

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA

TUESDAY, JANUARY 8, 2013

(Immediately Following the Retirement Board of Trustees' Meeting @ Approximately 2:30 P.M.)

FINANCE DEPARTMENT LARGE CONFERENCE ROOM

515 CENTER AVENUE - 7TH FLOOR

BAY CITY, MI 48708

PAGE	
	I. CALL TO ORDER
	II. ROLL CALL
	III. ELECTION OF OFFICERS: CHAIRPERSON & VICE-CHAIRPERSON - (Finance Officer, Crystal Hebert to conduct election)
	IV. MINUTES
	1. DECEMBER 11, 2012 - TO BE PROVIDED AT NEXT MEETING
	V. PUBLIC INPUT
	VI. PETITIONS & COMMUNICATIONS
1 - 2	A. PORTFOLIO VALUE - 1/31/11 - 1/2/13
	B. CORRESPONDENCE FROM C. S. MCKEE
3	1. RETIREMENT OF SENIOR VP AND PORTFOLIO MANAGER
	C. BECKER, BURKE ASSOCIATES
4 - 8	1. 2013 ASSET ALLOCATION STUDY
9	D. NOTICE OF PUBLIC MEETINGS FOR 2013
	VII. ANNOUNCEMENTS
	A. NEXT REGULAR MEETING - TUESDAY, FEBRUARY 12, 2013 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING @ APPROX. 2:30 P.M. - COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4TH FLOOR, BAY CITY, MI 48708
	VIII. UNFINISHED BUSINESS
	IX.. NEW BUSINESS
	X. MISCELLANEOUS BUSINESS
	XI. ADJOURNMENT

VEBA PORTFOLIO VALUE

	<u>DODGE & COX</u>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
2011						
JAN	15,922,942.49	300,739.41	11,793,776.01	0.00	0.00	28,017,457.91
FEB	16,667,670.02	581,913.36	11,986,233.04	0.00	0.00	29,235,816.42
MARCH	17,123,304.53	121,095.35	12,011,362.73	0.00	0.00	29,255,762.61
APRIL	17,675,739.11	98,063.83	12,154,202.79	0.00	0.00	29,928,005.73
MAY	17,726,476.07	212,246.98	12,036,752.17	0.00	0.00	29,975,475.22
JUNE	17,547,728.26	1,485.83	11,875,396.11	0.00	0.00	29,424,610.20
JULY	17,060,888.70	70,134.43	11,801,134.06	0.00	0.00	28,932,157.19
AUG	16,187,340.87	43,385.81	11,169,054.28	0.00	0.00	27,399,780.96
SEPT	15,063,812.72	61,454.03	10,496,973.57	0.00	0.00	25,622,240.32
OCT	16,399,592.83	89,000.37	11,196,449.88	0.00	0.00	27,685,043.08
NOV	16,237,039.28	40,026.86	11,097,347.05	0.00	0.00	27,374,413.19
DEC	16,409,981.39	65,446.74	11,130,235.36	0.00	0.00	27,605,663.49

	<u>DODGE & COX</u>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
2012						
JAN	4,744,381.74	23,341.91	4,774,929.28	5,782,203.49	13,556,991.23	28,881,847.65
FEB	4,957,686.81	141,703.43	5,003,798.19	5,958,731.82	13,575,896.75	29,637,817.00
MARCH	5,085,201.22	156,067.52	5,169,110.21	6,012,771.11	13,509,994.85	29,933,144.91
APRIL	5,991,155.39	186,068.57	5,127,801.08	5,023,538.22	13,645,204.77	29,973,768.03
MAY	4,670,417.74	207,434.25	4,752,087.80	5,468,775.64	13,750,484.96	28,849,200.39
JUNE	4,944,848.31	218,278.51	4,926,255.06	5,620,085.64	13,816,486.70	29,525,954.22
JULY	5,023,826.66	237,546.65	4,973,210.73	5,558,841.11	13,958,821.07	29,752,246.22
AUG	5,169,289.62	240,122.51	5,109,739.12	5,738,972.06	13,987,861.42	30,245,984.73
SEPT	5,324,980.74	262,359.53	5,263,322.60	5,850,653.25	14,149,694.74	30,851,010.86
OCT	5,292,298.41	293,624.23	5,171,534.01	5,847,050.63	14,060,815.46	30,665,322.74
NOV	5,332,143.99	318,414.45	5,929,910.87	5,216,474.90	14,100,074.44	30,897,018.65
DEC	5,476,853.70	336,925.05	5,268,580.73	6,070,413.01	14,078,467.83	31,231,240.32

◆ Mgr Mix VEBA

Account Name/ Account Number	Cash/ % of account	Short Term/ % of account	Equity/ % of account	Fixed/ % of account	R.E. and Other/ % of account	Pendings/ % of account	Total market value/ % of consolidation
BAYCO-VEBA CASH 2611831	0.00 0.00%	336,925.23 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	336,925.23 1.06%
BAYCO - VEBA DODGE & COX BAL 2613001	0.00 0.00%	0.07 0.00%	5,636,361.83 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,636,361.90 17.81%
BAYCO-VEBA CS MCKEE 2643882	0.00 0.00%	743,532.61 5.29%	0.00 0.00%	13,383,948.23 95.26%	0.00 0.00%	-77,699.64 -0.55%	14,049,781.20 44.38%
BAYCO VEBA LORD ABBOTT FD 2643890	0.00 0.00%	0.00 0.00%	6,221,723.01 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	6,221,723.01 19.65%
BAYCO - VEBA ATALANTA SOSNOFF 2646670	0.00 0.00%	91,360.04 1.69%	5,319,336.50 98.31%	0.00 0.00%	0.00 0.00%	0.00 0.00%	5,410,716.54 17.09%
Total for consolidation	0.00	1,171,837.95	17,177,411.34	13,383,948.23	0.00	-77,699.64	31,665,497.88
% for consolidation	0.00%	3.70%	54.28%	42.28%	0.00%	-0.25%	100.00%

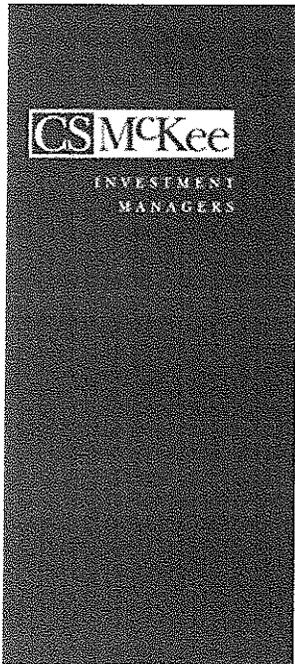
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Notification

Gene Natali [GNatali@CSMCKEE.COM]

Sent: Thursday, December 13, 2012 4:39 PM

To: Danean Wright



As many of you are aware, Suda Vatsan will be retiring from our firm at the end of the year. Suda is a Senior Vice President and portfolio manager on the equity team, and has had responsibility for the Health Care Sector. Suda joined McKee in 1999, and her contributions as a voting member of the team have been many. We ask you to join us in thanking Suda, and wishing her well as she begins this well-deserved new phase of her life.

Suda's sector responsibility will be assumed by Eric Fencil, CFA. Eric has been with McKee since 2007, and has been working closely with Suda in preparation for this transition. Eric has been a voting member of the equity team for several years. You might recall that the team also welcomed the addition of 29-year veteran Mike Donnelly back in January of 2012.

We wish Suda well, and invite you to contact your McKee representative should you have any questions.

Sincerely,

Gene Natali
CEO

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Instructions for Custodians: (1) Under no circumstances should a custodian of our mutual client(s) release assets/funds to any McKee employee. McKee employees are allowed to initiate transfers with the custodian between multiple accounts of the client so long as they share the same registration AND the client has issued standing instructions to do so. Any agreements permitting McKee to take fees directly from an account should also be pre-approved by the client. All other transfers require the written approval of the client. **(2)** Although McKee provides reporting for its clients' accounts, custodians are required to send separate statements on at least a quarterly basis to those clients. If this is not the case, please contact McKee immediately at 412-566-1234.

3

**2013 Asset Allocation Study
for the
Bay County VEBA Plan**

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Objectives:

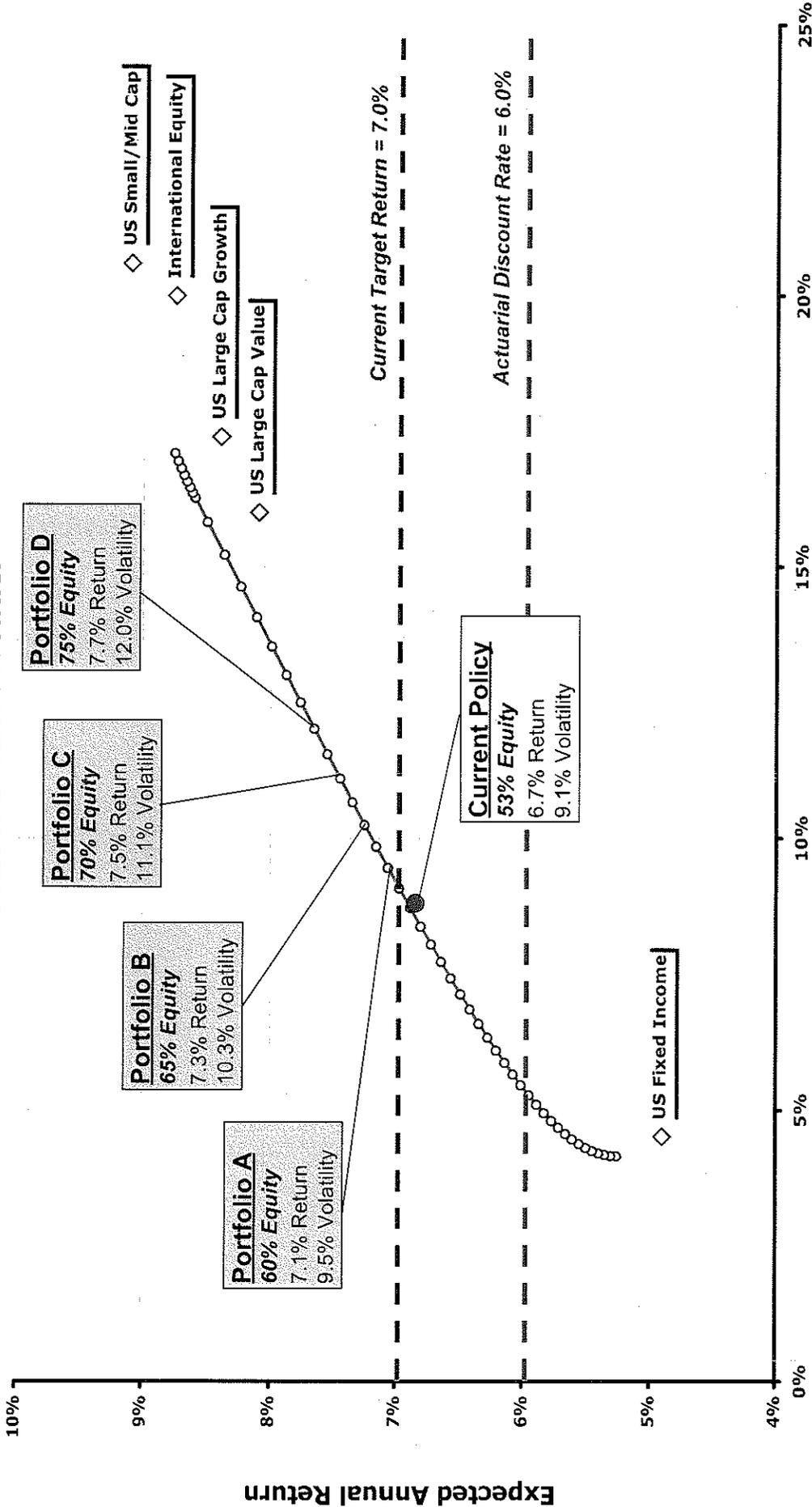
1. Identify an appropriate asset allocation mix which would increase the plan's expected return to meet the objective of 7% annually.
2. Improve portfolio diversification by including international equity as an asset class in the study.

BAY COUNTY VEBA

Asset Allocation Study

December 11, 2012

Bay County Voluntary Employees' Beneficiary Association Five Asset Efficient Frontier



Expected Annual Volatility (Standard Deviation)

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BAY COUNTY VEBA

Asset Allocation Study

December 11, 2012

Asset Class	Policy Target Allocation	Portfolio A Allocation	Portfolio B Allocation	Portfolio C Allocation	Portfolio D Allocation
Large Cap US Growth Stocks	16.5%	16%	18%	19%	21%
Large Cap US Value Stocks	16.5%	16%	16%	17%	17%
Small/Mid Cap US Stocks	20%	12%	14%	15%	17%
International Stocks	0%	16%	17%	19%	20%
US Fixed Income	47%	40%	35%	30%	25%
Expected Return	6.7%	7.1%	7.3%	7.5%	7.7%
Expected Risk*	9.1%	9.5%	10.3%	11.1%	12.0%

(6)

* Standard Deviation

Implementation Scenarios (\$000)

Asset Class	Manager	Dec 5, 2012 Asset Value	Portfolio B Implementation	Portfolio C Implementation
Large Cap US Growth Stocks	Atalanta Sossnoff	\$5,178	\$5,498	\$5,804
Large Cap US Value Stocks	Dodge & Cox	\$5,349	\$4,887	\$5,193
Small/Mid Cap US Stocks	Lord Abbott	\$5,905	\$4,276	\$4,582
International Stocks	N/A	\$0	\$5,193	\$5,804
US Fixed Income	CS McKee	\$14,113	\$10,691	\$9,164
Cash	Northern Trust	\$318	\$318	\$318
Total Fund Assets		\$30,863		

(7)

Capital Markets Assumptions

Asset Class	Expected Long Term Return	Expected Long Term Risk*
Large Cap US Growth Stocks	8.9%	17.4%
Large Cap US Value Stocks	8.6%	16.0%
Small/Mid Cap US Stocks	9.6%	20.6%
International Non-US Stocks	9.3%	20.0%
US Fixed Income	5.4%	4.5%



*Standard Deviation

NOTICE OF PUBLIC MEETINGS

THE BOARD OF TRUSTEES OF THE BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (V.E.B.A.), 515 CENTER AVENUE, 7TH FLOOR, BAY CITY, MICHIGAN 48708, PHONE NUMBER (989) 895-4030, HAS SCHEDULED REGULAR MEETINGS FOR 2013. ALL MEETINGS WILL BE HELD AT APPROXIMATELY 2:30 P.M., FOLLOWING THE BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM MEETING, IN THE **BOARD OF COMMISSIONERS CHAMBERS**, LOCATED IN THE BAY COUNTY BUILDING, 515 CENTER AVENUE, 4TH FLOOR, BAY CITY, MI 48708.

JANUARY 8, 2013
FEBRUARY 12, 2013
MARCH 12, 2013
APRIL 9, 2013
MAY 14, 2013
JUNE 11, 2013
JULY 9, 2013
AUGUST 13, 2013
SEPTEMBER 10, 2013
OCTOBER 8, 2013
NOVEMBER 12, 2013
DECEMBER 10, 2013

12/18/2012
Date

Crystal Hebert
Crystal Hebert
Finance Officer/Secretary
Bay County Employees' Retirement System,
Board of Trustees

The County of Bay will provide reasonable and necessary auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered the meeting, to individuals with disabilities at the meeting/hearing upon ten days notice to the County of Bay. Individuals with disabilities requiring auxiliary aids or services should contact the County of Bay by calling or writing: Michael Gray, Executive Assistant, Office of the Bay County Executive, 515 Center Avenue, Bay City, MI 48708, (989) 895-4130 or (989) 895-4049. TDD