

**CITY OF PONTIAC VEBA TRUST  
BOARD OF TRUSTEES MEETING  
AUGUST 10, 2023**

A meeting of the Board of Trustees was held on Thursday, August 10, 2023

**Trustees Present**

Claudia Filler, Chairperson  
Linda D. Watson  
Lon Britton, Secretary  
Tim Greimel, Mayor  
Carolyn Clark  
Khalfani Stephens, Deputy Mayor, Vice Chair

**Others Present**

Matt Henzi, Asher Kelly  
Violet Gjorgjevski, BeneSys  
Jennifer Crosby, BeneSys  
Steve Roth, Dahab  
Kim Kulas, Manquen Vance  
Craig Kuenzer, Manquen Vance  
Shawna Cook, Manquen Vance

**Absent Trustee**

NZ Bryant

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*Chairperson Filler declared that a quorum was present and called the meeting to order at 9:03 a.m.*

**AGENDA CHANGES**

**RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens**

Further Resolved, to amend the agenda to move Manquen Vance presentation of Open Enrollment Timeline and Potential Benefit Enhancement, to the beginning of meeting.

Yea – 6      Nay – 0

**Motion Carried**

**CONSULTANT REPORT**

A. 2024 Open Enrollment Timeline

Ms. Kulas provided an Open Enrollment Timeline for the Board to review.

B. 2024 Benefit Renewal

Ms. Kulas reviewed the 2024 Renewal Analysis, with and without potential benefit enhancements, with the Board. The City of Pontiac's Police and Fire retirees will be merging into the VEBA population, with the benefit transition to occur January 1, 2024. This caused BCBSM to re-rate both the Pre65 and MAPD coverage for January 1, 2024. Delta Dental elected to hold the current VEBA rates for 2024 with the inclusions of the P&F. By including the P&F members, the benefit costs dropped significantly because the P&F members, on average, are younger. Further, both VEBAs had good claims experience. Manquen Vance also noted that there were no enhancements presented for vision coverage. Rates would be frozen for three years. BCBSM Vision coverage as part of the commercial VEBA contract will also need to be re-rated. Rates were reviewed for 2024 with current coverage. If current coverage is maintained for 2024 the rates for BCBSM Pre65 went down by 26.6%. Current coverage for 2024 rates for BCBSM MAPD went down by 1.3%. BCBSM Vision current coverage went down by 0.3%.

Discussion took place regarding potential benefit enhancements and the costs that would be associated with that. Manquen Vance noted that there would be no change in dental rates without enhancements, except for the cost associated with additional P&F members.

**RESOLUTION by Mr. Britton; seconded by Ms. Watson**

Further Resolved, to authorize a cost study to be performed by Foster & Foster to analyze the financial impact to the VEBA if the 2024 renewal benefits include the proposed enhancements by Manquen Vance.

Yea – 4      Nay – 2, Mayor Greimel & Deputy Mayor Stephens

**Motion Carried**

**CONSENT AGENDA**

- A. Meeting Minutes May 11, 2023
- B. Financial Statements March 2023 – May 2023
- C. Opt-Out Balance Remaining as of July 31, 2023 = \$3.8M
- D. Bills for Ratification August 10, 2023
- E. Bills for Approval

<u>Payee</u>	<u>Amount</u>
Asher Kelly	\$851.00
Asher Kelly	\$5,520.00
Asher Kelly	\$1,591.00
Asher Kelly	\$3,616.50
Asher Kelly	\$444.00
Asher Kelly	\$518.00
Comerica Bank	\$5,817.31
Northern Trust	\$2,692.93
Northern Trust	\$954.67
Sawgrass Asset Mgmt.	\$9,150.42
Victory Capital	\$8,830.00
WCM Investment Mgmt.	\$1,582.19
WCM Investment Mgmt.	\$3,560.27
	<b>\$45,128.29</b>

- F. Comerica Bank Balance as of July 31, 2023
- G. Total Benefit Enrollees as of July 31, 2023 = 500
- H. New Enrollees May 1, 2023 to July 31, 2023 = 3
- I. Total Number of Appeals to Date = 39
  - a. Approved = 14
  - b. Denied = 9
  - c. On Hold = 15
  - d. Member Withdrew = 1
  - e. New = 0

**RESOLUTION by Mr. Britton; seconded by Ms. Clark**

Further Resolved, to approve the Consent Agenda with amendments to the May 11, 2023, meeting minutes. The amended minutes shall note that the 5-0 vote on page 12 of the minutes was a consequence of Mayor Greimel being absent for that vote.

Yea – 6      Nay – 0

**Motion Carried**

The Trustees recommended that BeneSys add deceased/termed members for future consent agendas.

**CONSULTANT REPORT**

**A. Dahab Associates, Inc.**

**a. Performance Summary – June 2023**

Mr. Roth reviewed performance as of June 2023. On June 30, 2023, the City of Pontiac VEBA Plan was valued at \$67,055,417, representing an increase of \$1,148,840 from the March quarter’s ending value of \$65,906,577. Last quarter, the Fund posted withdrawals totaling \$1,029,294, which offset the portfolio’s net investment return of \$2,178,134. Income receipts totaling \$399,885 plus net realized and unrealized capital gains of \$1,778,249 combined to produce the portfolio’s net investment return. The manager allocation summary was provided.

**REPORTS**

**A. CHAIRPERSON**

Chairperson Filler updated the Board regarding the status of the CPREA v. City of Pontiac litigation, and contemporaneous negotiation between CPREA and the City, regarding modifying the Settlement Agreement. At the court hearing on July 18, 2023, the judge approved the P&F merger but denied the motion that was presented as written. The judge is open for a joint agreement of the parties but will not decide on each matter presented in the motion. The parties are scheduled to meet on August 10, 2023.

**B. SECRETARY - None**

**C. TRUSTEE COMMITTEES - None**

**D. LEGAL REPORT**

**City of Pontiac/PF VEBA/VEBA Merger Agreement**

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, the Court entered an Order granting the bargaining parties’ Joint Motion to Modify Settlement Agreement to allow for the PF VEBA/VEBA merger. We immediately sent correspondence to service providers for both VEBAs. We specifically consulted with the auditors for the PF VEBA regarding the transfer of assets. This auditing firm recommended that the assets transfer on or about January 1, 2024. As such, we are working the custodian

bank to effectuate the transfer. We will pay special attention to make sure that all PF VEBA expenses are paid. We may need to hold some money back in order to pay Q4 2023 investment management fees, which

typically, would not be generated until Q1 2024. Alternatively, the PF VEBA and VEBA could mutually resolve that any PF VEBA expenses incurred after the merger would become the responsibility of the VEBA. We would then include such language in the revised Merger Agreement, which needs approval by both Boards and City Council.

### **2024 Open Enrollment**

Attorney Henzi addressed this matter for the Board in Attorney Report. Since the last meeting, we met with BeneSys and Manquen Vance to discuss open enrollment. Manquen Vance prepared a timeline regarding open enrollment. Also, Manquen Vance has been working on obtaining benefit renewal pricing. We are planning for one open enrollment, which will include PF VEBA members.

### **Asset Transfer**

Attorney Henzi addressed this matter for the Board in the Attorney Report. In June 2023, CPREA filed a supplement to that Motion, which principally relied on an independent actuarial study by Cavanaugh Macdonald Consulting. The Motion argued that the terminating GERS' liability should be measured using a 6.5% or 7% assumed rate of investment return, not 4.5%, which was used by the GERS. If the assumption rate was changed, CPREA argued, the GERS would be significantly overfunded and could afford to continue the \$400.00 perpetual monthly benefit. Further, that the excess GERS' assets could be transferred to the VEBA. Alternatively, CPREA asked for a fairness hearing on this topic. The City objected to the Motion. A hearing on the Motion was held July 17, 2023. Legal counsel reached out to attorneys for the City and CPREA to inquire about the status of litigation following the hearing. Both indicated that they were waiting for an opinion from the Court, but that settlement talks were continuing. In fact, a settlement meeting is scheduled to occur on August 10, 2023. On August 3, 2023, the Court entered an Order denying CPREA's Motion.

### **VEBA Request for Miscellaneous Determination – Form 990**

Attorney Henzi addressed this matter for the Board in the Attorney Report. On May 13, 2023, we scheduled a telephone meeting with the IRS. Mr. Nicholas and Chairperson Filler also attended. The IRS agent could not explain why the IRS assigned two EINs to the VEBA. However, we were informed that the IRS automatically revoked the VEBA's tax qualification status based on the failure to file the Form 990, which GJC was attempting to file. GJC was unable to file the Form 990 based on this revocation. As such, we filed a Form 1024 seeking the reinstatement of tax qualification status and for exemption from the Form 990. It should be noted that the VEBA, through attorney Sam Kopacz, requested exemption from the Form 990 in August 2020, and the IRS never responded. Additionally, legal counsel filed a Form 8940 seeking the exemption and the IRS never responded. We will continue to work with Senator Stabenow's office to expedite this matter. We requested expedited handling by the IRS.

### **Sawgrass Proposed Amendment to Investment Management Agreement**

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

### **Inquiry re: Eligibility for VEBA Benefits**

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

### **Marquette Dudley v. City of Pontiac and City of Pontiac VEBA Trust**

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees moved to reconsider the individual's appeal and granted her eligibility for the opt-out. We communicated same to Plaintiff's second attorney. This attorney requested that her name be placed on a settlement check.

We rejected this request on the basis that the payment is not a “settlement.” Rather, it is a health care benefit paid for by the VEBA. We requested numerous times that Plaintiff’s counsel agree to an Order of Dismissal against the City and the VEBA in exchange for payment. Plaintiff’s counsel indicated she was going to request attorneys’ fees from the City through a motion filed with the Court. No such motion was filed.

In July, Plaintiff travelled to City Hall and obtained her opt-out payment. Her attorney had previously visited City Hall to inquire about payment. Once we found out that payment had been made, we requested that Plaintiff’s counsel stipulate to an Order of Dismissal, but no stipulation was given. We prepared a Motion for Summary Disposition. Before filing we requested a hearing date from the Court, according to the Court’s practice guidelines. Once Plaintiff’s counsel saw that communication, she agreed to an Order of Dismissal. An Order of Dismissal was entered on July 31, 2023. This matter is closed.

**Yousif Capital Management Agreement**

Attorney Henzi addressed this matter for the Board in the Attorney Report. As communicated at the last meeting, Victory Capital, a fixed income investment manager for the VEBA, merged with Yousif Capital Management. Since the last meeting, we negotiated the contract documents with YCM. The documents are in order and ready for execution. This is the same investment strategy, with the same portfolio management team. The only change is that Yousif Capital Management is the corporate entity instead of Victory Capital, which no longer provides these services. Additionally, YCM will charge lower fees than Victory Capital did.

**RESOLUTION by Mr. Britton; seconded by Ms. Watson**

Further Resolved, to approve and execute the contract documents with YCM.

Yea – 6      Nay – 0

**Motion Carried**

**Fiduciary Liability Insurance Coverage**

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

**RESOLUTION by Ms. Britton; seconded by Ms. Clark**

Further Resolved, to approve and renew the Fiduciary Liability Coverage as recommended by Huttenlocher Group.

Yea – 6      Nay – 0

**Motion Carried**

*Mayor Greimel leaves the meeting at 11:41 a.m.*

**Cyber Liability Insurance Coverage**

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

**RESOLUTION by Ms. Watson; seconded by Mr. Britton**

Further Resolved, to renew and bind the best available Cyber Liability Insurance coverage, at a premium price of less than \$10,000, as recommended by the Huttenlocher Group. Further, that the Chair may execute all necessary documents.

Yea – 5      Nay – 0

**Motion Carried**

## **Legislative Update**

### **House Bill 4346**

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

### **House Bill 4817**

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

### **House Bill 4693**

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

*Mayor Greimel returns to the meeting at 11:51 a.m.*

## **TRUSTEE COMMENTS**

Discussion took place regarding the funds that have been set aside for the Opt-Outs not being invested.

### **RESOLUTION by Mr. Britton; seconded by Ms. Clark**

Further Resolved, to request that the City work with Dahab to invest the Opt-Out balance in a money market account.

Yea – 6      Nay – 0

### **Motion Carried**

### **PUBLIC COMMENTS – None**

*Mayor Greimel left the meeting at 12:02 p.m.*

## **UNFINISHED BUSINESS**

### **A. Tabled Appeals**

- a. 0139159276SS
- b. 0139159276MB
- c. 0139159276LR
- d. 2679039353
- e. 2684822459
- f. 2692662515
- g. 2706082502
- h. 2721200367
- i. 2734064624
- j. 2754925324
- k. 2762113260
- l. 2777199310
- m. 2819359750
- n. 2845931904
- o. 3564859393

### **B. Questionable Opt-Out Retirees**

This item is on hold until the settlement agreement has been modified.

## **NEW BUSINESS**

### **A. CMS Race and Ethnicity Mandate**

Ms. Crosby updated the Board regarding the mandate by CMS to require new enrollees to select race and ethnicity when enrolling in MA programs effective January 1, 2023.

### **B. 2024 Open Enrollment Form**

Ms. Crosby provided the Board with the 2024 Open Enrollment Form for their review.

### **C. First Eagle – Authorized Signers Form**

Ms. Crosby provided an authorized signer's form for Chairperson and Vice-Chairperson signature to update records with First Eagle.

### **D. Eligibility of Adopted Dependent**

Ms. Crosby requested the Board's termination on eligibility of the adoptive grandchild of a member. The Board members unanimously determined that because the child was adopted after December 22, 2011, the child would not be eligible for VEBA coverage.

### **E. Victory Capital Client Consent Letter**

Ms. Crosby presented this item for signature; the matter was discussed in detail during the Legal Report.

## **CORRESPONDENCE**

- A. Attucks – Market Review – May 2023**
- B. Attucks – Economic & Market Summary Q2 2023**
- C. BCBS re Diabetes Drugs**
- D. BCBS Legislative and Regulatory Update re Superior Ambulance**
- E. BCBS Online Visits**
- F. BeneSys DOL Cybersecurity Program Response Q2 - 2023**
- G. BeneSys Navigator Q2 2023**
- H. MAPERS 2023 Fall Conference Agenda**
- I. MoveIt Breach**

**SPECIAL MEETING DATE - September 15, 2023, at 2:00 p.m. to discuss Foster & Foster's cost study regarding potential benefit enhancements.**

**NEXT REGULAR MEETING DATE – November 9, 2023, at 9:00 a.m.**

## **ADJOURNMENT**

**RESOLUTION by Mr. Britton; seconded Deputy Mayor Stephens**

Further Resolved, that the meeting be adjourned at 12:09 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on August 10, 2023.

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*As recorded by BeneSys*