

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

AGENDA

TUESDAY, NOVEMBER 8, 2011

(Immediately Following the Retirement Board of Trustees' Meeting @ Approximately 2:30 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 - 2 .....	A.	OCTOBER 11, 2011 REGULAR MEETING
	IV.	PUBLIC INPUT
	V.	PETITIONS & COMMUNICATIONS
	A.	<b>BECKER BURKE &amp; ASSOCIATES</b>
	1.	<b>THIRD QUARTER REPORT</b>
3 - 4 .....	B.	PORTFOLIO VALUE - 1/1/10 THROUGH 11/2/11
	C.	ATALANTA SOSNOFF
5 - 9 .....	1.	PORTFOLIO ENDING 9/30/11
	VI.	ANNOUNCEMENTS
	A.	NEXT REGULAR MEETING - TUESDAY, DECEMBER 13, 2011 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING @ APPROX. 2:30 P.M., <b>COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4<sup>TH</sup> FLOOR, BAY CITY, MI 48708</b>
	VII.	UNFINISHED BUSINESS
	VIII.	NEW BUSINESS
	IX.	MISCELLANEOUS BUSINESS
	X.	ADJOURNMENT

**MINUTES BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

October 11, 2011

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The meeting, held in the Bay County Commissioners Chambers, 4<sup>th</sup> Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan was called to order by Chairman Gray at 3:29 P.M. Roll call was taken, all Trustees are present, except Ms. Carpenter.

1. Moved, supported and carried to excuse Trustee Ann Carpenter from this meeting, as well as the earlier BCERS meeting, and to excuse Trustee Kim Coonan from the 10:00 a.m. meeting.
2. Moved, supported and carried to approve the minutes from the September 7, 2011 interviews of Small and Mid Cap Equity Managers.
3. Moved, supported and carried to approve the minutes from the September 13, 2011 interviews of Core Fixed Income Money Managers.
4. Moved, supported and carried to approve the minutes from the September 13, 2011 regular meeting.

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

5. Moved, supported and carried to receive the Portfolio Value January 1, 2010 through October 5, 2011. As of today it is \$26.6 million.

**Announcements:**

The next regular meeting is scheduled for Tuesday, November 8, 2011 immediately following the Retirement Board of Trustees Meeting at approximately 2:30 p.m. in the Commissioners' Chambers, 515 Center Avenue, 4<sup>th</sup> Floor, Bay City, Michigan 48708.

**Unfinished Business:** None

**New Business:**

Mr. Ryder stated that he spoke with Marty Fitzhugh regarding the Investment Policy. Ms. Fitzhugh stated that she does have it and will give it priority status.

**Miscellaneous Business:** None

**Adjournment:**

6. Moved, supported and carried to adjourn.  
Meeting adjourns at 3:34 p.m.

Respectfully submitted,



Crystal Hebert  
Finance Officer/Secretary

**MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE**  
OCTOBER 11, 2011

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: CHAIR STEVE GRAY AT 3:29 P.M.

OTHER PRESENT: RICK POTTER, JEFF BLACK, DANEA WRIGHT

TRUSTEE	1	2	3	4	5	6	7	8	9	10
BRZEZINSKI	Y	S	S	S	Y	Y				
CARPENTER	E	E	E	E	E	E				
COONAN	M	Y	Y	Y	Y	M				
DEATON	S	Y	Y	Y	Y	S				
GRAY	Y	Y	Y	Y	Y	Y				
PELTIER	Y	Y	Y	Y	Y	Y				
PETT	Y	Y	Y	Y	Y	Y				
RYDER	Y	M	M	M	M	Y				
STARKWEATHER	Y	Y	Y	Y	Y	Y				

TRUSTEE	11	12	13	14	15	16	17	18	19	20
BRZEZINSKI										
CARPENTER										
COONAN										
DEATON										
GRAY										
PELTIER										
PETT										
RYDER										
STARKWEATHER										

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

◆ 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 2611631	-40,000.61 -100.00%	40,000.61 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	40,000.61 0.15%
BAYCO - VEBA DODGE & COX BAL 2613001	-0.07 0.00%	0.07 0.00%	16,228,785.14 100.00%	0.00 0.00%	0.00 0.00%	0.00 0.00%	16,228,785.21 59.29%
BAYCO - VEBA ATALANTA SOSNOFF 2646670	-164,162.18 -1.46%	164,162.18 1.46%	6,915,994.10 62.28%	4,060,144.59 36.56%	0.00 0.00%	-35,566.52 -0.32%	11,104,734.35 40.57%
<b>Total for consolidation</b>	<b>-204,162.86</b>	<b>204,162.86</b>	<b>23,145,779.24</b>	<b>4,060,144.59</b>	<b>0.00</b>	<b>-35,566.52</b>	<b>27,374,520.17</b>
<b>% for consolidation</b>	<b>-0.75%</b>	<b>0.75%</b>	<b>84.55%</b>	<b>14.83%</b>	<b>0.00%</b>	<b>-0.13%</b>	<b>100.00%</b>

cu

VEBA PORTFOLIO VALUE

DODGE & COX                      CASH    TOTAL

**2010**

JAN	12,100,888.44	105,522.40	10,584,016.91	22,790,427.75
FEB	12,337,748.85	127,194.75	10,902,240.56	23,367,184.16
MARCH	13,054,743.31	826,655.02	11,327,907.01	25,209,305.34
APRIL	13,991,588.85	244,134.22	11,358,311.61	25,594,034.68
MAY	13,222,769.10	141,086.32	10,679,294.83	24,043,150.25
JUNE	12,809,573.46	125,391.14	10,257,371.77	23,192,336.37
JULY	13,587,649.86	145,077.38	10,694,615.84	24,427,343.08
AUG	13,124,702.33	73,270.04	10,297,435.85	23,495,408.22
SEPT	14,114,246.44	68,829.93	10,930,245.09	25,113,321.46
OCT	14,577,087.64	235,229.40	11,314,209.87	26,126,526.91
NOV	14,475,844.80	285,665.83	11,307,156.37	26,068,667.00
DEC	15,542,608.55	48,361.72	11,636,968.32	27,227,938.59

DODGE & COX                      CASH                      ATALANTA  
SOSNOFF    TOTAL

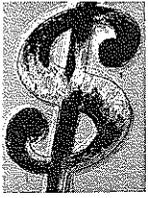
**2011**

JAN	15,922,942.49	300,739.41	11,793,776.01	28,017,457.91
FEB	16,667,670.02	581,913.36	11,986,233.04	29,235,816.42
MARCH	17,123,304.53	121,095.35	12,011,362.73	29,255,762.61
APRIL	17,675,739.11	98,063.83	12,154,202.79	29,928,005.73
MAY	17,726,476.07	212,246.98	12,036,752.17	29,975,475.22
JUNE	17,547,728.26	1,485.83	11,875,396.11	29,424,610.20
JULY	17,060,888.70	70,134.43	11,801,134.06	28,932,157.19
AUG	16,187,340.87	43,385.81	11,169,054.28	27,399,780.96
SEPT	15,063,812.72	61,454.03	10,496,973.57	25,622,240.32
OCT	16,399,592.83	89,000.37	11,196,449.88	27,685,043.08
NOV				0.00
DEC				0.00

2011

# Atalanta Sosnoff

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October 3, 2011

Mrs. Danean Wright  
Retirement Accountant  
Bay County Voluntary Employees' Beneficiary Association  
Bay County Building  
515 Center Ave., Suite 706  
Bay City, MI 48708-5128

Dear Mrs. Wright:

We continue to draw down our projections for GDP momentum in coming quarters to well below trendline growth which is 3.5 percent. More likely is the elongation of the stop and go economic setting unfolding currently. GDP momentum of zero to one percent seems a more appropriate number.

There are just too many depressing macro forces extant here in the U.S. and in Euroland where we see no early resolution. At home, the unemployment numbers show no progress and weigh heavily on consumer confidence. Housing prices rattle along near their lows and capital spending remains sluggish.

The Congress holds as divisive as ever with the far right part of the Republican Party waxing even more conservative than ever on fiscal and monetary issues. Our major corporations look at all these forces and remain cautious in terms of hirings and capital spending.

For us, the Federal Reserve Board has run out of wind up toys considering how low interest rates have been compressed. Ten-year Treasuries yielding under 2 percent cannot be found anywhere in recent economic history. This is good for the U.S. Treasury as they refinance public debt well below present carrying costs. However, ultra low interest rates are a hidden tax on middle class savers and retirees who live off fixed income investments. Additionally, rates of return for public and corporate pension funds are diminished by a lackluster equity setting and a flattish yield curve going out 10 years in maturities. Even 30-year Treasuries have broken below 3 percent, unprecedented in 50 years of financial market history.

Our call is that the economy limps along in a prolonged low growth rate environment. Interest rates and inflation remain minimal, our jobless rates hangs heavy at 9 percent and Obama's stimulus package is eviscerated by the Republican majority in the House.

There are several positive offsets to such dreary macro forces. Corporations have handled themselves conservatively these past several years. Balance sheets are laden with cash - free cash flow accumulates and is used for debt retirement. Share buybacks and rising dividends are consistent. In a low interest rate environment the S&P 500 Index normally trades at a mid-teens price-earnings ratio if corporate earnings hold up.

Our projection of corporate earnings is below consensus. We are at \$95 a share for the index this year and could see \$90 a share for 2012. Our rationale is minimal GDP growth and corporate profit margins peaking out this quarter. Currently, profit margins are meaningfully above their normalized trend in a rising economy. Rising revenues will be hard to find next year.

Having said all this, the market is not expensive at a low double digit multiple of our estimate of earnings next year. Assuming Euroland remains a mess, the dollar should rise but it will impact earnings of our multinational corporations. At the least, our banks won't be contaminated by what could be a 500 billion euro write-down for banks and insurance companies throughout Euroland. Draconian fiscal policy in England and Euroland suggests the onset of recession there is about to commence.

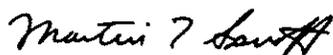
Translating all this into a portfolio construct is not exactly a slam dunk. We continue to hold cash reserves and migrate our holdings to more defensive names as well as counter cyclical properties.

We have further reduced our holdings in energy, financials and industrials while increasing healthcare and consumer staples. There's beefing up in growth stock holdings which should continue to do well in a becalmed economic setting. Technology still sells cheaper than many industrials with the exception of Amazon, now a major portfolio position along with Google, Apple, IBM and Microsoft.

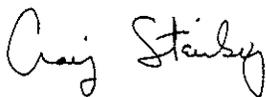
For the market to levitate we need to see rising employment numbers, home prices bouncing off their bottom and consumer durables, like autos, showing some late foot. This is a reluctant combo of metrics to unfold day after tomorrow, but still possible next year.

Our portfolio performance so far still lags benchmark indices, but we are encouraged that the remedial work in changing sector concentration and stock weightings will have value added in the fourth quarter and thereafter.

With all good wishes,



Martin T. Sosnoff



Craig B. Steinberg

**BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION**

**PERFORMANCE STATISTICS**

**Inception  
June 9, 2009  
to Sep. 30, 2011**

	<b>Three Months Ended Sep. 30, 2011</b>	<b>Nine Months Ended Sep. 30, 2011</b>	<b>Total Return</b>	<b>Annualized Rate of Return</b>
<b>TOTAL</b>	<b>-11.63%</b>	<b>-9.82%</b>	<b>+10.47%</b>	<b>+4.40%</b>
Composite Index (1)	-7.41%	-2.41%	+28.32%	+11.39%
<b>EQUITY</b>	<b>-17.62%</b>	<b>-16.22%</b>	<b>+8.43%</b>	<b>+3.56%</b>
Russell 1000 Growth Index	-13.14%	-7.20%	+31.04%	+12.41%
<b>FIXED</b>	<b>-2.39%</b>	<b>+0.33%</b>	<b>+13.18%</b>	<b>+5.50%</b>
Barclays Capital Aggregate Bond Index + 1.00 %	+4.04%	+7.38%	+23.25%	+9.47%

(1) 65% RUSSELL 1000 GROWTH / 35% BC AGGREGATE BOND

**ACCOUNT 49766 BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY  
ASSOCIATION**

**September 30, 2011**

**MAXIMUM EQUITY: 70% STANDARD EQUITY: 65%**

**PM: 65% RUSSELL 1000 GROWTH/35% BC AGGREGATE BOND + 1%**



The portfolio above should be compared to your custodial statement.

**Atalanta Sosnoff**

## SUMMARY OF INVESTMENTS

	<u>COST</u>	<u>MARKET VALUE</u>	<u>% OF PORT.</u>	<u>EST. ANNUAL INCOME</u>	<u>CURRENT YIELD</u>
CASH AND EQUIVALENTS	211,637	211,637	2.0	414	0.20
GOVERNMENT AGENCY BONDS	1,418,304	1,459,374	13.9	61,325	4.26
CORPORATE BONDS	2,572,013	2,590,770	24.7	162,319	6.40
COMMON STOCK	6,179,520	6,232,484	59.4	97,345	1.56
<b>TOTAL PORTFOLIO</b>	<b>10,381,473</b>	<b>10,494,264</b>	<b>100.0</b>	<b>321,402</b>	<b>3.08</b>

## INDUSTRY ANALYSIS OF EQUITIES

	<u>MARKET VALUE</u>	<u>% OF EQUITY</u>	<u>EST. ANNUAL INCOME</u>	<u>CURRENT YIELD</u>
MATERIALS	67,949	1.1	2,788	4.10
INDUSTRIALS	631,764	10.1	13,428	2.13
CONSUMER DISCRETIONARY	1,116,696	17.9	10,482	0.94
CONSUMER STAPLES	380,023	6.1	10,586	2.79
HEALTH CARE	848,225	13.6	15,955	1.88
FINANCIALS	548,705	8.8	10,775	1.96
INFORMATION TECHNOLOGY	1,989,479	31.9	22,239	1.12
TELECOM SERVICES	80,700	1.3	0	0.00
ENERGY	568,943	9.1	11,092	1.95
<b>TOTAL EQUITIES</b>	<b>6,232,484</b>	<b>100.0</b>	<b>97,345</b>	<b>1.56</b>

The portfolio above should be compared to your custodial statement.