

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
May 23, 2024**

A meeting of the Board of Trustees was held on Thursday, May 23, 2024

Trustees Present

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

Absent Trustee
NZ Bryant

Others Present

Matt Henzi, AsherKelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
Steve Roth, Dahab
David Lee, Dahab
Kim Kulas, Manquen Vance

Chairperson Filler declared that a quorum was present and called the meeting to order at 1:00 p.m.

AGENDA CHANGES

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to amend the agenda to move the Trustee Election Results, Oath of Office for Matt Nye, and term extension for Linda D. Watson to the beginning of the meeting.

Yea – 5 Nay – 0

Motion Carried

A. Trustee Election Results

Ms. Crosby updated the Board that Ms. Watson, Ms. Gjorgjevski, and she met on April 22, 2024, at the office of BeneSys in Troy, MI. They verified that each ballot received was from a member of the VEBA trust, they separated valid ballots from those deemed invalid, they opened the ballot envelopes and separated the ballots. They counted each ballot and certified the following: total votes cast = 283; total votes for Carol Wilkins = 47; total votes for Matthew Nye = 225, total invalid votes – 11. As a result, Matthew Nye was elected as Trustee for the City of Pontiac VEBA Trust to replace Carolyn Clark who passed away. Mr. Nye’s term will be until May 30, 2024.

RESOLUTION by Mr. Britton; seconded by Mayor Greimel

Further Resolved, to accept the ballot count and election results as well as to destroy the ballots.

Yea – 5 Nay – 0

Motion Carried

RESOLUTION by Ms. Watson; seconded by Mr. Britton

Further Resolved, to number the ballot envelopes for the next Trustee election rather than having members sign their names on envelope.

Yea – 5 Nay – 0

Motion Carried

B. Oath of Office – Matthew Nye

Mr. Nye took his Oath of Office to begin his term as Trustee.

C. Trustee Linda D. Watson Term Extension

Trustee Watson’s term expires May 30, 2024, pursuant to Trust Agreement. Legal counsel sent correspondence to City Council reminding it of the expiring term date and requesting that City Council reappoint Trustee Watson or appoint another Trustee. Ms. Watson was reappointed by City Council.

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to accept Linda D. Watson’s reappointment as a Trustee by the City Council.

Yea – 5 Nay – 0

Motion Carried

MANQUEN VANCE

A. Delay of ID Cards – January 2024

Ms. Kulas updated the Board regarding the initial delay for Police & Fire members in getting their ID Cards. She stated that BeneSys was timely in providing enrollment information to Manquen Vance, Manquen Vance was timely in providing information to BCBS as well. However, BCBS experienced the delay due to the volume of ID Cards that must be issued in January of each year.

B. BCBS Benefit Enhancement Implementation Issues

Ms. Kulas let the Board know that again, they provided the signed contract for the benefit enhancements timely to BCBS but implementing the lower deductibles was not completed timely by BCBS. It took BCBS until mid to late March to have the lower deductibles in place for members.

C. BCBS Silver Sneakers Program Issue

Ms. Kulas explained to the Board that when BCBS was correcting the lower deductible issue for the Medicare members they inadvertently stopped the Silver Sneakers program for members. This was corrected by mid-March.

D. BCBS Pre Medicare Billing Errors February – May 2024 (BeneSys Audit)

Ms. Crosby informed the Board that she does quarterly audits of all vendor invoices for the Trust. When

performing the audit for February 2024 BCBS Pre-65 invoices she found that BCBS was billing for an extremely large amount of Medicare members. The Trust was also being billing for these same members Medicare coverage. Ms. Crosby reached out to Ms. Kulas with the issue. She immediately brought it to the attention of BCBS and had her team perform an audit of the March, April, and May 2024 invoices. The Trust has received a credit of approximately \$612K because of the audit that was performed by BeneSys and Manquen Vance.

Ms. Kulas educated the Board that for the 2025 benefit year there are changes coming because of the Inflation Reduction Act. The annual member out-of-pocket spending will be capped at \$2,000 per year on covered Part D drugs. Members will also have the option to smooth their out-of-pocket costs throughout the year via a payment plan arrangement. This will be a positive change for members with high out-of-pocket RX costs, but it will mean higher premiums cost. The Trust is currently in a 2-year contract with BCBS so this will not have an impact until the 2026 benefit year.

In addition to premium costs anticipated to rise, the timeframe that Medicare would usually put out the rates for next year is being delayed by 4 to 6 weeks. This could impact the open enrollment period. The Board asked to see updated rates on the 4 additional enhancements that were discussed last year: reduced RX co-pays, adding a hearing aid rider and enhancing dental coverage. Ms. Kulas stated she would work on gathering this information but she it will be September at the earliest.

CONSENT AGENDA

- A. Meeting Minutes February 22, 2024
- B. Financial Statements January – March 2024
- C. Opt-Out Balance Remaining as of April 30, 2024 = \$3,820,000.00
- D. Bills for Ratification May 23, 2024
- E. Bills for Approval

<u>Date</u>	<u>Payee</u>	<u>Amount</u>
4/8/2024	American Graphics Printing	\$3,111.04
5/6/2024	American Graphics Printing	\$207.12
5/9/2024	American Graphics Printing	\$200.44
3/12/2024	Asher Kelly	\$1,376.00
4/11/2024	Asher Kelly	\$107.50
5/8/2024	Asher Kelly	\$537.50
3/12/2024	Asher Kelly	\$11,778.35
4/11/2024	Asher Kelly	\$3,748.73
5/8/2024	Asher Kelly	\$3,700.00
11/23/2023	Comerica	\$9,056.64
2/23/2024	Comerica	\$5,556.64
8/23/2023	Comerica	\$3,642.64
11/23/2023	Comerica	\$7,715.33
2/23/2024	Comerica	\$14.00
12/29/2023	Manquen Vance	\$20,378.35
3/12/2024	Sawgrass	\$6,814.88

4/12/2024	WCM	\$4,541.57
4/8/2024	YCM	\$2,603.14
4/8/2024	YCM	\$1,677.30
4/8/2024	YCM	\$10,573.06

\$97,340.23

- F. Comerica Bank Balance as of April 30, 2024
- G. Total Benefit Enrollees as of April 30, 2024 = 994
- H. Added Enrollees February 1, 2024 to April 30, 2024 = 13
- I. Total Number of Appeals to Date = 41
 - a. Approved = 14
 - b. Denied = 10
 - c. On Hold = 15
 - d. Member Withdrew = 1
 - e. New = 1

RESOLUTION by Ms. Watson; seconded by Mr. Britton

Further Resolved, to approve the Consent Agenda as presented.

Yea – 5 Nay – 0

Motion Carried

CONSULTANT REPORT

A. GJC

- a. Financial Statement June 30, 2023, and 2022**
- b. Audit June 30, 2022, Management Letter**
- c. Required Communication**

Mr. Henzi explained to the Board that this information was included again for the Board’s review because a change was made. Note B was added to the financial statements to show that the Trust’s management identified the omission of the Trust’s equity in the City’s pooled cash from the financial statements as of June 30, 2022. Accordingly, amounts reported for the Trust’s equity in the City’s pooled cash and employer contributions have been restated in the June 30, 2022, financial statements presented today and an adjustment has been made to the net position restricted for postemployment benefits other than pensions as of June 30, 2022, to correct the error. GJC’s opinion is not modified with respect to this matter.

B. Dahab Associates

A. Performance Review – March 2024

Mr. Roth reviewed performance as of March 2024. On March 31st, 2024, the City of Pontiac VEBA Plan was valued at \$108,499,084, representing an increase of \$16,704,972 from the December quarter's ending value of \$91,794,112. Last quarter, the Fund posted net contributions equaling \$12,289,913 plus a net investment gain equaling \$4,415,059. Total net investment return was the result of income receipts, which totaled \$378,893 and net realized and unrealized capital gains of \$4,036,166. Discussion took place.

RESOLUTION by Mr. Britton; seconded by Mayor Greimel

Further Resolved, to terminate Burgundy and move those assets to Vanguard Emerging Markets.

Yea – 5 Nay – 0

Motion Carried

B. Real Assets – Investing in Timber/Farmland

Education was provided to the Board by Mr. Lee and Mr. Roth regarding investing in Timber and Farmland.

C. Investment Policy Statement – May 2024

Mr. Roth provided an updated Investment Policy Statement to the Board for review and approval. This update was done to accurately state the asset allocation of the system upon receipt of assets merged from the Police and Fire VEBA.

RESOLUTION by Mr. Nye; seconded by Deputy Mayor Stephens

Further Resolved, to approve and sign the updated Investment Policy Statement as provided.

Yea – 5 Nay – 0

Motion Carried

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board regarding the negotiation between CPREA and the City, regarding modifying the Settlement Agreement. She stated that they are very close to coming to an agreement that will provide the Trust with 50% of the \$60M currently being held, expand the class to include those retirees who had 10 years of service as of December 22, 2011 but remained working for the City, reduce the City’s liability, cap VEBA spending for benefit enhancements, making District Court retirees eligible and allowing Surviving Spouses to elect the \$20K opt-out. The attorneys are working on the updated agreement, it will then need to go to City Council and then to the Judge to be finalized.

B. SECRETARY

Trustee Britton informed the Board of a situation where a deferred P&F member who was turning 50 that was going to be given the Opt-Out, but they were able to stop it in time. Discussion took place.

He also gave the Board a recommendation for replacement of Trustee NZ Bryant whose terms ends May 30, 2024, and will not be continuing with the Board. Information was provided for John Naglick, CPA. Mr. Naglick is currently the CFO for the City of Detroit, is an Adjunct Professor at Walsh College and U of D Mercy and was previously the Finance Director for the City of Pontiac.

RESOLUTION by Mayor Greimel; seconded by Deputy Mr. Nye

Further Resolved, to APPOINT John Naglick to serve as the 7th Trustee, should he agree to serve. Mr. Britton is authorized to approach Mr. Naglick about the open position for this Board.

Yea – 5 Nay – 0

Motion Carried

C. TRUSTEE COMMITTEES – None

D. LEGAL REPORT

City of Pontiac / PF VEBA / VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in Attorney Report. As previously reported, the PF VEBA, VEBA, and City of Pontiac agreed to terms on a Merger Agreement. The City executed the Merger Agreement on December 19, 2024.

Previously, the City requested revisions to the Merger Agreement to expressly state that nothing within the Merger Agreement should be interpreted to affect any party’s claims and defenses in pending litigation brought by the City of Pontiac against the VEBA. The parties negotiated the language at a joint meeting held with the VEBA on December 7, 2023, and executed the document.

PF VEBA 2023 Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel convened meetings with the auditing firms for the PF VEBA and the VEBA. The purpose of the meeting was to discuss how each VEBA would “book” assets in each Trust as of December 31, 2023, for auditing purposes. The parties also discussed whether that would affect the PF VEBA’s final audit. Each firm agreed that any asset in the PF VEBA as of December 31, 2023 (meaning it was not transferred into the VEBA until January 2024) would be booked as an asset of the PF VEBA. The VEBA will book transferable that remained in the PF VEBA as of December 31, 2023, as accounts receivable.

This accounting practice will not impede or alter Bonadio’s final audit, which will be for the period December 31, 2023. That audit will note the assets under management (remaining in the PF VEBA) as of December 31, 2023. Remaining assets will be booked as accounts payable to the VEBA and it will be considered the final audit.

PF VEBA Fiduciary Liability Tail Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. As previously reported, the Trustees approved purchasing a fiduciary liability “tail” policy that will cover any claims against the Board of Trustees of the PF VEBA within six years of the effective date of the policy. Legal counsel met several times with Segal, the insurance agent for the PF VEBA, to discuss the timing of the tail policy. Legal counsel advised that the PF VEBA will continue to meet in 2024, primarily to discuss any post-merger required activity and to review and adopt the final audit report which will not be completed until September 2024. Segal advised that the Trustees delay purchasing the tail policy until the PF VEBA stops meeting.

Since the last meeting, the PFRS will renew its fiduciary liability insurance policy effective June 1, 2024. The PF VEBA was again added as an insured on that policy.

Amendment No. 3 to Trust Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. He provided a proposed amendment to the VEBA Trust Agreement. The Amendment would only change the fiscal year from July 1-June 30 to January 1-December 31. This proposed amendment to the Trust was initially suggested by the City of Pontiac's auditing firm. However, the VEBA's auditor concurs that it would make sense. Currently, the PF VEBA and PFRS have a fiscal year ending December 31. The VEBA Trust selected July 1 as the fiscal year beginning date, presumably to match the City of Pontiac's fiscal year. However, this caused hardship for the VEBA auditor and City of Pontiac auditor, especially over the last two years because both audits are completed at the same time. If the VEBA has a fiscal year ended December 31, the PF VEBA audit should be completed in the 2nd Quarter of the following year. The City's audit for the period ended June 30 is due by December 31. We look for direction on this issue.

At the last meeting, the Trustees considered the request and agreed that the VEBA should take necessary steps to ease the burden of timely completing an audit on all firms. However, the proposed fiscal year change posed a practical question, which is whether the VEBA should conduct an audit in 2024 for a shorten period or whether it should perform an audit in 2025 for an 18-month period.

Following the meeting, legal counsel held meetings with the VEBA's auditing firm, George J. Johnson. That firm answered the practical question by recommending one 18-month audit in 2025, for the period July 1, 2023-December 31, 2024, if the VEBA did not have to report its audit to any outside agency.

Similarly, legal counsel met with the City's auditing firm, the Haven Group, as well as Sekar Bawa, Senior Accountant for the City of Pontiac. Alternatively, the Haven Group would propose that the VEBA conduct an audit in 2024 for the period July 1, 2023-December 31, 2023. The Haven Group's preference was that the VEBA conduct an audit in 2024 for the period January 1, 2023-December 31, 2023. Although six months of this audit period has been audited, this is still preferable for two reasons. One, the audit period would coincide with the period contemplated in the actuarial valuation report. Second, it would allow the City to review the VEBA's audited financial statements as of the year end. Also, it would put the VEBA on track to consecutively conduct annual audits for the period ended as of the calendar year as of December 31.

Legal counsel recommends, based on consultation with the auditing firms, that the VEBA agree to change the fiscal year to January 1-December 31. Second, that the VEBA direct GJC to conduct an audit for the period January 1, 2023-December 31, 2023. The recommendation is for all the reasons stated by the auditors. Also, this will allow the City's auditor to review the PF VEBA and VEBA audits for the same period ended December 31, 2023. Going forward, all of the retirement plan audits should be completed by July or August of any year. This is the period during which the City begins its annual audit. Thus, the City's auditor would be able to have completed reports at the initial stages of audit process.

Since the last meeting, legal counsel met with the City's auditors and representatives from George J. Johnson. They recommended that it would be an efficient use of resources if the VEBA did not perform an audit in 2024. Rather, that it audit the period July 1, 2023-December 31, 2024 in 2025.

RESOLUTION By Deputy Mayor Stephens, Supported by Mayor Greimel

Resolved to approve a Trust amendment, at the recommendation of legal counsel, to change the VEBA's fiscal year to January 1 to December 31 effective immediately. Further, that the VEBA authorize GJC to perform an audit in 2025 for the period of July 1, 2023 to December 31, 2024.

Yea – 5 Nay – 0

Motion Carried

Trustee Election

Attorney Henzi addressed this matter for the Board in the Attorney Report. Trustee Matt Nye, who was just elected, was elected to serve for a term that ends May 31, 2024. Mr. Henzi will provide BeneSys with the needed information to send out Trustee Election information.

Expiring Trustee Term for Linda D. Watson

Attorney Henzi addressed this matter for the Board in the Attorney Report at the beginning of the meeting.

Request for Manquen Vance to attend May 23, 2024 Meeting

Attorney Henzi addressed this matter for the Board in the Attorney Report. They did attend earlier today.

John Wood Appeal

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees resolved to deny his appeal. A denial letter was sent by BeneSys to the member.

Litigation Response Letter

Attorney Henzi addressed this matter for the Board in the Attorney Report. Annually, the auditor for the System sends correspondence requesting that legal counsel advise whether there are any pending or threatened litigation claims against the VEBA. A response was provided.

GJC Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report. The report has been finalized.

Pam Fladger

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel was contacted by an attorney representing Pam Fladger. He advised that he had been retained to possibly initiate legal action to compel insurance benefits for his client. Legal counsel sent the attached correspondence. Legal counsel followed up with the attorney after the CPREA v. City negotiations were finalized.

Legal Fee Proposal

Attorney Henzi addressed this matter for the Board in the Attorney Report. Discussion took place.

RESOLUTION By Mr. Nye, Supported by Ms. Watson

Resolved approve the updated legal fee schedule as proposed by Mr. Henzi.

Yea – 4 Nay – 1, Mayor Greimel

Motion Carried

Securities Litigation Portfolio Monitoring

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

RESOLUTION By Mr. Nye, Supported by Mr. Britton

Resolved to retain the services of Wolf Popper, Robbins Geller, Labaton, and Bernstein Litowitz for Securities Litigation Portfolio Monitoring.

Yea – 5 Nay – 0

Motion Carried

TRUSTEE COMMENTS - None

PUBLIC COMMENTS - None

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

D. Crescent Capital – Investor Contact Form Update

Ms. Crosby provided form from Crescent Capital that requires Chairperson Filler’s signature to allow Dale Classen from Dahab as well as Violet Gjorgjevski and Jennifer Crosby access to reporting and invoicing.

E. Vendor Response re: Change Healthcare Cyber Attack

This information was provided to the Board for informational purposes.

F. iPad Policy/MacBooks

Ms. Gjorgjevski mentioned the need for a policy regarding iPads or MacBooks provided to trustees. Mr. Henzi stated he has one and will forward it to her.

CORRESPONDENCE

A. BeneSys DOL Cybersecurity Program Response Q1 2024

RESOLUTION By Mr. Britton, Supported by Mr. Nye

Resolved to put into place a Cybersecurity guideline such as the one discussed at the MAPERS conference for each vendor to respond to annually with the political contribution statements.

Yea – 5 Nay – 0

Motion Carried

- B. BeneSys Navigator Q1 2024
- C. BeneSys Navigator Q4 2023

NEXT REGULAR MEETING DATE – August 22, 2024, at 1:00 p.m.

ADJOURNMENT

RESOLUTION by Mr. Bryant; seconded Mr. Britton

Further Resolved, that the meeting be adjourned at 4:26 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on May 23, 2024.

As recorded by BeneSys