employees' Retirement System and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.

- D. No more than 8% of the manager's assets shall be invested in the bonds of any one issuer (US Government backed securities are exempted), nor shall the aggregate investment in any one issuer exceed 5% of the outstanding debt of the issue.
- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No securities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Richard A. Whittow

Phone Number: 800-792-2473

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Baird (Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Columbia Management Large Cap Value Equity

*The investment objectives and guidelines for the assets managed by Columbia Management ("Columbia") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Columbia to:

- A. The primary objective of the Columbia portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 1000 Value Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell 1000 Value Index and will be evaluated accordingly.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a large capitalization bias with a "Value" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Kathleen A. Kennedy

Phone Number: 617.385.9840

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Columbia Management(Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Cornerstone Real Estate Advisors Equity Real Estate Investment Trust

*The investment objectives and guidelines for the assets managed by Cornerstone Real Estate Advisors ("Cornerstone") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Cornerstone to:

- A. The primary objective of the Cornerstone portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the FTSE NAREIT Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the FTSE NAREIT Index and will be evaluated accordingly.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit "Core" REIT focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Kevin P. Ryan

Phone Number: 610.213.0201

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Cornerstone(Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Eagle Asset Management, Inc. Small Cap Growth Equity

*The investment objectives and guidelines for the assets managed by Eagle Asset Management, Inc. ("Eagle") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Eagle to:

- A. The primary objective of the Eagle portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 2000 Growth Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell 2000 Growth Index and will be evaluated accordingly.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a small capitalization bias with a "Growth" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Nancy Clark

Phone Number: 800.235.3903

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Eagle Asset Management, Inc./ Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Geneva Capital Management, Ltd. Mid Cap Growth Equity

*The investment objectives and guidelines for the assets managed by Geneva Capital Management, Ltd. ("Geneva") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### **I. Specific Investment Goals**

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Geneva to:

- A. The primary objective of the Geneva portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell Mid Cap Growth Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell Mid Cap Growth Index and will be evaluated accordingly.

#### **II. Investment Guidelines**

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a mid-capitalization bias with a "Growth" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Nicholas Bauer

Phone Number: 414.224.6002

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Geneva Capital Management, Ltd. (Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Hotchkis and Wiley Capital Management, LLC Small Cap Value Equity

*The investment objectives and guidelines for the assets managed by Hotchkis and Wiley Capital Management, LLC ("Hotchkis & Wiley") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### **I. Specific Investment Goals**

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Hotchkis & Wiley to:

- A. The primary objective of the Hotchkis & Wiley portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 2000 Value Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell 2000 Value Index and will be evaluated accordingly.

#### **II. Investment Guidelines**

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a small capitalization bias with a "Value" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.

- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Pat McMenamin

Phone Number: 213.430.1000

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Hotchkis and Wiley Capital Management, Ltd./ Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Integrity Asset Management Mid Cap Value Equity

*The investment objectives and guidelines for the assets managed by Integrity Asset Management ("Integrity") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Integrity to:

- A. The primary objective of the Integrity portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell Mid Cap Value Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell Mid Cap Value Index and will be evaluated accordingly.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a mid-capitalization bias with a "Value" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Denise Pearman

Phone Number: 248.647.9200

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Integrity Asset Management(Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for Loomis Sayles & Company, L.P. Investment Grade Corporate Fixed Income

*The investment objectives and guidelines for the assets managed by Loomis Sayles & Company, I.P. ("Loomis") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by Loomis to:

- A. The primary objective of the Loomis portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Barclay's Corporate Bond Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Barclay's Corporate Bond Index.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the securities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit characteristics with a corporate fixed income bias and a "Core" duration focus.
- B. Foreign securities must be dollar-denominated and are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested fixed income portfolio. The manager shall notify the Bay County Employees' Retirement System and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.

- D. No more than 8% of the manager's assets shall be invested in the bond of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding debt of the company.
- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No securities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Todd Needham, CFA

Phone Number: 617-960-2092

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Loomis(Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for MacKay Shields, LLC Investment Grade Convertibles

*The investment objectives and guidelines for the assets managed by MacKay Shields, LLC ("MacKays") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### **I. Specific Investment Goals**

Over the investment horizon established in the investment policy, it is the goal of the assets managed by MacKay to:

- A. The primary objective of the MacKay portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Bank of America Merrill Lynch Investment Grade Convertibles Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Bank of America Merrill Lynch Investment Grade Convertibles Index.

#### **II. Investment Guidelines**

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the securities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit characteristics with an aggregate convertible "Core" focus.
- B. Foreign securities must be dollar-denominated and are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested fixed income portfolio. The manager shall notify the Bay County Employees' Retirement System and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.

- D. No more than 8% of the manager's assets shall be invested in the bond/security of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding debt of the company.
- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No securities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Beth Griper, Director      Phone Number: 212.230.3908

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
Mackay(Signature) / Title

\_\_\_\_\_  
Date

## Bay County Employees' Retirement System

### Manager Addendum to Investment Policy for MFS Investment Management Large Cap Growth Equity

*The investment objectives and guidelines for the assets managed by MFS Investment Management ("MFS") for Bay County Employees' Retirement System are defined in this Addendum and the Investment Policy, Objectives, and Guidelines (the "Investment Policies"). The policy items included in the Investment Policies and Act 314 are applicable for the entire Retirement System, and each individual manager is not responsible for compliance with the asset allocation requirements in Act 314 or the asset allocation guidelines in the Investment Policies except as set forth below. The manager is instructed to incorporate these guidelines into their investment process. Should any restriction within these investment policies reduce the manager's ability to meet the stated goals, the manager shall notify the Retirement System immediately.*

#### I. Specific Investment Goals

Over the investment horizon established in the investment policy, it is the goal of the assets managed by MFS to:

- A. The primary objective of the MFS portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 1000 Growth Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 50<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of the Russell 1000 Growth Index and will be evaluated accordingly.

#### II. Investment Guidelines

Within the guidelines contained in the Bay County Employees' Retirement System Investment Policy, the portfolio must comply with the following:

- A. The diversification of the equities held in the manager's portfolio among industries and issuers is the responsibility of the investment manager. However, the overall manager's portfolio characteristics should exhibit a large capitalization bias with a "Growth" focus.
- B. Foreign securities including American Depository Receipts (ADRs) are limited to 10% of the manager's portfolio.
- C. Maintain a fully-invested equity portfolio. The manager shall notify the Bay County Employees' Retirement System Investment and its Investment Consultant whenever investments in cash and equivalents exceed 10% of the portfolio.
- D. No more than 8% of the manager's assets shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the

aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

- E. Short sales are prohibited.
- F. The use of futures and options for hedging purposes is prohibited unless specifically authorized by the Board and the manager is notified in writing.
- G. No equities may be purchased which are not publicly traded.
- H. No use may be made of margin or leverage purchases.
- I. No direct commodities are to be purchased.

### III. Policy Review

This Addendum is a part of the Bay County Employees' Retirement System Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Bay County Employees' Retirement System to review the Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.

Contact: Robert Marren

Phone Number: 617.954.5000

I/We understand and accept the Investment Policy and this Addendum, acknowledge my/our status as an Investment Fiduciary, and will manage the Bay County Employees' Retirement System assets accordingly.

\_\_\_\_\_  
MFS Investment Management(Signature) / Title

\_\_\_\_\_  
Date

**BAY COUNTY RETIREMENT BOARD**

2/10/15

**RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

WHEREAS, The attached memorandum and resolutions are being proposed to the Board of Commissioners as an amendment to the Bay County Employees' Retirement System Ordinance by the Department of Water and Sewer.

RESOLVED That this Board receive this amendment at the meeting scheduled February 10, 2015.

STEVE GRAY, CHAIR  
AND BOARD

RESOLUTION RECEIVE RETIREMENT ORDINANCE AMENDMENT DWS

MOVED BY TRUSTEE \_\_\_\_\_

SUPPORTED BY TRUSTEE

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:

Roll Call: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_

Voice: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_

Disposition: Adopted \_\_\_\_\_ Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_

Amended \_\_\_\_\_ Corrected \_\_\_\_\_ Referred \_\_\_\_\_

**BAY COUNTY  
DEPARTMENT OF CORPORATION COUNSEL**



**SHAWNA S. WALRAVEN**  
Assistant Corporation Counsel

**THOMAS L. HICKNER**  
Bay County Executive

**TO:** STEVE GRAY, CHAIR, BAY COUNTY EMPLOYEES  
RETIREMENT SYSTEM

**FROM:** SHAWNA S. WALRAVEN, ASSISTANT CORPORATION  
COUNSEL

**RE:** RETIREMENT ORDINANCE AMENDMENT - DWS

**DATE:** FEBRUARY 3, 2015

**Background:**

The attached memorandum and resolutions are being proposed to the Board of Commissioners as an amendment to the Bay County Employees' Retirement System Ordinance by the Department of Water and Sewer.

**RECOMMENDATION:** THAT THIS BOARD RECEIVE THIS AMENDMENT AT THE  
MEETING SCHEDULED ON FEBRUARY 10, 2015.

**BAY COUNTY  
DEPARTMENT OF CORPORATION COUNSEL**



**SHAWNA S. WALRAVEN**  
Assistant Corporation Counsel

**THOMAS L. HICKNER**  
Bay County Executive

TO: Kim Coonan, Chair, Waysand Means Committee

FROM: Shawna Walraven, Assistant Corporation Counsel

RE: Retirement Ordinance Amendment for Department of Water and Sewer

DATE: January 27, 2015

**Background:**

The Bay County Department of Water and Sewer (**DWS**) participates in the Bay County Employees' Retirement System (**BCERS**). DWS is requesting the following changes for the Water and Sewer UWUA Local 546 Group and Water and Sewer General Group of non-represented employees only:

- 1) The maximum allowable amount of governmental service time to be purchased by an employee is limited to (10) years; and
- 2) New hires will be ineligible for the purchase of any governmental service time.

DWS will implement a plan to provide vested employees with a closed period to take advantage of the existing benefit in change #1 prior to effective date of the amendment.

The Bay County Board of Commissioners is responsible for amending the Retirement Ordinance to memorialize this change within the BCERS Ordinance. In addition, the amendment would be received by BCERS.

DWS has written the enclosed letter to explain why their entity is different than the other entities in BCERS requiring that they have special amendments applying just to their groups.

A proposed amendment to the Bay County Employees' Retirement System Ordinance would be placed before the Board of Commissioners, on February 10, 2015, for approval in order to implement the DWS action.

**RECOMMENDATION:** THAT THIS COMMITTEE RECOMMENDS THE AMENDMENT TO THE FULL BOARD FOR APPROPRIATE ACTION AT THE MEETING SCHEDULED ON FEBRUARY 10, 2015.

# Bay County Department of Water And Sewer

BOARD OF  
ROAD COMMISSIONERS:

RICHARD S. GROMASKI  
Chairman

EDWARD L. RIVET  
Vice Chairman

MICHAEL G. RIVARD  
Commissioner

3933 PATTERSON ROAD, BAY CITY, MICHIGAN 48706-1993  
TELEPHONE: (989) 684-3893 • FAX: (989) 684-5510 • TTY: (800) 649-3777  
[www.baycodwa.org](http://www.baycodwa.org)  
THOMAS W. PAIGE, DIRECTOR

JAMES C. LILLO, P.E.  
ENGINEER-MANAGER

2600 E. BEAVER ROAD  
KAWKAWLIN, MICHIGAN 48631  
(989) 686-4610

January 15, 2015

Ms. Amber Johnson, Corporation Counsel  
Bay County  
515 Center Avenue, Suite 402  
Bay City, MI 48708

Re: Limitation of previous governmental service time for DWS divisions (28 & 29) in  
the Bay County Employees' Retirement System.

Dear Ms. Johnson,

The Bay County Department of Water and Sewer has negotiated with the UWUA Local #546, changes for newly hired employees regarding the limitations on the purchase of previous Governmental service time for the following reasons:

- Negative effect to DWS funding level and contribution rate. A number of employees in the past have purchased time, with one individual purchasing over twenty years in 2008. Analysis of these purchases show the employees return is very favorable on these transactions with the retirement system picking up most of the cost. Our funding level has decreased from 118% at 12/31/07 to 77% at 12/31/13. Our contribution rate over the same time has increased from 0% to now over 15% of payroll.
- Small group volatility. As compared to the General County, the DWS division is small with only 40 current employees and 32 retirees. Changes or actual experience deviations from the actuarial assumptions have a big impact on our small group, as evidenced by the actuarial assumption changes adopted with the 12/31/12 Actuarial Valuation. Most divisions in the County were positively affected by these changes, but the DWS funding was negatively affected.

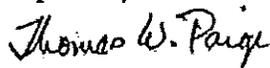
- Licensing requirements. Many DWS new hires have previous governmental service due to licensing requirements for positions at the Wastewater Treatment Plant, Water Distribution Department, and new Water Treatment Plant. These licenses are mandated by the State of Michigan, and municipal experience is required to obtain them.
- Cost Control. The DWS is funded solely through customer water and sewer rates. We are striving to maintain costs at the Wastewater Plant, and now the new Bay Area Water Treatment Plant, at an acceptable level to keep customer water and sewer rates stable and affordable.
- Maintain promises. Over the past number of labor agreements, the DWS and UWUA Local #546 have agreed on changes for new hires in order to keep promises made to current employees and retirees. These gradual changes have provided stability to the workforce and the customer rate payers as well.

A contributing factor to limiting other governmental service time is that initial staffing at the new Bay Area Water Treatment Plant is budgeted at 11 full time employees. Eight of these positions require the employee to hold or obtain a State of Michigan Certified Drinking Water License. It is anticipated that many of the eight positions requiring a license will be filled with a candidate that currently holds a license and is employed at a municipal water treatment facility.

The Bay County Board of County Road Commissioners is on record supporting the limitation on the purchase of other governmental service time for new DWS employees. Therefore, the DWS respectfully requests adoption of an amendment to the Bay County Employee's Retirement System Ordinance to permit this limitation regarding DWS employees.

Please do not hesitate to contact me with any questions or concerns. Thank you for your attention to this matter.

Respectfully,



Thomas W. Paige  
Director

cc: Jim Marter, DWS Accounting Manager

BAY COUNTY BOARD OF COMMISSIONERS

2/10/2015

RESOLUTION

BY: WAYS AND MEANS COMMITTEE (2/3/15)
WHEREAS, The Bay County Department of Water and Sewer (DWS) participates in the Bay County Employees' Retirement System (BCERS) and DWS is requesting the following changes for the Water and Sewer UWUA Local 546 Group and Water and Sewer General Group of non-represented employees only:

- 1. The maximum allowable amount of service time to be purchased by an employee is limited to ten (10) years; and
2. New hires will be ineligible for the purchase of any governmental service time; and

WHEREAS, DWS will implement a plan to provide vested employees with a closed period to take advantage of the existing benefit in change #1 prior to the effective date of this amendment; and

WHEREAS, The Bay County Board of Commissioners is responsible for amending the Retirement Ordinance to memorialize this change within the BCERS Ordinance, said amendment to be received by the BCERS; Therefore, Be It

RESOLVED That the Bay County Board of Commissioners approves the following amendment to the Bay County Employees' Retirement System Ordinance as it relates to the Water and Sewer UWUA Local 546 Group and Water and Sewer General Group of non-represented employees only:

- 1. The maximum allowable amount of service time to be purchased by an employee is limited to ten (10) years; and
2. New hires will be ineligible for the purchase of any governmental service time.

KIM COONAN, CHAIR AND COMMITTEE

Retirement - Ordinance Amendment - DWS

MOVED BY COMM. \_\_\_\_\_

SUPPORTED BY COMM. \_\_\_\_\_

Table with 12 columns: COMMISSIONER, Y, N, E, COMMISSIONER, Y, N, E, COMMISSIONER, Y, N, E. Rows include Michael J. Duranczyk, Ernie Krygier, Vaughn J. Begick, Kim J. Coonan, Thomas M. Herek, and Donald J. Tilley.

VOTE TOTALS: ROLL CALL: YEAS \_\_\_\_\_ NAYS \_\_\_\_\_ EXCUSED \_\_\_\_\_ VOICE: YEAS \_\_\_\_\_ NAYS \_\_\_\_\_ EXCUSED \_\_\_\_\_

DISPOSITION: ADOPTED \_\_\_\_\_ DEFEATED \_\_\_\_\_ WITHDRAWN \_\_\_\_\_ AMENDED \_\_\_\_\_ CORRECTED \_\_\_\_\_ REFERRED \_\_\_\_\_



**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

BAY COUNTY BUILDING  
515 CENTER AVENUE  
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner  
Bay County Executive

Crystal Hebert  
Finance Officer/Secretary

BOARD OF TRUSTEES  
Steven Gray, Chairperson  
Richard Brzezinski  
Kim Coonan  
Richard Gromaski  
Tom Herek  
Jon Morse  
Matthew Pett  
Thomas Starkweather  
Kristal Goetz

January 29, 2015

ADMINISTRATIVE STAFF  
Tiffany Jerry  
Rebecca Marsters  
(989) 895-4043  
TDD (989) 895-4049  
FAX (989) 895-4039

Mr. Clay Lindsey  
VP of Institutional Client Services  
Eagle Asset Management  
880 Carillon Parkway  
St. Petersburg, FL 33716

**RE: COMMISSION RECAPTURE**

Dear Mr. Lindsey:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS



**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
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Kristal Goetz

Mr. Alan Puklin  
Vice President Institutional Client Services  
100 Park Avenue - 7<sup>th</sup> Floor  
New York, NY 10017

ADMINISTRATIVE STAFF  
Tiffany Jerry  
Rebecca Marsters  
(989) 895-4043  
TDD (989) 895-4049  
FAX (989) 895-4039

**RE: COMMISSION RECAPTURE**

Dear Mr. Puklin:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

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Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
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Kristal Goetz

January 29, 2015

Ms. Lori Klomstad  
Account Service Associate  
Geneva Capital Management LLC  
100 E Wisconsin Ave, Suite 2550  
Milwaukee, WI 53202

ADMINISTRATIVE STAFF  
Tiffany Jerry  
Rebecca Marsters  
(989) 895-4043  
TDD (989) 895-4049  
FAX (989) 895-4039

**RE: COMMISSION RECAPTURE**

Dear Ms. Klomstad:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

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Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
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January 29, 2015

ADMINISTRATIVE STAFF  
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FAX (989) 895-4039

Ms. Andrea Leistra  
Director Institutional Markets  
Integrity Asset Management  
Victory Capital  
480 Pierce Street  
Birmingham, MI 48009

**RE: COMMISSION RECAPTURE**

Dear Ms. Leistra:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS



**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

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January 9, 2015

**ADMINISTRATIVE STAFF**  
Tiffany Jerry  
Rebecca Marsters  
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FAX (989) 895-4039

Mr. Craig Steinberg  
President/Director of Research  
Atalanta Sosnoff Capital, LLC  
101 Park Avenue, 6<sup>th</sup> Floor  
New York, NY 10178

**RE: COMMISSION RECAPTURE**

Dear Mr. Steinberg:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Voluntary Employee Benefit Association "VEBA" Fund ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS



**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

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Thomas L. Hickner  
Bay County Executive

Crystal Hebert  
Finance Officer/Secretary

January 29, 2015

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FAX (989) 895-4039

Ms. Allie Koonin, Institutional Manager  
Schroders Investment Management North America  
875 Third Avenue - 22<sup>nd</sup> Floor  
New York, NY 10026

**RE: COMMISSION RECAPTURE**

Dear Ms. Koonin:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS



**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
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January 29, 2015

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Rebecca Marsters  
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FAX (989) 895-4039

Ms. Anna Marie Lopez  
CFA, CPA, Chief Operating Officer  
Hotchkis & Wiley Capital Management  
725 S. Figueroa St. - 39<sup>th</sup> Floor  
Los Angeles, CA 90017

**RE: COMMISSION RECAPTURE**

Dear Ms. Lopez:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS

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**BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM  
BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

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BAY CITY, MICHIGAN 48708-5128

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January 29, 2015

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FAX (989) 895-4033

Ms. Kimberly Hyland  
Director, Relationship Manager  
MFS Investment Management  
MFS International Growth  
111 Huntington Ave  
Boston, MA 02199-7618

**RE: COMMISSION RECAPTURE**

Dear Ms. Hyland:

The purpose of this correspondence is to advise you that Abel/Noser Corporation (Abel/Noser) and Capital Institutional Services, LLC (CAPIS), are the institutions of choice for the Bay County Employees' Retirement System ongoing commission recapture business. Therefore, we request that all brokerage transactions be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution") in the calendar year 2015. It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

Please do not hesitate to call me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932, if you have any questions or concerns regarding this correspondence.

Sincerely,

Crystal Hebert  
Finance Officer/Secretary

cc: Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Abel/Noser  
CAPIS

**BAY COUNTY RETIREMENT BOARD  
2/10/15  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD ( 2/10/15)

WHEREAS, An application for a non-duty disability was received from Mr. Tim Henika.  
 WHEREAS, All required documents have been filed with the Retirement Office.  
 WHEREAS, Bay County Medical Director, Dr. Kirk Herrick, D.O. has reviewed all medical records and other pertinent information regarding this application.  
 WHEREAS, It is Dr. Herrick's professional opinion that Mr. Henika is no longer able to perform the duties of his occupation.  
 RESOLVED That this Board approve this non-duty disability application.

STEVE GRAY, CHAIR  
AND BOARD

NON-DUTY DISABILITY TIM HENIKA

MOVED BY TRUSTEE \_\_\_\_\_

SUPPORTED BY TRUSTEE \_\_\_\_\_

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:

Roll Call: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_  
 Voice: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_

Disposition: Adopted \_\_\_\_\_ Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_  
 Amended \_\_\_\_\_ Corrected \_\_\_\_\_ Referred \_\_\_\_\_

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

Rebecca Marsters  
Retirement Administrator  
BAY County, Michigan 48708  
Re: Tim Henika  
February 5, 2015

Dear Ms. Marsters:

I have reviewed the request for retirement and job description of Tim Henika. I also reviewed his medical records and the recommendation from his attending physician. It is my professional opinion that Tim Henika is totally and permanently disabled from doing any type of gainful employment.

Sincerely,



Kirk H. Herrick, D.O.

**BAY COUNTY RETIREMENT BOARD  
2/10/15  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD ( 2/10/15)

WHEREAS, An opportunity to enroll in the Certified Public Manager class was presented to Retirement Administrator

WHEREAS, Rebecca Marsters is new to public sector employment prior to Bay County and class would provide valuable training for position as Retirement Administrator

RESOLVED That this Board approve Rebecca Marsters to attend CPM course through SVSU and payment of course.

STEVE GRAY, CHAIR  
AND BOARD

CONTINUING EDUCATION REBECCA MARSTERS

MOVED BY TRUSTEE \_\_\_\_\_

SUPPORTED BY TRUSTEE

TRUSTEE	Y	N	E	TRUSTEE	Y	N	E	TRUSTEE	Y	N	E
Steve Gray				Matthew Pett				Thomas Herek			
Richard Brzezinski				Jon Morse				Richard Gromaski			
Kim Coonan				Thomas Starkweather				Kristal Goetz			

Vote Totals:

Roll Call: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_

Voice: Yeas \_\_\_\_\_ Nays \_\_\_\_\_ Excused \_\_\_\_\_

Disposition: Adopted \_\_\_\_\_ Defeated \_\_\_\_\_ Withdrawn \_\_\_\_\_

Amended \_\_\_\_\_ Corrected \_\_\_\_\_ Referred \_\_\_\_\_

**MICHIGAN CPM SCHEDULE FOR COHORT #8**

Winter

Course Number	Credit Hours	Chapter	Course Name/Short Description	Course Start Date	End/Close Date	Online/CI classroom	Post a Comment (Mon after start date)	Online Written Assignment (Wed After)	Exam Date (Friday after)	Post Exam Grade Date (Next Day)	Course Number
CPM 100	8		Orientation/ Leadership & You/Capstone Discussion	2/13/2015		C222					CPM 100
CPM 101	12	1	Public Service in the 21st Century	2/13/2015	2/19/2015	Online	2/16/2015	2/18/2015	2/20/2015	2/21/2015	CPM 101
CPM 102	12	2	The Growth of Government & Administration	2/20/2015	2/26/2015	Online	2/23/2015	2/25/2015	2/27/2015	2/28/2015	CPM 102
CPM 103	12	3	Ethics & Public Organizations	2/27/2015	3/5/2015	Online	3/2/2015	3/4/2015	3/6/2015	3/7/2015	CPM 103
CPM 118	8		Conflict Resolution	2/27/2015		C222					CPM 118
CPM 104	12	4	The Political Ecology of Public Administration	3/6/2015	3/12/2015	Online	3/9/2015	3/11/2015	3/13/2015	3/14/2015	CPM 104
CPM 105	12	5	Federalism & Public Administration	3/13/2015	3/19/2015	Online	3/16/2015	3/18/2015	3/20/2015	3/21/2015	CPM 105
CPM 106	12	6	Civil Society & Public Administration	3/20/2015	3/26/2015	Online	3/23/2015	3/25/2015	3/27/2015	3/28/2015	CPM 106
CPM 107	12		Public Administrative Law Review	3/27/2015	4/2/2015	Online	3/30/2015	4/1/2015	4/3/2015	4/4/2015	CPM 107
CPM 108	12		Team Building (PROJECT PLAN DUEI)	3/27/2015		A107					CPM 108
CPM 109	12	8	The Organizational Dimensions of Public Administration	4/3/2015	4/9/2015	Online	4/6/2015	4/8/2015	4/10/2015	4/11/2015	CPM 109
CPM 110	12	9	Motivation, Decision Making, & Organizational Culture	4/10/2015	4/16/2015	Online	4/13/2015	4/15/2015	4/17/2015	4/18/2015	CPM 110
CPM 111	12	10	Leadership in Public Administration	4/17/2015	4/23/2015	Online	4/20/2015	4/22/2015	4/24/2015	4/25/2015	CPM 111
CPM 112	12	11	The Policy Process	4/24/2015	4/30/2015	Online	4/27/2015	4/29/2015	5/1/2015	5/2/2015	CPM 112
CPM 113	10		Time Management and Decision Making	4/24/2015		C102					CPM 113
CPM 114	12		Working with Councils, Boards & Commissions	5/1/2015	5/7/2015	Online	5/4/2015	5/6/2015	5/8/2015	5/9/2015	CPM 114
CPM 115	12	13	Public Budgeting & Finance	5/8/2015	5/14/2015	Online	5/11/2015	5/13/2015	5/15/2015	5/16/2015	CPM 115
CPM 116	12	14	Human Resource Administration in Public Organizations	5/15/2015	5/21/2015	Online	5/18/2015	5/20/2015	5/22/2015	5/23/2015	CPM 116
CPM 117	12	15	Managing Information Systems & Policy in Public Organizations	5/22/2015	5/28/2015	Online	5/25/2015	5/27/2015	5/29/2015	5/30/2015	CPM 117
CPM 119	12		Building Relationships in a Diverse World	5/29/2015	6/4/2015	Online	6/1/2015	6/3/2015	6/5/2015	6/6/2015	CPM 119
CPM 120	12		History & Culture of Michigan	6/5/2015	6/11/2015	Online	6/8/2015	6/10/2015	6/12/2015	6/13/2015	CPM 120
CPM 121	8		Social Networking for Public Administrators	6/5/2015		A107					CPM 121
CPM 122	12		Selected Reading	Independent		-					CPM 122
CPM 123	38		24 Capstone Project	Independent	Independent	-					CPM 123
	300		Final Capstone Project Due	7/6/2015		-					
			Grades Released/Accreditation Granted	8/6/2015		-					

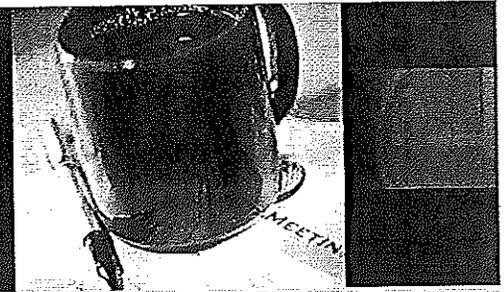
147





# One Day SEMINAR SERIES

Michigan Association of Public Employee Retirement Systems



MAPERS One Day Seminar  
Friday, March 13, 2015 • The Somerset Inn • Troy, Michigan

## 8:00 AM Registration Opens

### 8:30-9:30 AM Welcoming Remarks and Session One "Individual Healthcare Exchange Strategies"

Speakers: Eric Stranger, and Christian Goodman, Buck Consultants, a Xerox Company

With the rising cost of retiree health care and the implementation of the Affordable Care Act, the landscape for retiree health care is rapidly changing. Many private sector companies and public sector health care plans have either moved to the individual exchange solution or are considering a move for their pre-65 retirees and Medicare eligible members. Eric and Christian will discuss the Top 6 things to consider when transitioning retirees from a group healthcare plan to an individual healthcare exchange model, including retiree impact, managing costs, healthcare options and more.

9:30 – 9:45 AM Break

### 9:45 – 10:45 AM Session Two: "Ten Mistakes Institutional Investors Make"

Speaker: Adam Berger, CFA, Wellington Management Company, LLC

Institutional investing has always been a tough job — the sums to be invested are large, the governance process is complex, and plans are often in the public eye. While institutional investors and boards often scrutinize their asset managers, this presentation turns the tables, offering asset managers' views of the biggest mistakes they have seen institutions make in asset allocation, manager selection, risk management, and governance structure.

10:45 – 11:00 AM Break

### 11:00 AM – 12:00 PM Session Three: "Disability Retirements"

Invited Speaker: Erich Kelly, Managed Medical Review Organization (MMro)

This session is an overview of the process involved in evaluating applicants for disability retirement presented from the Medical Director's point of view...looking at the logistical and administrative steps that are necessary, from initial appointment to final report.

12:00 PM Lunch

### 1:15 – 2:15 PM Session Four: "Active vs. Passive Investing"

Speakers: David Sowerby, CFA, Loomis Sayles & Company and Kevin Yousif, CFA LS Investment Advisors

This session focuses on the benefits of both Active and Passive Investment Strategies

2:15 PM Break

### 2:30 – 3:30 PM Session Five: "Michigan Retirement Plans, How Does Your System Rate?"

Speakers: David T. Kausch, FSA, EA, MAAA, and Louise M. Gates, ASA, MAAA, Gabriel, Roeder, Smith & Company

The great recession has created many challenges for Michigan municipalities and their retirement plans. Many plans have experienced financial decline and have been unable to remedy the problem. This session will outline the challenges and solutions for financially troubled retirement plans including a case study of one Michigan municipality that turned their pension plan around.

3:30 PM MAP Test - Levels 1, 2, and 3

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Agenda is subject to change, watch our website for updates. Participants will receive 5.0 hours towards MAP Certification.



**Michigan Association of Public Employee Retirement Systems**  
 525 E. Michigan Ave. #409  
 Saline, Michigan 48176

**DRIVING DIRECTIONS**

**Location:**

The Somerset Inn  
 2601 West Big Beaver Road  
 Troy, MI 48084  
 Phone: (248) 643-7800  
<http://www.somersetinn.com/>

The Somerset Inn is conveniently located just off I-75 on Big Beaver Road at Coolidge in the center of Troy's business district and next to the magnificent Somerset Collection.

For more reservations or more information call (248) 643-7800

**Registration Form**

**Registration Fees (please register by 3/6/15)**  
**\$60.00 System/Affiliate Members (\$75 after 3/6/15)**  
**\$100.00 - Corporate Members (\$125 after 3/6/15)**

**Personal Information:**

Name: \_\_\_\_\_

Preferred First Name for Badge: \_\_\_\_\_

System/Company Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

I have special dietary requests: \_\_\_\_\_

**Payment Information:**

I am paying by credit card:  Visa  Mastercard  AMEX  Discover

Card Number: \_\_\_\_\_ Exp. Date: \_\_\_\_\_ / \_\_\_\_\_ CCV: \_\_\_\_\_

Name on Card: \_\_\_\_\_

Signature: \_\_\_\_\_

I am paying by check: # \_\_\_\_\_

Please make checks payable to: MAPERS and return by March 12, 2015 MAPERS is located at: 525 E. Michigan Ave. #409, Saline, Michigan 48176, Phone: 734-944-1144 or 800-475-4200, Fax: 734-944-1145, E-mail: [info@mapers.org](mailto:info@mapers.org).

*\*Cancellations received less than 48 hours prior to the event will not be refunded. You may transfer your registration to another person in your Plan/Company. Refunds will be granted for cancellations received before March 11, 2015 There will be no refunds for cancellations received after this date.*

## Rebecca Marsters

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**From:** jim.anderson@gabrielroeder.com  
**Sent:** Tuesday, February 03, 2015 3:23 PM  
**To:** Rebecca Marsters  
**Cc:** shana.neeson@gabrielroeder.com; Mark.Buis@gabrielroeder.com; C0109@gabrielroeder.com  
**Subject:** Your question about Mortality

Rebecca-

During our phone call today you relayed a question from the Board about the Mortality assumption used by Bay County. To summarize our discussion:

- The mortality table (RP-2000 projected 20 years using projection scale BB) currently used for the Bay County retirement system and VEBA valuations was chosen by the Board as part of the experience study performed in 2012. At that time the Board adopted the most recent mortality and projection tables available.
- In October 2014, the Retirement Plan Experience Committee (RPEC) of the Society of Actuaries (SOA) issued the RP-2014 mortality tables and MP-2014 mortality improvement scales.
  - The new tables represent the SOA's first major update since the year 2000, when the RP-2000 tables were issued.
- With each new experience study we get more current information and a better understanding of the underlying trends. The RP-2014 and MP-2014 tables represent the largest and most recent U.S. study of mortality rates of pension plan participants. We can certainly investigate the impact of moving to the new tables at any point, and absent any prior action plan to do so as part of the next scheduled experience study using data through December 31, 2016.

Your comments and questions are welcome,

Jim

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