

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
September 18, 2020**

A regular meeting of the Board of Trustees was held on Friday, September 18, 2020 via Conference Call at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan, in accordance with Michigan's Executive Orders issued restricting in-person gatherings due to COVID-19.

Trustees Present

Lon Britton
Matt Nye, Chairman
Craig Storum
Deirdre Waterman, Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Evan Scussel, AndCo.
Duane Menter, BeneSys, Inc.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Chairman Nye declared that a quorum was present and called the meeting to order at 1:04 p.m.

PUBLIC COMMENT

AGENDA CHANGES

Plan professionals from AndCo were requested to make their presentations for the Pension and VEBA simultaneously for this meeting.

CONSENT AGENDA

A. Minutes of Regular Meeting – August 27, 2020

RESOLUTION 20-26 By Britton, Supported by Storum
Resolved, That the Consent Agenda for September 18, 2020 be approved.

Yeas: 4 - Nays: 0

CONSULTANTS

A. AndCo.

Christopher Kuhn of AndCo. provided a Market Update as of June 30, 2020. He discussed that the first half of 2020 has brought about seemingly insurmountable challenges and unpredictability on a global basis. Economic activity resumed in many countries despite the continued spread of the coronavirus.

After stocks nosedived in the first quarter, the S&P 500 Index had its best quarter in over 20 years, returning 20.54% in the second quarter and erasing the bulk of the losses suffered in the first quarter. Year-to-date the S&P 500 is now only down 3.08%. Small cap stocks were the best performers, rising

25.42% for the quarter. However, smaller companies were hit harder in Q1 and are still down 12.98% YTD. International developed markets also rebounded strongly in the quarter, returning 14.88% for the quarter but are still down -11.34% in 2020. Value stocks have significantly underperformed growth stocks; in the first half of this year the Russell 1000 Value Index is down 16.26% and the Russell 1000 Growth Index is up 9.81%. Value indices contain many more businesses negatively affected by COVID-19. Corporate bonds rallied after a difficult first quarter and interest rates fell slightly with the 10-year U.S. Treasury yield declining from 0.68% to 0.65%. The Bloomberg Barclays U.S. Aggregate Bond Index increased 2.90% for the quarter and 6.14% for the first half of 2020. High yield bonds rallied 9.61% during the quarter, cutting the year-to-date loss to -4.78%.

Following Mr. Kuhn and Mr. Scussel's capital market review, Mr. Kuhn made some recommendations regarding the VEBA asset allocation. He recommended transferring 10% from LSIA Equal Weighted Strategy to a traditional S&P 500 strategy. This would reduce any small or mid-cap bias in the portfolio. Mr. Kuhn also proposed adding a credit oriented global fixed income manager. He recommended that, in the future, the VEBA should balance its growth/value exposure, but the changes should not be drastic. Mr. Scussel then provided an in depth growth versus value analysis.

There was significant discussion by AndCo representatives and the Trustees about the policy index used. Mr. Kuhn indicated that he will amend the policy indices. He reported that the Systems have large equal weighted investments with LSIA and the Systems use cap weighted indices which may unfairly bias the reported performance numbers. Mr. Kuhn agreed to construct a revised portfolio model to compare performance more accurately versus benchmark.

Mr. Kuhn provided an in depth multisector fixed income manager analysis and discussed with the Board the following managers for the Trustees to consider: Apollo Total Return Fund, Loomis Sayles Bond Fund, Oaktree Global Credit Fund, OHA Diversified Strategies Credit Fund, and PIMCO Diversified Income Fund.

Mr. Kuhn recommended making a 3% portfolio allocation into the VEBA from Franklin Templeton to one of the managers.

RESOLUTION 20-27 By Britton, Supported by Storum

Resolved, to transfer 10%, or \$4M, of the PF VEBA portfolio from LSIA Equal Weighted Strategy as follows: \$2M transferred to Rhumblin Russell 1000 Growth Fund, and \$2M to the Rhumblin Russell 1000 Value Fund, at the recommendation of the consultant.

Yeas: 3 - Nays: 0

RESOLUTION 20-28 By Britton, Supported by Storum

Resolved, to transfer 3%, or \$1.2M, of the PF VEBA portfolio to PIMCO. This amount shall be transferred from Franklin Templeton to PIMCO, at the recommendation of the consultant.

Yeas: 3 - Nays: 0

TRUSTEE REPORT

Trustee Britton reported that he attended a Super VEBA Trustee Meeting that occurred on September

10, 2020. During the Super VEBA meeting, it was reported that final IRS approval of the CPREA v. Pontiac settlement and creation/funding of the Super VEBA could occur by Spring 2021. Attorney Henzi attended the meeting at the Super VEBA Board's request. The Trustees requested that Attorney Henzi put a timeline together as well as a list of action items necessary for the transition to the Super VEBA. This will be presented at the December 3, 2020 Board Meeting.

ATTORNEY'S REPORT – None.

UNFINISHED BUSINESS – None.

NEW BUSINESS

A. 2021 Meeting Schedule Draft

The Board will move forward with the 2021 Meeting Schedule.

CORRESPONDENCE

A. Request for Mailing List from City of Pontiac Retired Employee Association

NEXT MEETING DATE: December 3, 2020 at 10:00 a.m.

ADJOURNMENT

RESOLUTION 20-29 By Mayor Waterman, Supported by Britton
Further Resolved, that the meeting be adjourned at 3:53 p.m.

Yeas: 4 - 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 September 18, 2020.

As recorded by BeneSys