

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
December 7, 2023**

A regular meeting of the Board of Trustees was held on Thursday, December 7, 2023, the office of BeneSys.

Trustees Present

Matt Nye, Chairman
Lon Britton, Trustee
Tim Sadowski, Finance Director, City of Pontiac
Craig Storum, Trustee

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Trustee Absent

Tim Greimel, Mayor, City of Pontiac

Chairman Nye declared that a quorum was present and called the meeting to order at 2:09 p.m.

AGENDA CHANGES – None

CONSENT AGENDA

- A. Minutes of Regular Meeting – September 13, 2023
- B. Minutes of Regular Meeting – September 14, 2023
- C. Financial Reports
 - 1. Financial Reports – July – September 2023
 - 2. Bills for Ratification through December 7, 2023

RESOLUTION 23-21 By Britton, Supported by Storum

Resolved, That the Consent Agenda for December 7, 2023, be approved.

Yea – 4

Nay - 0

CONSULTANTS

- A. AndCo.

Mr. Kuhn updated the Board that the Federal Reserve’s persistent reframe of “high for longer” has caused investors to continually reassess their outlook for interest rates and the possibility of a recession. Eighteen months into the Fed’s monetary tightening policies, the economy is showing meaningful shifts – moderating inflation and weakening consumers. Expectations became increasingly more pessimistic as the quarter came to an end with interest rates rising sharply and losses mounting across asset classes. Strong performance for equities in July was erased by negative returns in August and September. The S&P 500 Index fell by 3.3% during the quarter (up 13.1% YTD). Small cap stocks struggled even more in the 3rd quarter (Russell 2000 Index: -5.1%), particularly small cap growth. Oil prices rose by close to \$20/barrel during the quarter, generating strong returns for Energy (up over 10% for the quarter); however, higher oil prices are generally not a positive for the markets or economy. The international markets also declined by low single digits with the emerging markets slightly outperforming the developed markets. The sharp uptick in interest rates, especially along the back end of the yield curve, caused losses in July, August, and September (Bloomberg US Aggregate Index: -3.2%). The poor returns from investment grade bonds this quarter caused year-to-date returns to fall into negative territory. High yield outperformed and posted a positive return for the quarter

(Bloomberg US Corporate High Yield: 0.5%). Investors have experienced volatile swings in expectations and market performance in 2023.

The Total Fund declined 2.81% during the quarter, outperforming the Policy Index by 1.00% and ranking near the median fund in the public fund universe. The Fund's performance was aided by relatively strong results from the domestic equity and fixed income allocations. The Total Fund returned 11.98% over the past year, outperforming the Policy Index by 154 basis points and ranking in the top third of the peer group. Longer-term, the Fund has mixed results, generally out-performing the Policy Index but ranking in the bottom half of the universe. Burgundy lagged the MSCI EAFE Index this quarter and ranked in the fourth quartile of the peer group. The managers under performance is partially attributed to an underweight to European banks and Asian cyclical businesses (steel manufacturing, oil refining...). Burgundy trails performance expectations and was placed on Watch (6/30/22). Baird exceeded their benchmark this quarter but ranked in the bottom half of their universe. The manager benefited from strong security selection. Baird meets performance expectations after three years. At quarter end the Fund was overweight domestic equities and underweight to international equities; all allocations are within policy ranges. The Fund followed all investment guidelines and MI Act 314 at quarter end. AndCo does not have any recommendations currently.

RESOLUTION 23-22 By Britton, Supported by Storum

Resolved, to accept the Investment Performance Review Report for period ending September 30, 2023 and the asset and manager summary as of December 2023 as provided by AndCo.

Yea – 4 Nay - 0

ATTORNEY'S REPORT

Letter to PF VEBA Participants re: Joining VEBA

Attorney Henzi addressed this matter for the Board in the Attorney Report. As directed at the last meeting, legal counsel and Manquen Vance drafted a letter that was mailed to PF VEBA participants regarding the upcoming merger.

PF VEBA Audit Report

Attorney Henzi addressed this matter for the Board in the Attorney Report. During the last meeting, it was discovered that the actuarial report and PF VEBA audit report contained an inaccurate number of deferred vested PF VEBA members. The plan professionals worked together to determine the correct number (88). The actuarial report and audit report were corrected and finalized.

Empyrean Termination Fee

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees authorized resolving the Empyrean termination fee dispute for \$8,250.00.

PF VEBA Tail Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. We have been monitoring the purchase of the tail policy effective January 1, 2024. The agent confirmed that the policy should not be purchased until after the merger date.

Eligibility Question

Attorney Henzi addressed this matter for the Board in the Attorney Report. BeneSys received inquiries from two PFRS retirees about whether they are PF VEBA eligible. Neither had 10 years credited service with the City of Pontiac. Consequently, neither is eligible for the PF VEBA or VEBA.

2022 Audit Deficiencies

Attorney Henzi addressed this matter for the Board in the Attorney Report. Bonadio recently presented its 2022 audited financial statements and audit report. The audit identified several internal controls that were labeled as deficiencies. Legal counsel sent correspondence to BeneSys asking for responses to each of the internal controls' deficiencies. BeneSys is working on responses.

PUBLIC COMMENT - None

UNFINISHED BUSINESS

A. Merger Agreement

Prior to today's meeting a joint meeting was held between the City of Pontiac VEBA Trust and this VEBA to discuss the merger agreement. During this meeting an agreement was reached to approve an additional update to the Merger Agreement. It will be presented to City Council for approval of Mayor's signature.

B. Empyrean Termination Fee Status

This matter was discussed in the Legal Report.

C. City of Pontiac Invoicing Errors November & December 2021

Ms. Crosby updated the Board regarding the errors found in the invoices from the City of Pontiac for November and December 2021. The City of Pontiac has agreed to the errors. Meadowbrook completed an audit for both months. Based off the audit BeneSys states an overpayment amount that is higher than what the City shows. BeneSys feels confident in the audit performed by Meadowbrook and feels the calculations are accurate. The Board instructed BeneSys to reduce the amount they pay for the December 2023 invoice by the amount they show as being overpaid in November & December 2021 since this is the last City invoice that will be received due to the merger.

D. City of Pontiac VEBA Trust – Open Enrollment

BeneSys gave an update regarding the Open Enrollment for City of Pontiac VEBA Trust which includes merging in the Police and Fire retirees. There were two in-person meetings held and both were attended mostly by Police and Fire retirees with questions. There were also two Zoom meetings but there were no attendees for those.

NEW BUSINESS

A. September – December 2023 Expenses

Ms. Crosby presented the September through December 2023 expenses to the Board.

RESOLUTION 23-23 By Storum, Supported by Britton

Resolved, to authorize payment of the City of Pontiac invoices for September through December 2023, deducting the amount overpaid in November and December 2021.

Yea – 4 Nay – 0

B. Financial Statement December 31, 2022

The corrected Financial Statement for December 31, 2022, from Bonadio was provided for the Boards review and approval.

RESOLUTION 23-24 By Storum, Supported by Sadowski
Resolved, to ratify the acceptance and approval of Chair Nye for the December 31, 2022
Financial Statement as provided by Bonadio.

Yea – 4 Nay – 0

C. Bonadio Management Letter

This item was provided as part of the Audit for Financial Statement December 31, 2022.

D. Bonadio Required Communication

This item was provided as part of the Audit for Financial Statement December 31, 2022

E. 2022 Audit Deficiencies – Request for Response from BeneSys IT

Ms. Gjorgjevski provided and reviewed the 2022 audit deficiencies response from the BeneSys IT Department with the Board.

F. 2022 Audit Deficiencies - Request for Response from BeneSys Accounting

Ms. Gjorgjevski provided and reviewed the 2022 audit deficiencies response from the BeneSys Accounting Department with the Board.

G. Updated GASB 74/75 Actuarial Valuation December 31, 2021

H. Updated GASB 74/75 Actuarial Valuation December 31, 2022

RESOLUTION 23-25 By Storum, Supported by Sadowski
Resolved, to accept and approve the updated GASB 74/75 Actuarial Valuations for December
31, 2021, and December 31, 2022 as provided by Nyhart.

Yea – 4 Nay – 0

I. MAPERS Membership Renewal for 2024

The VEBA will not be renewing their membership for MAPERS in 2024 because of the merger with the City of Pontiac VEBA Trust.

J. Board Meeting Schedule for 2024

RESOLUTION 23-26 By Storum, Supported by Sadowski
Resolved, to accept and approve the Board Meeting schedule for 2024 as provided by BeneSys.

Yea – 4 Nay – 0

K. BeneSys Annual Client Survey

Ms. Gjorgjevski informed the Board that BeneSys has sent out its annual client survey via email and encouraged Trustees to respond.

CORRESPONDENCE

- A. BCBS Superior Ambulance Balance Billing**
- B. IFEBP Advanced Trustees & Administrators Conference**
- C. IFEBP Health Care Management Conference**
- D. MAPERS One-Day Agenda, February 29, 2024**
- E. Segal – Thank You**
- F. BeneSys DOL Cyber Security Program Response Q4 2023**

NEXT MEETING DATE: February 22, 2024, 10:00 a.m.

ADJOURNMENT

RESOLUTION 23-27 By Britton, supported by Storum
Further Resolved, that the meeting be adjourned at 2:37 p.m.

Yea – 4 Nay – 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 December 7, 2023.

As recorded by BeneSys