

BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

AGENDA

TUESDAY, DATE JUNE 10, 2014

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

**COMMISSIONERS CHAMBERS**  
**515 CENTER AVENUE - 4<sup>TH</sup> FLOOR**  
**BAY CITY, MI 48708**

PAGE	
	I. CALL TO ORDER
	II. ROLL CALL
	III. MINUTES
1 - 5 .....	1. MAY 13, 2014
	IV. PUBLIC INPUT
9 - 10 .....	A. PORTFOLIO VALUE 1/31/12 - 5/30/2014
11 - 16 .....	B. MONEY MANAGER REPORTS - NO REPORTS
	C. VEBA YTD BUDGET REPORT
	D. CORRESPONDENCE COMMISSION RECAPTURE
	1. ATALANTA SOSNOFF
	V. ANNOUNCEMENTS
	A. NEXT REGULAR MEETING - TUESDAY, JULY 8, 2014 IMMEDIATELY FOLLOWING THE RETIREMENT BOARD OF TRUSTEES MEETING AT APPROXIMATELY 2:30 P.M. , COMMISSIONERS CHAMBERS, 515 CENTER AVENUE - 4 <sup>TH</sup> FLOOR, BAY CITY, MI 48708
	VI. UNFINISHED BUSINESS
	VII. NEW BUSINESS
	VIII. MISCELLANEOUS BUSINESS
	IX. ADJOURNMENT

**MINUTES** BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)  
MAY 13, 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.**

The meeting of the Board of Trustees was held on May 13, 2014 at 2:59 p.m. in the Commission Chambers, 4<sup>th</sup> Floor, Bay County Building, 515 Center Avenue, Bay City, Michigan. Roll was taken.

**Trustees Present:** Chairperson Gray, Mr. Brezinzki, Mr. Gromaski, Mr. Coonan, Mr. Herek, Mr. Pett, Mr. Starkweather.

**Trustees Absent:** Ms. Zielinski.

**Also Present:**

Consultant: The Bogdahn Group: Howard Pohl and Peter Brown  
Finance Officer: Crystal Hebert  
Retirement Administrator: Janie Tacey

The meeting was called to order by Chairman, Steve Gray at 2:59 p.m.

1. Moved, supported and carried to excuse Ms. Zielinski.
2. Moved, supported and carried to approve the minutes, as presented, from the April 8, 2014 meeting.

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

3. Moved, supported and carried to receive the Portfolio Value from 1/1/13 - 05/01/2014. Today's value is \$39.5 million.

Present today was Peter Brown of the Bogdahn Group to present the first quarter performance evaluation. A copy was provided to all Trustees via the website.

Mr. Brown went over a recap of the market regarding domestic and international standpoints. He discussed the fixed-income market with the VEBA fund being roughly over one-third fixed income. This is significant. They saw a little bit of a shift from growth to value in the stock market. They also saw this rally in the bond market. Across the board, the aggregate was up 1.8%. There was kind of a normal scattered breakout. High-quality securities had a positive yet lower performance at 1.5% or so all the way up to roughly 3%. The key there is that they had strong performance across the board with fixed income whereas on a little over a 1-year basis the performance has been flat, if not negative. Only in the high yield did it jump. On a one-year basis you have net flows of about \$500,000 coming in. You have roughly \$4.8 million of return on investment added to the fund to calculate that as total running balance at the end of March of \$39,343,000.

Everyone is holding either equities or fixed income except the cash position in

**MINUTES** BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)  
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CS McKee and also a small cash position in Atalanta Sosnoff.

Comparing the asset allocation from the end of last year through the end of the quarter looks virtually identical. Fixed income and US stock markets are performing very smoothly.

Mr. Brown recapped the breakdown of the holdings the end of the year and the first quarter. These are very similar. There has not been a whole lot of movement between the underlying investment managers, although you can see the underlying balances have changed.

There was a target of 53% equities and a 47% target of fixed income. Equities have outperformed fixed income over the last couple of years. We have outgrown that allocation so we are somewhat overweight in equities and hold a position of up to 63% equities and 36% fixed income and small 1% cash.

Comparative performance shows the fund had a strong quarter, although somewhat underperforming the benchmark. The policy was up 1.9% for the quarter. It was above the median top 45%; however, it was below our policy. We just indexed the underlying investment strategy which was up 2.29% that was up top quartile. The fund was up over 14% on a rolling 1-year basis, which was top quartile and the policy was at 11.3%, which was just below the median. You have added roughly 3% using active management with your underlying managers as opposed to index-based strategy. The driver of the returns during the quarter was coupons and domestic equities. They were positive at 1.8% for the quarter, on a rolling 1-year basis up 25.4%, the top quartile. The underlying investment managers stumbled a little bit. Atalanta Sosnoff was off. They had a negative quarter down 84 basis points compared to the rest of the large cap growth plus that 100 Basis points at 1.27%. However, a similar modest under performance on a 1-year basis 21.5% versus 24.5%. So on a rolling 1-year basis the performance is somewhat under expectations but we look back and it showed in previous calendar years it had some under performance. We may want to take a look at it and keep an eye on it. If under performance continues we may want to redo that strategy and potentially have it changed.

Dodge and Cox, which is the large cap value, reported strong returns at 6.4% for the quarter above median. However; again, below that Russell Large Cap 1000 value index which is up 3% and value is the place to be. The index was difficult to beat when they were on the top almost top 12% in the universe. On a 1-year basis, Dodge & Cox is up almost 30% out performing the index by roughly 7.5% to 8% and up 2% in the Universe.

Lastly, stocks Lord & Abbott reported a great return of 4.5% for the quarter top 4% ahead of the benchmark which is up 3.5% so 100 basis points just in the quarter alone. Again, on a 1-year basis over 26% compared to 21.75% so almost topped this on a 1-year basis.

Mr. Brown reports on fixed income. CS McKee reported a strong return of 2.14% for the quarter ahead of the Barclays Aggregate which is up 1.84% and also above the Broad Core Fixed income Median 2.2%. On a 1-year basis, CS McKee is

**MINUTES** BAY COUNTY VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION (VEBA)  
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positive by 0.25% where as Barclays Aggregate was actually - 0.10%.

Recap 1-year performance for the year ending in March showed a strong return of 14% over the last year and 10.6% the previous year.

We do not have any changes or recommendations for the fund other than keep an eye on Atalanta Sosnoff.

Chairman Gray asks the consultants when a money manager has turned a little bit out of favor like Atalanta Sosnoff, if they are in touch with them asking why without any action here and if they are comfortable with giving them some leeway and see where it goes? Mr. Pohl responds always a short leash.

4. Moved, supported and carried to receive the quarterly report as presented by the Bogdahn Group.
5. Moved, supported and carried to receive the VEBA year-to-Date Budget Report as of 05/07/2014.

Mr. Morse returned at 3:07 p.m. Mr. Coonan left the meeting at 3:08 p.m.

**ANNOUNCEMENTS:**

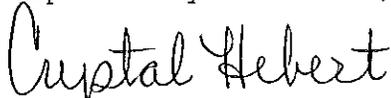
- A. Next regularly scheduled meeting will be Tuesday, June 10, 2014 immediately following the Retirement Board of Trustees Meeting at approximately 2:30 p.m. in Commissioner's Chambers, 515 Center Avenue - 4<sup>th</sup> Floor, Bay City, MI 48708.

**UNFINISHED BUSINESS:** None  
**NEW BUSINESS:** None  
**MISCELLANEOUS BUSINESS:** None

**ADJOURNMENT:**

6. Moved, supported and carried to adjourn the meeting at 3:12 p.m.

Respectfully submitted,



Crystal Hebert  
Finance Officer/Secretary

Transcribed by: Tracy Cederquist

**MEETING OF THE V.E.B.A. BOARD OF TRUSTEES COMMITTEE**  
MAY 13 , 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: CHAIR STEVE GRAY AT 2:59 P.M.

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

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

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

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VEBA 2014	<u>DODGE &amp; COX</u> <small>no vendor number, vendor fund figs (as opposed to separately managed mono) exclude fee from parabls.</small>	<u>CASH</u>	<u>ATALANTA SOSNOFF</u>	<u>LORD ABBETT</u> <small>no vendor number, vendor fund figs (as opposed to separately managed mono) exclude fee from parabls.</small>	<u>CS MCKEE</u>	<u>TOTAL</u>
VENDOR #						
JAN	8,684,917.69	280,504.83	1061 8,486,585.40	6,452,745.50	3509 14,059,136.47	37,963,889.89
FEB	9,076,302.62	258,241.26	8,877,365.53	6,895,488.53	14,134,880.76	39,242,276.70
MARCH	9,197,790.99	418,774.26	8,692,813.41	6,908,048.62	14,127,139.37	39,344,566.65
APRIL	9,150,145.14	508,094.82	8,646,704.52	6,823,268.04	14,226,810.93	39,355,023.45
MAY	9,336,981.11	509,769.88	8,933,837.05	6,876,648.40	14,364,870.16	40,021,906.60
JUNE						0.00
JULY						0.00
AUG						0.00
SEPT						0.00
OCT						0.00
NOV						0.00
DEC						0.00
ATALANTA SOSNOFF						
CS MCKEE						
DODGE & COX						
LORD ABBETT						
			<u>ATALANTA SOSNOFF</u>	<u>ABBOTT</u>	<u>CS MCKEE</u>	<u>TOTAL</u>
			VENDOR 1061		VENDOR 3509	
2014						
1ST QTR			16,433.00		10,598.09	27,031.09
2ND QTR						0.00
3RD QTR						0.00
4TH QTR						0.00
			16,433.00		10,598.09	27,031.09

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# Bay County Michigan

06/03/2014 17:23  
KPriessnitz

BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

PG 1  
glytbdud

FOR 2014 05

	ORIGINAL APPROV	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
<b>7360 PUBLIC EMPLOYEE HEALTH CARE</b>							
73627401 VOL.EMPLOYEE BENEF.ASSOC.BOARD							
RA FUND BALANCE, NET AS							
73627401 40001 FUND BALANCE	0	0	.00	.00	.00	.00	.0%
73627401 40004 NET ASSETS - RESERV	1,394,185	1,394,185	.00	.00	.00	1,394,185.00	.0%
TOTAL FUND BALANCE, NET AS	1,394,185	1,394,185	.00	.00	.00	1,394,185.00	.0%
<b>6 RJ LOCAL UNIT CONTRIBUT</b>							
73627401 59401 ER CONTR-BEHAVE.HEA	0	0	.00	.00	.00	.00	.0%
73627401 59402 ER CONTR-MOSQUITO C	0	0	.00	.00	.00	.00	.0%
73627401 59403 ER CONTR-HEALTH FUN	0	0	.00	.00	.00	.00	.0%
73627401 59404 ER CONTR-ROAD COMM	0	0	.00	.00	.00	.00	.0%
73627401 59406 ER CONTR-LIBRARY	0	0	.00	.00	.00	.00	.0%
73627401 59407 ER CONTR-GOLF COUR	0	0	.00	.00	.00	.00	.0%
73627401 59408 ER CONTR-GENERAL FU	0	0	.00	.00	.00	.00	.0%
73627401 59409 ER CONTR-DWS	0	0	.00	.00	.00	.00	.0%
73627401 59410 ER CONTR-911 SERVIC	0	0	.00	.00	.00	.00	.0%
73627401 59411 ER CONTR-CHILD CARE	0	0	.00	.00	.00	.00	.0%
73627401 59412 ER CONTR-DIV ON AGI	0	0	.00	.00	.00	.00	.0%
73627401 59413 ER CONTR-RETIRE SYS	0	0	.00	.00	.00	.00	.0%
73627401 59415 ER CONTR-GYPSY MOTH	0	0	.00	.00	.00	.00	.0%
73627401 59416 ER CONTR-HOME REHAB	0	0	.00	.00	.00	.00	.0%
73627401 59418 ER CONTR-100% TAX P	0	0	.00	.00	.00	.00	.0%
73627401 59419 ER CONTR-MED CARE F	0	0	.00	.00	.00	.00	.0%
73627401 59424 ER CONTR-SELF INSUR	0	0	.00	.00	.00	.00	.0%
73627401 59427 ER CONTR-COMM.CORRE	0	0	.00	.00	.00	.00	.0%
73627401 59429 ER CONTR-F.O.C. FUN	0	0	.00	.00	.00	.00	.0%
73627401 59430 ER CONTR-HOUSING FU	0	0	.00	.00	.00	.00	.0%
73627401 59433 ER CONTR-SOLDIER RE	0	0	.00	.00	.00	.00	.0%
73627401 59499 ER CONTR-SHERIFF DE	0	0	.00	.00	.00	.00	.0%
TOTAL LOCAL UNIT CONTRIBUT	0	0	.00	.00	.00	.00	.0%
RP INTEREST & RENTALS							
73627401 66400 INVESTMENT INTEREST	-500,000	-500,000	.00	.00	.00	-500,000.00	.0%*

# Bay County Michigan

06/03/2014 17:23  
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BAY COUNTY, MI  
YEAR-TO-DATE BUDGET REPORT

PG 2  
glytbdud

FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401 66500 GAIN ON SALE OF INV	-1,100,000	-1,100,000	.00	.00	.00	-1,100,000.00	.0%*
73627401 66501 UNREALIZED GAIN ON	0	0	.00	.00	.00	.00	.0%
TOTAL INTEREST & RENTALS	-1,600,000	-1,600,000	.00	.00	.00	-1,600,000.00	.0%
<b>RR OTHER REVENUE</b>							
73627401 67104 MISCELLANEOUS REVENUE	0	0	.00	.00	.00	.00	.0%
TOTAL OTHER REVENUE	0	0	.00	.00	.00	.00	.0%
<b>XE WAGES &amp; SALARIES</b>							
73627401 71000 PER DIEM	360	360	.00	.00	.00	360.00	.0%
TOTAL WAGES & SALARIES	360	360	.00	.00	.00	360.00	.0%
<b>XI SUPPLIES</b>							
73627401 72700 OFFICE SUPPLIES	100	100	.00	.00	.00	100.00	.0%
73627401 72800 PRINTING AND BINDIN	150	150	.00	.00	.00	150.00	.0%
73627401 72900 POSTAGE	100	100	.00	.00	.00	100.00	.0%
73627401 75100 COMPUTER SUPPLIES	50	50	.00	.00	.00	50.00	.0%
TOTAL SUPPLIES	400	400	.00	.00	.00	400.00	.0%
<b>XL OTHER SERVICES AND C</b>							
73627401 80100 PROFESSIONAL SERVIC	100,000	100,000	30,656.09	.00	.00	69,343.91	30.7%
73627401 80101 ACTUARIAL SERVICES	35,000	35,000	.00	.00	.00	35,000.00	.0%
73627401 81400 INVESTMENT/BANK SER	30,000	30,000	-5,914.51	.00	.00	35,914.51	19.7%
73627401 81700 LEGAL FEES	7,500	7,500	.00	.00	.00	7,500.00	.0%
73627401 81900 CONSULTANTS	30,000	30,000	3,625.00	.00	.00	26,375.00	12.1%
73627401 86500 LOCAL TRAVEL MILEFAG	0	0	.00	.00	.00	.00	.0%
73627401 94601 EQUIPMENT RENTAL-CC	55	55	.00	.00	.00	55.00	.0%
73627401 95600 INDIRECT COST EXPEN	0	0	.00	.00	.00	.00	.0%

# Bay County Michigan

06/03/2014 17:23  
 KPriessnitz

BAY COUNTY, MI  
 YEAR-TO-DATE BUDGET REPORT

PG 3  
 glytdbud

FOR 2014 05

	ORIGINAL APPROP	REVISED BUDGET	YTD ACTUAL	MTD ACTUAL	ENCUMBRANCES	AVAILABLE BUDGET	PCT USED
73627401_96200 LOSS ON DISPOSAL OF	0	0	.00	.00	.00	.00	.0%
73627401_96201 UNREALIZED LOSS ON	0	0	.00	.00	.00	.00	.0%
73627401_96500 INSURANCE AND BONDS	2,500	2,500	.00	.00	.00	2,500.00	.0%
TOTAL OTHER SERVICES AND C	205,055	205,055	28,366.58	.00	.00	176,688.42	13.8%
TOTAL VOL.EMPLOYEE BENEF.ASSOC.BO	0	0	28,366.58	.00	.00	-28,366.58	100.0%
TOTAL PUBLIC EMPLOYEE HEALTH CARE	0	0	28,366.58	.00	.00	-28,366.58	100.0%
TOTAL REVENUES	-205,815	-205,815	.00	.00	.00	-205,815.00	
TOTAL EXPENSES	205,815	205,815	28,366.58	.00	.00	177,448.42	
GRAND TOTAL	0	0	28,366.58	.00	.00	-28,366.58	100.0%

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

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

BAY COUNTY BUILDING  
515 CENTER AVENUE, SUITE 706  
BAY CITY, MICHIGAN 48708-5128

Thomas L. Hickner  
Bay County Executive

Crystal Hebert  
Finance Officer/Secretary

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

June 4, 2014

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

ADMINISTRATIVE STAFF  
Tiffany Jerry  
Janie Tacey  
(989) 895-4030  
TDD (989) 895-4049  
FAX (989) 895-4039

Re: Brokerage Services

Dear Mr. Steinberg:

The purpose of this correspondence is to inform Atalanta Sosnoff Capital, LLC. that the Bay County VEBA ("Fund") has established a commission recapture program with Abel/Noser Corp. ("Able/Noser") and Capital Institutional Services, Inc. (CAPIS).

You are requested to contact Abel/Noser representative Mary Davidson at 646-432-4084 and CAPIS representative Jon Lantz at 214-978-4778 to obtain applicable brokerage information. When transacting business for our portfolios, please inform the executing broker to credit the account for the benefit of the Fund.

Please be advised that all brokerage transactions should be executed in accordance with your obligation to seek the best combination of net cost and execution ("best execution").

It is our understanding that the use of the Abel/Noser and/or CAPIS trading desks and/or the use of step-outs should allow you to meet our request without impacting your ability to achieve best execution.

If you have any questions regarding trading arrangements, please contact me at 989-895-2007 or the Fund's Investment Consultant, Howard Pohl or Peter Brown of The Bogdahn Group at 866-240-7932. Thank you for your cooperation.

Sincerely,

Crystal Hebert  
Financial Officer/Secretary

cc: Board of Trustees  
Mr. Howard Pohl  
Mr. Peter Brown  
CAPIS  
Abel/Noser