

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
February 24, 2022**

A regular meeting of the Board of Trustees was held on Thursday, February 24, 2022 at BeneSys, Inc., Third Floor Conference Room, Troy, Michigan.

Trustees Present

Lon Britton
Matt Nye
Darin Carrington
Craig Storum
Tim Greimel, Mayor

Others Present

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

Trustee Nye declared that a quorum was present and called the meeting to order at 9:00 a.m.

AGENDA

Trustee Nye requested to add an Eligibility situation to discuss under New Business

CONSENT AGENDA

A. Financial Reports

1. Financial Reports – October & November 2021

RESOLUTION 22-01 By Britton, Supported by Storum

Resolved, That the Consent Agenda for February 24, 2022 be approved.

CONSULTANTS

A. AndCo.

Christopher Kuhn reviewed the market summary for fourth quarter 2021. The Federal Reserve and COVID-19 continued to dominate the market narrative during the 4th quarter. The Federal Reserve revised its policy in an attempt to control inflation, targeting an earlier exit from its bond buying program and additional rate hikes in 2022 and 2023. Omicron, a more contagious but less severe variant of Covid-19, emerged in November and swept across the globe. The equity markets rebounded in October, sold off in November (Omicron influenced), and rebounded again in December (less severe variant). The S&P 500 provided the strongest results during the quarter, returning over 11%. Small caps (Russell 2000) and international developed markets (MSCI EAFE) generated positive but much weaker returns (2.1% and 2.37%, respectively). The emerging markets continued to struggle during the quarter and declined by 1.3%. For the year, the markets followed a similar pattern with the S&P 500 generating the strongest returns and EM suffering minor losses.

Inflation concerns and the Federal Reserve's policy shift impacted returns in the fixed income markets. The front end of the yield curve climbed during the quarter in anticipation of future rate hikes; the 2-year Treasury rose from 28 basis points to 73 basis points during the quarter. The longer end of the curve was more stable with 10-year and 30-year nearly unchanged (have risen in 2022). The Barclays US Aggregate returned 1 basis point in the 4th quarter. Investment grade and high yield

bonds fared slightly better. For the year, the Aggregate declined by 1.5% and only high yield posted positive returns (5.3%) in fixed income.

Mr. Kuhn concluded that the total Fund returned 5.04% during the quarter, exceeding the Policy Index by 1.32% and ranking in the top quartile of the public fund universe. The Fund benefited from strong results from the domestic equity and international equity allocations. The Total Fund returned 16.73% over the past year, outperforming the Policy Index by 372 basis points and ranking in the top quartile of the peer group. Longer-term, the VEBA trails performance expectations but has shown improvement in recent quarters. Loomis, Sayles outperformed for the second consecutive quarter but ranked below the median manager in their universe. The manager benefited from sector weightings and stock selection as the market rewarded higher quality stocks during the final three months of the year. Longer-term, Loomis Sayles has mixed results versus performance expectations. Baird performed in line with the Bloomberg Intm G/C Index this quarter but ranked in the bottom half of their peer group. The manager meets/exceeds the performance expectation since inception (6 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. See the Asset / Manager Summary for additional comments and recommendations.

ATTORNEY'S REPORT

Joint Communication re: Update on Coverage Pending PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. A communication was drafted and sent out to the PF VEBA members providing them an update on coverage pending the PF VEBA & VEBA Merger Agreement. Attorney Henzi also mentioned that the asset transfer would follow the completion of the Merger.

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. City Council approved the Merger Agreement, which had previously been executed by the Chairpersons of the PF VEBA and VEBA. The fully executed document was submitted by Ms. Kopacz to the IRS on December 20, 2021.

Updated Timeline for PF VEBA/VEBA Transition

Attorney Henzi addressed this matter for the Board in the Attorney Report. The timeline was revised to indicate the asset transfer dates. Recommendations by Manquen Vance were incorporated to the timeline relative to open enrollment and commencement of benefits.

PF VEBA Fiduciary Liability Insurance Tail Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. It was reported that the policy effective date will be the same as the date on the final IRS notice of approval for the merger.

Transfer of Assets to VEBA Trust

Attorney Henzi addressed this matter for the Board in the Attorney Report. There was discussion regarding the pause on the transfer of the \$65M excess assets from the Old GERS to the VEBA. The transfer is set to resume on March 1st.

Police & Fire Deferred Vested Members Eligibility Question

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal was requested to review two Police & Fire deferred vested members who were denied eligibility. These individuals became deferred vested members of the PFRS due to partial plan termination effective no later than July 31, 2011. Since they were deferred vested members before December 22, 2011, they are eligible for the VEBA.

PUBLIC COMMENT - None

UNFINISHED BUSINESS

A. New Trustee Credit Cards

Ms. Gjorgjevski followed up and advised that the new credit cards are set up and ready to be activated.

NEW BUSINESS

A. November & December Expenses

Ms. Gjorgjevski presented the November 2021 and December 2021 expenses to the Board.

RESOLUTION 22-02 By Britton, Supported by Storum

Resolved, to approve reimbursement of expenses for November and December 2021.

B. January 2022 Expenses

Ms. Gjorgjevski presented the November 2021 and December 2021 expenses to the Board.

RESOLUTION 22-03 By Britton, Supported by Storum

Resolved, to approve reimbursement of expenses for November and December 2021.

C. Meadowbrook – Update for P&F VEBA Merger, Continued Benefits

BeneSys provided an informational communication regarding an update that was provided to Meadowbrook from Attorney Henzi.

D. Plante Moran – Unable to Complete 2021 Audit

Attorney Henzi advised the Board that he reached out to Plante Moran to inquire about the 2021 Audit and he was told that they do not have enough staffing to complete the audit for 2021. They also told him that they will not be able to complete the GERS audit and that they should begin looking at selecting a new firm.

RESOLUTION 22-04 By Storum, Supported by Britton

Resolved, to approve Attorney Henzi to begin the RFP process in selecting a new auditor.

E. P&F VEBA Eligibility Determination for New VEBA

Discussion was had regarding eligibility in the VEBA. There was communication between Retirees as to the rules of Eligibility for the New VEBA. Attorney Henzi provided the rules of eligibility for clarification.

CORRESPONDENCE

Items provided were informational.

- A. BeneSys DOL Cyber Security Program Response**
- B. BeneSys Log4J Statement**
- C. BeneSys NSA Statement**
- D. MAPERS One Day Event**
- E. Northern Trust – Michael Hunstad Lead Newly Combined Equity Team**

NEXT MEETING DATE: May 26, 2022, 9:00 a.m.

ADJOURNMENT

RESOLUTION 22-05 By Storum, supported by Britton
Further Resolved, that the meeting be adjourned at 10:55 a.m.

I certify that the foregoing are the true minutes of the
Police & Fire Retirement Pre-Funded Group Health and
Insurance Plan “VEBA Trust” on February 24, 2022.

As recorded by BeneSys