

BAY COUNTY RETIREMENT BOARD OF TRUSTEES AGENDA  
TUESDAY, JANUARY 13, 2015 @ 1:30 P.M.  
**COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR**  
**BAY CITY, MI 48708**

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	B. DECEMBER 9, 2014
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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**

A meeting of the Board of Trustees was held on November 12, 2014 at 1:30 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

**Trustees Present:** Mr. Brzezinski, Mr. Gromaski, Mr. Herek, Mr. Pett, Mr. Starkweather, and Ms. Goetz.

**Trustees Absent:** Chairperson Gray, Mr. Morse.

**Also Present:**

Consultant: The Bogdahn Group: Peter Brown.  
Finance Officer: Crystal Hebert  
Retirement Administrator: Rebecca Marsters  
Corporation Counsel: Shawna Walraven

The meeting was called to order by Co-chairman, Richard Brzezinski at 1:35 p.m.

1. Moved, supported and carried to excuse Chairman Gray.
2. Moved, supported and carried to excuse Trustee Morse and Herek.

Trustee Herek entered the meeting at 1:42.

3. Moved, supported and carried to approve the minutes, as printed, from the October 9, 2014 regular meeting.

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

Present today is Mr. Peter Brown from The Bogdahn Group of Chicago, Illinois to present the third quarter report for 2014. A copy was provided to all Trustees, in advance, via the web. Mr. Brown refers to page 2 describing the market performance for the third quarter. Large cap blue chip saw positive performance. International markets were negative. Mid caps and small cap stocks underperformed and were negative compared to a year ago where they were returning 20% to 30%. Fixed income was slightly positive. TIPS was down 2%.

The Bay County Portfolio began the quarter with a total market value of \$306,766,00. The quarter ended slightly below \$300 million at \$299,792,000. That was a result equally of net outflows to pay for some benefits, but then also slight negative return on investment. That was a result of our exposure to the domestic markets specifically the mid caps and small caps.

Recapping the physical year to date and one year on a rolling calendar basis. The good news is that we have captured the strong returns that have gone in

market place. On the fiscal year, for nine months, there were outflows of -\$9 million and positive returns of \$13.6 million for a net gain of roughly \$4.3 million. Similar on a one-year basis, we have had a net gain of a little over \$20.5 million.

We remain within our investment guidelines in terms of asset allocation targets. In terms of where the portfolio stands in regards to asset allocation, for the most part we are pretty close to our targeted allocations with a slight overweight in domestic equities, a slight underweight in international equities. We still have not funded that private U.S. real estate portion to Prudential. That looks like it will be funded probably in March 2015.

In terms of returns, we have had a slight pullback in the quarter. The portfolio is down about 1.2% which is a little bit below median, but ahead of the investment policy, which is down 1.33%. Year-to-date for the nine months, positive returns with 4.6% better than median at 40<sup>th</sup> percentile, but slightly behind our fund policy which was at 4.8%. On a rolling one-year basis, really good news across the board being positive 11.8% being top quartile and also our investment policy which was up 11.6%. The fund is performing as expected. We do not have any major concerns. With regard to the underlying investment managers, for the most part they are performing in line with their benchmarks if not ahead and in general better than median or top quartile.

The international portfolio is down about 6.4% significantly below the benchmark, which is the Morgan Stanley Composite Index for the EAFE which was down 5.9%. Year-to-date, the portfolio was down 2.6% compared to the index being down 1.4%. Barings, which was terminated in August, was down almost 10% for the quarter.

The fixed income portfolio was an average performer within the 51<sup>st</sup> percentile for the quarter up 0.07% ,but on a year-to-date basis better than median and on a one-year basis also better than median up 6% versus the broad based Barclay aggregate which was 4%.

The real estate allocation, Cornerstone REITs was down 3% which was pretty much in line with the broad based NAREIT index which was down 3.2% and the broad based REIT median which was down 2.6%. On a year-to-date basis they are up roughly 14.5% ahead of their benchmark and on a one-year-basis positive up 15.6%.

Trustee asked if the performance was due to being so heavy in stocks, close to 70%, which is on the high side, so when we have a down market, aren't we kind of riding a little further? Mr. Brown responded yes, that is right. More volatile. Larger public plans tend to be more aggressive closer to that 70/30 if not even 75/25 asset allocation between stocks and bonds. The rolling two, three, and five-year were so good because of the large exposure to stocks and having a great run.

Trustee asked as far as the REIT negative quarter, is it because interest rates

were starting to show some uptake and is that what we should expect if interest rates start to rise? Mr. Brown responded REITs are real estate so over the long term, say rolling eight to ten-year period a full real estate cycle, REITs are going to have returns similar to private real estate. REITs as a publicly traded entity is a very small sector. There are only about 300 publicly traded companies. The entire capitalization of all of those companies together do not even equal Microsoft. So, imagine now you have all these investors looking to get into the market place. As a result, the only way for people such as you and me to get into institutional real estate is through the REIT market so that lends for a lot of retail investors. In the short term, they are going to be volatile. In the long term, you are going to see more steady type returns. We are looking on a long-term basis to add diversity to the portfolio. We are also broadening our real estate exposure now with prudential which we will fund hopefully within the next six months or so. That will add a smoothing component.

Mr. Brown answered questions from Trustees and concluded the presentation.

4. Moved, supported and carried to receive the report from The Bogdahn Group.
5. Moved, supported and carried to receive Portfolio Value from January 1, 2014 to October 31, 2014. The value today is \$306 million. Portfolio reports from Baird, Columbia, Cornerstone, Hotchkis & Wiley, Proxy summary vote Hotchkis & Wiley, Integrity, Loomis Sayles, MFS Heritage Trust, Proxy summary vote MFS Heritage trust, MFS investment, and Mackay Shields all ending September 30, 2014
6. Moved, supported and carried to receive recapture services reports from Abel/Noser and Capis ending September 30, 2014.
7. Moved, supported and carried to receive Refunds/Retirements for the month ending October 31, 2014.
8. Moved, supported and carried to receive BCERS Year-To-Date Budget report ending October 31, 2014.
9. Moved, supported and carried to approve entering into an agreement to authorize delivery of reconciliation data with Mackay Shields.

Discussion: Mr. Brown stated Mackay Shields is retaining a third party service provider to provide return information to all their clients. They have multiple clients, multiple facilities, multiple relationships and somebody has to report the same information over so they are using a service provider. That is essentially a report generator for them. It is common and is something The Bogdahn Group would approve.

Next on the agenda is Ms. Walraven with Corporation Counsel regarding the service retirement procedures. This is a procedure that is supposed to be helpful for members and anyone planning retirement. It lays out the documents they will need and what they can expect when they are preparing for retirement. Motion needed to receive the administrative procedure.

10. Moved, supported and carried to receive the Service Retirement Procedures.

Ms. Walraven answered questions regarding the ordinance language and the 30 to 90-day window before retiring. Trustee asked about health issues during the 30 to 90 days. Ms. Walraven stated these are the guidelines and is unsure of how things have been handled in the past. It is obviously a Board decision. These are procedures, guidelines, and goals. They are also using it as a planning tool.

The next item was an ordinance of the amendment to Bay-Arenac Behavioral Health Authority. This is their proposal to reduce their multiplier, increase their retirement age and increase their vesting period. This item will be in front of the Board of Commissioners for consideration today. Ms. Walraven brought it to the Board's attention as an item to receive.

11. Moved, supported and carried to receive the BABH ordinance change.

Next, Ms. Walraven stated at the last meeting there was a motion to go out for RFQ for actuarial services. A motion is needed to include authorization to enter into the contract for an actuarial firm that is selected by the RFQ committee.

12. Moved, supported and carried to approve giving the Board Chair the authority to enter into a contract for actuarial services with a firm that is selected by the RFQ committee.

The next item on the agenda was a presentation by attorney Thomas Michaud to present education on securities litigation. Mr. Michaud was unable to attend today.

Scanning update: Ms. Marsters stated phase one, which is preparing the files and making copies of any odd shaped or damaged documents and removing staples is about 45% complete. Skipping phase two, we are partially into phase three, which is putting the files in order and finalizing them for scanning. These are for the retirees files and they are the most time consuming because they are, obviously, the thickest files and some of them are over 100 pages. This phase will probably be completed by the end of December or beginning of January. We are looking at having the files all ready for the scanner to come in some time maybe March or April at the latest.

**ANNOUNCEMENTS:**

A. Next regularly scheduled meeting will be Tuesday, December 9, 2014 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:** None

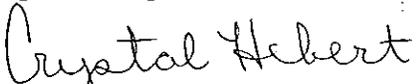
**MISCELLANEOUS BUSINESS:** None

**ADJOURNMENT:**

**MINUTES** BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES (BCERS)  
NOVEMBER 12, 2014 - **REGULAR MEETING**  
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13. Moved, supported and carried to adjourn the meeting at 2:15 p.m.

Respectfully submitted,

  
Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

**MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE**  
NOVEMBER 12, 2014

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

MEETING CALLED TO ORDER BY: CO-CHAIR RICHARD BRZEZINSKI AT 1:35 P.M.

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

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

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

**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 December 9, 2014 at 1:30 p.m. in the Commission Chambers, 4th Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll call taken.

**Trustees Present:** Chairperson Gray, Mr. Brzezinski, Mr. Coonan, Mr. Gromaski, Mr. Herek, Mr. Morse, Mr. Pett, and Mr. Starkweather.

**Trustees Absent:** Ms. Goetz

**Also Present:**

Consultant: The Bogdahn Group: Howard Pohl and Peter Brown.  
Finance Officer: Crystal Hebert  
Retirement Administrator: Rebecca Marsters  
Corporation Counsel: Shawna Walraven  
Outside Counsel: Thomas Michaud

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

1. Moved, supported and carried to excuse Trustee Goetz.
2. Moved, supported and carried to approve the minutes, as presented, from the October 23, 2014 regular meeting.
3. Moved, supported and carried to revisit the minutes of November 12, 2014, at the January 13, 2015 meeting with correction to The Bogdahn Group's third quarter report of fixed income being up 0.07% and not 7%.

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

Present today are Mr. Larry Fumarolo and Mr. Don Anderson from Northern Trust from Chicago, Illinois to present on Securities Lending. A copy of the presentation was provided to all Trustees, in advance, via the web.

Mr. Anderson went through a quick review on how lending works, the legislative change affecting the collateral pools and then reviewed the fund's earnings.

He gave an overview of the Northern Trust's securities lending program. As of September 30<sup>th</sup>, they have \$874 billion securities available, 377 clients participating in the program. About \$117 billion in loans outstanding to borrowers. They work with 53 different approved borrowers. They have 24-hour trading in 52 different world-wide markets. About 190 people working in securities lending world-wide through four different trading desks in Chicago, London, Toronto, Hong Kong as well as operation people in India. In terms of collateral, they manage about \$121 billion in collateral, \$81 billion in cash and \$40 billion in non-cash. That is all managed by Northern Trust short duration fixed income.

Mr. Anderson explained who lends securities and who borrows securities. He stated lenders are generally long-term institutional investors that have a pool of assets available to lend. The reason they lend is to add some interval income to the overall investment program. He stated borrowers are the large broker dealers of the world who borrow to help with settlement obligations, cover short sales, as well as, certain arbitrage strategies they run.

He explained how a transaction worked. There are three parties to every transaction, yourselves as the client, the borrower, and Northern Trust acting as the agent. The way the transaction works is either Northern or the borrower can initiate the loan and that starts the negotiation process. If Northern is lending something like an IBM or a Microsoft, the way they initiate the loan, is they simply create what they call an availability file, an electronic file that is available to the borrower saying they will lend IBM and this is what they want you to pay us. They create essentially a need file and say they need IBM. They run those two files against one another and as long as they match up what a borrower is willing to pay and they are willing to lend at, they have a transaction. He explained if there is a security with a lot of value, for example, Sears, they will start calling multiple borrowers and say they have Sears available and are willing to lend it for 1000 basis points, as an example. Once the loan is negotiated, they take in collateral. In Bay County's case, it is cash collateral. They will take in 102% of the value of domestic security and 105% for international securities. They will always over collateralize. They then reinvest that cash collateral on fund's behalf. While the security is out on loan, if the value of the security goes up, they get more collateral from the borrowers. If the security goes down, they give some collateral back to the borrower so that they are back to that 102% or 105%. That is done on a daily basis. At the end of the trade, the borrower returns the security to us and we return the collateral to the borrower. That is really operationally how securities lending works and the trades and negotiating process.

Trustee Herek asked where the risk was. Mr. Anderson responded he would get to that in a couple of minutes.

He explained there are really two components to the securities lending income. One is called reinvestment spread and the other is intrinsic value spread. When they look at the transaction, they really base everything off of the Federal Fund's rate. They have that cash, they reinvest that cash. Whatever is earned above the Federal Fund's rate, is considered the reinvestment spread. Then the borrower will also essentially pay us a fee. When we are borrowing an IBM or a Microsoft, they might be paying us that 5 basis point fee, but then when borrowing Sears, that is when they may be paying a fee of a 1000 basis points. It is really driven by the value of individual security how much that intrinsic value spread or lending spread is worth. The two spreads together give you your total securities lending spread.

Mr. Anderson gave a dollar example of what a trade looked like and the

breakdown of fees and the earnings for the client. Northern takes a fee for acting as the agent in the transaction and what is left is the earnings that go back to the client. That is how the revenue is actually generated from a loan.

Trustee Brzezinski asked what happened when the interest rate changes and asked if spreads just stay funded all the way through or as rates go up did the spread change. Mr. Anderson stated the spreads are what they call the general collateral loans. So, the IBM's and Microsoft's of the world, those probably widen a little bit. When those spreads get out to 5% or 6%, the borrower is not as concerned about what they get back. Saying okay, you can invest it at 6% and you give me 5.5% back, that's fine. So that may change as interest rates go back up. The value of the securities are going to go up and their spreads go out anyway. The interest rate will not have much change in that.

There are really four major risks that they look at in securities lending. The first is borrower risk. That is the risk that somebody they lend the security to defaults while they have your security. What Northern Trust does is indemnify you against that risk. They will take the collateral and buy securities. If for some reason that collateral does not cover what Northern Trust buys, that is still their responsibility to replace your security.

Trade settlement risk, is the risk if one of your managers sells a security that is on loan. The first step we take, is we try to reallocate that loan to another participating client. If reallocation does not work, they start negotiating with the borrower. If the borrower does not give the security back, Northern Trust has the option of seizing collateral and can execute a buy-in on the security and go out and buy it in the market so that your trade will be settled.

The next two risks are really associated with taking cash as collateral and reinvesting it. The first is cash collateral reinvestment risk. That is the risk if something goes wrong with one of the securities that we buy in the collateral fund. Unfortunately, Northern Trust lived through this in 2008 with the Lehman Brother's security and it became apparent in your collateral fund. Just like any other investment, that investment risk really does reside with the client. So, we changed our guidelines. They are much more conservative than they were in 2008; shorter duration and a higher credit quality are really the highlights of where those guidelines have been changed. I will talk a little bit about that again as we go forward. The answer to the interest rate risk question, if you think about that initial transaction, we are saying that funds raise at 15 basis points and we are investing at 20 basis points. If the Fed does come along and increases interest rates up to 50, all of sudden we are invested at 20 and we are starting our transaction at 50, so we could find ourselves kind of behind there on the interest rate side of the transaction. Really, it is up to Northern Trust to manage that portfolio between our portfolio managers and our economists anticipating when that interest rate increase will actually come along. Two of the key things that they do there is keep a significant amount of the portfolio in overnight securities as well as floating rate securities so they will reset if there is

an interest rate reset. The current interest rate environment is going to price in, in 2015 interest rate increase but our managing director of fixed income actually thinks they will probably push out until 2016. That is not a near-term risk, but it is certainly a risk that is out there and that is a risk that we share with you. If for some reason you cannot cover that rebate, that is a risk we share at the split level with you.

Mr. Anderson explained the regulatory changes affecting banking and securities lending. The two things he mentioned are first, counterparty concentration limits. What this is doing is eliminating Northern Trust's exposure as an overall organization to the other large banks of the world, the JP Morgan's, the Goldman Sach's, for instance. They are limited to have no more than a 25% exposure of their capital to any of those organizations. In securities lending business, Goldman Sach's is their largest borrower and they are typically in the high teens in terms of their program so there is not really a counterparty concentration risk specific to securities lending there. Securities lending is part of that calculation for Northern Trust as an organization. More importantly, is the Volcker Rule and the impact of the Volcker Rule on securities lending. The current fund that Bay County is in, the Core USA fund, relied on an exemption from the U.S. Investment Company Act of 1940 that allowed us to run the fund under its current structure. Northern Trust is no longer allowed to run the fund under the existing structure. They basically have to close the fund by July 2015 and change the structure of the fund. They are really taking the existing investment guidelines. They are not changing how they are investing, but rather than being governed by an internal Northern Trust Committee and investment guidelines, the fund will now be governed by a Trust declaration, a fund declaration, and a Board of Northern Trust Senior Management overseeing the fund. They are increasing the governance of the fund so it is now being managed as a collective fund rather than as simply an unregistered fund. The key is the guidelines do not change; the governance of the fund does. That is what they brought to execute this in terms of an addendum such that Bay County's Fund can continue to participate in lending. Along with that fund, which is called SL Core STIF, they are also making another fund available to clients called the Northern Institution of Liquid Asset Portfolio or NILAP. This fund is actually a SEC registered 2a7 money market fund. It is managed a bit more conservatively than the SL Core STIF fund will be, but it is another option that is available to clients to participate in securities lending. Those were really the key highlights in terms of what the Volcker Rule is forcing Northern Trust to do and what the funds look like.

Mr. Anderson talked about the Bay County's fund and earnings. The existing fund that is in the CORE USA collateral fund. They have about \$28 to \$29 billion in assets under management. It is a short duration fund specifically designed for participating securities lending clients. In terms of what it is invested in, primarily the largest investments are certificates of deposit, time deposits with other banks and repurchase agreements. Mr. Anderson stated they typically keep a large degree of the fund in overnights, just under 20%. He stated 20% is really their minimum so they have dipped below the minimum at the end of October. They typically run that in the 25% to 30% range. They had over 12% maturity in 2-15 days. That is the structure of the Core USA fund. The SL Core STIF fund will be run virtually the same as this. It is

following the same investment guidelines.

Mr. Pohl asked how the second fund was more conservative. Mr. Anderson responded that the primary difference is that fund will likely hold more treasuries than the SL Core STIF fund. The other difference is the SL Core STIF Fund can buy repurchase agreements that are backed by equities or corporate debt and although the NILAP fund can, it is capped at 5% whereas the SL Core STIF fund can go up to 25% in those types of repurchase agreements. To clarify on those repurchase agreements, a repurchase agreement backed by treasuries is typically collateralized at 102%. A repurchased agreement collateralized by equities or corporate bonds, would be collateralized at 110% or above. So, though there is more yield there and there is potential for more risk, there is a higher degree of collateralization there as well.

Page 13 shows a year over year comparison of your earnings. Earnings are down about \$13,000 and really almost all of that is coming out of the U.S. Equities again. The difference is in the percentage on loan and when I look at the percentage on loan is U.S. equities, your percentage on loan actually was exceptionally high relative to other clients. Typically they will see high teens maybe 20% of U.S. Equities on loan and your actually up at well over 30% and it dropped to about 30% this year. So actually your utilization of percentage on loan is very high in U.S. equities but dropped back down in the last year.

Trustee Brzezinski asked if there is a typical reason why that would occur. Mr. Anderson responded that it is really just supply and demand more than anything, a change in demand from borrowers.

Your top ten earnings are generating about 17% of your earnings and that tells me really your earnings are diversified. You are not reliant on a particular individual hot stock to generate the bulk of your earnings. You do have a hot stock, Go Pro, which is generating about 4% of your earnings. You can see the spread on that was almost 5,000 basis points, but it is not a large holding which is why it is not generating 10% or 20% of your earnings. It is only generating about 4% but it was a very hot stock and very much in demand from borrowers. The biggest reason is it was a very big short in the market. Those are the two things I wanted to highlight there for earnings.

He talked about transparency.

Mr. Pohl commented - You are showing a 60/40 split at this time and I know that is a negotiable amount. Mr. Pohl stated that something 70 or higher would be more appropriate and asked about a favored nations clause to give the client the higher split. Mr. Anderson stated they typically do not do any kind of favored nations clause. When they set up the fee splits, they look at the overall relationship and really where revenues come from on the custody side and any other products that are utilized by a particular fund. That is something they would have to look at a bigger picture.

Mr. Pohl stated again he did not think that anything less than 70 is appropriate from what his experience has been. Mr. Fumarolo stated they would take a look at it and get back to the Board.

Ms. Walraven commented on the mitigating factors that were discussed and the risk and asked if those would be available both in the collateral pools. Mr. Anderson responded as yes.

Mr. Michaud asked Mr. Anderson to explain, in terms of when the securities are out on loan, the dividend and proxy voting rights just for the information of the Board. Mr. Anderson responded that all dividends are still your property but they are considered manufactured dividends so you are credited on the due date you should get the dividends. Then basically we go to the borrower and get that dividend. You are paid the date it is due. You have the rights to all dividend, interest payments, everything. The one thing you do not have is the right to vote your proxy. If your security is out on loan, that moves with the security so the borrower can then vote the proxy.

Mr. Michaud asked about what type of indemnification would be considered from the bank standpoint in terms of if there was a default on some type of investment in the collateral pool. Mr. Anderson responded the collateral pool is not an indemnified product. It is an investment product. What I can tell you is given the history what Northern Trust did. We have the Lehman default and the Lehman security in the portfolio is Northern Trust made a contribution to the fund, a cash contribution as well as changed your fee split for 1 year in your favor obviously by 20%. That actually generated about an extra \$14,000 directly to the plan in taking those steps.

Mr. Michaud asked if Northern Trust would sign on then as a fiduciary in terms of investing collateral. Mr. Anderson responded that could be negotiated.

Mr. Michaud asked in terms of investing the collateral pool, if the investment guidelines were provided to the investment consultant and how often they changed. Mr. Anderson stated he did not know if they had been shared with the consultant or not and they certainly could be provided. He stated they changed infrequently.

Mr. Michaud suggested that the investment guidelines, for whatever fund the Board ultimately elects, be provided to the investment consultant along with the periodic holdings of the collateral pool. Mr. Michaud asked in terms of the investment guidelines, what kind of risk parameters they had. Mr. Anderson responded no more than 13 months other than with government notes which can go out two years. They do have specific limits in terms of exposure to issuance of 5%. They have limits in terms of Repo common counterparties that were mentioned and he believed it is no more than 10% to any individual counterparty; no more than 25% in what we call non-standard or non-government Repo with a minimum of 20% overnights. No more than 40% overnight, 7 days. He didn't know them all.

Mr. Michaud asked if there was a sub advisor that the bank retains to invest the collateral or manage it. Mr. Anderson stated it is all Northern Trust asset management.

Mr. Michaud asked if the cash management or money market funds participated in the securities lending program. Mr. Anderson stated the money market funds are not. But if you are asking about the co-mingled index products? Mr.

**MINUTES BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM BOARD OF TRUSTEES (BCERS)**  
**DECEMBER 9, 2014- REGULAR MEETING**  
PAGE 7

Michaud stated, yes, those funds also. Mr. Anderson stated there are some funds we offer both and stated it was an election the client could participate in.

Mr. Michaud stated he also echoed Mr. Pohl's comments about the fees generally received. A little bit of a different fee arrangement in our experience so if you could give that some consideration, that would be helpful.

Chairman Gray asked Mr. Anderson and Mr. Fumarolo how long it would take to have a final proposal back to Howard, our Finance Director, and Legal regarding Northern Trust's rates. Mr. Anderson and Mr. Fumarolo stated by the end of the week.

Chairman Gray stated they would like to take action on it at the next meeting.

Mr. Anderson and Mr. Fumarolo answered questions of the Trustees, conclude their presentation.

4. Moved, supported and carried to receive both of the reports from Northern Trust.
5. Moved, supported and carried to receive Portfolio Value from 1/1/2014 to 11/30/2014. The value today is \$307,237,000.
6. Moved, supported and carried to receive portfolio reports from Baird, Cornerstone, Eagle Asset, Geneva, Hotchkis & Wiley, Loomis Sayles, MFS Heritage Trust, MFS Investment, MacKay Shields, and Schroder all ending 9/30/2014 and 10/31/2014.
7. Moved, supported and carried to receive the recapture services report from Abel/Noser ending 10/31/2014.
8. Moved, supported and carried to receive the recapture services report from CAPIS ending 10/31/2014.
9. Moved, supported and carried to receive Northern Trust's Summary Earnings ending 10/31/2014.
10. Moved, supported and carried to receive Refunds/Retirements for the month ending 11/30/2014.
11. Moved, supported and carried to receive BCERS Year-To-Date Budget report ending 12/3/2014.
12. Moved, supported and carried to approve the Public meeting and Speaker's schedule for 2015.

Item K - Agenda Format Change:

Ms. Walraven worked with the Retirement Department on formalizing the process so that they will have good records of things that are passed. Formal resolutions and a list of Board Action after they have been approved. You

will see a big change in how things are submitted in terms of direct resolutions and memos to the board but it will speak to formalize the process and maintain records going forward. A sample was provided in the agenda packet.

Trustee Starkweather asked if it was just a change in the outline with the subparagraphs. Mr. Walraven stated currently they do not have any memos submitted or resolutions. This would be a big change.

Mr. Pett asked if this change was to make things consistent with the other boards and wondered if it was the easiest way to go. Ms. Walraven stated that currently there was no way to search the PDF files to look up past actions of the Board. One would have to go through and read all the minutes to find things. This way there would be a list of Board Action each month. It is the best way she knows how. It seems to work well for the Board of Commissioners, but it is a learning process. She stated she would be happy to amend this process at any time. Rebecca and Tracy worked with Deanne to kind of formalize this and it would create a mirrored process of the Board of Commissioners so it is kind of something that we know how to do. Mr. Pett wanted to make sure they move to this process because it was easy and not just because somebody else is doing it. Ms. Walraven stated it is obviously not the easiest but it is the best way to maintain records with a little bit of leg work at the beginning.

13. Moved, supported and carried to approve the change of format to the Agenda.

Corporation Counsel Item L - Advisor and Consultant review process:

Ms. Walraven had originally proposed this policy today, but asked that it be referred back to Administration. She explained they are in the middle of the RFQ process for actuarial services. It was first time doing an RFQ for actuarial services in 65 years and stated she would like to do things based on the processes and the learning experiences they are having now. Chairman Gray stated he would like to sit down with Ms. Walraven and look it over before it is finalized and comes back to the Board.

Item M - Securities Litigation:

Mr. Michaud stated they like to talk to their clients about securities litigation and have a policy addressing securities litigation. Mr. Michaud brought an educational background piece and gave copies to the Board. He stated that Northern Trust had just made a presentation a couple of months ago regarding securities litigation and that he would focus on the early stages of litigation. He explained what securities litigation was and how it worked. He explained about fraud and wrong doing, mismanagement and the law suits that derive from these actions. You are participating in securities litigation whether you want to or not by virtue of the fact that you are an institutional investor. From your standpoint, there are securities that are contained in your portfolio often times that are part of those actions. He talked about different cases like ENRON and Lehman Brothers.

There are anywhere from 150 to 200 cases filed in a year. There are a number of cases that are pending. Those are securities that you may or may not hold. As your custodian indicated, over time, you are holding some securities that do show up on that list. From that standpoint, you are passively participating in the securities litigation process to begin with.

He referred to page 7 showing that these cases are filed and pursued. He explained about instances where institutional investors participate as lead plaintiffs and being actively involved in the litigation as a class representative, as someone who is there on behalf of the investors who invested their security. He explained about the law PSLRA and how it is really designed to have institutional clients take a more active role in these types of activities to really set a standard and prevent these actions going forward in the future. Mr. Michaud explained how being a lead plaintiff worked. He explained about the services of lawyers and how fees were paid and about monitoring services. He also talked about the monitoring processes through the custodial banks.

Chairman Gray stated the Board has yet to adopt a policy that deals with securities litigation and how we are going to approach it. Northern Trust gave a presentation on securities litigation a couple of months ago. Chairman Gray believes Northern Trust has done a great job on harvesting a very high percentage of what is out there to get. He stated the question for the Board, as Ms. Walraven finalizes this policy, is if the Board is comfortable sticking with just having Northern Trust take care of this or does the Board wish to expand into entering into some other agreements to have other people watching over it as well as Northern Trust. He stated they could take it up today or next month.

Trustee Herek asked if it was true that others firms would monitor at no cost.

Mr. Michaud explained how the custodian deals with the back end of the process in terms of filing the claims. The monitoring is the front end of the equation. So different security firms will work with your custodial bank to access your statements and look at them. If they think there is an issue, they will bring it to your notice. He explained that you could have 5 firms or 10 firms monitoring at no cost. They are reviewing the portfolio and getting recommendations. In the event that they bring to your attention that there is a holding that there was a loss and they are recommending you pursue that action, the Board has the ability to take action in that case. There is no obligation to go with that firm that brings it to your attention. You can pick some other firm. You always make sure that is very clear. In the event that you do pursue a case with a law firm, it is on a contingency basis. These class actions are done on a contingency basis. If a case is brought and you are appointed lead, then lead counsel is pursuing the case and there is a recovery whether it is through a settlement or through some other trial, there is an asset at the end of the day that is recovered, they will get a percentage of those assets. It is usually in the neighborhood of 25%. So, if there is a recovery, the attorneys will get paid. If there is no recovery, they don't give you an invoice or hourly bill. There is no expense that the system pays. But, if there is a recovery, you are paying your pro-rated share of their legal fees and that is called 25%. So you get 75% back of your

damages and they get 25% in fees.

Trustee Herek: If they get the settlement, so let's say somebody else brings a suit, then Northern trust would get money on the back end once this other lead counsel took their money off. So do you pay like twice then on the back end of it?

Mr. Michaud responded no, Northern Trust is processing the claims. If \$100 gets recovered, \$25 goes to the attorney and \$75 goes to the client. That \$75 is sitting at the administrator's desk until Northern Trust says here is the group of claim, give me my \$75 dollars. When Northern Trust does that, they will get the \$75 back with a very, very slight administrative charge to do that, immaterial. But, you will get your \$74.68 cents. You will get that back and that is the recovery. You have paid 25% in attorney fees already. You are not paying Northern Trust any additional legal fees or anything along those lines. Those fees have already been paid because it has already been batted out. What is sitting there on your behalf is what Northern Trust is getting back to you. There are no double attorney fees or paying of the cost.

Trustee asked as the lead Plaintiff, if you would get a bigger share of the settlement than you would have just filing general class.

Mr. Michaud Responded no, you get your pro-rated share. The idea though being that as a lead plaintiff, you have negotiating ability to reduce the attorney fees. Generally contingency fee everyone says is one-third. As an institutional client, you are going to say we are not going to pay one-third. We are going to pay 25%. So you are saving there.

Mr. Michaud also explained about the length of time a class action suit takes and being more involved as a lead plaintiff as well as time and expense.

Trustee Brzezinski asked what the likelihood of being a lead plaintiff would be for a fund of this size. Mr. Michaud responded in interest of your size, surprisingly, based on his experience with funds that are \$50 million, they are actually in positions to pursue these types of cases. He explained about the number of about 200 cases filed each year. These large pension funds are not going to take on 200 cases and often times courts will say a client can handle maybe 2 or 3 cases and if the cases are going on for 4-5 years, that really forecloses a lot of these funds from taking on more cases. So a fund of your size, there is a likelihood.

Trustee asked about co-lead. Mr. Michaud stated it is not unusual that maybe a couple of clients will be co-lead. Courts generally like to have one lead plaintiff.

Mr. Herek asked if it was plausible that somebody could be the lead counsel and basically screw the case up so there is no recovery. Mr. Michaud stated that does happen.

Mr. Michaud concluded his presentation.

14. Motion that the policy on Securities Litigation reflect that to continue to have Northern Trust be the only firm to represent the Bay County Employees' Retirement System under this policy.

**Roll Call Vote:**

Brzezinski: No  
Coonan: Yes.  
Gray: Yes.  
Gromaski: Yes.  
Herek: No  
Morse: Yes  
Pett: No  
Starkweather: Yes.

Motion passes 5-3.

Chairman Gray asked Ms. Hebert whether it would be a possibility to start a monthly report on the pension side that would show the ending balance the previous month, gains, losses, cost of running the system, interest, and then what the total is in the current month. Ms. Hebert stated that at this point they record a lot of that information quarterly and the information is available on a monthly basis. We receive daily manager mix reports with the investment balances every day. Everything is kind of in a different slot and she did not know if there was a summary report that could be run as a monthly statement. Chairman Gray asked if she could work with Northern Trust. Mr. Fumarolo, of Northern Trust, stated they could set up for certain reports that could be brought automatically on a periodic basis, daily, weekly, or monthly, in an email that could be sent to your inbox. You could just click on it with your ID and password and the report would be right there instead of having to go in and navigate. Chairman Gray asked they look at the various options and then the Board will take that up in January.

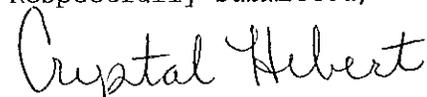
**ANNOUNCEMENTS:**

- A. Next regularly scheduled meeting will be Tuesday, January 13, 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:** None  
**MISCELLANEOUS BUSINESS** None  
**ADJOURNMENT:**

15. Moved, supported and carried to adjourn the meeting at 2:51 p.m.

Respectfully submitted,

  
Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

**MEETING OF THE BCERS BOARD OF TRUSTEES COMMITTEE**  
December 9, 2014

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

MEETING CALLED TO ORDER BY: CHAIRPERSON STEVE GRAY AT 1:31 P.M.

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

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

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

**BAY COUNTY RETIREMENT BOARD  
1/13/2015  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

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

1. PORTFOLIO VALUE - 1/1/14 - 12-31-2014
2. CHANGE IN BOOK AND MARKET VALUE - 11/30/2014
3. MONEY MANAGERS ON WATCH - NONE
4. MONEY MANAGER REPORTS
  - a. BAIRD - ENDING 11/30/2014
  - b. CORNERSTONE - ENDING 11/30/2014
  - c. EAGLE ASSET MANAGEMENT- ENDING 11/30/2014
  - d. HOTCHKIS & WILEY - ENDING 11/30/2014
  - e. LOOMIS SAYLES - ENDING 11/30/2014
  - f. MFS HERITAGE TRUST - ENDING 11/30/2014
  - g. MFS INVESTMENT - ENDING 11/30/2014
  - h. MACKAY SHIELDS - ENDING 11/30/2014
5. RECAPTURES SERVICES
  - a. ABEL/NOSER - SUMMARY ENDING 10/31/2014 & 11/30/2014
  - b. CAPIS - SUMMARY ENDING 11/30/2014
6. NORTHERN TRUST SUMMARY - ENDING
7. REFUNDS/RETIREMENTS -ENDING 12/31/2014
8. BCERS YTD BUDGET REPORT - ENDING 12/31/2014
9. APPROVED EXPENSES 12/31/2014

STEVE GRAY, CHAIR  
AND BOARD

MONTHLY REPORTS

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. 2014	BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE (R/FN)	GENEVA	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MFS	MFS INTER-NATIONAL	INTEGRITY	SCHRODER	COLUMBIA	VANGUARD	WENTWORTH H (W/HV)	CASH	TOTAL
VENDOR #	03541	1530	444	20024	2000	4230	0145Z	2012Z	000Z	402Z	2000Z	00100	0032Z	4400Z	00141	00141		
JAN	24,493,170.06	15,810,419.52	10,882,785.36	15,636.55	10,845,477.78	23,655,960.91	11,093,089.78	33,704,722.73	17,312,317.81	42,185,660.33	25,941,798.15	17,897,991.90	42,025,846.40	12,827,263.37	1,556.12	2,315,528.80	290,378,576.53	
FEB	24,551,115.13	16,435,350.37	11,477,164.97	15,637.07	11,334,988.12	23,126,136.82	11,629,222.96	34,155,615.39	17,895,798.78	44,594,775.50	25,791,007.32	19,007,923.01	43,808,067.15	13,413,634.59	1,556.12	4,108,365.47	301,343,858.57	
MARCH	24,451,455.29	16,112,044.93	11,576,093.43	15,637.73	10,990,678.81	22,792,376.59	11,890,393.12	34,155,505.52	17,889,095.57	43,121,008.00	26,219,742.92	19,196,248.07	44,725,223.10	13,525,599.60	1,556.12	2,878,708.63	298,471,561.63	
APRIL	24,633,365.70	16,163,335.27	11,969,963.90	15,638.20	10,525,312.54	22,013,619.56	11,824,969.62	34,625,938.78	17,829,095.57	42,446,609.11	25,950,858.13	19,081,951.23	44,652,815.17	13,824,971.35	1,556.12	1,904,660.39	297,385,105.79	
MAY	24,915,612.38	16,285,669.70	12,255,469.81	88.80	10,420,967.19	22,036,229.29	11,146,299.86	35,135,469.30	18,321,580.97	43,994,227.36	24,495,435.08	19,283,222.79	45,899,847.45	13,844,380.56	0.00	4,112,797.10	302,207,318.74	
JUNE	24,931,343.88	16,894,004.48	12,423,450.85	88.55	11,211,134.08	22,793,475.98	11,597,020.17	35,285,278.33	18,659,218.19	44,486,394.78	25,309,477.75	19,531,635.83	46,786,622.63	14,232,341.81	0.00	2,827,143.13	306,715,810.23	
JULY	24,836,118.41	16,387,023.77	12,427,115.99	0.00	10,702,518.88	22,342,644.27	10,102,456.71	35,165,719.09	18,439,015.63	44,224,655.02	22,450,699.87	19,877,923.77	46,273,668.13	14,035,880.67	0.00	4,732,900.57	301,081,336.79	
AUG	25,084,048.78	51,894.16	12,056,555.53	0.00	11,251,620.17	23,151,757.08	10,593,782.74	35,766,363.95	18,624,601.56	45,034,121.49	18,230,820.42	22,352,255.68	48,252,228.01	14,566,745.53	0.00	3,328,213.24	308,249,251.60	
SEPT	24,983,488.68	49,735.31	12,382,054.54	149.60	10,108,888.01	20,453,513.68	9,992,893.60	35,725,961.30	17,879,115.00	42,374,446.73	15,584,345.23	20,774,102.95	47,238,275.09	14,392,005.44	0.00	2,547,573.95	300,439,286.23	
OCT	25,237,188.65	49,809.51	12,382,054.54	323.35	11,418,581.83	23,163,708.37	9,984,744.88	35,725,961.30	19,224,612.55	47,779,978.09	15,574,301.34	23,291,452.55	48,493,956.47	15,140,262.36	1,751.33	4,367,545.24	287,900,735.11	
NOV	25,438,432.77	49,168.82	13,673,234.22	0.00	10,177,484.52	22,224,677.86	10,998,683.11	35,829,616.15	18,132,348.33	47,292,084.35	15,743,791.63	22,009,079.05	46,732,401.72	15,101,384.52	4,239.31	3,829,958.80	308,093,653.66	
DEC	25,469,626.50	18,665.25	14,030,692.05	0.00	70,218.20	127,798.00	83,181.12	80,423.18	90,783.06	196,921.52	18,178.37	149,731.00	110,633.21	188,564.66	0.00	5,509,110.24	308,756,612.51	
2014 YTD	55,774.38	89,402.10	54,077.80	0.00	70,218.20	127,798.00	83,181.12	80,423.18	90,783.06	196,921.52	18,178.37	149,731.00	110,633.21	188,564.66	0.00	2,895,900.68	3,320,172.31	

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

BAIRD	BARINGS	CORNERSTONE	DENVER	EAGLE	GENEVA	HOTCHKIS & WILEY	LOOMIS SAYLES	MACKAY SHIELDS	MFS	MFS INTL	INTEGRITY	SCHRODER	COLUMBIA	VANGUARD	WENTWORTH	CASH	TOTAL
1ST QTR	18,338.59	37,658.52	17,364.14	23,354.78	43,448.00	28,833.33	26,350.69	21,673.73	64,004.36	52,065.00	36,475.38	54,677.10	2,895,900.68	3,320,172.31	0.00	2,895,900.68	3,320,172.31
2ND QTR	18,498.51	38,578.02	18,828.53	23,928.30	41,777.00	28,798.42	27,039.78	22,398.39	65,087.42	51,097.00	37,522.90	56,717.85	2,895,900.68	3,320,172.31	0.00	2,895,900.68	3,320,172.31
3RD QTR	18,737.26	13,163.56	18,084.93	22,835.11	42,575.00	25,549.37	27,032.71	23,383.98	67,826.74	46,536.00	36,634.93	57,188.73	2,895,900.68	3,320,172.31	0.00	2,895,900.68	3,320,172.31
4TH QTR								23,326.86									23,326.86

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**Portfolio Statement**

1 OCT 14 21 OCT 14

ACCOUNT NUMBER 15765  
ACCOUNT NAME FAIRLEY CODE FA15765

◆ **Change in Book and Market Value**

	Cost	Market value	For more information
Opening balance	245,362,377.20	298,791,539.91	
Miscellaneous Cash Receipts	111,182.73	111,182.73	See funding & disbursement summary
Participant Contributions	52,593.27	52,593.27	See funding & disbursement summary
Sponsor Contributions	177,291.34	177,291.34	See funding & disbursement summary
Interportfolio Transfers In	3,000,019.33	3,000,019.33	See funding & disbursement summary
Security Receipts	0.00	1.05	See funding & disbursement summary
Benefit Payment Redeposits	4,096.13	4,096.13	See funding & disbursement summary
Total receipts	3,345,182.80	3,345,183.85	See funding & disbursement summary
Interportfolio Transfers Out	- 3,000,019.33	- 3,000,019.33	See funding & disbursement summary
Benefit Payments / Beneficiary Payments	- 1,311,314.01	- 1,311,314.01	See funding & disbursement summary
Total disbursements	- 4,311,333.34	- 4,311,333.34	See funding & disbursement summary
Income received	431,297.00	431,297.00	See income & expense summary, cash activity detail
Expenses paid	- 63,372.97	- 63,372.97	See income & expense summary
Unrealized gain/loss change	0.00	4,713,196.48	See asset summary
Unrealized gain/loss on security movements	0.00	- 1.05	See funding & disbursement summary
Realized gain/loss	1,610,113.89	1,610,113.89	See realized gain/loss summary
Accrued income change	- 30,821.90	- 30,821.90	See income & expense summary
Closing balance	248,343,442.68	305,465,801.87	

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**Portfolio Statement**

11 NOV 14 30 NOV 14

Account Name: FAMILY SODE FAMS765  
 Account Number: 0765

◆ **Change in Book and Market Value**

	Cost	Market value	For more information
Opening balance	246,343,442.68	305,485,801.87	
Miscellaneous Cash Receipts	252.81	252.81	See funding & disbursement summary
Participant Contributions	166,889.84	166,889.84	See funding & disbursement summary
Sponsor Contributions	363,356.19	363,356.19	See funding & disbursement summary
Benefit Payment Redeposits	1,942.55	1,942.55	See funding & disbursement summary
Total receipts	532,441.39	532,441.39	See funding & disbursement summary
Benefit Payments / Beneficiary Payments	- 1,326,668.92	- 1,326,668.92	See funding & disbursement summary
Total disbursements	- 1,326,668.92	- 1,326,668.92	See funding & disbursement summary
Income received	431,160.04	431,160.04	See income & expense summary, cash activity detail
Expenses paid	- 146,453.71	- 146,453.71	See income & expense summary
Unrealized gain/loss change	0.00	3,164,884.00	See asset summary
Realized gain/loss	1,091,176.76	1,091,176.76	See realized gain/loss summary
Accrued income change	43,372.77	43,372.77	See income & expense summary
Closing balance	246,968,477.01	309,275,714.20	

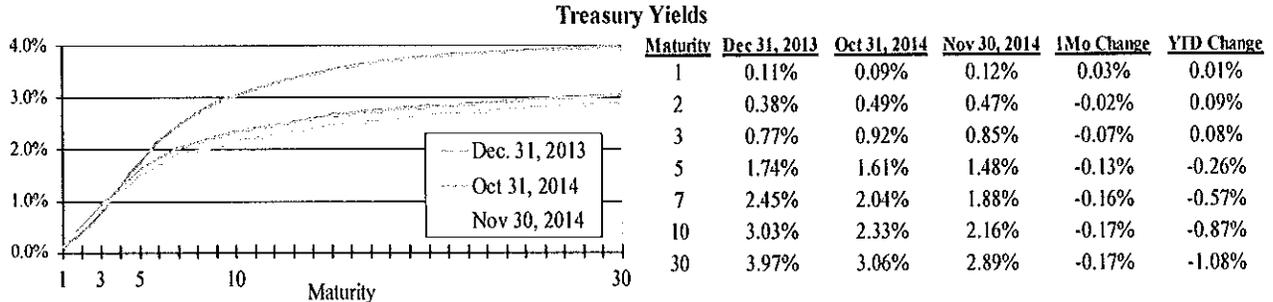
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**Baird Advisors**  
**Fixed Income Market Comments**  
**November 2014**

**Yields Fall, Curve Flattens**

Treasury yields fell and the yield curve flattened modestly (see chart and table below) in November as declining energy prices and economic weakness outside the US put downward pressure on inflation expectations. The European Central Bank indicated its inclination to initiate Eurozone QE in order to ward off deflation and spur growth. Japan also remained committed to its ultra-accommodative posture following the expansion of their QE program on October 31<sup>st</sup>. In contrast, the Fed confirmed that it still sees the current pace of domestic growth as sufficient to warrant raising the Fed funds rate sometime in 2015. This divergence in central bank policies has affected global capital flows this year with US markets (and the US\$) being the major beneficiaries.



**Corporate Yield Spreads Widen on Heavy Supply**

Gross issuance of investment grade corporate bonds totaled over \$100 billion for the month of November, bringing the year-to-date total to \$948 billion, the largest number on record (see table at right). The combination of heavy supply and fears of weaker global growth caused yield spreads on investment grade corporates to widen 6 bps in November (from 118 to 124 bps), with longer bonds feeling the impact more sharply than short and intermediate maturities. Yield spreads on securitized sectors (e.g. MBS) were virtually unchanged on the month as supply was more manageable and demand remained strong.

**Gross Investment Grade Supply**  
 (largest through 11-mos)

Year	Supply (\$Bln)
2014	948
2009	934
2013	883
2012	882

*Source: JP Morgan*

**Strong Returns, Except for High Yield**

The decline in yields overshadowed the modest widening of spreads and all investment grade sectors enjoyed strong returns in November, led by Treasuries (+0.81%). Corporates (+0.63%) endured heavy issuance while MBS (+0.65%) and CMBS (+0.67%) benefited from more favorable supply/demand dynamics. Municipals also managed a positive return (+0.17%) despite an uptick in supply, but High Yield faltered (-0.73%) as demand was insufficient to absorb the increased supply, particularly in the energy sector (which comprises 15% of the HY sector) where lower energy prices raised additional credit concerns on the part of investors.

**Total Returns of Selected Barclays Indices and Subsectors**

Barclays Index/Sector	November	YTD
U.S. Aggregate Index	0.70%	5.86%
U.S. Gov't/Credit Index	0.72%	5.91%
U.S. Intermediate Gov't/Credit Index	0.50%	3.45%
U.S. 1-3 Yr. Gov't/Credit Index	0.15%	1.03%
U.S. Treasury	0.81%	4.91%
U.S. Agency	0.51%	3.57%
MBS (Mortgage Backed Securities)	0.65%	5.92%
CMBS (Commercial Mortgage Backed Securities)	0.67%	4.02%
ABS (Asset Backed Securities)	0.25%	2.10%
U.S. Corporate - Investment Grade	0.63%	7.35%
Corporate High Yield	-0.73%	3.96%
Municipal Bond Index	0.17%	8.50%
TIPS (Treasury Inflation Protected Securities)	0.26%	4.82%

## Disclosures

This is not a complete analysis of every material fact regarding any company, industry or security. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks such as interest rate risk, credit risk, inflation risk, and liquidity risk. In a rising interest rate environment, the value of fixed-income securities generally decline and conversely, in a falling interest rate environment, the value of fixed-income securities generally increase. High yield securities may be subject to heightened market, interest rate or credit risk and should not be purchased solely because of the stated yield.

Indices are unmanaged, and are not available for direct investment. *Past performance is not a guarantee of future results.*

The Barclays Aggregate Bond Index is an index comprised of approximately 6000 publicly traded bonds including U.S. Government, mortgage backed, corporate, and Yankee bonds with an average maturity of approximately 10 years.

The Barclays Government/Credit Index is a combination of the Government Index which measures government-bond general and Treasury funds, and the Credit Bond Index, which is a market value-weighted index which tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC registered, investment grade Corporate Debt.

The Barclays Intermediate Government/Credit Index is a combination of the Government Index which measures government-bond general and Treasury funds, and the Credit Bond Index, which is a market value-weighted index which tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC registered, investment grade Corporate Debt with maturities between one and ten years.

The Barclays Government/Credit Intermediate Index (1 – 3 yr.) is a combination of the Government Index which measures government-bond general and Treasury funds, and the Credit Bond Index, which is a market value-weighted index which tracks the returns of all publicly issued, fixed-rate, nonconvertible, dollar-denominated, SEC registered, investment grade Corporate Debt with maturities between zero and three years.

The Barclays U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint of at least one year but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the Index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.

U.S. Agency: This index is the U.S. Agency component of the U.S. Government/Credit index. Publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government (such as USAID securities). The largest issues are Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System (FHLB). The index includes both callable and non-callable agency securities.

U.S. Corporate – Investment Grade: This index is the Corporate component of the U.S. Credit index. It includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. To qualify, bonds must be SEC-registered.

CMBS (Commercial Mortgage Backed Securities): This index is the CMBS component of the U.S. Aggregate index. The Barclays CMBS ERISA-Eligible Index is the ERISA-eligible component of the Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.

MBS (Mortgage Backed Securities): This index is the U.S. MBS component of the U.S. Aggregate index. The MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The MBS Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

ABS (Asset Backed Securities): This index is the ABS component of the U.S. Aggregate index. The ABS index has three subsectors: credit and charge cards, autos, and utility. The index includes pass-through, bullet, and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. The Manufactured Housing sector was removed as of January 1, 2008, and the Home Equity Loan sector was removed as of October 1, 2009.

Corporate High Yield: The Barclays U.S. High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included.

The Barclays Municipal Bond Index is a broad-based, total-return index. The bonds are all investment-grade, tax-exempt, and fixed-rate securities with long-term maturities (greater than 2 years). They are selected from issues larger than \$50 million.

The Barclays TIPS Index consists of Treasury Inflation Protected Securities (TIPS). TIPS are securities whose principal is tied to the Consumer Price Index. TIPS pay interest semi-annually, based on the fixed rate applied to the adjusted principal.



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

Time Period	11/30/2014	Percent Return Per Period		
		Portfolio Gross	Portfolio Net	FTSE/NAREIT Equity REIT Index
1 Month		1.95%	1.90%	1.96%
YTD		29.83%	29.14%	27.75%
1 Year		30.20%	29.44%	28.04%
3 Year		18.57%	17.87%	17.39%
5 Year		19.26%	18.56%	18.07%
Inception (October 21, 2008)		18.19%	17.49%	16.02%

November 30, 2014



Bay County Employees' Retirement System

Symbol	Description	Property Type	Shares	Cost	Cost Per Share	Closing Price 11/30/2014	Percentage of Portfolio	Market Value 11/30/2014	Dividend Yield
AVB	AvalonBay Communities Inc	Apartment	7,586	\$1,128,457	\$148.76	\$160.79	8.92%	\$1,219,753	2.8%
EDR	Education Realty Trust Inc	Apartment	21,650	\$210,800	\$9.74	\$11.64	1.84%	\$252,006	4.0%
EQR	Equity Residential	Apartment	9,620	\$594,563	\$61.80	\$70.84	4.98%	\$681,481	3.0%
ESS	Essex Property Trust Inc	Apartment	2,820	\$483,125	\$171.32	\$202.41	4.17%	\$570,796	2.5%
VNO	Vornado Realty Trust	Diversified	4,554	\$344,792	\$75.71	\$111.56	3.72%	\$508,044	2.6%
DOC	Physicians Realty Trust	Healthcare	6,990	\$83,065	\$11.99	\$15.46	0.78%	\$107,138	5.8%
HCP	HCP Inc	Healthcare	3,430	\$133,173	\$38.83	\$44.80	1.12%	\$153,664	4.9%
HCN	Health Care REIT Inc	Healthcare	6,960	\$408,116	\$58.64	\$73.66	3.75%	\$512,674	4.3%
NHI	National Health Investors Inc	Healthcare	1,517	\$87,426	\$57.63	\$66.28	0.74%	\$100,547	4.6%
SBRA	Sabra Health Care REIT Inc	Healthcare	5,130	\$142,317	\$27.74	\$28.31	1.06%	\$145,230	5.3%
VTR	Ventas Inc	Healthcare	3,197	\$177,896	\$55.64	\$71.55	1.67%	\$228,745	4.1%
AHT	Ashford Hospitality Trust Inc	Hotels	7,280	\$91,316	\$12.54	\$10.48	0.56%	\$76,294	4.6%
CHSP	Chesapeake Lodging Trust	Hotels	9,130	\$197,047	\$21.58	\$93.86	2.26%	\$309,142	3.4%
DRH	DiamondRock Hospitality Co	Hotels	15,540	\$189,968	\$12.22	\$14.93	1.70%	\$232,012	2.6%
FCH	FelCor Lodging Trust Inc	Hotels	22,340	\$161,554	\$7.23	\$10.42	1.70%	\$232,783	0.8%
HT	Hersha Hospitality Trust	Hotels	18,950	\$107,653	\$5.68	\$7.41	1.03%	\$140,420	3.4%
HST	Host Hotels & Resorts Inc	Hotels	15,555	\$275,948	\$17.74	\$23.24	2.64%	\$361,498	2.7%
LHO	LaSalle Hotel Properties	Hotels	5,120	\$136,955	\$26.75	\$40.37	1.51%	\$206,694	3.2%
AIRC	Ashford Inc	Hotels/Not Indexed	83	\$4,648	\$56.00	\$118.75	0.07%	\$9,856	0.0%
HOT	Starwood Hotels & Resorts Worl	Hotels/Not Indexed	1,310	\$100,868	\$77.00	\$79.00	0.76%	\$103,490	4.2%
FR	First Industrial Realty Trust	Industrial	9,581	\$157,876	\$16.48	\$19.85	1.39%	\$190,183	2.0%
STAG	STAG Industrial Inc	Industrial	10,085	\$219,597	\$21.77	\$23.84	1.76%	\$240,426	5.4%
ARE	Alexandria Real Estate Equitie	Office	2,220	\$151,335	\$68.17	\$85.92	1.40%	\$190,742	3.3%
BXP	Boston Properties Inc	Office	4,570	\$423,609	\$92.69	\$129.64	4.33%	\$592,455	3.7%
BDN	Brandywine Realty Trust	Office	7,910	\$119,044	\$15.05	\$15.46	0.89%	\$122,289	3.9%
CUZ	Cousins Properties Inc	Office	18,640	\$206,377	\$11.07	\$12.24	1.67%	\$228,154	2.2%
HIW	Highwoods Properties Inc	Office	10,200	\$371,178	\$36.39	\$43.16	3.22%	\$440,232	3.9%
HPP	Hudson Pacific Properties Inc	Office	4,310	\$104,724	\$24.30	\$28.12	0.89%	\$121,197	1.8%
KRC	Kilroy Realty Corp	Office	5,872	\$321,671	\$54.78	\$68.68	2.95%	\$403,289	2.0%
PGRE	Paramount Group Inc	Office/Not Indexed	8,830	\$158,933	\$18.00	\$18.80	1.21%	\$166,004	0.0%
GGP	General Growth Properties Inc	Regional Mall	13,331	\$280,239	\$21.02	\$26.76	2.61%	\$356,738	2.2%
SPG	Simon Property Group Inc	Regional Mall	8,558	\$839,819	\$98.13	\$180.80	11.32%	\$1,547,286	2.8%
CUBE	Cubesmart	Self-Storage	22,880	\$392,609	\$17.16	\$21.54	3.60%	\$492,835	2.4%
EXR	Extra Space Storage Inc	Self-Storage	7,400	\$341,315	\$46.12	\$59.27	3.21%	\$438,598	2.9%
AKR	Acadia Realty Trust	Shopping Centers	14,281	\$372,584	\$26.09	\$31.96	3.34%	\$456,421	2.9%
KRG	Kite Realty Group Trust	Shopping Centers	6,562	\$163,933	\$24.97	\$27.28	1.31%	\$179,011	3.7%
REG	Regency Centers Corp	Shopping Centers	6,330	\$321,811	\$50.84	\$61.48	2.85%	\$389,168	3.1%
RPT	Ramco-Gershenson Properties Tr	Shopping Centers	11,660	\$187,246	\$16.06	\$17.90	1.53%	\$208,714	4.3%
SKT	Tanger Factory Outlet Centers	Shopping Centers	8,390	\$301,992	\$35.99	\$36.58	2.24%	\$306,906	2.6%
WY	Weyerhaeuser Co	Timber	7,940	\$271,089	\$34.14	\$35.31	2.1%	\$280,961	2.9%
							98.8%	\$ 13,503,278	3.1%
							0.1%	\$ 8,419	
							1.2%	\$ 161,523	
							100.0%	\$ 13,673,220	
							Total Equities		
							Accrued Income		
							Total Cash & Cash Equivalents		
							Total Portfolio Value		

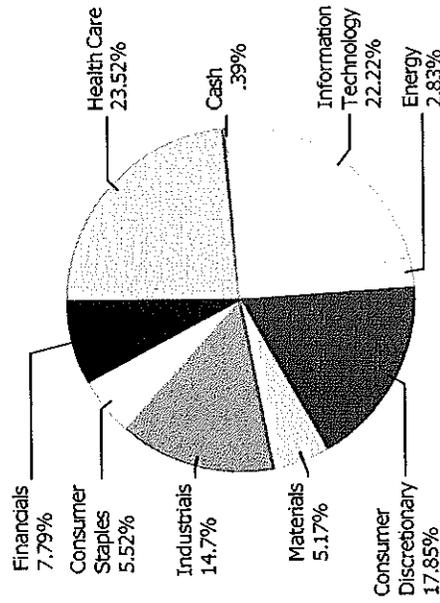
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**Bay County Employees' Retirement System - Equity**  
 Portfolio Style: Small-Cap Growth Equity

**Portfolio Summary**

	Month To Date	Year To Date
Beginning Market Value	11,278,912.09	11,026,120.85
Contributions	0.00	0.00
Withdrawals	-32.83	-93,915.46
Dividend and Interest Income	4,091.03	41,483.47
Change in Market Value	135,497.45	444,778.88
Ending Market Value	11,418,467.74	11,418,467.74

**Industry Weightings**



**Performance Summary**

	MTD	QTD	YTD	1 Year	3 Years	5 Years	Annualized Since Inception
Gross	1.24	5.80	3.56	6.21	18.11	18.11	18.73
Net	1.24	5.56	2.66	5.28	17.04	17.04	17.77
RUZ20GRTR <sup>1</sup>	.65	6.89	2.56	4.66	18.89	18.89	20.20

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

Performance is based on fiscal year end of portfolio

**Top Ten Holdings**

Security Description	Total Market Value	% of Market Value
NATUS MEDICAL INC	340,006.59	2.98%
UNIVERSAL ELECTRONICS INC	305,514.99	2.68%
MULTIMEDIA GAMES HOLDING CO	248,731.66	2.18%
MARTIN MARIETTA MATERIALS	245,721.88	2.15%
GENESCO INC	244,760.96	2.14%
QUAKER CHEMICAL CORP	239,974.21	2.10%
PANTRY INC	239,401.35	2.10%
IMPERVA INC	238,564.32	2.09%
CENTENE CORP	218,775.55	1.92%
MGIC INVESTMENT CORP	188,983.69	1.66%

# BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM

Small Cap Value      Total Market Value: \$10,653,666      (1.8% Cash)      Month Ended November 30, 2014

Performance Returns - Comparison	Weighted Average Portfolio Returns		Small Cap Value	
	MTD	YTD	Since Incept.	YTD
Portfolio - Total Return	2.40 %	6.61 %	10.93 %	10.41 %
Portfolio - Equity Only	2.45	6.76	10.94	10.90
Russell 2000 Value Index	-0.46	6.49	8.28	1.45
Russell 2000 Index	0.09	6.69	8.61	1.99
S&P 500 Index	2.69	5.20	8.49	13.97

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

End Wgt	Ttl Ret.	Contr.	Major Buy(Sell)	View buy/sell.	+/-	End Wgt
3.74 %	24.36 %	0.82 %	Louisiana Pac Corp.	1.2% *	5.4 %	
4.38	14.59	0.57	William Lyon Homes	0.5%	4.4	
2.96	22.54	0.56			4.2	
2.93	18.55	0.46			3.7	
5.40	8.42	0.43			3.7	
1.77 %	-9.36 %	-0.19 %	(Matson Inc.)	-0.7%	3.4	
1.18	-13.39	-0.19			3.2	
0.96	-17.74	-0.21			3.1	
1.62	-11.39	-0.24			3.0	
2.68	-10.36	-0.28			3.0	

Portfolio	Russell 2000 Value			Allocation			End Wgt
	Avg Wgt	Equ. Ret.	Avg Wgt	Sector	Stock	Total	
Industrials	24.33 %	7.80 %	13.10 %	-0.06	2.10	2.04	12.3 %
Financials	29.73	1.87	40.58	0.00	0.69	0.69	10.2
Energy	2.91	-10.96	5.17	0.41	0.20	0.61	8.0
Materials	7.02	0.42	4.49	-0.01	0.13	0.12	5.7
Utilities	5.15	0.57	6.74	-0.01	0.05	0.05	5.7
Telecommunication Services	0.00	0.00	0.76	-0.01	0.00	-0.01	5.4
Information Technology	9.43	1.35	10.13	-0.01	-0.01	-0.02	5.1
Consumer Discretionary	10.07	4.73	11.31	-0.06	0.00	-0.06	4.4
Consumer Staples	0.00	0.00	2.62	-0.08	0.00	-0.08	4.0
Health Care	11.36	-2.67	5.10	0.12	-0.52	-0.40	3.7
			0.29	2.64	2.93		

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.

# performance review

november 2014

## PERFORMANCE (%)

	ACCOUNT(GROSS)	BENCHMARK
Nov 14	0.59	0.67
YTD	8.18	7.40
1 Year Trailing	8.18	7.22
3 Year Trailing	7.30	5.71
5 Year Trailing	7.67	6.16
1/31/97 - 11/30/14 Annualized	7.12	6.43

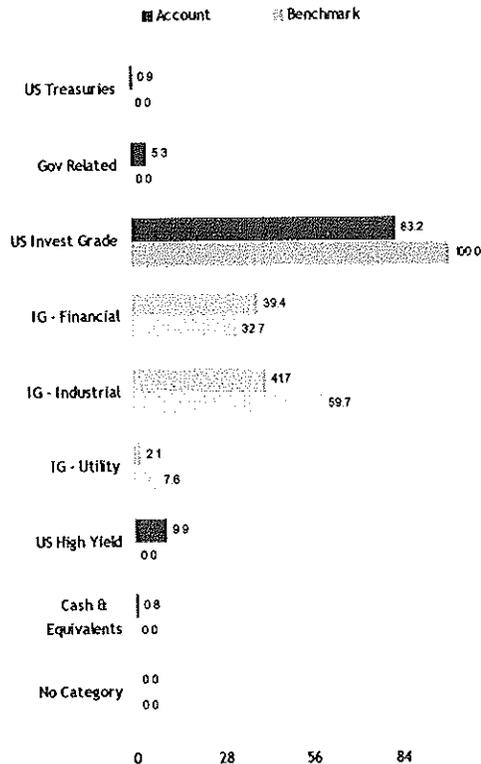
## MARKET VALUE

\$35,861,131

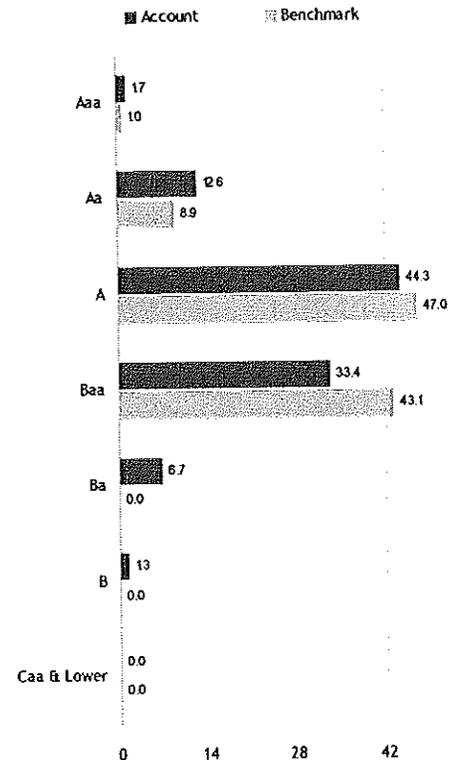
## CHARACTERISTICS

Effective Duration	7.33 years	7.13 years
Average Maturity	10.68 years	10.45 years
Yield	3.34%	2.96%
Average Quality	Baa1	Baa1

## SPECIFIC ANALYSIS AT NOVEMBER 30, 2014 (%)



## QUALITY ANALYSIS AT NOVEMBER 30, 2014 (%)



The current benchmark is Barclays U.S. Corporate Investment Grade. (1) Citigroup Broad Inv-Grade (BIG) from 1/31/1997 to 6/30/1999; Barclays Credit from 6/30/1999 to 2/29/2012; and Barclays U.S. Corporate Investment Grade from 2/29/2012 to 11/30/2014. For split rated securities in the quality distribution, the higher of Moody and S&P is used. The account's split rating treatment is based on client guidelines. The benchmark follows the vendor's methodology. Equity securities are deemed to have a duration and maturity value of zero. Yield is Yield to Effective Maturity. Data Source: Barclays Capital, Bloomberg. This report is a service provided to customers of Loomis Sayles for informational purposes and is not a recommendation to purchase or sell securities. Unless otherwise noted, the performance shown is gross of management fees. Past performance is not a guarantee of future results. Loomis Sayles believes the information contained in this report is reliable but we do not guarantee its accuracy.



Bay County Employees Ret System

# performance review

november 2014

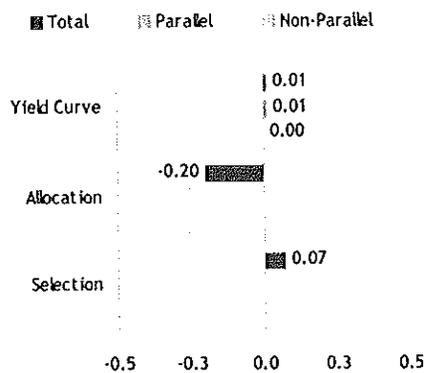
## CURRENT MONTH TOTAL RETURNS (%)

Account Return	0.59
Benchmark Return	0.67
Excess Return	-0.08

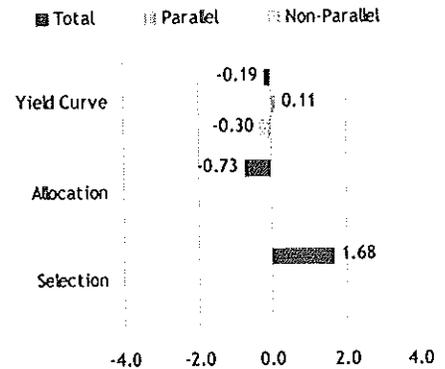
## TRADING YEAR TOTAL RETURNS (%)

Account Return	8.18
Benchmark Return	7.22
Excess Return	0.96

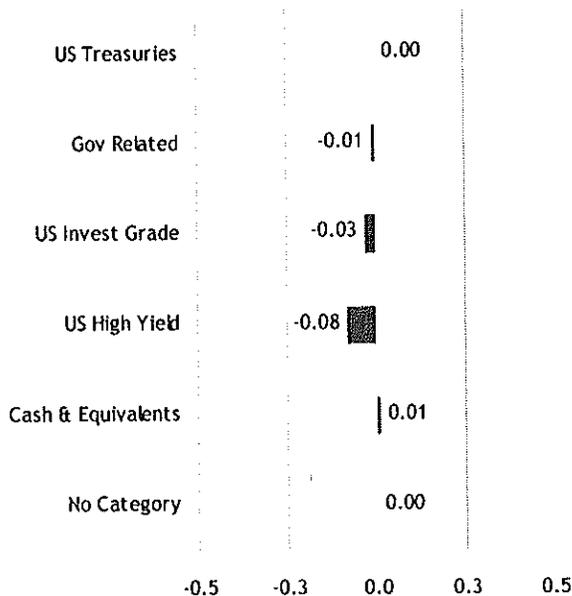
## CURRENT MONTH EXCESS RETURN ATTRIBUTION (%)



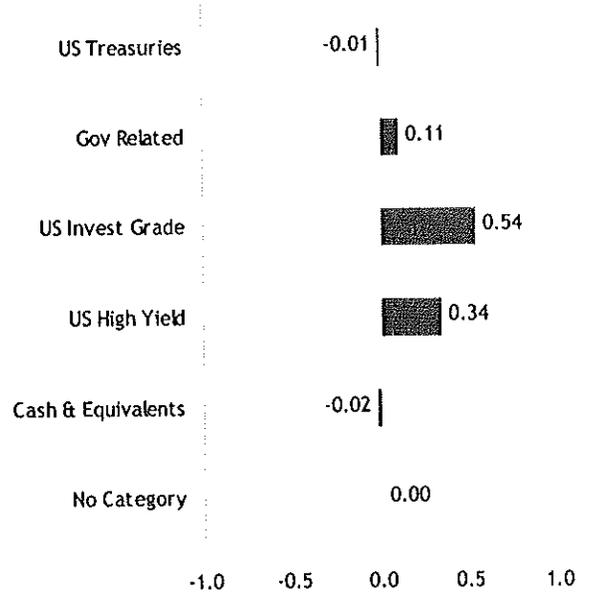
## TRAILING YEAR EXCESS RETURN ATTRIBUTION (%)



## EXCESS RETURN ATTRIBUTION BY SECTOR (%)



## EXCESS RETURN ATTRIBUTION BY SECTOR (%)



The Attribution benchmark is Barclays U.S. Corporate Investment Grade. Figures on bar charts may not add up to total excess return as they exclude impact of trading and pricing differences. Attribution account returns are gross of fees. Excess Return by sector excludes yield curve impact. Data Source: Barclays Capital



Bay County Employees Ret System

**Bay County Employees' Retirement System**  
**MFS® Heritage Trust Company CIT - MFS International Growth Fund**

**Class 01 Shares**

**Report as of 30 November 2014**

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

Period	Portfolio net	Benchmark <sup>A</sup>	Excess <sup>AA</sup>
November	1.09	1.46	-0.37
October	-0.06	-0.35	0.29
Since client inception (06-Aug-14)	-1.70	-0.87	-0.83

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

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

FOR EXISTING INSTITUTIONAL CLIENT USE ONLY.

MFS Heritage Trust Company

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**MFS HERITAGE TRUST COMPANY**

Account Statement  
11/01/2014 - 11/30/2014  
Page 1 of 2



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

PETER BROWN  
C/O THE BOGDahn GROUP  
5000 ROCKSIDE RD, STE 320  
INDEPENDENCE, OH 44131

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**Account Summary - Period**

Fund Name	11/30/2014 NAV	Beginning Market Value	Period Purchases	Period Redemptions	Ending Units	Ending Market Value
MFS INTERNATIONAL GROWTH FUND CL 1	\$125.40	\$15,574,300.48	\$0.00	(\$0.00)	125,548.573	\$15,743,791.05
Account Total						\$15,743,791.05

**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

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BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM



MFS HERITAGE TRUST COMPANY,™  
111 Huntington Avenue, Boston, Massachusetts 02159

**MFS HERITAGE TRUST COMPANY**

Account Statement  
11/01/2014 - 11/30/2014  
Page 2 of 2

**Transaction History**

Trade Date	Transaction Type	Gross Amount	Net Amount	NAV	Transaction Units	Total Units
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MFS INTERNATIONAL GROWTH FUND CL 1

— There are no transactions for this section —

**Message**

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

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**ME Full Holdings Report**

HTG - MFS Heritage Trust Company

Currency: USD

ISIN	Ticker	Company Name	Market Cap	Market Value	Weight	Industry	Country	ISIN	Ticker	Company Name	Market Cap	Market Value	Weight	Industry	Country	ISIN	Ticker	Company Name	Market Cap	Market Value	Weight	Industry	Country								
B10801	JP1204	Nippon Corp	10.59	8,954,948.35	0.80	Energy	Japan	B10801	JP1204	Nippon Corp	10.59	8,954,948.35	0.80	Energy	Japan	B10801	JP1204	Nippon Corp	10.59	8,954,948.35	0.80	Energy	Japan								
B03422	HK0161	Agilent Tech China	1.31	8,570,351.70	0.77	Consumer Staples	China	B03422	HK0161	Agilent Tech China	1.31	8,570,351.70	0.77	Consumer Staples	China	B03422	HK0161	Agilent Tech China	1.31	8,570,351.70	0.77	Consumer Staples	China	B03422	HK0161	Agilent Tech China	1.31	8,570,351.70	0.77	Consumer Staples	China
640020	GBSTAN	Standard Chartered PLC	14.64	8,560,554.13	0.77	Financial Services	United Kingdom	640020	GBSTAN	Standard Chartered PLC	14.64	8,560,554.13	0.77	Financial Services	United Kingdom	640020	GBSTAN	Standard Chartered PLC	14.64	8,560,554.13	0.77	Financial Services	United Kingdom	640020	GBSTAN	Standard Chartered PLC	14.64	8,560,554.13	0.77	Financial Services	United Kingdom
690064	JP7203	Toyota Motor Corp	91.81	8,514,465.74	0.77	Capital Goods	Japan	690064	JP7203	Toyota Motor Corp	91.81	8,514,465.74	0.77	Capital Goods	Japan	690064	JP7203	Toyota Motor Corp	91.81	8,514,465.74	0.77	Capital Goods	Japan	690064	JP7203	Toyota Motor Corp	91.81	8,514,465.74	0.77	Capital Goods	Japan
B11406	ITPRY	Pharmila SpA	17.07	8,170,774.30	0.74	Capital Goods	Italy	B11406	ITPRY	Pharmila SpA	17.07	8,170,774.30	0.74	Capital Goods	Italy	B11406	ITPRY	Pharmila SpA	17.07	8,170,774.30	0.74	Capital Goods	Italy	B11406	ITPRY	Pharmila SpA	17.07	8,170,774.30	0.74	Capital Goods	Italy
533004	FRDZY	Desiree Systems	55.37	8,166,575.78	0.74	Technology	France	533004	FRDZY	Desiree Systems	55.37	8,166,575.78	0.74	Technology	France	533004	FRDZY	Desiree Systems	55.37	8,166,575.78	0.74	Technology	France	533004	FRDZY	Desiree Systems	55.37	8,166,575.78	0.74	Technology	France
721247	FRREF	Esprit International	112.20	7,981,562.00	0.72	Health Care	France	721247	FRREF	Esprit International	112.20	7,981,562.00	0.72	Health Care	France	721247	FRREF	Esprit International	112.20	7,981,562.00	0.72	Health Care	France	721247	FRREF	Esprit International	112.20	7,981,562.00	0.72	Health Care	France
023352	GDGRDA	Grupa Gospodarska International	38.33	7,678,716.40	0.69	Capital Goods	Poland	023352	GDGRDA	Grupa Gospodarska International	38.33	7,678,716.40	0.69	Capital Goods	Poland	023352	GDGRDA	Grupa Gospodarska International	38.33	7,678,716.40	0.69	Capital Goods	Poland	023352	GDGRDA	Grupa Gospodarska International	38.33	7,678,716.40	0.69	Capital Goods	Poland
464020	DECAP	SAP SE	70.48	7,618,822.92	0.69	Technology	Germany	464020	DECAP	SAP SE	70.48	7,618,822.92	0.69	Technology	Germany	464020	DECAP	SAP SE	70.48	7,618,822.92	0.69	Technology	Germany	464020	DECAP	SAP SE	70.48	7,618,822.92	0.69	Technology	Germany
0572M1	DKCHR	Carlsberg Holding	42.33	7,554,128.43	0.68	Consumer Staples	Denmark	0572M1	DKCHR	Carlsberg Holding	42.33	7,554,128.43	0.68	Consumer Staples	Denmark	0572M1	DKCHR	Carlsberg Holding	42.33	7,554,128.43	0.68	Consumer Staples	Denmark	0572M1	DKCHR	Carlsberg Holding	42.33	7,554,128.43	0.68	Consumer Staples	Denmark
603773	JP1870	Aeon Financial Services Co Ltd	21.58	7,490,798.97	0.68	Financial Services	Japan	603773	JP1870	Aeon Financial Services Co Ltd	21.58	7,490,798.97	0.68	Financial Services	Japan	603773	JP1870	Aeon Financial Services Co Ltd	21.58	7,490,798.97	0.68	Financial Services	Japan	603773	JP1870	Aeon Financial Services Co Ltd	21.58	7,490,798.97	0.68	Financial Services	Japan
B4TPK6	CACOL	Colson Inc	47.22	7,316,431.51	0.66	Consumer Cyclicals	Canada	B4TPK6	CACOL	Colson Inc	47.22	7,316,431.51	0.66	Consumer Cyclicals	Canada	B4TPK6	CACOL	Colson Inc	47.22	7,316,431.51	0.66	Consumer Cyclicals	Canada	B4TPK6	CACOL	Colson Inc	47.22	7,316,431.51	0.66	Consumer Cyclicals	Canada
B3NG1P	CACSU	Suncor Energy Inc	31.53	7,081,981.62	0.64	Energy	Canada	B3NG1P	CACSU	Suncor Energy Inc	31.53	7,081,981.62	0.64	Energy	Canada	B3NG1P	CACSU	Suncor Energy Inc	31.53	7,081,981.62	0.64	Energy	Canada	B3NG1P	CACSU	Suncor Energy Inc	31.53	7,081,981.62	0.64	Energy	Canada
637248	TW2664	Mediatek Inc	15.03	6,941,756.20	0.63	Technology	Taiwan	637248	TW2664	Mediatek Inc	15.03	6,941,756.20	0.63	Technology	Taiwan	637248	TW2664	Mediatek Inc	15.03	6,941,756.20	0.63	Technology	Taiwan	637248	TW2664	Mediatek Inc	15.03	6,941,756.20	0.63	Technology	Taiwan
B1FR46	BRM0A3	M.D. Eurochem SA	30.25	6,790,632.55	0.61	Consumer Staples	Brazil	B1FR46	BRM0A3	M.D. Eurochem SA	30.25	6,790,632.55	0.61	Consumer Staples	Brazil	B1FR46	BRM0A3	M.D. Eurochem SA	30.25	6,790,632.55	0.61	Consumer Staples	Brazil	B1FR46	BRM0A3	M.D. Eurochem SA	30.25	6,790,632.55	0.61	Consumer Staples	Brazil
43942	RRPUB	Repsol Grupa SA	73.44	6,794,200.30	0.61	Consumer Cyclicals	Spain	43942	RRPUB	Repsol Grupa SA	73.44	6,794,200.30	0.61	Consumer Cyclicals	Spain	43942	RRPUB	Repsol Grupa SA	73.44	6,794,200.30	0.61	Consumer Cyclicals	Spain	43942	RRPUB	Repsol Grupa SA	73.44	6,794,200.30	0.61	Consumer Cyclicals	Spain
0231010	ABEV	Ambev SA ADR	0.55	6,684,379.00	0.60	Consumer Staples	Brazil	0231010	ABEV	Ambev SA ADR	0.55	6,684,379.00	0.60	Consumer Staples	Brazil	0231010	ABEV	Ambev SA ADR	0.55	6,684,379.00	0.60	Consumer Staples	Brazil	0231010	ABEV	Ambev SA ADR	0.55	6,684,379.00	0.60	Consumer Staples	Brazil
025881	GPAP	Gap Inc	77.83	6,576,150.10	0.59	Consumer Cyclicals	United States	025881	GPAP	Gap Inc	77.83	6,576,150.10	0.59	Consumer Cyclicals	United States	025881	GPAP	Gap Inc	77.83	6,576,150.10	0.59	Consumer Cyclicals	United States	025881	GPAP	Gap Inc	77.83	6,576,150.10	0.59	Consumer Cyclicals	United States
017789	JP0880	Sunrise Co Ltd	40.58	6,530,050.96	0.59	Consumer Cyclicals	Japan	017789	JP0880	Sunrise Co Ltd	40.58	6,530,050.96	0.59	Consumer Cyclicals	Japan	017789	JP0880	Sunrise Co Ltd	40.58	6,530,050.96	0.59	Consumer Cyclicals	Japan	017789	JP0880	Sunrise Co Ltd	40.58	6,530,050.96	0.59	Consumer Cyclicals	Japan
B117CY	CH5CHP	Schindler Holding AG	142.61	6,468,078.86	0.58	Capital Goods	Switzerland	B117CY	CH5CHP	Schindler Holding AG	142.61	6,468,078.86	0.58	Capital Goods	Switzerland	B117CY	CH5CHP	Schindler Holding AG	142.61	6,468,078.86	0.58	Capital Goods	Switzerland	B117CY	CH5CHP	Schindler Holding AG	142.61	6,468,078.86	0.58	Capital Goods	Switzerland
542831	NLAKZ	Akzo Nobel NV	69.09	6,359,615.23	0.57	Capital Goods	Netherlands	542831	NLAKZ	Akzo Nobel NV	69.09	6,359,615.23	0.57	Capital Goods	Netherlands	542831	NLAKZ	Akzo Nobel NV	69.09	6,359,615.23	0.57	Capital Goods	Netherlands	542831	NLAKZ	Akzo Nobel NV	69.09	6,359,615.23	0.57	Capital Goods	Netherlands
B3MG42	ES-AMS	Amisulco IT Holding SA	39.81	6,198,828.68	0.56	Technology	Spain	B3MG42	ES-AMS	Amisulco IT Holding SA	39.81	6,198,828.68	0.56	Technology	Spain	B3MG42	ES-AMS	Amisulco IT Holding SA	39.81	6,198,828.68	0.56	Technology	Spain	B3MG42	ES-AMS	Amisulco IT Holding SA	39.81	6,198,828.68	0.56	Technology	Spain
043309	HK2238	Amoy Gardens Group Co Ltd	0.95	5,951,312.98	0.54	Capital Goods	China	043309	HK2238	Amoy Gardens Group Co Ltd	0.95	5,951,312.98	0.54	Capital Goods	China	043309	HK2238	Amoy Gardens Group Co Ltd	0.95	5,951,312.98	0.54	Capital Goods	China	043309	HK2238	Amoy Gardens Group Co Ltd	0.95	5,951,312.98	0.54	Capital Goods	China
B112NK	FRLR	L'Oréal SA	52.43	5,938,701.51	0.54	Consumer Cyclicals	France	B112NK	FRLR	L'Oréal SA	52.43	5,938,701.51	0.54	Consumer Cyclicals	France	B112NK	FRLR	L'Oréal SA	52.43	5,938,701.51	0.54	Consumer Cyclicals	France	B112NK	FRLR	L'Oréal SA	52.43	5,938,701.51	0.54	Consumer Cyclicals	France
646550	NP0014	Nippon Paint Holdings Co Ltd	25.80	5,921,998.06	0.53	Capital Goods	Japan	646550	NP0014	Nippon Paint Holdings Co Ltd	25.80	5,921,998.06	0.53	Capital Goods	Japan	646550	NP0014	Nippon Paint Holdings Co Ltd	25.80	5,921,998.06	0.53	Capital Goods	Japan	646550	NP0014	Nippon Paint Holdings Co Ltd	25.80	5,921,998.06	0.53	Capital Goods	Japan
664100	JP0888	Nissin Chemicals Corp	52.76	5,787,399.23	0.52	Capital Goods	Japan	664100	JP0888	Nissin Chemicals Corp	52.76	5,787,399.23	0.52	Capital Goods	Japan	664100	JP0888	Nissin Chemicals Corp	52.76	5,787,399.23	0.52	Capital Goods	Japan	664100	JP0888	Nissin Chemicals Corp	52.76	5,787,399.23	0.52	Capital Goods	Japan
B19ALV	GBEXP	Experian PLC	15.82	5,772,619.22	0.52	Technology	United Kingdom	B19ALV	GBEXP	Experian PLC	15.82	5,772,619.22	0.52	Technology	United Kingdom	B19ALV	GBEXP	Experian PLC	15.82	5,772,619.22	0.52	Technology	United Kingdom	B19ALV	GBEXP	Experian PLC	15.82	5,772,619.22	0.52	Technology	United Kingdom
403107	DE-ADS	adidas AG	80.20	5,766,641.75	0.52	Consumer Cyclicals	Germany	403107	DE-ADS	adidas AG	80.20	5,766,641.75	0.52	Consumer Cyclicals	Germany	403107	DE-ADS	adidas AG	80.20	5,766,641.75	0.52	Consumer Cyclicals	Germany	403107	DE-ADS	adidas AG	80.20	5,766,641.75	0.52	Consumer Cyclicals	Germany
B14250	CHHNN	Nestlé + Nestlé International AG	134.64	5,648,884.58	0.51	Consumer Cyclicals	Switzerland	B14250	CHHNN	Nestlé + Nestlé International AG	134.64	5,648,884.58	0.51	Consumer Cyclicals	Switzerland	B14250	CHHNN	Nestlé + Nestlé International AG	134.64	5,648,884.58	0.51	Consumer Cyclicals	Switzerland	B14250	CHHNN	Nestlé + Nestlé International AG	134.64	5,648,884.58	0.51	Consumer Cyclicals	Switzerland
476276	ITSPM	Selenia SpA	14.31	5,459,734.44	0.49	Energy	Italy	476276	ITSPM	Selenia SpA	14.31	5,459,734.44	0.49	Energy	Italy	476276	ITSPM	Selenia SpA	14.31	5,459,734.44	0.49	Energy	Italy	476276	ITSPM	Selenia SpA	14.31	5,459,734.44	0.49	Energy	Italy
B2KRV0	GB3HP	Shell PLC	71.10	5,404,732.22	0.49	Energy	United Kingdom	B2KRV0	GB3HP	Shell PLC	71.10	5,404,732.22	0.49	Energy	United Kingdom	B2KRV0	GB3HP	Shell PLC	71.10	5,404,732.22	0.49	Energy	United Kingdom	B2KRV0	GB3HP	Shell PLC	71.10	5,404,732.22	0.49	Energy	United Kingdom
009049	GBDXY	Bowly PLC	29.43	5,342,637.15	0.48	Capital Goods	United Kingdom	009049	GBDXY	Bowly PLC	29.43	5,342,637.15	0.48	Capital Goods	United Kingdom	009049	GBDXY	Bowly PLC	29.43	5,342,637.15	0.48	Capital Goods	United Kingdom	009049	GBDXY	Bowly PLC	29.43	5,342,637.15	0.48	Capital Goods	United Kingdom
699039	RR0520	Nuver Corp	70.50	4,914,659.94	0.43	Technology	United States	699039	RR0520	Nuver Corp	70.50	4,914,659.94	0.43	Technology	United States	699039	RR0520	Nuver Corp	70.50	4,914,659.94	0.43	Technology	United States	699039	RR0520	Nuver Corp	70.50	4,914,659.94	0.43	Technology	United States
407410	FRTEC	Technip SA	65.03	4,814,656.66	0.43	Energy	France	407410	FRTEC	Technip SA	65.03	4,814,656.66	0.43	Energy	France	407410	FRTEC	Technip SA	65.03	4,814,656.66	0.43	Energy	France	407410	FRTEC	Technip SA	65.03	4,814,656.66	0.43	Energy	France
E952HL	RUSBER	Bank of Russia	1.45	4,053,576.95	0.37	Financial Services	Russia	E952HL	RUSBER	Bank of Russia	1.45	4,053,576.95	0.37	Financial Services	Russia	E952HL	RUSBER	Bank of Russia	1.45	4,053,576.95	0.3										

# Bay County Employees' Retirement System

MFS Heritage Trust Company CIT - MFS International Growth Fund

(Class 1 Shares)



30 November 2014

Performance results (%) class 1 shares net of expenses (USD)	Portfolio	Benchmark <sup>A</sup>	Excess returns
November 2014	1.09	1.46	-0.37
Since client inception (06-Aug-14)	-1.70	-0.87	-0.83

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>A</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 31-Oct-14	15,574,300
Contributions	0
Withdrawals	0
Change in market value	+169,491
Ending value as of 30-Nov-14	15,743,791

Characteristics	Portfolio	Benchmark <sup>AA</sup>
IBES long-term EPS growth <sup>1</sup>	8.9%	11.1%
- weighted median		
Price/earnings (12 months forward)	18.3x	17.7x
- weighted median		
Return on equity (3-year average)	16.7%	15.1%
- weighted median		
Return on invested capital	12.2%	10.6%
- weighted median		
Market capitalization (USD) <sup>2</sup>	35.1 bn	30.7 bn
Number of holdings	95	1,062
Trailing 1 year turnover <sup>3</sup>	21%	-
Barra predicted tracking error <sup>4</sup>	2.58%	-

<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
LVMH MOET HENNESSY	Retailing
COMPASS GROUP EQUITY	Special Products & Services
CANADIAN NATIONAL RAILWAY CO	Transportation
TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED	Technology
PERNOD-RICARD	Consumer Staples
ACCENTURE PLC	Special Products & Services
ROCHE HOLDINGS AG	Health Care

## Sectors (%)

Sectors (%)	Portfolio	Benchmark <sup>AA</sup>
Consumer Staples	19.4	12.9
Financial Services	13.3	17.1
Health Care	9.5	13.7
Technology	9.3	10.9
Special Products & Services	9.0	4.4
Retailing	8.4	6.8
Industrial Goods & Services	7.3	6.7
Basic Materials	7.3	6.5
Transportation	4.5	3.8
Leisure	3.7	3.8
Autos & Housing	3.5	5.6
Energy	3.4	2.8
Utilities & Communications	0.8	5.0

## Regions (%)

Regions (%)	Portfolio	Benchmark <sup>AA</sup>
Europe ex-U.K.	43.9	34.7
United Kingdom	18.6	12.2
Emerging Markets	14.2	22.2
Japan	10.3	14.6
North America	7.4	7.4
Asia/Pacific ex-Japan	4.0	8.5
Developed - Middle East/Africa	1.2	0.4

0.6% cash and other assets less liabilities.

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MFS Heritage Trust Company

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

## FOR MORE INFORMATION CONTACT

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PSR-HTG-30-Nov-14

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

Valuation Summary by Country 30-Nov-14 Portfolio Currency: USD

Issuer Country	Cost	Market Value	Accrued Income	Total Value	Total Value
<b>CASH</b>					
United States	904,474.87	904,474.87	0.00	904,474.87	1.89%
	904,474.87	904,474.87	0.00	904,474.87	1.89%
<b>COMMON STOCK</b>					
Canada	172,062.49	298,608.85	0.00	298,608.85	0.62%
United States	33,637,547.20	45,788,441.49	18,855.87	45,807,297.36	95.87%
	33,809,609.69	46,087,050.34	18,855.87	46,105,906.21	96.50%
<b>ADR</b>					
China	85,229.45	88,617.68	0.00	88,617.68	0.19%
France	664,427.01	678,051.70	3,512.92	681,564.62	1.43%
	749,656.46	766,669.38	3,512.92	770,182.30	1.61%
<b>Portfolio Totals:</b>	<b>35,463,741.02</b>	<b>47,758,194.59</b>	<b>22,368.79</b>	<b>47,780,563.38</b>	<b>100.00%</b>
<b>Accrued Income:</b>		<b>22,368.79</b>			
<b>Total Value:</b>		<b>47,780,563.38</b>			

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

**Report as of 30 November 2014**

**Performance results (%) gross and net of fees (USD)**

Period	Portfolio gross	Portfolio net	Benchmark <sup>^</sup>	Excess <sup>^^</sup>
November	3.23	3.18	3.17	0.01
October	2.78	2.73	2.64	0.09
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 YTD	10.74	10.13	14.24	-4.11
1 year	15.17	14.48	17.50	-3.02
Since client inception (04-Sep-12)	23.04	22.30	21.05	1.25

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>^</sup> Russell 1000 Growth Index

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

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MFS Institutional Advisors, Inc.

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**BAY COUNTY EMPLOYEES RETIREMENT SYSTEM**  
Monthly Report

.....  
November 30, 2014  
.....



**MARKET OVERVIEW**

The U.S. convertible market, as measured by the BofA Merrill Lynch All Convertible Index, rose 0.95% in November, 2014, while underlying equities climbed 0.75%. During the month, investment-grade convertibles, as measured by the BofA Merrill Lynch Investment Grade Convertible Index, rose 1.97%, while speculative-grade convertibles increased 2.01%. Non-rated convertible securities, a significant component of the All Convertible Index, underperformed the investment and speculative grade indices. Year-to-date, the All Convertible Index is up 10.34%.

During the month, the Standard & Poor 500 Index rose nearly 2.70%, while the broader Russell 2000 Index gained a mere 0.09%, as a large cap equities continued to outperform, a trend which was briefly interrupted in October. Despite the large cap bias to market returns during the year, the Merrill Lynch All Convertible Index, which reflects the broader, small, mid and large cap equity market, has managed to gain more than ten percent year-to-date. Certain segments of the convertible market, particularly biotechnology and airlines have performed very well this year which has helped the convertible market overcome the relative dearth of mega-cap S&P 500 companies in the convertible universe.

November's rally may have been sparked by relatively decent third quarter earnings among late reporting companies, as well as the sharp decline in crude oil prices, and monetary stimulus in China. The decline in energy prices was certainly behind the sharp rally in airline stocks and their convertible bonds, which less than two months ago were near fifty-two week lows on concerns that Ebola fears would hurt the demand for airline travel. The decline in crude oil is certainly good news for nearly all segments of the economy, apart from those tied to the exploration for and production of oil and gas.

Despite the recent market rally, we continue to believe that equity markets will be higher in the coming twelve to eighteen months as economic growth in the U.S. continues at a slow pace, while Europe's stagnant economies begin to expand in fits and starts. The sharp decline in energy prices should provide some material stimulus to those countries and regions that are net importers of oil and gas, particularly Europe and Japan. In addition, the Federal Reserve is likely to continue a monetary policy of low interest rates, which should foster a healthy climate for stocks and equity-linked securities such as convertibles.

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

Once again, sector results were mixed during the month, with most hard asset sectors such as Energy, Materials and Industrials posting the largest declines. Healthcare and Consumer Staples also underperformed, while all other sectors rose more than the broader market.

In November, \$2.4 billion in new convertibles came to the US market. Year-to-date, approximately \$39.7 billion in new issuance has come into the U.S. convertible market, while approximately \$40.5 has been redeemed through redemptions and maturities. Although the issuer base has been well diversified across market-cap range and sector, the vast majority of issuance year-to-date continues to be non-rated. As previously noted, we expect new issuance from investment-grade companies to remain depressed until yields on the ten-year Treasury exceed 3.5%.

**PERFORMANCE<sup>1</sup>**

The convertibles bonds of United Continental Airlines, Intel and Danaher were among the top contributors during the quarter. Not surprisingly, airline stocks and their convertible bonds were among the best performing securities in November as the price of jet fuel, generally their largest expense, declined nearly twenty percent during the month. Although most airlines hedged their fuel costs at higher prices, once those hedges expire, new hedges will be put in place at much lower

# NOVEMBER 2014

## OVERVIEW OF MONTHLY PERFORMANCE

MACKAY

levels. Intel Corp. rose during the month after the company released financial guidance on November 20th that was slightly better than investor expectations. Danaher's convertible bonds were strong performers in November largely due to the strength in the general market as well as the strong performance of many industrial securities due to the decline in the price of crude oil.

Conversely, exposure to the synthetic convertible bonds of Schlumberger and convertible bonds of Gilead Sciences and Helix Energy Solutions, weighed on performance during the month. Schlumberger Limited declined in November largely in sympathy with the sharp decline in crude oil. Schlumberger is the world's largest supplier of equipment and services used by energy companies to explore for and produce oil and gas. It is feared that the decline in the price of crude oil will lead to a decline in the level of spending for exploration and production activity. While we agree with this consensus, we believe that the decline will be short-lived as a slowdown in oil production will lead to sharply higher prices in twelve to twenty-four months and spark a new spending ramp for energy services. Biotechnology company, Gilead Sciences, declined in November as some investors became concerned that a competing therapy for treating Hepatitis C could lead to demands for price reductions for Sovaldi. Gilead's recently approved cure for Hepatitis C. We believe that Sovaldi has numerous advantages over competing therapies and, while the price may decline over time, Gilead's stock and convertible bonds are attractive based on Sovaldi's future sale as well as the strength of the company's HIV therapies and oncology pipeline. Last, Helix declined in November, along with nearly all other energy-related securities due to the fall in the price of crude oil. We believe that the decline in Helix's share price is unjustified, as the company's well intervention work is largely independent of energy prices.

### OUTLOOK

2013 was an outstanding year for the convertible market, and the first eleven months of 2014 have gone reasonably well. The past two years have marked the resurrection of a vibrant market for new convertible issuance, which has continued in 2014 following last year's nearly \$50 billion of new issuance. This surge in new issuance was largely due to the simultaneous rise in stock prices and interest rates. With the rise in rates, issuing companies could once again realize a significant interest savings by issuing a convertible bond instead of a non-convertible high-yield security. For most investment-grade companies, however, rates remain so low in absolute terms that the benefits of a convertible offering remain relatively muted. As such, the preponderance of new issuance in 2013 and 2014 has been from non-investment grade companies. In addition, following the stock market decline of 2008, companies were reluctant to issue equity-linked securities as they believed that doing so would dilute existing equity holders at prices that they believed under-valued their companies. However, with stocks at near-record levels, companies are no longer reluctant to issue a security linked to their equity.

The asset class' strong two-year returns are testimony to the notion that convertible bonds will outperform in a rising rate environment and, unlike nearly all other classes of fixed income instruments, have almost no correlation to the movement in interest rates. We believe that this trend will continue as long as the economy remains in recovery mode.

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

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

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

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

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Portfolio Composition and Performance — Account 1256

November 30, 2014

Composition	Market Value	Percent of Total
Fixed Income	15,424,093	79.93
Equity	3,234,715	16.76
Cash & Equivalents	638,926	3.31
<b>Total Portfolio</b>	<b>\$19,297,734</b>	<b>100.00%</b>

Performance	Latest Month	Latest 3 Months	Year To Date	Latest 12 Months	3 Years Annualized	5 Years Annualized	Since 10/1/2003	Annualized Since 10/1/2003
Total Fund (Gross of fees)	1.47%	1.57%	11.30%	11.99%	11.77%	9.26%	111.89%	6.95%
ML Conv. Inv Grade BDS (Inc Mandatory)	1.97%	2.58%	16.58%	17.31%	16.25%	11.01%	88.52%	5.84%
ML CVT ALL IG 5% CAP	1.94%	2.57%	14.10%	14.81%	14.31%	8.36%	49.37%	3.66%

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

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

Summary Report — Account 1256  
November 30, 2014

	Total Cost	Percent at Cost	Yield at Cost	Market Value	Percent of Assets	Yield at Market	Annual Income
Bonds	12,368,072	82.07	1.45	15,373,813	79.67	1.17	179,597
Stocks	2,701,572	17.93	3.25	3,223,496	16.70	2.72	87,762
Cash & Equivalents	0	0.00		638,926	3.31	0.09	575
Accrued Income				61,499	0.32		
<b>Total Portfolio</b>	<b>\$15,069,644</b>	<b>100.00%</b>	<b>1.77</b>	<b>\$19,297,734</b>	<b>100.00%</b>	<b>1.39</b>	<b>\$267,934</b>

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Holdings Report — Account 1256

November 30, 2014

Shares or Par Value	Security	Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
346,000	AIRTRAN HOLDINGS INC CONV BOND 5.250 11/01/2016	161.63	559,228	293.94	1,017,024	5.27	1.79	18,165	BBB
690,000	ALZA CORP CONV BOND 07/28/2020	81.14	559,876	149.06	1,028,531	5.33	0.00	0	AAA
480,000	ANTHEM INC (WELLPOINT INC) 2.750 10/15/2042	120.21	576,990	176.06	845,100	4.38	1.56	13,200	A-
181,000	AOL INC 144A 0.750 09/01/2019	105.09	190,218	106.19	192,199	1.00	0.71	1,358	NR
303,000	APOLLO INVESTMENT CORP REG CONV BOND 5.750 01/15/2016	100.49	304,499	103.25	312,848	1.62	5.57	17,423	BBB
150,000	ARES CAPITAL CORP 4.750 01/15/2018	106.75	160,125	104.75	157,125	0.81	4.53	7,125	BBB
32,000	BROADSOFT INC 1.500 07/01/2018	96.88	31,000	103.31	33,060	0.17	1.45	480	NR
169,000	CHART INDUSTRIES INC 2.000 08/01/2018	135.55	229,072	102.31	172,908	0.90	1.95	3,380	BB-
521,000	CITRIX SYSTEMS INC 144A 0.500 04/15/2019	105.65	550,429	105.00	547,050	2.83	0.48	2,605	BBB
142,000	CORNERSTONE ONDEMAND INC REG 1.500 07/01/2018	115.85	164,501	95.31	135,344	0.70	1.57	2,130	NR
142,000	CUBIST PHARMACEUTICALS 1.125 09/01/2018	100.00	109,000	116.63	127,121	0.66	0.96	1,226	NR
142,000	CUBIST PHARMACEUTICALS 1.875 09/01/2020	100.00	142,000	120.75	171,465	0.89	1.55	2,663	NR
419,000	DANAHER CORP CNV BND REG 01/22/2021	101.16	423,870	242.63	1,016,599	5.27	0.00	0	A+
127,000	GILEAD SCIENCES INC 1.625 05/01/2016	317.73	403,512	440.75	559,753	2.90	0.37	2,064	A-
241,000	HELIX ENERGY SOLUTIONS CONV BOND REG 3.250 03/15/2032	122.89	296,155	117.88	284,079	1.47	0.76	7,833	NR
235,000	HOTEL & RESORTS LP CNV BND 144A 2.500 10/15/2029	151.81	356,756	179.25	421,238	2.18	1.39	5,875	BBB
349,000	ILLUMINA INC 144A 06/15/2019	105.13	366,894	111.44	388,917	2.02	0.00	0	BBB-
79,000	INCYTE CORP LTD 0.375 11/15/2018	132.11	104,364	155.75	123,043	0.64	0.24	296	NR
59,000	INSULET CORPORATION REG 2.000 06/15/2019	100.00	59,000	120.00	70,800	0.37	1.67	1,180	NR
443,000	INTEL CORP CONV BND REG 2.950 12/15/2035	100.57	445,514	133.00	589,190	3.05	2.22	13,069	A-
493,000	INTEL CORP CONV BOND 3.250 08/01/2039	125.25	617,485	179.81	886,478	4.59	1.81	16,023	A-
83,000	INVENSENSE INC 144A 1.750 11/01/2018	99.24	82,366	92.31	76,619	0.40	1.90	1,453	NR
118,000	KB HOME REG 1.375 02/01/2019	104.79	123,655	100.50	118,590	0.61	1.37	1,623	B
218,000	LIVE NATION ENTERTAINMENT 144A 2.500 05/15/2019	103.61	225,860	107.13	233,533	1.21	2.33	5,450	NR
68,000	MACQUARIE INFRASTRUCTURE REG 2.875 07/15/2019	100.00	68,000	112.81	76,713	0.40	2.55	1,955	BBB-
82,000	MICROQUIE TECHNOLOGY CONV BOND REG 2.125 12/15/2037	136.31	111,773	179.19	146,934	0.76	1.19	1,743	NR
291,000	NEWMONT MINING CONV BND REG 1.625 07/15/2017	121.45	353,418	100.81	293,364	1.52	1.61	4,729	BBB
48,000	NUANCE COMMUNICATIONS CONV BOND REG 2.750 11/01/2031	106.17	50,962	98.56	47,310	0.25	2.79	1,320	BB-
368,000	RED HAT INC 144A 0.250 10/01/2019	100.00	368,000	110.50	406,640	2.11	0.23	920	BBB
450,000	RPM INTERNATIONAL INC REG 2.250 12/15/2020	121.14	545,151	113.75	511,875	2.65	1.98	10,125	BBB-
149,000	RTI INTERNATIONAL METALS REG 1.625 10/15/2019	103.90	154,805	95.44	142,202	0.74	1.70	2,421	NR
331,000	SALESFORCE.COM INC 0.250 04/01/2018	111.38	368,651	114.44	378,788	1.96	0.22	828	NR
556,000	SCHLUMBERGER 05/05/2015	136.47	758,773	151.42	841,895	4.36	0.00	0	NR

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# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Holdings Report -- Account 1256 November 30, 2014

Shares or Par Value	Security	Unit Cost	Total Cost	Current Price	Market Value	Percent of Assets	Yield	Annual Income	S & P
Bonds (Continued)									
36,000	SOLARCITY CORP 144A 1.625 11/01/2019	100.00	36,000	92.94	33,458	0.17	1.75	585	NR
111,000	SPANSON LLC 2.000 09/01/2020	168.50	187,035	177.63	197,164	1.02	1.13	2,220	NR
180,000	TELEFLEX INC CONV BOND REG 3.875 08/01/2017	101.42	182,550	195.38	351,675	1.82	1.98	6,975	B+
597,000	TEVA PHARMACEUTICALS CONV BOND 0.250 02/01/2026	112.35	670,730	136.25	813,413	4.22	0.18	1,493	A-
553,000	THE PRICELINE GROUP INC CONV BOND REG 1.000 03/15/2018	113.18	625,877	135.31	748,278	3.88	0.74	5,530	BBB+
72,000	TIVO INC 144A 2.000 10/01/2021	100.00	72,000	95.88	69,030	0.36	2.09	1,440	NR
72,000	TWITTER INC 144A 0.250 09/15/2019	100.00	72,000	91.63	65,970	0.34	0.27	180	BB-
200,000	VERINT SYSTEMS INC 1.500 06/01/2021	104.18	208,365	113.94	227,875	1.18	1.32	3,000	B+
72,000	WABASH NATIONAL CORP CONV BOND 3.375 05/01/2018	121.62	87,568	116.19	83,655	0.43	2.90	2,430	NR
270,000	XILINX INC 2.625 06/15/2017	134.83	364,047	158.88	428,963	2.22	1.65	7,088	A-
			12,368,072		15,373,813	79.67	1.17	179,597	BB+
Stocks									
1,800	ALCOA INC	50.00	90,000	53.30	95,940	0.50	0.00	0	BB
500	AMERICAN TOWER CORP REG	100.00	50,000	114.00	57,000	0.30	1.16	663	NR
499	BANK OF AMERICA 7.250%	1,124.73	561,238	1,188.40	593,012	3.07	6.10	36,178	BB
3,600	CROWN CASTLE INTL CORP REG	102.26	368,139	106.00	381,600	1.98	1.06	4,050	NR
1,000	HEALTH CARE REIT 6.500 CNV PFD	50.00	50,000	65.34	65,344	0.34	4.97	3,250	BB+
1,000	MAIDEN HOLDINGS CNV PFD	50.00	50,000	49.50	49,500	0.26	0.00	0	NR
900	POST HOLDINGS INC 144A	100.00	90,000	94.76	85,284	0.44	0.00	0	NR
5,200	STANLEY BLACK & DECKER I CONV PFD UNITS	108.87	566,110	136.75	711,100	3.68	3.92	27,872	NR
2,700	TYSON FOODS INC REG	50.00	135,000	52.23	141,021	0.73	0.00	0	NR
6,200	UNITED TECHNOLOGIES CORP CONV PFD	64.11	397,485	60.09	372,558	1.93	3.12	11,625	BBB+
550	WELLS FARGO & COMPANY 7.500%	624.73	343,600	1,220.25	671,138	3.48	0.61	4,125	BBB
			2,701,572		3,223,496	16.70	2.72	87,762	B-
Cash & Equivalents									
	UNITED STATES DOLLAR 0.0900	0.00	638,926	1.00	638,926	3.31	0.09	575	AAA
			638,926		638,926	3.31	0.09	575	AAA
Accrued Income									
			61,499		61,499	0.32			
Total Portfolio			\$15,708,570		\$19,297,734	100.00%	1.39	\$267,934	BB

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# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Purchases Report — Account 1256 Month Ending November 30, 2014

Trade Date	Quantity (Units)	Security Description	Average Cost	Total Cost
Purchases 11/17/14	134,000	AOL INC 144A 0.750 9/1/2019	106.88	143,217.86
Total Purchases				<u>\$143,217.86</u>

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

## Sales Report — Account 1256

Month Ending November 30, 2014

Trade Date	Quantity (Units)	Security Description	Unit Cost	Total Proceeds	Realized Gain/Loss
Sell Long					
11/18/14 - 11/26/14	21,937	FORD MOTOR COMPANY	16.63	342,457.10	-22,262.90
11/13/14	113,000	SHUTTERFLY INC 0.250 5/15/2018	106.89	107,491.25	-13,296.71
<b>Total Sales</b>				<b>\$449,948.35</b>	<b>-\$35,559.61</b>

# BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

MACKAY

Broker Commission Report — Account 1256  
Month Ending November 30, 2014

Broker	Broker Commissions
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>\$877.44</b>

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

Date 11/12/2014  
 Page 1 of 2

Commission Program Review  
 Rep: MARY DAVIDSON

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

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

	<u>October 2014</u>	<u>Year To Date</u>
Opening Balance:	\$0.00	\$0.00*
Commission:	\$88.00	\$186.00
Credit:	\$2.00	\$3.00
Payments:	\$0.00	\$0.00
Adjustments:	\$0.00	\$1.00 <sup>db</sup>
Ending Balance:	\$2.00 <sup>cr</sup>	\$2.00 <sup>cr</sup>

*\*Previous Year's closing balance*

**Manager Commission Summary**

	<u>October 2014 Commission</u>	<u>October 2014 Credit</u>	<u>Year to Date Commission</u>	<u>Year to Date Credit</u>
HOTCHKIS & WILEY	\$88.00	\$2.00	\$186.00	\$3.00
Total:	\$88.00	\$2.00	\$186.00	\$3.00

**Adjustments Summary**

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

***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.*

Date 11/12/2014

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Commission Program Review

Rep: MARY DAVIDSON

Trade Details: BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Period: October 1, 2014 To October 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>
10/02/14	S	ERJ	EMBRAER S A	1,000	\$10.00	\$0.00	\$0.00
10/02/14	S	KALU	KAISER ALUMINUM CORP COM PA	200	\$2.00	\$0.00	\$0.00
10/02/14	S	SNV	SYNOVUS FINL CORP COM NE	600	\$6.00	\$0.00	\$0.00
10/02/14	S	SNV	SYNOVUS FINL CORP COM NE	1,400	\$7.00	\$0.00	\$0.00
10/06/14	B	HGR	HANGER INC COM NE	100	\$1.00	\$0.00	\$0.00
10/07/14	B	HGR	HANGER INC COM NE	100	\$1.00	\$0.00	\$0.00
10/08/14	B	HGR	HANGER INC COM NE	100	\$1.00	\$0.00	\$0.00
10/09/14	B	HGR	HANGER INC COM NE	200	\$2.00	\$0.00	\$0.00
10/10/14	B	HGR	HANGER INC COM NE	300	\$3.00	\$0.00	\$0.00
10/10/14	S	RUSHA	RUSH ENTERPRISES INC CL A	100	\$1.00	\$0.00	\$0.00
10/13/14	B	HGR	HANGER INC COM NE	100	\$1.00	\$0.00	\$0.00
10/13/14	S	RUSHA	RUSH ENTERPRISES INC CL A	100	\$1.00	\$0.00	\$0.00
10/14/14	B	RDC	ROWAN COMPANIES PLC SHS CL	200	\$2.00	\$0.00	\$0.00
10/14/14	S	RUSHA	RUSH ENTERPRISES INC CL A	200	\$2.00	\$0.00	\$0.00
10/15/14	B	KOS	KOSMOS ENERGY LTD SHS	500	\$5.00	\$0.00	\$0.00
10/15/14	S	RUSHA	RUSH ENTERPRISES INC CL A	100	\$1.00	\$0.00	\$0.00
10/16/14	B	KOS	KOSMOS ENERGY LTD SHS	200	\$2.00	\$0.00	\$0.00
10/16/14	S	RUSHA	RUSH ENTERPRISES INC CL A	100	\$1.00	\$0.00	\$0.00
10/21/14	B	SAH	SONIC AUTOMOTIVE INC CL A	400	\$4.00	\$0.00	\$0.00
10/22/14	B	SAH	SONIC AUTOMOTIVE INC CL A	200	\$2.00	\$0.00	\$0.00
10/23/14	S	FHN	FIRST HORIZON NATL CORP COM	800	\$8.00	\$0.00	\$0.00
10/23/14	S	RCII	RENT A CTR INC NEW COM	700	\$7.00	\$0.00	\$0.00
10/24/14	S	FHN	FIRST HORIZON NATL CORP COM	400	\$4.00	\$0.00	\$0.00
10/24/14	S	RCII	RENT A CTR INC NEW COM	200	\$4.00	\$2.00	\$2.00
10/24/14	S	RCII	RENT A CTR INC NEW COM	200	\$2.00	\$0.00	\$2.00
10/24/14	B	SAH	SONIC AUTOMOTIVE INC CL A	300	\$3.00	\$0.00	\$2.00
10/27/14	S	FHN	FIRST HORIZON NATL CORP COM	200	\$2.00	\$0.00	\$2.00
10/27/14	S	RCII	RENT A CTR INC NEW COM	300	\$3.00	\$0.00	\$2.00
Account Total:				9,300	\$88.00	\$2.00	
Grand Total:				9,300	\$88.00	\$2.00	

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

Date 12/17/2014  
 Page 1 of 2

Commission Program Review  
 Rep: MARY DAVIDSON

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

*Period: November 1, 2014 To November 30, 2014*

	<u>November 2014</u>	<u>Year To Date</u>
Opening Balance:	\$2.00 <i>*cr</i>	\$0.00*
Commission:	\$105.50	\$291.50
Credit:	\$0.00	\$3.00
Payments:	\$0.00	\$0.00
Adjustments:	\$0.00	\$1.00 <sup>db</sup>
Ending Balance:	\$2.00 <sup>cr</sup>	\$2.00 <sup>cr</sup>

*\*Previous Year's closing balance*

**Manager Commission Summary**

	<u>November 2014 Commission</u>	<u>November 2014 Credit</u>	<u>Year to Date Commission</u>	<u>Year to Date Credit</u>
HOTCHKIS & WILEY	\$105.50	\$0.00	\$291.50	\$3.00
Total:	\$105.50	\$0.00	\$291.50	\$3.00

**Adjustments Summary**

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

***Are you considering making a portfolio change soon? Contact your Abel Noser representative or [Transitions@abelnoser.com](mailto: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.*

Date 12/17/2014

Page 2 of 2

Commission Program Review

Rep: MARY DAVIDSON

Trade Details: BAY COUNTY EMPLOYEES RETIREMENT SYSTEM

Period: November 1, 2014 To November 30, 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 credit</u>
11/06/14	S	DIOD	DIODES INC COM	500	\$5.00	\$0.00	\$0.00
11/06/14	S	FHN	FIRST HORIZON NATL CORP COM	1,100	\$11.00	\$0.00	\$0.00
11/06/14	S	GEO	GEO GROUP INC NEW COM	200	\$2.00	\$0.00	\$0.00
11/06/14	S	WBS	WEBSTER FINL CORP CONN COM	800	\$8.00	\$0.00	\$0.00
11/07/14	S	GEO	GEO GROUP INC NEW COM	300	\$3.00	\$0.00	\$0.00
11/07/14	S	MATX	MATSON INC COM	300	\$3.00	\$0.00	\$0.00
11/10/14	B	BCO	BRINKS CO COM	200	\$2.00	\$0.00	\$0.00
11/10/14	B	LPX	LOUISIANA PAC CORP COM	1,200	\$12.00	\$0.00	\$0.00
11/10/14	S	MATX	MATSON INC COM	200	\$2.00	\$0.00	\$0.00
11/10/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/10/14	S	TARO	TARO PHARMACEUTICAL INDS LTD SHS	100	\$1.00	\$0.00	\$0.00
11/11/14	B	BCO	BRINKS CO COM	300	\$3.00	\$0.00	\$0.00
11/11/14	B	LPX	LOUISIANA PAC CORP COM	200	\$2.00	\$0.00	\$0.00
11/11/14	B	LPX	LOUISIANA PAC CORP COM	300	\$1.50	\$0.00	\$0.00
11/11/14	S	MATX	MATSON INC COM	200	\$2.00	\$0.00	\$0.00
11/12/14	B	BCO	BRINKS CO COM	100	\$1.00	\$0.00	\$0.00
11/12/14	S	MATX	MATSON INC COM	400	\$4.00	\$0.00	\$0.00
11/13/14	B	BCO	BRINKS CO COM	100	\$1.00	\$0.00	\$0.00
11/14/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/17/14	B	HGR	HANGER INC COM NE	100	\$1.00	\$0.00	\$0.00
11/18/14	B	HGR	HANGER INC COM NE	200	\$2.00	\$0.00	\$0.00
11/18/14	B	HGR	HANGER INC COM NE	200	\$1.00	\$0.00	\$0.00
11/18/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/19/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/19/14	S	TARO	TARO PHARMACEUTICAL INDS LTD SHS	100	\$1.00	\$0.00	\$0.00
11/20/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/24/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/26/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
11/28/14	B	KOS	KOSMOS ENERGY LTD SHS	2,900	\$29.00	\$0.00	\$0.00
11/28/14	S	MATX	MATSON INC COM	100	\$1.00	\$0.00	\$0.00
Account Total:				10,800	\$105.50	\$0.00	
Grand Total:				10,800	\$105.50	\$0.00	









**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: 11/30/2014

**Summary of Directed Commission by Manager**

	Commission		Recapture Allocation	
	November	YTD	November	YTD
Columbia Management Advisors	\$898.14	\$1,477.89	\$479.01	\$788.21
Eagle Asset Management	556.14	1,284.45	292.04	701.25
Geneva Capital Management LLC	0.00	45.32	0.00	33.99
MFS Investment Management	0.00	106.97	0.00	69.58
<b>Total</b>	<b>\$ 1,454.28</b>	<b>\$ 2,914.63</b>	<b>\$ 771.05</b>	<b>\$ 1,593.03</b>

**Recapture Commission Activity**

Trade Date	Stim Date	Post Date	Side	Shares	Ticker	Security Description	Brokerage Account Number	Brokerage Account Name	Ex Brkr	Price	Commission	Recapture Allocation
<b>Columbia Management Advisors</b>												
10/01/2014	10/03/2014	11/24/2014	S	5,000	AMAT	APPLIED MATERIAL INC	3MB01C57	E53D BAY COUNTY	WEEDEN	21.0204	150.00	80.00
10/01/2014	10/03/2014	11/24/2014	S	6,000	C	CITIGROUP INC COM NEW	3MB01C57	E53D BAY COUNTY	WEEDEN	50.9731	180.00	96.00
10/09/2014	10/15/2014	11/24/2014	S	3,230	GPS	GAP INC DELAWARE	3MB01C57	E53D BAY COUNTY	WEEDEN	37.1621	96.90	51.68
10/28/2014	10/31/2014	11/24/2014	B	575	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.1239	17.25	9.20
10/28/2014	10/31/2014	11/24/2014	B	1,150	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.3834	34.50	18.40
10/28/2014	10/31/2014	11/24/2014	B	2,150	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.1089	64.50	34.40
10/28/2014	10/31/2014	11/24/2014	B	2,299	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.4884	68.97	36.78
10/28/2014	10/31/2014	11/24/2014	B	4,136	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.6146	124.08	66.18
10/28/2014	10/31/2014	11/24/2014	B	4,555	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	18.7865	136.65	72.88
10/29/2014	11/03/2014	11/24/2014	B	843	GLW	CORNING INC	3MB01C57	E53D BAY COUNTY	WEEDEN	19.9613	25.29	13.49
<b>Total for Columbia Management Advisors</b>											<b>\$ 898.14</b>	<b>\$ 479.01</b>
<b>Eagle Asset Management</b>												
10/29/2014	11/03/2014	10/30/2014	S	4,516	XOOM	XOOM CORP	3PF07W51	05231100 BAY CITY	CAPIS	15.2531	90.32	45.16
10/30/2014	11/04/2014	10/31/2014	B	2,940	P	PANDORA MEDIA INC	3PF07W51	05231100 BAY CITY	CAPIS	18.6883	58.80	29.40
11/03/2014	11/06/2014	11/04/2014	S	2,794	TNGO	TANGOE INC	3PF07W51	05231100 BAY CITY	CAPIS	14.7588	83.82	55.88
11/05/2014	11/10/2014	11/06/2014	S	2,940	P	PANDORA MEDIA INC	3PF07W51	05231100 BAY CITY	CAPIS	18.3738	58.80	29.40
11/06/2014	11/12/2014	11/07/2014	S	2,260	TNGO	TANGOE INC	3PF07W51	05231100 BAY CITY	CAPIS	12.0340	45.20	22.60
11/10/2014	11/14/2014	11/12/2014	B	2,833	KBH	KB HOME	3PF07W51	05231100 BAY CITY	CAPIS	16.6657	56.66	28.33
11/11/2014	11/14/2014	11/12/2014	B	4,305	CTIC	CTI BIOPHARMA CORP	3PF07W51	05231100 BAY CITY	CAPIS	2.1638	86.10	43.05

Account Executive: Jon Lantz

Phone: (214) 978-4778

Sales Assistant: Christilla Moreno

Phone: (214) 978-4743

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

CAPIS Account: 10263

Settlement Month Ending: 11/30/2014

**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 Revenues for both the month and the year-to-date.

Research Payment Detail reports by vendor the payments made from the Commission Allocation for Research, including service period covered, any commissions or fees, vendor invoice number, date paid, and the percentage allocated for in-house payments during the current month.

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

Trade Blotter shows the monthly detail of all brokerage transactions based on trade or settlement date and the corresponding Commission and Research Revenues 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 was 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 on commission generated through transactions. CAPIS reserves the right to refuse payment of any invoice.

The Commission Allocation for Research and Revenue 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 on the [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 notices 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 Investor 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 Nov 1, 2014 To Nov 30, 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	1,329.80	0.00	0.00	1,329.80
TERM CASH	0.00	182.17	0.00	0.00	182.17
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	1,511.97	0.00	0.00	1,511.97
TOTAL REBATES	0.00	-28.31	0.00	0.00	-28.31
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,540.28	0.00	0.00	1,540.28
BANK FEES	0.00	615.69	0.00	0.00	615.69
NET INCOME	0.00	924.59	0.00	0.00	924.59

ACCOUNT NUMBER : 2618668

ACCOUNT NAME : \*BAYCO - BAIRD -SL

CURRENCY : USD

OPEN CASH	1,534.08	0.00	0.00	0.00	1,534.08
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	1,534.08	0.00	0.00	0.00	1,534.08
TOTAL REBATES	904.39	0.00	0.00	0.00	904.39
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	629.69	0.00	0.00	0.00	629.69
BANK FEES	251.80	0.00	0.00	0.00	251.80
NET INCOME	377.89	0.00	0.00	0.00	377.89

# Securities Lending

## Summary Earnings Report for MR

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

From Nov 1, 2014 To Nov 30, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUMBER : 2622490					
ACCOUNT NAME : *BAYCO - MACKAY SHIELDS -SL					
CURRENCY : USD					
OPEN CASH	899.44	100.43	0.00	5.27	1,005.14
TERM CASH	0.00	4.49	0.00	0.00	4.49
NON CASH	298.18	0.00	0.00	0.00	298.18
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	1,197.62	104.92	0.00	5.27	1,307.81
TOTAL REBATES	-781.59	-3.94	0.00	-0.17	-785.70
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	1,979.21	108.86	0.00	5.44	2,093.51
BANK FEES	791.29	43.49	0.00	2.16	836.94
NET INCOME	1,187.92	65.37	0.00	3.28	1,256.57
ACCOUNT NUMBER : 2622536					
ACCOUNT NAME : *BAYCO - HOTCHKIS & WILEY -SL					
CURRENCY : USD					
OPEN CASH	0.00	867.33	0.00	340.55	1,207.88
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	0.00	21.49	0.00	0.00	21.49
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	888.82	0.00	340.55	1,229.37
TOTAL REBATES	0.00	-51.20	0.00	-20.97	-72.17
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	940.02	0.00	361.52	1,301.54
BANK FEES	0.00	373.93	0.00	143.79	517.72
NET INCOME	0.00	566.09	0.00	217.73	783.82

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# Securities Lending

## Summary Earnings Report for MR

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

From Nov 1, 2014 To Nov 30, 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	867.62	0.00	444.17	0.00	1,311.79
TERM CASH	0.00	0.00	0.00	0.00	0.00
NON CASH	22.51	0.00	0.00	0.00	22.51
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	890.13	0.00	444.17	0.00	1,334.30
TOTAL REBATES	-49.80	0.00	-204.59	0.00	-254.39
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	939.93	0.00	648.76	0.00	1,588.69
BANK FEES	375.37	0.00	259.21	0.00	634.58
NET INCOME	564.56	0.00	389.55	0.00	954.11

ACCOUNT NUMBER : 2649057

ACCOUNT NAME : \*BAYCO GENEVA CAPITAL MGMT -SL

CURRENCY : USD

OPEN CASH	0.00	1,697.43	0.00	126.19	1,823.62
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	1,697.43	0.00	126.19	1,823.62
TOTAL REBATES	0.00	-86.55	0.00	-7.83	-94.38
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,783.98	0.00	134.02	1,918.00
BANK FEES	0.00	712.97	0.00	53.57	766.54
NET INCOME	0.00	1,071.01	0.00	80.45	1,151.46

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# Securities Lending

## Summary Earnings Report for MR

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

From Nov 1, 2014 To Nov 30, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUMBER : 2653308					
ACCOUNT NAME : *BAYCO - INTEGRITY -SL					
CURRENCY : USD					
OPEN CASH	0.00	1,558.29	0.00	162.22	1,720.51
TERM CASH	0.00	4.31	0.00	0.00	4.31
NON CASH	0.00	7.90	0.00	3.71	11.61
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	1,570.50	0.00	165.93	1,736.43
TOTAL REBATES	0.00	-184.66	0.00	-22.41	-207.07
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,755.16	0.00	188.34	1,943.50
BANK FEES	0.00	700.87	0.00	75.22	776.09
NET INCOME	0.00	1,054.29	0.00	113.12	1,167.41
ACCOUNT NUMBER : 2663296					
ACCOUNT NAME : *BAYCO - CORNERSTONE REALES-SL					
CURRENCY : USD					
OPEN CASH	0.00	1,001.92	0.00	0.00	1,001.92
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	1,001.92	0.00	0.00	1,001.92
TOTAL REBATES	0.00	-84.70	0.00	0.00	-84.70
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,086.62	0.00	0.00	1,086.62
BANK FEES	0.00	433.77	0.00	0.00	433.77
NET INCOME	0.00	652.85	0.00	0.00	652.85

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# Securities Lending

## Summary Earnings Report for MR

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

From Nov 1, 2014 To Nov 30, 2014

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
ACCOUNT NUMBER : 2683854					
ACCOUNT NAME : *BAYCO - MFS INVESTMENTS -SL					
CURRENCY : USD					
OPEN CASH	0.00	1,778.75	0.00	163.99	1,942.74
TERM CASH	0.00	12.35	0.00	0.00	12.35
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	1,791.10	0.00	163.99	1,955.09
TOTAL REBATES	0.00	-133.64	0.00	-188.41	-322.05
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	1,924.74	0.00	352.40	2,277.14
BANK FEES	0.00	769.42	0.00	140.83	910.25
NET INCOME	0.00	1,155.32	0.00	211.57	1,366.89
ACCOUNT NUMBER : 2695063					
ACCOUNT NAME : *BAYCO - EAGLE ASSET -SL					
CURRENCY : USD					
OPEN CASH	0.00	1,476.10	0.00	38.06	1,514.16
TERM CASH	0.00	28.68	0.00	0.00	28.68
NON CASH	0.00	0.00	0.00	10.53	10.53
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	1,504.78	0.00	48.59	1,553.37
TOTAL REBATES	0.00	-797.87	0.00	-40.15	-838.02
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	0.00	2,302.65	0.00	88.74	2,391.39
BANK FEES	0.00	918.40	0.00	35.41	953.81
NET INCOME	0.00	1,384.25	0.00	53.33	1,437.58

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# Securities Lending

## Summary Earnings Report for MR

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

From Nov 1, 2014 To Nov 30, 2014

Page 6 of 6

	US FIXED	US EQUITY	GLOBAL FIXED	GLOBAL EQUITY	TOTAL
GRAND TOTAL					
CURRENCY : USD					
OPEN CASH	3,301.14	9,810.05	444.17	836.28	14,391.64
TERM CASH	0.00	232.00	0.00	0.00	232.00
NON CASH	320.69	29.39	0.00	14.24	364.32
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	3,621.83	10,071.44	444.17	850.52	14,987.96
TOTAL REBATES	73.00	-1,370.87	-204.59	-279.94	-1,782.40
COMMISSIONS	0.00	0.00	0.00	0.00	0.00
CLIENT EARNINGS	3,548.83	11,442.31	648.76	1,130.46	16,770.36
BANK FEES	1,418.46	4,568.54	259.21	450.98	6,697.19
NET INCOME	2,130.37	6,873.77	389.55	679.48	10,073.17

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**Northern Trust**

\* Generated on 30 Dec 14 12:01 No. 60525

REFUNDS: FOR THE MONTH ENDED:

December 31, 2014

EMPLOYEE/BENEFICIARY	CONTRIBUTIONS	PROCESSED	DEPARTMENT	TERMINATION
ROSZATYCKI, BETH	7,577.99	12/1/14	BABH	7/11/14
ANTHONY, STEPHANIE	586.71	12/1/14	BABH	12/15/11
DUROCHER, MARIANNE	11,832.62	12/3/14	BABH	8/1/14
BOURCIER-SCHULTZ, JILL	12,759.36	12/11/14	BABH	8/29/14
PROCTOR, SHANNON	517.70	12/22/14	BABH	10/16/14

TOTAL REFUNDS: 33,274.38

NEW RETIREE	CONTRIBUTIONS TRANSFERRED	RETIREMENT GROUP/ COUNTY DEPT	EFFECTIVE DATE
GONZALES, ROBERTO (CA	33,080.39	GENERAL - CIRCUIT COURT	11/27/2014
SZELOGOWSKI, JOHN	82,808.11	DWS	12/13/2014

DECEASED EMPLOYEE/ RETIREE	BENEFICIARY	REFUND/ PENSION	DATE OF DEATH	DIVISION/ DEPARTMENT
WHITMAN, ROSS	WHITMAN, JOANNE	558.99	11/22/2014	BABH

NO REFUNDS EMPLOYEE NAME	ACCUMULATED CONTRIBUTIONS	UNION GROUP	DATE TERMINATED
KINTNER, RICK	164.88	BMC RN/LPN	11/4/2014
LEWIS, PATRICIA	77.02	BMC USW	11/16/2014
SOCIA, MARISSA	8,355.54	BMC RN/LPN	11/6/2014
MC GEE, JENNIFER	252.55	BMC RN/LPN	11/20/2014
SOLINSKI, CRYSTAL	106.03	BMC NON-UNION	12/11/2014
SWITEK, ALICIA	114.05	BMC USW	12/10/2014

8,905.19

# Bay County, Michigan

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BAY COUNTY, MI  
 YEAR-TO-DATE BUDGET REPORT

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FOR 2014 12

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
<b>7310 RETIREMENT SYSTEM FUND</b>							
<b>73127400 RETIREMENT BOARD</b>							
<b>RA FUND BALANCE, NET AS</b>							
73127400.40001 FUND BALANCE	0	0	.00	.00	.00	.00	.0%
73127400.40003 FUND BALANCE-RESRVS	16,176	16,176	.00	.00	.00	16,176.00	.0%
73127400.40004 NET ASSETS - RESERY	3,763,344	3,755,344	.00	.00	.00	3,755,344.00	.0%
<b>TOTAL FUND BALANCE, NET AS</b>	<b>3,779,520</b>	<b>3,771,520</b>	<b>.00</b>	<b>.00</b>	<b>.00</b>	<b>3,771,520.00</b>	<b>.0%</b>
<b>RJ LOCAL UNIT CONTRIBUT</b>							
73127400.59401 ER CONTR-BEHAVE.HEA	-1,300,000	-1,300,000	-672,696.98	.00	.00	-627,303.02	51.7%*
73127400.59402 ER CONTR-MOSQUITO C	-13,000	-13,000	-12,112.85	-949.54	.00	-887.15	93.2%*
73127400.59403 ER CONTR-HEALTH FUN	-57,000	-57,000	-53,358.43	-4,656.97	.00	-3,641.57	93.6%*
73127400.59404 ER CONTR-ROAD COMM	-520,000	-520,000	-393,399.41	.00	.00	-126,600.59	75.7%*
73127400.59406 ER CONTR-LIBRARY	-130,000	-130,000	-127,184.07	.00	.00	-2,815.93	97.8%*
73127400.59407 ER CONTR-GOLF COURS	-6,000	-6,000	-3,656.56	-295.86	.00	-2,343.44	60.9%*
73127400.59408 ER CONTR-GENERAL FU	-375,000	-375,000	-358,600.57	-29,461.21	.00	-16,399.43	95.6%*
73127400.59409 ER CONTR-DWS	-250,000	-250,000	-267,370.75	.00	.00	17,370.75	106.9%
73127400.59410 ER CONTR-911 SERVIC	-45,000	-45,000	-41,563.53	-4,583.11	.00	-3,436.47	92.4%*
73127400.59411 ER CONTR-CHILD CARE	-40,000	-40,000	-37,906.86	-3,052.20	.00	-2,093.14	94.8%*
73127400.59412 ER CONTR-DIV ON AGI	-43,000	-43,000	-37,271.40	-3,405.80	.00	-5,728.60	85.7%*
73127400.59413 ER CONTR-RETIRE SYS	-1,800	-1,800	-1,791.98	-185.74	.00	-8.02	99.6%*
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	-5,170.07	-165.19	.00	3,170.07	258.5%*
73127400.59416 ER CONTR-HOME REHAB	-180	-180	-187.66	-4.28	.00	-200.41	104.3%
73127400.59418 ER CONTR-100% TAX P	-3,200	-3,200	-2,999.59	-221.54	.00	-200.41	93.7%*
73127400.59419 ER CONTR-MED CARE F	-700,000	-700,000	-517,778.32	-27.00	.00	-182,221.68	74.0%*
73127400.59424 ER CONTR-SELF INSUR	-500	-500	-438.65	-27.00	.00	-61.35	87.7%*
73127400.59427 ER CONTR-COMM CORRE	-3,100	-3,100	-1,485.51	-118.66	.00	-1,614.49	47.9%*
73127400.59429 ER CONTR-F.O.C. FUN	-2,100	-2,100	-2,331.46	-195.47	.00	231.46	111.0%*
73127400.59430 ER CONTR-HOUSING FU	-6,800	-6,800	-5,337.73	-414.45	.00	-1,462.27	78.5%*
73127400.59434 ER CONTR-LOCAL CFO	0	0	-216.16	.00	.00	216.16	100.0%
73127400.59499 ER CONTR-SHERIFF DE	0	0	-21,060.28	-1,917.54	.00	21,060.28	100.0%
73127400.59501 BE CONTR-BEHAVE.HEA	-580,000	-580,000	-324,732.37	.00	.00	-255,267.63	56.0%*

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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

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FOR 2014 12

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 59502 EE CONTR-MOSQUITO C	-12,500	-12,500	-12,112.85	-949.54	.00	-387.15	96.9%*
73127400 59503 EE CONTR-HEALTH FUN	-60,000	-60,000	-53,358.43	-4,656.97	.00	-6,641.57	88.9%*
73127400 59504 EE CONTR-ROAD COMM	-130,000	-130,000	-91,761.27	.00	.00	-38,238.73	70.6%*
73127400 59505 EE CONTR-LIBRARY	-75,000	-75,000	-54,938.88	-18,895.17	.00	-20,061.12	73.3%*
73127400 59507 EE CONTR-GOLF COUR	-4,800	-4,800	-3,656.57	-295.86	.00	-1,143.43	76.2%*
73127400 59508 EE CONTR-GENERAL FU	-500,000	-500,000	-386,265.08	-11,206.34	.00	-113,734.92	77.3%*
73127400 59509 EE CONTR-DWS	-85,000	-85,000	-67,903.69	.00	.00	-17,096.31	79.9%*
73127400 59510 EE CONTR-911 SERVIC	-62,000	-62,000	-59,532.71	-6,431.23	.00	-2,467.29	96.0%*
73127400 59511 EE CONTR-CHILD CARE	-40,000	-40,000	-37,906.86	-3,160.12	.00	-2,093.14	94.8%*
73127400 59512 EE CONTR-DIV ON AGI	-43,000	-43,000	-40,560.88	-3,405.80	.00	-2,439.12	94.3%*
73127400 59513 EE CONTR-RETIRE SYS	-1,800	-1,800	-1,791.98	-185.74	.00	-8.02	99.6%*
73127400 59514 EE CONTR-HOMELAND S	0	0	.00	.00	.00	.00	0.0%*
73127400 59515 EE CONTR-GYPSY MOTH	-1,900	-1,900	-1,880.58	-165.19	.00	-19.42	99.0%*
73127400 59516 EE CONTR-HOME REHAB	-180	-180	-187.66	-4.28	.00	7.66	104.3%*
73127400 59518 EE CONTR-100% TAX P	-3,000	-3,000	-2,999.59	-221.54	.00	-41	100.0%*
73127400 59519 EE CONTR-MED CARE F	-380,000	-380,000	-286,857.68	-27.00	.00	-93,142.32	75.5%*
73127400 59524 EE CONTR-SELF INSUR	-400	-400	-438.66	-27.00	.00	38.66	109.7%*
73127400 59527 EE CONTR-COMM CORRE	-3,100	-3,100	-1,485.51	-118.66	.00	-1,614.49	47.9%*
73127400 59529 EE CONTR-F.O.C. FUN	-2,100	-2,100	-2,331.46	-195.47	.00	-1,231.46	111.0%*
73127400 59530 EE CONTR-HOUSING FU	-6,800	-6,800	-5,337.74	-414.45	.00	-1,462.26	78.5%*
73127400 59534 EE CONTR-LOCAL CFO	0	0	-216.15	.00	.00	216.15	100.0%*
73127400 59539 EE CONTR-SHERIFF DE	-245,000	-245,000	-219,776.84	-18,078.68	.00	-25,223.16	89.7%*
TOTAL LOCAL UNIT CONTRIBUT	-5,738,760	-5,738,760	-4,219,952.26	-118,066.60	.00	-1,518,807.74	73.5%
RP INTEREST & RENTALS							
73127400 66400 INVESTMENT INTEREST	-5,000,000	-5,000,000	-3,333,313.77	.00	.00	-1,666,686.23	66.7%*
73127400 66500 GAIN ON SALE OF INV	-15,000,000	-15,000,000	-18,693,965.12	.00	.00	3,693,965.12	124.6%*
73127400 66501 UNREALIZED GAIN ON	-3,000,000	-3,000,000	.00	.00	.00	-3,000,000.00	.0%*
73127400 66502 GAIN ON FOREIGN CUR	-40,000	-40,000	-75,419.41	.00	.00	35,419.41	188.5%*
73127400 66600 SECURITIES LENDING	-300,000	-300,000	-156,910.53	.00	.00	-143,089.47	52.3%*
TOTAL INTEREST & RENTALS	-23,340,000	-23,340,000	-22,259,608.83	.00	.00	-1,080,391.17	95.4%
RR OTHER REVENUE							
73127400 67104 MISCELLANEOUS REVENU	0	0	.00	.00	.00	.00	.0%*
73127400 67600 REIMBURSEMENTS	0	0	.00	.00	.00	.00	.0%*
73127400 67601 REIMBURSEMENT - IND	0	0	.00	.00	.00	.00	.0%*

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FOR 2014 12

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 68900 TRADE-IN ALLOWANCE	0	0	.00	.00	.00	.00	.0%
73127400 69000 COMMISSION RECAPTUR	-25,000	-25,000	-6,403.68	.00	.00	-18,596.32	25.6%*
73127400 69200 CLAIMS/SETTLEMENTS/	-150,000	-150,000	-121,565.91	.00	.00	-28,434.09	81.0%*
TOTAL OTHER REVENUE	-175,000	-175,000	-127,969.59	.00	.00	-47,030.41	73.1%
<b>XE WAGES &amp; SALARIES</b>							
73127400 70300 SALARIES-ELECTED OR	57,460	57,460	35,558.90	3,332.17	.00	21,901.10	61.9%
73127400 70500 TEMPORARY HELP	12,740	12,740	11,020.90	937.14	.00	1,719.10	86.5%*
73127400 70501 PART TIME WAGES	7,349	7,349	8,967.06	678.17	.00	-1,618.06	122.0%*
73127400 70600 OVERTIME	2,809	2,809	363.94	.00	.00	2,445.06	13.0%*
73127400 70800 HOLIDAY PAY	0	0	1,594.14	370.24	.00	-1,594.14	100.0%*
73127400 71000 PER DIEM	3,420	3,420	2,655.00	630.00	.00	765.00	77.6%*
73127400 71200 VACATION PAY	0	0	1,894.91	.00	.00	-1,894.91	100.0%*
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	160.84	.00	.00	-160.84	100.0%*
TOTAL WAGES & SALARIES	83,778	83,778	62,215.69	5,947.72	.00	21,562.31	74.3%
<b>XF FRINGES</b>							
73127400 71500 SOCIAL SECURITY	4,740	4,740	4,311.41	371.77	.00	428.59	91.0%
73127400 71600 HEALTH INSURANCE	17,592	17,592	10,886.16	894.76	.00	6,705.84	61.9%*
73127400 71603 RETIREE HEALTH CARE	0	0	.00	.00	.00	.00	.0%
73127400 71632 EMPLOYEE INCENTIVE	219	219	.00	.00	.00	219.00	.0%
73127400 71700 LIFE INSURANCE	131	131	68.40	7.20	.00	62.60	52.2%
73127400 71800 RETIREMENT	4,598	4,598	3,771.98	371.48	.00	826.02	82.0%*
73127400 71900 OTHER FRINGE BENEFIT	652	652	.00	.00	.00	652.00	.0%
73127400 72001 SIF ADMINISTRATION	111	111	101.24	9.05	.00	9.76	91.2%*
73127400 72100 WORKERS' COMPENSATI	163	163	148.96	13.30	.00	14.04	91.4%*
73127400 72200 SICK AND ACCIDENT I	391	391	268.39	25.18	.00	122.61	68.6%*
73127400 72500 UNEMPLOYMENT COMPEN	358	358	327.55	29.25	.00	30.45	91.5%*
TOTAL FRINGES	28,955	28,955	19,884.09	1,721.99	.00	9,070.91	68.7%
<b>XI SUPPLIES</b>							
73127400 72700 OFFICE SUPPLIES	2,000	2,000	718.10	40.32	.00	1,281.90	35.9%

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	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73127400 72702 BOOK SUPPLIES	0	0	.00	.00	.00	.00	.0%
73127400 72800 PRINTING AND BINDIN	1,000	1,000	169.13	.00	.00	830.87	16.9%
73127400 72900 POSTAGE	300	300	461.13	.00	.00	-161.13	153.7%*
73127400 73000 MAGAZINES AND PERIO	600	600	.00	.00	.00	600.00	.0%
73127400 73301 COPIER / FAX SUPPLI	500	500	.00	.00	.00	500.00	.0%
73127400 74200 FOOD SUPPLIES	150	150	21.75	.00	.00	128.25	14.5%
73127400 74700 PHOTO & MICROFILM/F	0	0	.00	.00	.00	.00	.0%
73127400 75100 COMPUTER SUPPLIES	1,500	1,500	121.26	.00	.00	1,378.74	8.1%
TOTAL SUPPLIES	6,050	6,050	1,491.37	40.32	.00	4,558.63	24.7%
XL OTHER SERVICES AND C							
73127400 80100 PROFESSIONAL SERVIC	1,500,000	1,500,000	1,283,775.20	-14,479.30	.00	216,224.80	85.6%
73127400 80101 ACTUARIAL SERVICES	40,000	40,000	45,975.00	.00	.00	-5,975.00	114.9%*
73127400 80200 CONTRACTUAL SERVICE	0	0	.00	.00	.00	.00	.0%
73127400 81200 MEDICAL SERVICES	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 81400 INVESTMENT/BANK SER	230,000	230,000	198,464.37	.00	.00	31,535.63	86.3%
73127400 81700 LEGAL FEES	7,500	7,500	2,898.00	.00	.00	4,602.00	38.6%
73127400 81900 CONSULTANTS	125,000	125,000	140,000.00	105,000.00	.00	-15,000.00	112.0%*
73127400 82000 MEMBERSHIPS AND DUE	550	550	325.00	.00	.00	225.00	59.1%
73127400 82900 FILING FEES	250	250	85.00	.00	.00	165.00	34.0%
73127400 83500 HEALTH SERVICES	0	0	.00	.00	.00	.00	.0%
73127400 85200 TELEPHONE	420	420	97.57	.33	.00	322.43	23.2%
73127400 86100 CONFERENCE FEES & E	15,000	15,000	11,697.40	29.00	24.11	3,278.49	78.1%
73127400 86500 STATE TRAVEL MILEAG	2,000	2,000	2,285.75	.00	.00	-285.75	114.3%*
73127400 86600 LOCAL TRAVEL MILEAG	300	300	248.46	79.52	.00	51.54	82.8%
73127400 87500 PENSION PAYMENTS	13,000,000	13,000,000	11,613,964.14	139.00	.00	1,386,035.86	89.3%
73127400 90000 PRINTING/PUBLISHING	500	500	139.00	.00	.00	361.00	27.8%
73127400 90100 LEGAL NOTICES	1,000	1,000	.00	.00	.00	1,000.00	.0%
73127400 93100 EQUIPMENT REPAIR &	5,000	5,000	1,200.00	.00	.00	500.00	100.0%*
73127400 93700 HARD/SOFTWARE REPAI	500	500	466.24	.00	.00	-1,200.00	9.3%
73127400 94601 EQUIPMENT RENTAL-CQ	95,437	95,437	25.00	.00	.00	4,533.76	5.0%
73127400 95500 MISCELLANEOUS	95,437	95,437	95,437.00	7,953.08	.00	475.00	100.0%
73127400 95600 INDIRECT COST EXPEN	1,500	1,500	270.00	.00	.00	.00	100.0%
73127400 96200 EDUCATION AND TRAIN	10,000,000	10,000,000	2,571,711.55	.00	.00	7,428,288.45	25.7%
73127400 96201 UNREALIZED LOSS ON	0	0	.00	.00	.00	.00	.0%
73127400 96203 LOSS ON FOREIGN CUR	100,000	100,000	65,129.51	.00	.00	34,870.49	65.1%
73127400 96401 CONTRIB REFUND-GENE	60,000	60,000	71,419.94	.00	.00	-11,419.94	119.0%*
73127400 96402 CONTRIB REFUND-SHER	5,000	5,000	481.14	.00	.00	4,518.86	9.6%
73127400 96403 CONTRIB REFUND-ROAD	5,000	5,000	13,344.39	.00	.00	-8,344.39	266.9%*

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73127400 96404 CONTRIB REFUND-MED	40,000	40,000	55,696.30	.00	.00	-15,696.30	139.2%*
73127400 96405 CONTRIB REFUND-B.A.	50,000	50,000	170,947.17	.00	.00	-120,947.17	341.9%*
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	21,238.57	.00	.00	761.43	96.5%
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	160.99	.00	.00	-160.99	100.0%*
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	25,321,457	25,321,457	16,367,482.69	98,821.63	24.11	8,953,950.20	64.6%
<b>XQ CAPITAL OUTLAY</b>							
73127400 98001 COMPUTER SOFTWARE	34,000	42,000	8,000.00	.00	34,000.00	.00	100.0%
TOTAL CAPITAL OUTLAY	34,000	42,000	8,000.00	.00	34,000.00	.00	100.0%
TOTAL RETIREMENT BOARD	0	0	-10,148,456.84	-11,534.94	34,024.11	10,114,432.73	100.0%
TOTAL RETIREMENT SYSTEM FUND	0	0	-10,148,456.84	-11,534.94	34,024.11	10,114,432.73	100.0%
TOTAL REVENUES	-25,474,240	-25,482,240	-26,607,530.68	-118,066.60	.00	1,125,290.68	
TOTAL EXPENSES	25,474,240	25,482,240	16,459,073.84	106,531.66	34,024.11	8,989,142.05	
GRAND TOTAL	0	0	-10,148,456.84	-11,534.94	34,024.11	10,114,432.73	100.0%

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

BCERS Invoices Approved: December

Invoice Date	Vendor	Amount	Description
7/24/2014	Baird	18,698.51	Q2 money manager fee
10/2/2014	The Bogdahn Group	\$ 35,000.00	Q4 consulting fee
10/22/2014	Baird	18,737.26	Q3 money manager fee
10/28/2014	Cornerstone	18,084.93	Q4 money manager fee
11/2/2014	Dell	\$ 160.99	monitor for retirement admin
11/17/2014	GFOA	\$ 140.00	19th Annual Gov. GAAP Update web training for R. Marsters
11/25/2014	Bay City Democratic Press	139.00	ballots for Dec 9 retirement election
11/26/2014	CDW	\$ 335.62	printer w/envelope tray for retirement typist clerk
12/5/2014	Mackay Shields	\$ 23,326.96	Q4 money manager fee
12/10/2014	various	\$ 698.41	per diem/mileage for election inspectors & tally clerks for Dec. 9 election

CANVASS OF VOTES CAST  
AT THE  
BAY COUNTY RETIREMENT SYSTEM BOARD ELECTION  
GENERAL GROUP  
AND BAY ARENAC BEHAVIORAL HEALTH EMPLOYEES  
HELD ON  
TUESDAY, DECEMBER 9, 2014

STATEMENT OF VOTES

The statement of votes polled in the two voting precincts of the Bay County Retirement Board Election, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments, held on Tuesday, Tuesday December 9, 2014 and filed with the County Clerk and this board having duly examined and considered said statement the whole number of votes given the office of Bay County Retirement Board Trustee, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments were as follows:

RETIREMENT BOARD TRUSTEE, GENERAL GROUP

Total number of votes cast:           Seventy           (70)

Michael Grzegorzczuk received:       Seventeen       (17)

Jon Morse received:                   Fifty three       (53)

Jon Morse was declared elected Bay County Retirement Board Trustee, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments for a three (3) year term of office.

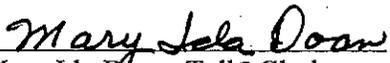
County of Bay  
State of Michigan

We do hereby certify that the foregoing is a correct statement of votes cast at the Bay County Retirement Board Election, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments, held on Tuesday, December 9, 2014.

We further certify that the Board of Election Inspectors at said Bay County Retirement Board Election, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments, held on Tuesday, December 9, 2014, in its return certified that:

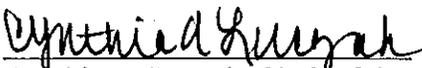
1. All Election Inspectors took the Constitutional Oath of Office before entering on the duties as a member of such board.
2. The polls of election were declared open at 8:00 a.m. and were kept open continuously until 4:00 p.m. on said Tuesday, December 9, 2014.
3. All members of the Bay County Retirement Board, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments, held on Tuesday, December 9, 2014 who were eligible to vote were permitted to vote at the Bay County Retirement Board Election, General Group, all Bay County employees and all Bay Arenac Behavioral Health employees excluding Bay Medical Care Facility, Road Commission, Department of Water and Sewer, Library & Sheriff Departments, held on Tuesday, December 9, 2014.

IN WITNESS WHEREOF, WE HAVE  
HEREUNTO set our hands and caused to  
Be affixed the seal of the Circuit Court for  
the County of Bay this 10<sup>th</sup> day of  
December 2014.

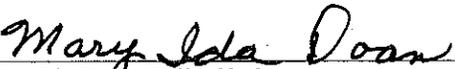
  
Mary Ida Doan, Tally Clerk

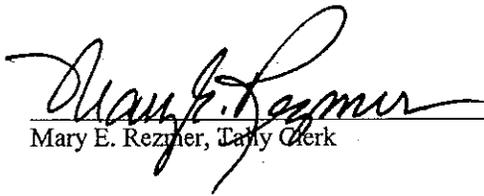
  
Mary E. Rezmus, Tally Clerk

A TRUE COPY ATTEST:

  
Cynthia A. Luczak, Clerk of the  
County of Bay, State of Michigan

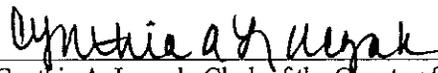
WE THE UNDERSIGNED DO HEREBY CERTIFY  
THE ABOVE RESULTS TO BE A TRUE AND  
ACCURATE ACCOUNT OF THE ELECTION  
HELD ON TUESDAY DECEMBER 9, 2014

  
\_\_\_\_\_  
Mary Ida Doan, Tally Clerk

  
\_\_\_\_\_  
Mary E. Rezymer, Tally Clerk

DATED: DECEMBER 10, 2014

A TRUE COPY ATTEST:

  
\_\_\_\_\_  
Cynthia A. Luczak, Clerk of the County of Bay,  
State of Michigan

**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:** BCERSSECURITIES LITIGATION POLICY

**DATE:** DECEMBER 23, 2014

**Background:**

This policy was suggested by outside counsel, Mr. Thomas Michaud, as a best practice.

The BCERS Board heard presentations from Northern Trust and VanOverbeke, Michaud & Timmony, P.C. regarding the securities litigation services that are available. The Board voted to have their securities litigation activities handled exclusively by the custodian bank, Northern Trust. Northern Trust processes available claims but does not seek lead plaintiff status. This Securities Litigation Policy seeks to memorialize the Board's vote and direct the custodian bank to continue processing claims on behalf of the Bay County Employees Retirement System.

**RECOMMENDATION:** THAT THIS BOARD APPROVE THIS POLICY AT THE  
MEETING SCHEDULED ON JANUARY 13, 2015.

**BAY COUNTY RETIREMENT BOARD**

1/13/2015

**RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

WHEREAS, This policy was suggested by outside counsel, Mr. Thomas Michaud, as best practice.

WHEREAS, The BCERS Board heard presentations from Northern Trust and VanOverbeke, Michaud & Timmony, P.C. regarding the securities litigation services that are available.

WHEREAS, The Board voted to have their securities litigation activities handled exclusively by the custodian bank, Northern Trust.

WHEREAS, Northern Trust processes available claims but does not seek lead plaintiff status.

WHEREAS, This Securities Litigation Policy seeks to memorialize the Board's vote and direct the custodian bank to continue processing claims on behalf of the Bay County Employees' Retirement System.

RESOLVED That this Board approve this policy at the meeting scheduled on January 13, 2015.

STEVE GRAY, CHAIR  
AND BOARD

BCERS SECURITIES RESOLUTION POLICY

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 EMPLOYEES RETIREMENT SYSTEM**

**POLICY RESOLUTION**

**Adopted:**

**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.

**BAY COUNTY RETIREMENT BOARD  
1/13/2015  
RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

WHEREAS, Northern Trust no longer offers the cash collateral pool BCERS currently participates in. In order to continue accepting cash as collateral for the securities lending program, the Board needs to select a different cash collateral investment fund through an addendum to the Securities Lending Authorization Agreement.

WHEREAS, An amendment to this agreement is also requested to update disclosure and confidentiality, the fee schedule and indemnity.

WHEREAS, The BCERS Board heard a presentation last month from Northern Trust regarding the securities lending funds that are available.

WHEREAS, The Bogdahn Group recommends the Northern Trust Collective SL Core Short Term Investment Funds (SL Core STIF).

WHEREAS, The fee schedule presented is a 70/30 split.

RESOLVED That, upon favorable review by Corporation Counsel, this Board approve the addendum and amendment to the Securities Lending Authorization Agreement at the meeting scheduled on January 13, 2015.

STEVE GRAY, CHAIR  
AND BOARD

**BCERS SECURITY LENDING AUTHORIZATION AGREEMENT ADDENDUM & AMENDMENT**

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 \_\_\_\_\_

80

**CASH COLLATERAL ADDENDUM TO  
SECURITIES LENDING AUTHORIZATION AGREEMENT**

between the \_\_\_\_\_,  
and THE NORTHERN TRUST COMPANY

This Addendum (the "Addendum") is entered into by and between \_\_\_\_\_ (the "Lender") and The Northern Trust Company (the "Agent"), with effect as of \_\_\_\_\_, 2015. The Addendum shall govern the terms by which Cash Collateral is accepted by Agent and invested by Agent or its affiliates, all on behalf of Lender and in connection with Loans entered into pursuant to the terms of that certain Securities Lending Authorization Agreement entered into by Lender and Agent, dated of \_\_\_\_\_ and as amended from time to time (the "Agreement").

**WHEREAS**, pursuant to the Agreement, Lender directed Agent to accept Collateral for Loans entered into by Agent on behalf of Lender and invest such Collateral in Lender's preferred Collateral Section;

**WHEREAS**, Agent will no longer offer the Collateral Section selected by Lender pursuant to the Agreement;

**WHEREAS**, Lender desires that Agent would continue to accept Cash Collateral for Loans entered into by Agent on behalf of Lender and invest such Cash Collateral on behalf of Lender in certain permitted investments in accordance with guidelines approved by Lender; and

**WHEREAS**, Agent and Lender desire to modify certain terms of the Agreement to set forth terms governing Agent's acceptance of Cash Collateral and investment of such Cash Collateral on behalf of Lender;

**NOW THEREFORE**, in consideration of the mutual agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Cash Collateral.** The following provisions shall govern the acceptance of Cash Collateral and the investment of such Cash Collateral. All other general provisions of the Agreement (including, without limitations, provisions related generally to Collateral and specifically to Non-Cash Collateral) shall continue in full force and effect.

1.1 *Cash Collateral.* If Agent is to accept and invest Cash Collateral on behalf of Lender pursuant to this Section 3, Lender shall direct Agent to accept and invest Cash Collateral in the Collateral Fund selected by Lender on Exhibit I (Collateral Authorization Form). By directing Agent to accept and invest Cash Collateral in the selected Collateral Fund, Lender thereby authorizes Agent, in Agent's discretion, (a) to accept in exchange for Borrowed Securities, Cash Collateral having an initial Market Value of not less than (i) 102% of the Market Value of the Borrowed Securities or (ii) 105% of the Market Value of the Borrowed Securities, if the Borrowed Securities and the Collateral are denominated in different currencies, (b) to invest any Cash Collateral for such Loans in any of the types of eligible investments described in the applicable Collateral Fund and

(c) otherwise to act with respect to Cash Collateral in compliance with the applicable Collateral Fund.

1.2 *Authorization to Invest in Collateral Fund.* (a) Lender hereby authorizes Agent to take all actions necessary and appropriate to cause Cash Collateral related to Lender's Loans to be invested in the Collateral Fund designated by Lender on Exhibit I (Collateral Authorization Form) attached hereto, including without limitation, to convert (in cash or in-kind) Lender's interest in its applicable Collateral Section into an interest in the Collateral Fund designated by Lender on Exhibit I (Collateral Authorization Form) attached hereto, provided that in so doing Agent shall give due regard to any operational requirements and the best interests of the participants taken as a whole in each Collateral Section and Collateral Fund.

(b) Lender may change the designation of a particular Collateral Fund at any time by completing and signing a new Collateral Authorization Form (or other appropriate amendment) and returning it to Agent. Lender hereby authorizes Agent to take all actions necessary and appropriate to give effect to any such amendment, including without limitation, conversion (in cash or in-kind) of Lender's interest in its applicable Collateral Fund into an interest in the new Collateral Fund designated by Lender pursuant to any such amendment, provided that in so doing Agent shall give due regard to any operational requirements and the best interests of the participants taken as a whole in each applicable Collateral Fund.

(c) The designation by Lender of a Collateral Fund pursuant to this Addendum shall prevail over any contrary provisions of any other instrument between the parties concerning investment of Cash Collateral related to Lender's Loans.

(d) Any action taken by Agent pursuant to this Section 1.2 shall be taken as promptly as possible after Agent's receipt of a properly executed Collateral Authorization Form (or other appropriate amendment) from Lender, giving due regard to any operational requirements and the best interests of the participants taken as a whole in each applicable Collateral Section or Collateral Fund.

1.3 *Collateral Deficiency.* Any loss arising from a Collateral Deficiency shall be allocated pro rata among all the Participating Lenders within a Collateral Fund as of the date the Collateral Deficiency occurs, based on each Participating Lender's interest in the Collateral Fund on such date.

1.4 *Confidentiality.* In addition to the confidentiality provisions set forth in the Agreement, Lender authorizes Agent to disclose, to any Borrower, broker-dealer or collateral reinvestment counter-party who at any time so requests, any information Agent reasonably believes is necessary to effectuate Loans and accept Collateral related thereto and invest Cash Collateral in accordance with Exhibit I, including without limitation, the names of the Collateral Fund in which Lender invests its Cash Collateral. Before disclosing any information described herein to a Borrower, counter-party or broker-

dealer, as applicable, who has requested it, Agent shall obtain from such Borrower, counter-party or broker-dealer as applicable, as a condition for such disclosure, a written agreement (which may be the Borrowing Agreement) requiring that such information be held in confidence.

**2. Definitions.** For the purposes of this Addendum and except as otherwise set forth herein, the following definitions shall apply. Notwithstanding the foregoing, capitalized terms used but not defined herein shall have the meanings set forth in the Agreement.

2.1 "Cash Collateral" shall include cash in the form of US Dollars and all other currencies agreed to by Agent and Lender as set forth on Exhibit I (Collateral Authorization Form).

2.2 "Collateral Deficiency" shall mean, with respect to any Collateral Fund, (i) any loss of principal value of a specific investment of Cash Collateral held in such Collateral Fund or (ii) any decline in the net asset value of a Collateral Fund, each as determined by Agent's applicable governance committee in its discretion.

2.3 "Collateral Fund" shall mean a vehicle formed by or at the direction of Agent or its affiliates for the purpose of making certain permitted investments with the Cash Collateral received by the Agent for the benefit of Participating Lenders (including Lender) that accept Cash Collateral for Loans, all subject to and in accordance with this Addendum, the Agreement and the governing documents of such Collateral Fund (as amended from time to time) describing (i) the types of permitted investments of Cash Collateral within a particular Collateral Fund, (ii) the investment guidelines and characteristics of the Collateral Fund; and (iii) any other applicable information concerning the Collateral Fund (and shall include, without limitation, Northern Trust Collective SL Core Short Term Investment Fund and Northern Trust Institutional Liquid Assets Portfolio). For the avoidance of doubt, all references to "Collateral Section" under the Agreement shall be references to the "Collateral Fund" except to the extent "Collateral Section" refers to Non-Cash Collateral, which is governed by terms and conditions not within the scope of this Addendum.

**3. ERISA and Other Eligibility Matters for Collective Collateral Fund.**

3.1 *Certain Acknowledgments, Representations and Warranties.* (a) The Authorizing Fiduciary hereby acknowledges that, in order to invest and participate in Northern Trust Collective SL Core Short Term Investment Fund, a collective fund maintained by Northern Trust Investments, Inc., an affiliate of The Northern Trust Company, (the "Collective Collateral Fund"), Lender must satisfy all applicable requirements for participation as set forth in the declaration of trust under which the Collective Collateral Fund is maintained (the "Trust Declaration"), the federal securities law exemptions applicable to collective trust funds maintained by a bank, and any applicable rules, regulations or other determinations of the U.S. Internal Revenue Service (including, without limitation, any applicable Treasury Regulations or Revenue Rulings promulgated under the U.S. Internal Revenue Code of 1986, as amended from time to time (the "Code")) or the U.S. Securities and Exchange Commission, as amended from time to

time, regarding participation in a collective trust fund maintained by a bank or trust company in the form of a "group trust." Therefore, the Authorizing Fiduciary, on behalf of Lender and in respect of Lender's investment of Cash Collateral in the Collective Collateral Fund, makes each of the foregoing acknowledgments, representations and warranties to Agent:

- (i) To the extent required by applicable law, the Trust Declaration is hereby incorporated by reference in, and adopted as a part of, the Lender's applicable plan, trust and other governing documents.
- (ii) If Lender is a "Qualified Plan" as defined in and subject to ERISA:
  - (A) Lender is qualified under Code Section 401(a) and satisfies, among other applicable requirements, Treasury Regulation §1.401(a)-2, as amended (exclusive benefit requirement),
  - (B) Lender is subject to the fiduciary responsibility standards of Part 4 of Subtitle B of Title I of ERISA,
  - (C) Lender is funded by a trust which is exempt from United States federal income taxation under Code Section 501(a),
  - (D) Lender does not cover any self-employed individuals within the meaning of Code Section 401(c)(1), and
  - (E) Lender is maintained pursuant to a plan or trust instrument which authorizes it to participate in a common, collective, or commingled trust fund, including the Collective Collateral Fund.
- (iii) If Lender is a "Puerto Rican Plan" as defined in and subject to ERISA:
  - (A) Lender makes each of the representations and warranties set forth in Section 3.1(a)(ii)(B), (D), and (E) hereof, and
  - (B) Lender is described in and satisfies applicable requirements of ERISA Section 1022(i)(1), and Revenue Ruling 2011-1, as modified by Revenue Ruling 2014-24.
- (iv) If Lender is a "Governmental Plan" as defined in Code Section 414(d):
  - (A) Lender is established and maintained for its employees by the U.S. Government, by the government of a State or political subdivision thereof, or by an agency or instrumentality of the foregoing, within the meaning of Code Section 414(d),

(B) Lender is either (A) qualified under Code Section 401(a) and satisfies, among other applicable requirements, Treasury Regulation §1.401(a)-2, as amended (exclusive benefit requirement); (B) an eligible deferred compensation plan within the meaning of Code Section 457(b) that is established and maintained by an eligible governmental employer described in Code Section 457(e)(1)(A), and satisfies, among other applicable requirements, Treasury Regulation §1.457-8(a)(2)(i), as amended (exclusive benefit requirement); or (C) a governmental plan other than a plan described in the preceding boxes, but described in Code Section 401(a)(24),

(C) Lender is not subject to Federal income taxation,

(D) Lender has been established by a governmental employer for the exclusive benefit of its employees or their beneficiaries for the purpose of distributing to such employees or their beneficiaries the corpus and income, if any, of the funds accumulated under Lender,

(E) The governing instrument or legislation providing for establishment of Lender expressly provides that it is impossible for any part of the corpus or income of Lender to be used for, or diverted to, purposes other than the exclusive benefit of employees or their beneficiaries, prior to the satisfaction of all liabilities of Lender with respect to such employees or their beneficiaries, and

(F) Lender is not funded by an annuity contract described in Code Section 403(b).

(v) If Lender is a "Commingled Fund":

(A) Lender is a tax-exempt group trust that meets the requirements for participation as set forth in the Trust Declaration and Authorizing Fiduciary has received or has requested a favorable determination letter from the U.S. Internal Revenue Service confirming Lender's status as a tax-exempt "group trust,"

(B) Lender consists solely of assets of (1) benefit plans as described in Sections 3.1(a)(ii)-(iv) hereof that have each provided representations and warranties to the Authorizing Fiduciary comparable to those set forth in Sections 3.1(a)(ii)-(iv) hereof, (2) other tax-exempt group trusts that meet the requirements of this Section 3.1, and (3) Insurance Company Separate Accounts described in Section 3.1(a)(vi) hereof, and

(C) Lender is maintained pursuant to a governing instrument that authorizes Lender to participate in a common, collective, or commingled trust fund, including the Collective Collateral Fund.

(vi) If Lender is an "Insurance Company Separate Account":

(A) Lender is an Insurance Company Separate Account as defined in Investment Company Act Section 2(a)(17), and

(B) Lender funds a contract offered to and held solely by plans described in Sections 3.1(a)(ii)-(iv) hereof that each have provided representations and warranties to the Authorizing Fiduciary comparable to those set forth in Sections 3.1(a)(ii)-(iv) hereof.

(b) In accordance with the foregoing Section 3.1(a), the Authorizing Fiduciary hereby agrees to notify Agent promptly in the event that Lender no longer meets the conditions for eligibility specified in Section 3.1(a) or is for any other reason disqualified from continuing to participate in the Collective Collateral Fund. Accordingly, the Authorizing Fiduciary further agrees to furnish such other information or assurances as Agent may request in order to determine or confirm Lender's continued eligibility to participate in the Collective Collateral Fund. Such information or assurances may include written representations regarding Lender's tax status and other information (including, for example, an opinion of counsel or a copy of a U.S. Internal Revenue Service determination letter), and such other assurances as Agent may deem necessary or advisable.

4. **Governing Law.** This Addendum will be governed by, and construed in accordance with laws governing the Agreement.
5. **Entire Agreement.** With respect to the subject matter contained herein, this Addendum prevails over any contrary provisions of any other securities lending agreement (whether written or oral) between the parties and except as specifically amended hereby, the Agreement shall remain in full force and effect. The invalidity or unenforceability of any provision of this Addendum shall not affect the validity and enforceability of any other provision hereof.
6. **Counterparts.** This Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts shall, together, constitute only one instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto, by their respective duly authorized officers, have executed this Addendum to the Agreement intending it to be effective as of the day and year set forth above.

[LENDER], executed on behalf of Lender by  
\_\_\_\_\_, its Authorizing Fiduciary

By: \_\_\_\_\_

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

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

AGREED TO AND ACCEPTED BY:  
THE NORTHERN TRUST COMPANY

By: \_\_\_\_\_

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

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

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

**EXHIBIT I**  
**COLLATERAL AUTHORIZATION FORM**

**CASH COLLATERAL**

Permitted Cash Collateral

Lender hereby authorizes Agent to accept in respect of Loans permitted under the Agreement the types of Cash Collateral set forth below.

**US Dollars**

Authorized Collateral Fund

With respect to each of the Accounts participating in Securities Lending Program and for any additional Accounts to be added to the Securities Lending Program in the future, Lender hereby authorizes Agent to invest, on behalf of Lender, such Cash Collateral in the Collateral Fund indicated below.

**Northern Trust Collective SL Core Short Term Investment Fund (SL Core STIF)**

By signing this Collateral Authorization Form, Lender acknowledges that it has read and agrees to be bound by the terms of the applicable Collateral Fund. The authorizations contained herein supersede any prior instruction or direction furnished in any form by Lender to Agent with respect to Collateral for Loans and any prior agreement concerning types of permitted Collateral for Loans. This Exhibit I may be amended from time to time by the parties in writing as set forth in the Agreement.

[LENDER], executed on behalf of Lender by  
\_\_\_\_\_, its Authorizing Fiduciary

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**SCHEDULES TO EXHIBIT I**  
***COLLATERAL AUTHORIZATION FORM***

See attached:

- Declaration of Trust of Northern Trust Collective SL Core Short Term Investment Fund, a collective fund maintained by Northern Trust Investments, Inc., an affiliate of The Northern Trust Company
  
- Fund Declaration of Northern Trust Collective SL Core Short Term Investment Fund

**FIRST AMENDMENT TO  
SECURITIES LENDING AUTHORIZATION AGREEMENT**  
Between BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM ("BCERS"), and  
THE NORTHERN TRUST COMPANY,  
Dated \_\_\_\_\_

**WHEREAS:**

- I. Reference is made to the securities lending authorization agreement between The Northern Trust Company (the "**Agent**") and BCERS (the "**Lender**"), dated September 7, 2000, as amended from time to time (the "**Agreement**").
- II. In addition to the provisions contained in the Agreement, the Agent and the Lender wish to amend the Agreement, as set out in this agreement (the "**Amendment Agreement**").

**NOW THEREFORE**, in consideration of the mutual agreements herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

- A) **Disclosure and Confidentiality.** Pursuant to Clause 14.1 of the Agreement, Section 11 of the Agreement is hereby amended and restated as follows:

11. **Disclosure and Confidentiality.** Lender authorizes Agent to disclose, to any Borrower who at any time so requests, (1) Lender's name; (2) the fact that Lender has authorized Agent to lend its Securities to the Borrower; (3) the fact that specific Securities loaned to the Borrower are owned by Lender; (4) any publicly available financial information concerning Lender in Agent's possession; and (5) any other information the Agent reasonably believes is necessary to effectuate the transactions contemplated herein, including tax I.D. numbers. Lender also authorizes Agent to disclose to any collateral reinvestment counter-party or broker-dealer any information Agent reasonably believes is necessary to effectuate collateral reinvestment in accordance with Schedule B. Before disclosing any information described in this Section 11 to a Borrower or counter-party or broker-dealer, as applicable, who has requested it, Agent shall obtain from the Borrower or counter-party or broker-dealer as applicable, as a condition for such disclosure, a written agreement (which may be the Borrowing Agreement) requiring that such information be held in confidence.

- B) **Miscellaneous.** Pursuant to Clause 14.1 of the Agreement, a new Section 14.6 is hereby added to the Agreement as follows:

14.6 Agent uses the services of EquiLend, a joint venture in which Agent has an indirect ownership interest, as further described in the EquiLend Annex attached hereto. EquiLend provides Agent with certain services and data analysis tools and Agent may purchase or license data or analytic tools from EquiLend. No Participating Lender will be required to pay any additional fees relating to any such services or tools provided by EquiLend to Agent.

C) **Indemnity.** Pursuant to Clause 14.1 of the Agreement, Section 16 of the Agreement is hereby amended and restated as follows:

**16. Indemnification.**

16.1 Agent shall indemnify, defend and hold Lender harmless from and against any losses, damages, costs and expenses (other than special, incidental, indirect or consequential losses, damages, costs or expenses) Lender may incur if Agent is unable to recover Borrowed Securities and distributions made during the term of the Loan or Loans with respect to those Securities as a result of:

(i) Agent's failure to make a reasoned determination of the creditworthiness of a Borrower through adequate analysis of all material, public information available to Agent's credit committee before lending a security as provided in section 2 of this Agreement and during the term of the Loan or Loans a Filing occurs;

(ii) Agent's failure to demand adequate and appropriate Collateral on a prompt and timely basis as provided in section 4 hereof, perfect a security interest or obtain rights equivalent thereto in the Collateral, maintain control of the Collateral as provided in this Agreement or make a reasoned determination of the quality and suitability of Collateral investments through adequate analysis of all material, public information available to Agent's applicable committee; or

(iii) Agent's failure otherwise to perform its duties and responsibilities under this Agreement in accordance with the terms of this Agreement or applicable law.

16.2 Irrespective of the applicability of paragraph 16.1, in the event of a Default by a Borrower that is not a Sale-Related Default, Agent shall (1) credit Lender's Account with the amount of distributions made with respect to the Borrowed Securities of Lender that are due and payable by the Borrower on or before the date of Default but not so paid and (2) transfer into Lender's Account replacement Securities that are Equivalent Securities by purchasing such securities in the principal market in which such securities are traded; except that Agent may, at its option, in lieu of replacing some part or all of the Borrowed Securities, credit Lender's Account with an amount equal to the Market Value on the Default Date of Borrowed Securities not replaced, which amount shall be satisfiable at Agent's option in cash, or by a transfer to Lender's Account of Collateral securities valued as of the Default Date, or by a combination of both cash and Collateral securities so valued.

16.3 Irrespective of the applicability of paragraph 16.1, in the event a Borrower fails to return Borrowed Securities upon termination of a Loan, and such failure constitutes a Sale-Related Default, Agent shall, in accordance with Agent's Investment Manager Guidelines then in effect, in lieu of the indemnification provided in paragraph 16.2, (a) waive any overdraft charges arising from any investment made for Lender's account in anticipation of timely

receipt of the proceeds, (b) credit Lender's account with interest at the Lender's applicable short-term investment rate on the sale proceeds not reinvested up to the date such proceeds are credited to the Account, (c) credit Lender with the amounts of any distributions made with respect to such Borrowed Securities that have not otherwise been received by the Lender and (d) indemnify Lender from and against any Buy-in Costs or other direct expenses for which Lender would otherwise be liable as a result of the failure of the sale to settle in a timely fashion.

16.4 For purposes of this section 16, the following definitions shall apply.

16.4.1 "Buy-in Costs" shall mean out-of-pocket expenses incurred by Lender in connection with the failed settlement of a sale of Lender's Securities that are on loan hereunder at the time of sale, as a result of the purchase of substitute securities at a higher price by the buyer's broker in accordance with applicable exchange rules.

16.4.2 "Default" shall mean (a) a Filing, or (b) any other failure by a Borrower to return Borrowed Securities within the time period allowed by the relevant Borrowing Agreement after demand by Agent, except such a failure that is waived by Agent or cured by the Borrower within one business day of the Borrower after the Default Date.

16.4.3 "Default Date" shall mean, with respect to any Default, the earliest date on which the Agent is entitled under the provisions of the applicable Borrowing Agreement to treat the relevant Loan or Loans to the Borrower as having terminated.

16.4.4 "Investment Manager Guidelines" shall mean the rules and procedures established by Agent governing the conduct of securities transactions in its custodial accounts and the required communications between Agent and its custodial clients and their investment managers regarding those transactions.

16.4.5 "Sale-Related Default" shall mean a Default by a Borrower in returning Borrowed Securities that have been recalled by Agent due to a sale of such securities by Lender or an investment agent of Lender.

16.5 In the event a Collateral Deficiency (or other loss of principal value of Collateral) exists at the same time as a Borrower Default, Agent shall have the right to set off the unpaid amount of any obligation of Lender to Agent arising under this Agreement arising from the Collateral Deficiency (or other loss of principal value of Collateral) against any obligation of Agent to Lender arising under this section 16. Any payment by Agent under paragraph 16.2 and/or 16.3 shall be applied toward the discharge of Agent's obligation (if any) to Lender under paragraph 16.1. Agent shall be subrogated to, and Lender shall be deemed to have transferred to the Agent, all of Lender's corresponding rights against a

Borrower (and against any guarantor of the Borrower) and in the Collateral and its proceeds to the extent of any payment, transfer or credit made pursuant to this section 16.

- D) **Fees.** Pursuant to Clause 14.1 of the Agreement, Schedule C of the Agreement is hereby amended and restated as follows:

**SCHEDULE C  
FEES**

**Effective as of March 1, 2015**

The Agent shall be entitled to receive the following fees for services provided under the Agreement. The fees below are expressed as a percentage of Lender's Net Revenue (as defined in paragraph 7.1 of the Agreement).

30% Loans of U.S. Government and Agency Securities

30% Loans of U.S. Corporate Equity and  
Fixed Income Securities

30% Loans of non-U.S. Sovereign Fixed Income and  
non-U.S. Corporate Fixed Income Securities

30% Loans of non-U.S. Corporate Equity Securities

E) **EquiLend Annex.** Pursuant to Clause 14.1 of the Agreement, the EquiLend Annex is hereby added to the Agreement:

**EQUILEND ANNEX**  
**To Securities Lending Authorization Agreement**  
**(the "Agreement")**

This Annex sets forth the rights of any ERISA plan or trust (a "Plan") executing the Agreement as Lender with respect to transactions with EquiLend and other services provided by EquiLend to The Northern Trust Company ("Northern"), in connection with Northern's securities lending business.

EquiLend is a joint venture of various securities lending agents and securities borrowers, in which Northern Trust has an equity interest.<sup>1</sup> EquiLend provides two main services, an electronic trading platform (the "Platform") and a data and market analysis tool ("DataLend").

The Platform was launched on June 25, 2002 and provides standard electronic methods for communicating securities available for borrowing, negotiating loans, and exchanging information needed to administer those loans. The Platform is intended to create operational efficiencies and reduce the potential risks of lending transactions by streamlining the trading, processing and monitoring of securities lending transactions. EquiLend is not itself a principal in any transaction but rather facilitates securities lending transactions between borrowers and agent lenders by providing access and connectivity between potential borrowers and agent lenders. Unless a client has elected not to participate, all securities lending clients of Northern participate in the Platform.

DataLend is a market analysis data tool which was launched in January 2013. It is designed to allow its users to view and analyze a broad range of transaction information including securities lending and borrowing data, reports, graphical interfaces and other benchmarking tools. To generate these tools, data from lending clients' securities lending transactions (conducted both on and off the Platform) is submitted to EquiLend by users of DataLend, including Northern Trust (however, this data does not disclose the identity of any lending clients engaged in these transactions). Access to this DataLend information is intended to enhance agent lenders' ability to evaluate the securities lending marketplace when making securities lending decisions on behalf of clients. Unless a client has elected not to participate, all securities lending clients of Northern participate in DataLend.

The services and products offered by EquiLend (including the Platform and DataLend) may be offered either directly to Northern clients or to Northern for the benefit of its clients. No securities lending client is charged any additional fee for any EquiLend services or products used by Northern; rather any fees charged by EquiLend, including fees for participation in the Platform and DataLend, are paid by Northern.

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<sup>1</sup>EquiLend is a subsidiary of EquiLend Holdings L.L.C., which is a holding company owned by BlackRock Asset Management International Inc., Credit Suisse First Boston Next Fund, Inc., The Goldman Sachs Group, Inc., J.P. Morgan Clearing Corp., J.P. Morgan Strategic Securities Lending Corp., Merrill Lynch L.P. Holdings, Inc., Strategic Investments I, Inc. (Morgan Stanley), Northern Trust Corporation, SSB Investments, Inc. (State Street), and UBS Americas, Inc.

- F) Except as hereby specifically amended, the Agreement as heretofore set forth shall remain in full force and effect.
- G) This Amendment Agreement will be governed by, and construed in accordance with laws governing the Agreement.
- H) The terms of this Amendment Agreement shall be effective as of March 1, 2015.

Executed in two originals

BAY COUNTY EMPLOYEES' RETIREMENT  
SYSTEM

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

AGREED TO AND ACCEPTED BY:

THE NORTHERN TRUST COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

NOTICE OF PUBLIC MEETINGS

THE BOARD OF TRUSTEES OF THE BAY COUNTY EMPLOYEES' RETIREMENT SYSTEM, 515 CENTER AVENUE, 3rd FLOOR, BAY CITY, MICHIGAN 48708, PHONE NUMBER (989) 895-4030, HAS SCHEDULED REGULAR MEETINGS FOR 2015. ALL MEETINGS WILL BE HELD AT 1:30 P.M. (\*except as noted) IN THE **BOARD OF COMMISSIONERS CHAMBERS**, LOCATED IN THE BAY COUNTY BUILDING, 515 CENTER AVENUE, **4TH FLOOR**, BAY CITY, MI 48708.

JANUARY 13, 2015  
FEBRUARY 10, 2015  
MARCH 10, 2015  
APRIL 14, 2015  
\* APRIL 23, 2015 - 9:00 A.M.  
MAY 12, 2015  
JUNE 9, 2015  
JULY 14, 2015  
AUGUST 11, 2015  
SEPTEMBER 8, 2015  
OCTOBER 13, 2015  
\* OCTOBER 22, 2015 - 8:30 A.M.  
NOVEMBER 10, 2015  
DECEMBER 8, 2015

12/23/2014  
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 at 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: Timothy Quinn, ADA Coordinator, Office of Corporation Counsel, 515 Center Avenue, Suite 402, Bay City, MI 48708, (989) 895-4096 or (989) 895-4049. TDD



**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  
Mathew Pett  
Thomas Starkweather  
Kristal Goetz

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

December 16, 2014

Ms. Nancy Clark  
Eagle Asset Management  
880 Carillon Parkway  
St. Petersburg, FL 33716

Dear Ms. Clark:

There is a need for the Bay County Employee's Retirement System to rebalance its asset allocation therefore, I am requesting that Eagle Asset Management divest themselves of \$1,500,000.00 (one million five hundred thousand dollars) and make funds available for the Northern Trust Company on Thursday, December 18, 2014.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

Crystal Hebert

Bay County Finance Officer/Secretary

VIA E-MAIL -ORIGINAL TO BE SENT SURFACE MAIL

c: Bay County Employees' Retirement System Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Larry Fumaro, The Northern Trust Company  
Rebecca Marsters, Retirement Administrator



**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

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Finance Officer/Secretary

**BOARD OF TRUSTEES**  
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Thomas Starkweather  
Kristal Goetz

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

December 16, 2014

Ms. Andrea Leistra  
Integrity Asset Management  
480 Pierce Street  
Birmingham, MI 48009

Dear Ms. Leistra:

There is a need for the Bay County Employee's Retirement System to rebalance its asset allocation therefore, I am requesting that Integrity Asset Management divest themselves of \$1,500,000.00 (one million five hundred thousand dollars) and make funds available for the Northern Trust Company on Thursday, December 18, 2014.

If you have any questions or concerns regarding the above, please contact me at (989) 895-4030.

Sincerely,

Crystal Hebert

Bay County Finance Officer/Secretary

VIA E-MAIL -ORIGINAL TO BE SENT SURFACE MAIL

c: Bay County Employees' Retirement System Board of Trustees  
Howard Pohl, The Bogdahn Group  
Peter Brown, The Bogdahn Group  
Larry Fumarolo, The Northern Trust Company  
Rebecca Marsters, Retirement Administrator

**BAY COUNTY RETIREMENT BOARD**

1/13/2015

**RESOLUTION**

BY: BAY COUNTY RETIREMENT BOARD

WHEREAS, An application for a non-duty disability was received from Mr. Randy Borchardt.  
 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. Borchardt 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 APPLICATION: RANDY BORCHARDT

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 \_\_\_\_\_