

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION
AGENDA

TUESDAY, MARCH 11, 2014

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

**COMMISSIONERS CHAMBERS
515 CENTER AVENUE - 4TH FLOOR
BAY CITY, MI 48708**

PAGE	
	I. CALL TO ORDER
	II. ROLL CALL
	III. MINUTES
1 - 3	1. MARCH 11, 2014 - REGULAR MEETING
	IV. PUBLIC INPUT
4	A. PORTFOLIO VALUE 1/31/13 - 2/28/2014
5 - 8	B. MONEY MANAGER REPORTS
	1. ATALANTA SOSNOFF - PORTFOLIO ENDING 12/31/13
9 - 11	C. VEBA YTD BUDGET REPORT ENDING 2/28/2014
12 - 14	D. CORRESPONDENCE
	1. COMMISSION RECAPTURE PROPOSAL ABEL/NOSER
	2. COMMISSION RECAPTURE AGREEMENT CAPIS
	V. ANNOUNCEMENTS
	A. NEXT REGULAR MEETING - TUESDAY, APRIL 8, 2014 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING AT APPROXIMATELY 2:30 P.M. , COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4 TH FLOOR, BAY CITY, MI 48708
	VI. UNFINISHED BUSINESS
	VII. NEW BUSINESS
	VII. MISCELLANEOUS BUSINESS
	IX. ADJOURNMENT

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

Master

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

The meeting of the Board of Trustees was held on February 11, 2014 at 3:05 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll was taken.

Trustees Present: Chairperson Gray, Mr. Herek, Mr. Morse, Mr. Pett, Mr. Starkweather, and Ms. Zielinski.

Trustees Absent: Mr. Brzezinski, Mr. Gromaski, and Mr. Coonan.

Also Present:

Consultant: The Bogdahn Group (formerly Becker, Burke Assoc.): Jeff Black and Howard Pohl

Finance Officer: Crystal Hebert

Retirement Administrator: Janie Tacey

Personnel Director: Tim Quinn

Recorder: Eliza Cortez

The meeting was called to order by Chairman, Steve Gray at 3:05 p.m.

1. Moved, supported and carried to excuse Mr. Brzezinski, Mr. Gromaski, and Mr. Coonan.
2. Moved, supported and carried to approve the minutes, as presented, from the January 14, 2014 meeting.

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

3. Moved, supported and carried to receive the 2013 VEBA 4th Quarter report as reported by Bogdahn Group.
4. Moved, supported and carried to receive the Portfolio Value from 1/1/14 - 1/31/14. Today's value is \$38.1 Million.
5. Moved, supported and carried to receive the VEBA year-to-Date Budget Reports for December 2013 and January 2014 reports.

ANNOUNCEMENTS:

- A. Next regularly scheduled meeting will be Tuesday, March 11, 2014 immediately following the Retirement Board of Trustees Meeting at approximately 2:30 p.m. in Commissioner's Chambers, 515 Center Avenue - 4th Floor, Bay City, MI 48708.

MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)

Master

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UNFINISHED BUSINESS: None

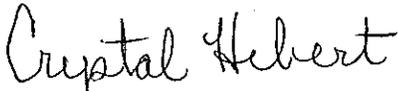
NEW BUSINESS: None

MISCELLANEOUS BUSINESS: None

ADJOURNMENT:

4. Moved, supported and carried to adjourn the meeting at 3:15 p.m.

Respectfully submitted,



Crystal Hebert
Finance Officer/Secretary

Transcribed by: Eliza Cortez/Janie Tacey

MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE
FEBRUARY 11, 2014

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

MEETING CALLED TO ORDER BY: CHAIR STEVE GRAY AT 3:05 P.M.

OTHERS PRESENT: JEFF BLACK, JOE BOGDAHN, ELIZA CORTEZ, CRYSTAL HEBERT, HOWARD POHL,
 JANIE TACEY

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

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

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

Atalanta Sosnoff

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January 6, 2014

Ms. Janie Tacey
Retirement Administrator
Bay County Voluntary Employees' Beneficiary Association
Bay County Building
515 Center Ave., Suite 706
Bay City, MI 48708-5128

Dear Ms. Tacey:

Performance for the final quarter continued to exceed benchmarks. Absolute returns were exceptional, up approximately 35% in the equity sector for the calendar year, comfortably above their composite index returns. With the equity market posting a year-to-date return over 32%, a fair question is what's ahead for 2014?

Projecting slow baseline growth in the world through 2016 is a safe forecast. The federal deficit then comes down to about 5% of GDP, maybe lower, using the Congressional Budget Office's model on spending and tax receipts. Real GDP growth averages around 3%. Conservatively, we assume personal consumption spending minus savings remains in a developing mode. This is likely considering sticky high unemployment and the large output gap doesn't close much. The unemployment rate could hold near 7% during the country's next Presidential election campaign.

The small, absolute size of the U.S. export sector suggests it needs to grow at a rapid rate for it to impact the size of the current account deficit as a percentage of GDP. Over a decade, this is possible. Right now, growth in Europe and emerging markets is tepid and unemployment steep. There are approximately 200 million people in the world that are jobless.

We are pessimistic that Congress will increase infrastructure spending by several hundred billion dollars per annum. Nobody in government dares talk about Keynesian economic theory and the multiplier effect of fiscal stimulus. The run of negative savings during the late nineties until the eve of the recession in 2008 was exceptional and difficult to jump start today even with rock-bottom interest rates.

And, yet, the Federal Reserve Board's policy of minimal Fed Funds rates could finally kick in and stimulate consumption. Consider, the tremendous reversal in personal wealth that has taken place over the past 4 years. Wealth restoration is fully realized at its pre-meltdown high even adjusted for inflation.

Taking the long view on the course of interest rates in the country, 30-year Treasuries even at 4% are a huge bargain, a *Consumer Reports* Best Buy. Anyone who believes 30-year mortgage rates now at 4.5% are a depressant for housing starts, after bottoming at 3% this past spring, is a nut job. Years ago, home owners rested contentedly with 6.5% mortgages.

Practically monthly, the Fed pounds the table on keeping Fed Funds next to zero. How much more largesse could we wish for? Let's not accuse the Fed of encouraging speculation, either. Margin credit outstanding is a couple of days trading on the Big Board. If stocks do move contrapuntally to interest rates, how high the moon for Treasuries and corporates? Academic economists remain hard pressed to project a declining jobless rate along with normalized (the old normal) GDP momentum of 3.5% per annum.

The only hope for the economy is consumer spending. The old personal consumption expenditures percentage of GDP, normally two thirds of the economy, is closer to 70%. If the savings rate fails to contract even as consumer confidence numbers spike north, a 7% unemployment rate is in the cards. But, we think academics are too bearish about contraction in the savings rate. Afterall, interest on same remains next to zero.

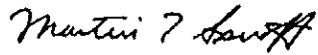
If there's no wage inflation in store and raw materials remain in a surplus condition with wages contained by low industrial capacity utilization, interest rates won't spike. Even inflation rising to 2% is a not-to-worry indicator. Normally, long term interest rates run at a 200 basis point premium to inflation. We're there. Notable is spreads between high yield bonds and 10-year Treasuries still contract.

There's no case for 30-year Treasuries surging much above 4%, excepting the bond crowd's panicky proclivities. Even so, the price-earnings ratio for big capitalization stocks easily justifies a 15 multiplier. This is pretty much where we are today. Unless you believe operating profit margins for major corporations head south, the case for equities rests in place.

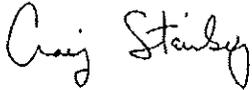
The U.S. stock market should continue to outperform European bourses and emerging markets. In a low interest rate environment bonds remain unattractive as does gold. Oil is in an oversupply condition along with most commodities inclusive of coal, iron ore, copper and steel. Without stretching either earnings projections or valuation yardsticks equities could rise up to 10% next year.

We remain overweighted in growth stocks and financials where we see room for operating margin improvement. Outperformance in biotechnology properties should continue based on compounding earnings growth in the mid-teens or higher for this subsector. The price-earnings ratio for the S&P 500 Index could surprise, holding in the mid to high teens for years to come.

With all good wishes,



Martin T. Sosnoff



Craig B. Steinberg

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

PERFORMANCE STATISTICS

	Three Months Ended Dec. 31, 2013	Twelve Months Ended Dec. 31, 2013	Three Years Annualized Dec. 31, 2013	Inception June 9, 2009 to Dec. 31, 2013	Annualized Rate of Return
	Total Return			Total Return	Annualized Rate of Return
TOTAL	+10.80%	+34.36%	+13.66%	+79.84%	+13.73%
Composite Index (1)	+10.44%	+33.48%	+16.57%	+108.28%	+17.45%
EQUITY	+11.00%	+35.11%	+12.69%	+85.23%	+14.47%
Russell 1000 Growth Index	+10.44%	+33.48%	+16.44%	+122.95%	+19.21%
Russell 1000 Growth Index + 1.00%	+10.62%	+34.48%	+17.44%	+131.61%	+20.21%

(1) 65% RUSSELL 1000 GROWTH / 35% BC AGGREGATE BOND thru 01/20/12 ~ 100% RUSSELL 1000 GROWTH forward

Bay County Michigan

02/28/2014 15:29
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BAY COUNTY, MI
YEAR-TO-DATE BUDGET REPORT

PG 1
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FOR 2014 02

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
7360 PUBLIC EMPLOYEE HEALTH CARE							
73627401 VOL.EMPLOYEE BENEF.ASSOC.BOARD							
RA FUND BALANCE, NET AS							
73627401 40001 FUND BALANCE	0	0	.00	.00	.00	.00	.0%
73627401 40004 NET ASSETS - RESERV	1,394,185	1,394,185	.00	.00	.00	1,394,185.00	.0%
TOTAL FUND BALANCE, NET AS	1,394,185	1,394,185	.00	.00	.00	1,394,185.00	.0%
RJ LOCAL UNIT CONTRIBUT							
73627401 59401 ER CONTR-BEHAVE.HEA	0	0	.00	.00	.00	.00	.0%
73627401 59402 ER CONTR-MOSQUITO C	0	0	.00	.00	.00	.00	.0%
73627401 59403 ER CONTR-HEALTH FUN	0	0	.00	.00	.00	.00	.0%
73627401 59404 ER CONTR-ROAD COMM	0	0	.00	.00	.00	.00	.0%
73627401 59406 ER CONTR-LIBRARY	0	0	.00	.00	.00	.00	.0%
73627401 59407 ER CONTR-GOLF COUR	0	0	.00	.00	.00	.00	.0%
73627401 59408 ER CONTR-GENERAL_FU	0	0	.00	.00	.00	.00	.0%
73627401 59409 ER CONTR-DWS	0	0	.00	.00	.00	.00	.0%
73627401 59410 ER CONTR-911_SERVIC	0	0	.00	.00	.00	.00	.0%
73627401 59411 ER CONTR-CHILD CARE	0	0	.00	.00	.00	.00	.0%
73627401 59412 ER CONTR-DIV ON AGI	0	0	.00	.00	.00	.00	.0%
73627401 59413 ER CONTR-RETIRE SYS	0	0	.00	.00	.00	.00	.0%
73627401 59415 ER CONTR-GYPSY MOTH	0	0	.00	.00	.00	.00	.0%
73627401 59416 ER CONTR-HOME REHAB	0	0	.00	.00	.00	.00	.0%
73627401 59418 ER CONTR-100% TAX P	0	0	.00	.00	.00	.00	.0%
73627401 59419 ER CONTR-MED CARE E	0	0	.00	.00	.00	.00	.0%
73627401 59424 ER CONTR-SELF INSUR	0	0	.00	.00	.00	.00	.0%
73627401 59427 ER CONTR-COMM.CORRE	0	0	.00	.00	.00	.00	.0%
73627401 59429 ER CONTR-F.O.C FUN	0	0	.00	.00	.00	.00	.0%
73627401 59430 ER CONTR-HOUSING FU	0	0	.00	.00	.00	.00	.0%
73627401 59433 ER CONTR-SOLDIER RE	0	0	.00	.00	.00	.00	.0%
73627401 59499 ER CONTR-SHERIFF DE	0	0	.00	.00	.00	.00	.0%
TOTAL LOCAL UNIT CONTRIBUT	0	0	.00	.00	.00	.00	.0%
RP INTEREST & RENTALS							
73627401 66400 INVESTMENT INTEREST	-500,000	-500,000	.00	.00	.00	-500,000.00	.0%*

Bay County Michigan

02/28/2014 15:29
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BAY COUNTY, MI
YEAR-TO-DATE BUDGET REPORT

PG 2
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FOR 2014 02

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401 66500 GAIN ON SALE OF INVY	-1,100,000	-1,100,000	.00	.00	.00	-1,100,000.00	.0%*
73627401 66501 UNREALIZED_GAIN_ON	0	0	.00	.00	.00	.00	.0%
TOTAL INTEREST & RENTALS	-1,600,000	-1,600,000	.00	.00	.00	-1,600,000.00	.0%
RR OTHER REVENUE							
73627401 67104 MISCELLANOUS_REVENUE	0	0	.00	.00	.00	.00	.0%
TOTAL OTHER REVENUE	0	0	.00	.00	.00	.00	.0%
XE WAGES & SALARIES							
73627401 71000 PER_DIEM	360	360	.00	.00	.00	360.00	.0%
TOTAL WAGES & SALARIES	360	360	.00	.00	.00	360.00	.0%
XI SUPPLIES							
73627401 72700 OFFICE SUPPLIES	100	100	.00	.00	.00	100.00	.0%
73627401 72800 PRINTING_AND_BINDIN	150	150	.00	.00	.00	150.00	.0%
73627401 72900 POSTAGE	100	100	.00	.00	.00	100.00	.0%
73627401 75100 COMPUTER_SUPPLIES	50	50	.00	.00	.00	50.00	.0%
TOTAL SUPPLIES	400	400	.00	.00	.00	400.00	.0%
XL OTHER SERVICES AND C							
73627401 80100 PROFESSIONAL_SERVIC	100,000	100,000	.00	.00	.00	100,000.00	.0%
73627401 80101 ACTUARIAL_SERVICES	35,000	35,000	.00	.00	.00	35,000.00	.0%
73627401 81400 INVESTMENT/BANK_SER	30,000	30,000	.00	.00	.00	30,000.00	.0%
73627401 81700 LEGAL_FEES	7,500	7,500	.00	.00	.00	7,500.00	.0%
73627401 81900 CONSULTANTS	30,000	30,000	3,625.00	.00	.00	26,375.00	12.1%
73627401 86600 LOCAL TRAVEL_MILEAG	0	0	.00	.00	.00	.00	.0%
73627401 94601 EQUIPMENT_RENTAL-CO	55	55	.00	.00	.00	55.00	.0%
73627401 95600 INDIRECT_COST_EXPEN	0	0	.00	.00	.00	.00	.0%

Bay County Michigan

02/28/2014 15:29
KPriessnitz

BAY COUNTY, MI
YEAR-TO-DATE BUDGET REPORT

PG 3
glytdbud

FOR 2014 02

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401 96200 LOSS ON DISPOSAL OF	0	0	.00	.00	.00	.00	.0%
73627401 96201 UNREALIZED LOSS ON	0	0	.00	.00	.00	.00	.0%
73627401 96500 INSURANCE AND BONDS	2,500	2,500	.00	.00	.00	2,500.00	.0%
TOTAL OTHER SERVICES AND C	205,055	205,055	3,625.00	.00	.00	201,430.00	1.8%
TOTAL VOL.EMPLOYEE BENEF.ASSOC.BO	0	0	3,625.00	.00	.00	-3,625.00	100.0%
TOTAL PUBLIC EMPLOYEE HEALTH CARE	0	0	3,625.00	.00	.00	-3,625.00	100.0%
TOTAL REVENUES	-205,815	-205,815	.00	.00	.00	-205,815.00	
TOTAL EXPENSES	205,815	205,815	3,625.00	.00	.00	202,190.00	
GRAND TOTAL	0	0	3,625.00	.00	.00	-3,625.00	100.0%

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



> Abel / Noser Corp.

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Website: www.abelnoser.com >

Member FINRA, NYSE, and SIPC

ABEL/NOSER

COMMISSION RECAPTURE PROGRAM

The Bay County Employees VEBA Plan

- **Equity Trading through Abel/Noser Desk**
Domestic Equities – Abel/Noser will rebate all commissions over 1.0 cents per share
International Equities*-Abel/Noser will rebate all commissions over three (3) basis points
- **Equity Trading through Correspondent Brokers**
Domestic Equities
Correspondent Brokers keep between 1.0 and 1.4 cents per share of the commission.
Abel/Noser will rebate 75% of the **A/N gross** commission back to the Plan with no minimum.
International Equities*
Correspondent Brokers keep between 25% to 60% of the commission.
Abel/Noser will rebate 75% of the **A/N gross** commission back to the plan with no minimum.
*International commission rates for equities are set in basis points.
- **Fixed Income**
Rate is based on size and sector. Abel/Noser will keep 33%.
- **Trade Cost Analysis**
Abel/Noser provides all commission recapture clients with semi-annual trade cost analysis reports for their equity managers.
- **Online statements are available.**

Mary Davidson
Senior Vice President
ABEL/NOSER CORP.
DIRECT: (646)432-4084
Email:mdavidson@abelnoser.com

INSTITUTIONAL AGENCY EXECUTION and TRADE ANALYTICS



February 13, 2014

Bay County VEBA Pension Plan
Bay County Building
Attn: Janey Tacey
515 Center Avenue
Bay City, Michigan 48708

Re: Commission Recapture Agreement Letter for the Bay County VEBA Pension Plan

Dear Authorized Signor,

This Letter will constitute our arrangement with respect to the brokerage transactions directed to Capital Institutional Services, Inc. ("CAPIS") and executed on behalf of the Bay County VEBA Pension Plan ("The Fund").

CAPIS represents to Fund the following:

1. To the extent The Fund directs its investment managers to effect through CAPIS, consistent with best execution, certain brokerage transactions, CAPIS will rebate all brokerage commissions paid in connection with such transactions above the following minimums retained by CAPIS ("Commission Rebates"):

Domestic Equity	1 CPS
International Equity	8 Basis Points

In addition, The Fund will be refunded brokerage commissions based upon the following percentages:

Correspondent Equity	80% Of Net *
Fixed Income	75%

*This rate is based upon the net commission paid to CAPIS from the correspondent broker.

2. CAPIS will send Commission Rebates in accordance with the instructions provided to CAPIS by The Fund.
3. CAPIS confirms that, as a registered broker-dealer under the Securities Exchange Act of 1934 and as a member of the NYSE, FINRA, and the NFA, it has an obligation to protect the best interests of The Fund. CAPIS will perform each transaction in accordance with the appropriate statutes and regulations governing the securities industry.
4. A portion of the remuneration, which may be disclosed on confirmations associated with transactions directed to CAPIS in accordance with this agreement, may be rebated to the beneficial owner for the purposes represented herein.

Fund represents to CAPIS the following:

1. All Commission Rebates will be used exclusively for the benefit of The Fund and in no event will be used to pay any expenses properly chargeable to The Fund's sponsor or any other person or entity. The Fund agrees to have record-keeping and other controls to assure the foregoing.
2. The Fund understands that in disbursing Commission Rebates, CAPIS will be relying on the representations and agreements contained herein which the Fund hereby authorize us to do.
3. The Fund represents that the undersigned is an officer of The Fund and that the governing documents of The Fund authorize the undersigned to make the representations herein and to execute this agreement.
4. The Fund further agrees to advise CAPIS promptly of any changes in any material fact contained in this agreement.

This Letter constitutes the entire Commission Recapture Agreement between the parties and shall supersede all previous communications or agreements, which have been made between the parties. No change to the terms and conditions of this agreement will be valid unless made by supplemental written amendment executed by both parties.

Please indicate your agreement with and acceptance of the foregoing by signing and returning a copy of this agreement prior to the initiation of the payments.

Sincerely,

Jon Lantz
Vice President

Approved and Accepted for CAPIS by:

Approved and Accepted for Fund by:

Jim Morrow, COO

Name/Title Date

Name/Title Date