

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
May 30, 2019**

A regular meeting of the Board of Trustees was held on Thursday, May 30, 2019 at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Lon Britton (via phone)
Craig Storum (via phone)
Matt Nye, Chairman

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, AndCo.
Duane Menter, BeneSys, Inc.
Violet Gjorgjevski, BeneSys, Inc.
Hughey Newsome, City of Pontiac
John Clark, Giarmarco, Mullins & Horton, P.C.
(left at 10:30a.m.)

Trustees Absent

Deirdre Waterman, Mayor

Chairman Nye declared that a quorum was present and called the meeting to order at 10:07 a.m.

AGENDA CHANGES

Add – Public Comment

Public Comment

Attorney John Clark from Giarmarco, Mullins & Horton, P.C. and Mr. Hughey Newsome, for the City of Pontiac were present to discuss the appointment of Mr. Newsome as Finance Director. Mr. Clark stated that the GERS board did not recognize Mr. Newsome as a GERS Trustee during the May 2019 GERS meeting. Mr. Clark mentioned that the position is fully funded and that the position needs to be filled quickly with the budget coming due soon along with additional reasons it is important the position is filled. Further, Mayor Waterman has an obligation to have a Finance Director.

Mr. Clark also discussed the CPREA Litigation. He noted that all IRS documents were prepared and provided to CPREA. Mr. Clark stated he produced a timeline for approval of the CPREA v. Pontiac settlement/submission to IRS for approval. Mr. Henzi asked if Mr. Clark would produce his timeline for the City's application to the IRS for approval of the CPREA v. City of Pontiac settlement, Mr. Clark stated he will ask for approval to share and send to Mr. Henzi.

Mr. Henzi stated that, based on his review of the city Charter, and based on his knowledge of the facts on this date, Mr. Newsome was not a member of the PF VEBA or PFRS. City Council has disapproved Mr. Newsome as Finance Director, to date. Chairman Nye told Mr. Newsome that the Boards would listen to Mr. Newsome's comments, and welcome his attendance, but that he could not vote as A Board member until the City resolved the issue of whether Mr. Newsome is the appointed Finance Director.

Mr. Clark also addressed the Board regarding the funding of the "SuperVeba." The city would like to resolve the matter without a tax levy. The City is committed to pay the amounts set forth in the Agreements.

Mr. Clark left the meeting at 10:30 a.m.

CONSENT AGENDA

- A. Minutes of Regular Meeting – January 31, 2019
- B. Financial Reports
 - 1. Financial Reports – December 2018 - March 2019
 - 2. Bills for Ratification

RESOLUTION 19-46 By Storum, Supported by Britton
Resolved, That the Consent Agenda for May 30, 2019 be approved.

Yeas: 3 - Nays: 0

CONSULTANTS

A. AndCo.

Christopher Kuhn of AndCo. reviewed the 2019 1st quarter report and noted that The Total Fund returned 9.49% during the quarter, narrowly trailing the Policy Index by 9 basis points and ranking in the top quartile of the public fund universe.

The Total Fund posted a return of 2.78% over the past year, underperforming the Policy Index by 2.00% and ranking near the bottom of the peer group. The Fund's performance has been hindered by active equity managers, particularly Dodge & Cox. Longer-term, the VEBA has mixed results versus the Policy Index and the peer group expectations.

Loomis Small Cap Value rebounded this quarter, outperforming the benchmark and ranking in the top third of their peer group. The excess performance is primarily attributed to strong stock selection and an overweight to Technology and Real Estate. Longer-term the manager exceeds performance expectations.

Tortoise Credit (intermediate fixed income) out performed expectations this quarter, as did most active fixed income managers. The excess performance is attributed to an overweight to Corporates, the best performing segment in fixed income. Longer-term, the manager exceeds performance expectations.

At quarter end the Fund was overweight to equities and fixed income and underweight to alternatives (due to the termination of Pluscios), however; all allocations are within policy ranges.

The Fund was in compliance with all investment guidelines and MI Act 314 at quarter end. AndCo does not have any recommendations at this time.

Mr. Kuhn reviewed the Comparative Performance Trailing Returns and noted that Broadview has not been doing as well as others.

RESOLUTION 19-47 By Britton, Supported by Storum
Resolved, That Broadview be removed effective June 30, 2019, and replaced by index Fund, LSIA, pending Legal approval of LSIA's contract, is approved. The Board will examine Dodge & Cox at the next meeting.

Yeas: 3 - Nays: 0

REPORTS

- A. Chairman
- B. Secretary

- C. Trustee Committees
- D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matt Henzi
- E. Members / Retirees

ATTORNEY'S REPORT

The Board moved to closed session at 11:07 a.m.

RESOLUTION 19-48 By Britton, Supported by Storum

Resolved, to approve the Board move to a closed session to discuss pending litigation, specifically Trustees v. City of Pontiac, CPREA v. Pontiac, Bank of Nova Scotia (US Treasuries), and an attorney client privileged opinion regarding Mark Hillborn.

- Roll call vote: M. Nye – yes
- L. Britton – yes
- C. Storum – yes

Lawsuit Against City of Pontiac for Annual Contributions for Fiscal Year Ending June 30, 2012 - (Exhibits A and B)

Attorney Henzi addressed this matter for the Board in the Attorney Report.

CPREA v City of Pontiac — Settlement Agreement - (Exhibit C)

Attorney Henzi addressed this matter for the Board in the Attorney Report.

Bank of Nova Scotia, New York Agency, et al. (U.S. Treasuries) Securities Litigation (Hagens Berman)

Attorney Henzi addressed this matter for the Board in the Attorney Report.

The Board returned from closed session at 11:27 a.m.

RESOLUTION 19-49 By Britton, Supported by Storum

Resolved, to direct legal counsel to file the appropriate motion to pursue entry of judgment in Trustees v. City of Pontiac, to request a judgment including principle and interest owed to the PF VEBA Trust, and for legal to convey to the Trustees any settlement proposals or discussions by the City.

Yeas: 3 - Nays: 0

Article of Interest - (Exhibit L)

Attorney Henzi addressed this matter for the Board in the Attorney Report.

Fiduciary Liability Insurance Renewal - (Exhibit Q)

Attorney Henzi addressed this matter for the Board in the Attorney Report.

UNFINISHED BUSINESS

NEW BUSINESS

- A. VEBA February through May 2019 Expenses

RESOLUTION 19-50 By Britton, Supported by Storum

Resolved, that the expenses for January 2019 be tabled until July 25, 2019 meeting.

Yeas: 3 - Nays: 0

- B. Super VEBA Update - Ms. Gjorgjevski provided correspondence received from Mayor Waterman regarding the Super VEBA, the correspondence states that the city attorney are moving this process along but there are others involved in the process whose timeliness affect the completion of the procedures necessary to the IRS application successful.
- C. Renewal Applications - Chubb Municipal Fiduciary policy 2019 - Correspondence regarding the Chubb Municipal Fiduciary policy and a copy of the application was presented.
- D. Chubb 2019 Quote - A copy of the Chubb Municipal Fiduciary policy for 2019 – 2020 was presented for review and approval.

RESOLUTION 19-51 By Britton, Supported by Storum

Resolved, to accept and approve the Chubb Municipal Fiduciary policy for June 1, 2019 through June 1, 2020, and to pay the premium.

Yeas: 3 - Nays: 0

E. Finance Director Hughey Newsome.

Mr. Hughey Newsome and Attorney John Clark attended the Board meeting to introduce Mr. Newsome as the Interim Finance Director. The board welcome him and advised him that he is welcome to stay however, until he is approved by City Council, he will not be able to vote or make any motions.

CORRESPONDENCE

- A. 2019 Updated Authorized Signers List – Due to unforeseen circumstances, the list was not signed by the Authorized signers as some were not present at the time of the meeting. This will be represented on the agenda for the July 25, 2019 meeting for signatures.
- B. IFEBP 65th Annual Employee Benefits Conference
Mr. Gjorgjevski provided information on the upcoming IFEBP 65th Annual Conference.

NEXT MEETING DATE: July 25, 2019 at 10:00 a.m. The Trustees confirmed that a meeting will be held on September 4, 2019 at the Inn at St. Johns. BeneSys to revise the meeting calendar.

ADJOURNMENT

RESOLUTION 19-52 By Britton, Supported by Storum

Further Resolved, that the meeting be adjourned at 11:36 a.m.

Yeas: 3 - Nays: 0

I certify that the foregoing are the true minutes of the Police & Fire Retirement Pre-funded Group Health and Insurance Plan “VEBA Trust” on May 30, 2019.

As recorded by BeneSys