

**CITY OF PONTIAC  
POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH & INSURANCE PLAN  
BOARD OF TRUSTEES VEBA MEETING MINUTES  
December 7, 2021**

A regular meeting of the Board of Trustees was held on Thursday, December 7, 2021 via Conference Call in accordance with Michigan’s Executive Orders issued restricting in-person gatherings due to COVID-19, and Michigan’s Open Meetings Act, as amended.

**Trustees Present**

Lon Britton, Sebastian, FL  
Matt Nye, Chairman, Lake Orion, MI  
Darin Carrington, Finance Director, Pontiac, MI  
Craig Storum, Hale, MI  
Deirdre Waterman, Mayor, Pontiac, MI

**Others Present**

Matt Henzi, AsherKelly  
Chris Kuhn, AndCo.  
Duane Menter, BeneSys, Inc.

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*Trustee Nye declared that a quorum was present and called the meeting to order at 10:01 a.m.*

**AGENDA**

**CONSENT AGENDA**

- A. Minutes of Regular Meeting – September 8, 2021
- B. Minutes of Special Meeting – September 10, 2021
- C. Minutes of Special Meeting – November 19, 2021
- D. Financial Reports
  - 1. Financial Reports – July - September 2021
  - 2. Bills for Ratification through December 2, 2021

**RESOLUTION 21-29** By Storum, Supported by Britton  
Resolved, That the Consent Agenda for December 7, 2021 be approved.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Darin Carrington	Yea
	Craig Storum	Yea

Discussion took place regarding the continuation of Virtual Meetings and the OMA. Effective January 1, 2022 all meetings will be required to be in person.

**CONSULTANTS**

A. AndCo.

Christopher Kuhn reviewed the market summary for third quarter 2021. Economic growth in the US likely slowed during the 3rd quarter as the recovery continues to mature. The demand for workers continued to be strong and the unemployment rate declined to 4.8% in September. A variety of

factors contributed to an increase in volatility in the US equity markets, including concerns related to the Delta variant, supply chain shortages, higher US interest rates, rising inflation, and fiscal policies in Washington. Stocks climbed to new all-time highs in early September only to give back those gains towards the end of the period; only large caps ended the quarter in positive territory. Despite the developed international equity markets posting positive results in local terms, US investors suffered additional losses as the dollar appreciated versus most currencies. Emerging markets dropped sharply on concerns related to increased regulatory oversight in China and the potential default of Evergrande, the largest Chinese property developer.

Despite the continued concerns related to rising inflation and potential changes in Fed policies, US interest rates were essentially unchanged during the quarter. The US 10-Year Treasury bond rose only 2 basis points (0.02%) for the quarter to close at a yield of 1.48%. Performance across most US bond market sectors was muted during the quarter and was driven largely by the Fed's messaging concerning the potential for beginning the process of raising interest rates in late-2022. Lower quality corporate bonds outperformed higher quality sectors during the quarter. The combination of larger relative coupons and shorter maturity profiles acted as tailwinds for lower quality during the period.

Mr. Kuhn concluded that the Total Fund returned -0.06% during the quarter, exceeding the Policy Index by 0.72% and ranking near the median fund in the public fund universe. The Fund benefited from strong results from the domestic equity and fixed income allocations. The Total Fund returned 26.84% over the past year, outperforming the Policy Index by 284 basis points and ranking near the top of the peer group. Longer-term, the VEBA trails performance expectations but has shown improvement in recent quarters. Loomis, Sayles outperformed this quarter and ranked in the top third of the universe. The manager benefited from stock selection in most sectors and market leadership from higher quality companies. Loomis Sayles trails performance expectations after almost five years. Burgundy trailed the MSCI EAFE Index this quarter and ranked in the bottom half of the peer group. The manager was hindered by poor stock selection across multiple sectors. Burgundy trail performance expectations after three quarters. At quarter end the Fund was overweight to Domestic Equity and Cash and underweight to Fixed Income and Alternatives; however, all allocations are within policy ranges. The Fund was in compliance with investment guidelines and MI Act 314 at quarter end.

## **ATTORNEY'S REPORT**

### *PF VEBA Tax Exempt Status – Form 1024*

Attorney Henzi addressed this matter for the Board in the Attorney Report. On October 19, 2021, we received favorable correspondence from the IRS which confirmed the PF VEBA's tax exempt status and reinstated it retroactive to 2010.

### *PF VEBA Request for Miscellaneous Determination Form 8940*

Attorney Henzi addressed this matter for the Board in the Attorney Report. The IRS represented that the Police & Fire VEBA Trust should file a Form 8940 request for miscellaneous determination as support for its request for exemption from the requirement to file an annual Form 990. Shortly after issuing its favorable determination on the PF VEBA's Form 1024 the IRS returned the Form 8940 and its filing fee since the issue had been resolved through its determination on the Form 1024.

### *October 15, 2021 Letter to Retirees re: Enrollment Meetings*

Attorney Henzi addressed this matter for the Board in the Attorney Report. The VEBA Trustees and Plan Professionals made revisions to a proposed letter to be sent to retirees regarding the status of procurement of benefits. The final version of the letter was sent to retirees on October 15, 2021.

Open Enrollment

Attorney Henzi addressed this matter for the Board in the Attorney Report. Plan professionals drafted and revised enrollment kits. These were mailed to Police & Fire Retirees on November 8, 2021. This communication included FAQs about eligibility, the enrollment kit, and an invitation to four different enrollment meetings. The enrollment meetings were held in person and by Zoom on November 17 and December 1, 2021. The purpose of those meetings was to explain the levels of coverage to retirees, explain the open enrollment process to retirees, and to assist retirees with their enrollment forms.

BeneSys, legal and the GERS Office were in consistent contact to mail the enrollment packets to general retirees. This was completed on November 12, 2021. BeneSys and legal continue to work with the bargaining parties and the GERS Office to verify eligibility of general retirees.

Revised PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. A copy of the document executed by Matt Nye and Claudia Filler. It is now anticipated that City Council will approve the Merger Agreement at its meeting on December 7, 2021. Subsequently, it will be fully executed by the City and submitted by Ms. Kopacz to the IRS. We will continue to work with James Johnson of Honorable Brenda Lawrence’s office to assist us in our request that the IRS expedite its response to the Merger Agreement.

Revised PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. An updated timeline was presented to the Board.

PF VEBA Fiduciary Liability Tail Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Board should make a motion to pay the tail policy premium of \$15,000. The policy will become effective on the date the IRS approves the Merger Agreement.

**RESOLUTION 21-30** By Britton, Supported by Carrington

Resolved, To approve and execute the Fiduciary Liability Tail Policy effective on the date the IRS approved the Merger Agreement.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Darin Carrington	Yea
	Craig Storum	Yea
	Mayor Waterman	Abstain

Transfer of Assets to VEBA Trust

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since last meeting, legal has met with the PF VEBA’s auditor, actuary, administrator, investment consultant, custodian bank, as well as the New VEBA’s investment consultant to discuss various issues relative to the transfer of assets to the VEBA Trust. The New VEBA has accounts opened at Comerica Bank which will allow for the timely transfer of assets from the PF VEBA to the VEBA. Further, legal worked with the relevant investment managers to execute the necessary contracts to effectuate the transfer of assets. Plant Moran recommends that the PF VEBA conclude an audit in early 2022. The main purpose of the audit will be to verify investment manager returns.

Finally, the plan professionals recommend that the Trustees hold money in its account at the time the PF VEBA/VEBA merger is effectuated to ensure that all PF VEBA expenses are paid. The most likely

expenses to trail after the merger would be investment manager fees. For example, investment manager fees earned in Q1 are not billed until Q2.

Question on Pre-96 Retirees Eligibility for Dental/Vision

Attorney Henzi addressed this matter for the Board in the Attorney Report. An exhibit was provided that evidenced correspondence between legal and BeneSys confirming that pre-96 retirees, who are not PF VEBA members, are not eligible for dental or vision benefits through the PF VEBA.

Discussions on VEBA Eligibility

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, BeneSys has been tasked with creating one master list of New VEBA members. CPREA, the GERS Office, and VEBA Trustees have assisted in this ongoing process.

BCBS Settlement Claim

Attorney Henzi addressed this matter for the Board in the Attorney Report. We were notified of a class action matter involving Blue Cross Blue Shield. In an abundance of caution, we filed a Proof of Claim on behalf of the PF VEBA. We are unsure if the PF VEBA is entitled to a recovery. However, the settlement claim was timely filed.

**PUBLIC COMMENT**

Claudia Filler updated the Board that the City of Pontiac VEBA and CPREA supports the continuation of the enhancement of \$400 per month until benefits through the new VEBA begin. CPREA has no objection to a permanent enhancement to pensions if that enhancement is paid for by the new GERS.

**UNFINISHED BUSINESS**

**A. Vital Information Suspending Benefits Results**

Ms. Crosby presented to the Board on the status of outstanding forms..

**B. Computer/iPad Policy**

Ms. Crosby updated the Board that she has received the signed policies from everyone except for Mayor Waterman. The Mayor's term ends December 31, 2021 so no further follow up on this item is required.

**C. Michigan Legacy Credit Union – Account Closing**

Mr. Menter updated the Board that the account with Michigan Legacy Credit Union has been closed and the funds transferred to Comerica.

**D. Projected VEBA Costs December 2021 – March 2022**

Ms. Crosby presented to the Board a projected cost evaluation for December 2021 to March 2022. These are funds that the Board should hold back from the transfer to the new VEBA for outstanding invoices that will come in after the merger.

**E. New Trustee Credit Cards**

Ms. Gjorgjevski informed the Board that since the Michigan Legacy Credit Union account has been

closed, she has obtained new Trustee credit cards from Comerica for Mr. Nye and Mr. Storum.

## **NEW BUSINESS**

### **A. September & October Expenses**

Ms. Crosby presented the September 2021 and October 2021 expenses to the Board.

**RESOLUTION 21-31** By Britton, Supported by Carrington  
Resolved, to approve expenses for April to June 2021.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Matt Nye	Yea
	Darin Carrington	Yea

This is a pension matter

### **C. Delta Dental Plan Rate Renewal**

BeneSys provided the Delta Dental Plan Rate Renewal to the Board for review and approval.

**RESOLUTION 21-32** By Britton, Supported by Storum  
Resolved, to approve the Delta Dental plan rate renewal and authorize Duane Menter, Plan Manager to sign the document.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Matt Nye	Yea
	Darin Carrington	Yea

### **D. Meeting Schedule for 2022 Draft**

Ms. Crosby presented a draft Meeting Schedule for 2022 to the Board. Suggested updates were made.

**RESOLUTION 21-32** By Britton, Supported by Storum  
Resolved, to approve the Meeting Schedule for 2022 as amended.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Matt Nye	Yea
	Darin Carrington	Yea

## **CORRESPONDENCE - None**

**NEXT MEETING DATE:** February 24, 2022, 9:00 a.m.

## **ADJOURNMENT**

**RESOLUTION 21-33** By Storum, supported by Britton  
Further Resolved, that the meeting be adjourned at 12:10 p.m.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Craig Storum	Yea
	Darin Carrington	Yea

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, 2021.

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*As recorded by BeneSys*