

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
NOVEMBER 9, 2023**

A meeting of the Board of Trustees was held on Thursday, November 9, 2023

Trustees Present

Claudia Filler, Chairperson
Linda D. Watson
Lon Britton, Secretary
Tim Greimel, Mayor (arrived 9:19 a.m.)
NZ Bryant

Others Present

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

Absent Trustee

Khalfani Stephens, Deputy Mayor
Carolyn Clark

Chairperson Filler declared that a quorum was present and called the meeting to order at 9:06 a.m.

AGENDA CHANGES

RESOLUTION by Mr. Britton; seconded by Ms. Watson

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

Yea – 4 Nay – 0

Motion Carried

CONSULTANT REPORT

Manquen Vance

A. 2024 Open Enrollment Timeline

An updated Open Enrollment Timeline for the Board.

B. Police & Fire VEBA Member Merger Communication

The communication and materials mailed to the City of Pontiac P&F VEBA Members regarding the merger were provided for the Boards knowledge.

C. 2024 Open Enrollment Packet

The communication and materials mailed to currently enrolled members and P&F and GERS members not currently enrolled was provided for the Boards knowledge.

Mayor Greimel arrived at the meeting at 9:19 a.m.

D. 2024 Rates Estimates for Potential Enhancements

Ms. Kulas reviewed the Summary of Rates for 2024 Options with the Board. She provided the current rates and the 2024 rates if no changes in coverage were made, if the original list of enhancements were provided and if the decided enhancements of reducing the deductibles were provided for both Pre-65 coverage and Medicare Advantage coverage. The 12-month cost for enhancing the deductible, only, was \$464,532.00, but the realized cost would be 10/12 of that amount since the benefit enhancement would take effect on March 1, 2024. The rates were guaranteed for two years, so the term of contract would be for 24 months. At the last special Board meeting held on September 15, 2023, the Resolution passed for a reduction in deductibles but the date for the enhancement to begin was in question and more information from Manquen Vance was needed. This information was provided, and the reduced deductibles could be put in place for March 1, 2024. Ms. Kulas represented that the contracts with BCBSM would have to be signed by December 1, 2023, in order to make the lowered deductible effective March 1, 2024. The Pre-65 coverage would have a reduced deductible from \$500 to \$250 and the Medicare Advantage coverage would have a reduced deductible from \$500 to \$100. The Board discussed the information and pricing provided and it was determined to move forward and have the Board Chairperson sign the renewal based off the previously passed Resolution.

CONSENT AGENDA

- A. Meeting Minutes August 10, 2023
- B. Special Meeting Minutes September 15, 2023
- C. Financial Statements June 2023 – August 2023
- C. Opt-Out Balance Remaining as of October 31, 2023 = \$3, 840,000.00
- D. Bills for Ratification November 9, 2023
- E. Bills for Approval

<u>Payee</u>	<u>Amount</u>
American Graphics	\$418.06
Asher Kelly	\$1,665.00
Asher Kelly	\$6,959.20
Asher Kelly	\$9,954.45
Asher Kelly	\$1,276.50
Attucks Asset Mgmt.	\$11,566.66
Northern Trust	\$958.30
Sawgrass Asset Mgmt	\$8,589.29
Victory Capital	\$6,919.00
WCM	\$3,244.94
Yousif Capital	\$3,311.54
Manquen Vance (RDS Services)	\$895.17
	\$55,758.11

- F. Comerica Bank Balance as of October 31, 2023
- G. Total Benefit Enrollees as of October 26, 2023 = 495
- H. New Enrollees August 1, 2023 to October 26, 2023 = 5

- 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 Mr. Bryant

Further Resolved, to approve the Consent Agenda with the addition of the Manquen Vance (RDS Services) Invoice that was provided as a handout.

Yea – 4 Nay – 0 Abstain – 1 (Linda D. Watson)

Motion Carried

CONSULTANT REPORT

A. GJC

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

The final audited Financial Statement as of June 30, 2022, the management letter and the required communication were provided for the Board to review.

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to accept and approve the final audited Financial Statement as of June 30, 2022, the management letter and the required communication as provided.

Yea – 5 Nay – 0

B. Dahab Associates

Mr. Roth reviewed performance as of September 2023. On September 30, 2023, the City of Pontiac VEBA Plan was valued at \$63,880,371, which was a decrease of \$3,175,046 from the June ending value of \$67,055,417. During the last three months, the Fund recorded net withdrawals of \$1,013,283 and \$2,161,763 in net investment losses. The Fund's net investment loss was a result of income receipts totaling \$276,735 and realized and unrealized capital losses totaling \$2,438,498.

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board regarding the contemporaneous negotiation between CPREA and the City, regarding modifying the Settlement Agreement. The parties met again on August 10, 2023, and decisions were made, a term sheet was to be provided by the City. However, once the city provided the term

sheet some things had changed and there was no longer an agreement. At this point in time CPREA is still waiting on the City to finalize an agreement.

B. SECRETARY - None

C. TRUSTEE COMMITTEES – None

D. LEGAL REPORT

2024 Open Enrollment

Attorney Henzi addressed this matter for the Board in Attorney Report. The VEBA Board has consulted with its health care consultant, Manquen Vance, regarding open enrollment for the period beginning 1/1/24. Manquen Vance and BeneSys have worked to prepare for the open enrollment process. The VEBA has scheduled two open enrollment open houses. These will occur as follows:

1. November 15, 2023, 10:00 a.m.-1:00 p.m. at Bowens Center.
2. November 30, 2023, 4:00 p.m.-6:00 p.m. at Bowens Center.

There will be Zoom options as well. Benesys and Manquen Vance acknowledged direction from the Board to not discuss possible benefit enhancements effective March 1, 2024. Instead, correspondence should be sent on or about February 1, 2024, about the changes.

At the Police & Fire VEBA meeting held on September 13, 2023, those Trustees resolved to auto-enroll all PF VEBA members into the VEBA effective January 1, 2024. At the September 15, 2023 VEBA Trust meeting, the Trustees made an identical motion. The basis for the Motion was that BeneSys and Manquen Vance advised that auto-enrollment would be easier for the PF VEBA members since Blue Cross already has the demographic data for the Police & Fire members. This process would also ensure that no PF VEBA member would have a lapse in coverage due to a failure to return an enrollment packet, most likely based on a belief it was not necessary. Also, both VEBAs resolved to provisionally grant eligibility to the PF VEBA members for the VEBA. BeneSys will verify the eligibility of Police & Fire members through ongoing eligibility audits. Since the last meeting, legal counsel drafted a letter to PF VEBA members advising them of the upcoming merger and instructing them that they will be auto enrolled into the VEBA. Manquen Vance distributed the correspondence to all PF VEBA members.

Also, since the last meeting, BeneSys and Manquen Vance have been working to proceed with open enrollment according to Manquen Vance's timeline.

2024 Benefit Renewal

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the VEBA meeting held on August 10, 2023, Manquen Vance presented the benefit renewal pricing, with and without potential benefit enhancements.

At that meeting, the Trustees resolved to obtain an actuarial cost study of the financial impact to the VEBA if the benefit enhancements were approved. Legal counsel immediately contacted Foster & Foster to request the cost study. Legal counsel and BeneSys have worked with Foster & Foster to answer questions and produce requested documents and information.

The Trustees should review the actuarial report and resolve to renew VEBA benefits effective January 1, 2024, with or without benefit enhancements.

At the September 15, 2023, meeting, the Trustees resolved to renew the existing benefit levels for 2024 with only one enhancement – the lowering of member deductibles for Medicare Advantage and pre-65 members. The Medicare Advantage contract was signed because time was of the essence without enhancements. This was necessary so that the VEBA had a contract in place with Blue Cross that could be effective January 1, 2024. Time was of the essence due to Medicare’s timing requirements. The Trustees can execute a new contract that enhances benefits but those likely would-be effective March 1, 2024. The BCBSM contract renewing the pre-65 benefits has not been executed. Since there are no strict Medicare requirements, this document can be executed at any time and can be effective January 1, 2024.

City of Pontiac’s Request to Jointly Request Quotes for 2025 Renewal

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the September 15, 2023, meeting, City representatives on the Board questioned whether it would be possible for the VEBA to jointly request, with the City, renewal quotes for 2025 health care costs. The City is interested in exploring whether it can benefit from economies of scale. Legal counsel advised he would ask Manquen Vance whether this is possible. Manquen Vance advised that a joint request for quotes can be completed. Manquen Vance reported it is possible and that it will work to make a joint request for rates when the VEBA has its next renewal.

Revised Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. Section 7 of the *CPREA v. Pontiac Settlement Agreement* provides,

The Board of Trustees of the Pontiac Police & Fire Retiree Prefunded Group Health Insurance Trust will merge into the New VEBA Plan with the New VEBA Plan being a surviving entity....

Legal counsel, as directed, contacted attorneys for the bargaining parties to ask whether they would consider amending the Settlement Agreement on a piecemeal basis so that the PF VEBA could be merged into the VEBA. Specifically, legal counsel proposed that the parties revise the Settlement Agreement to eliminate language conditioning the Court’s approval of the Settlement Agreement on the PF VEBA/VEBA obtaining IRS approval of the merger. This is because the IRS has reported that it will not issue a written approval of the merger. This non-approval does not invalidate the Merger Agreement or otherwise negatively affect the VEBA or PF VEBA since each of the entities has received tax exempt status from the IRS. The bargaining parties agreed and jointly filed a Motion on March 20, 2023, requesting that the Court revise the Settlement Agreement to permit an immediate merger while the parties continue to negotiate resolution of other issues in dispute. The Judge scheduled this Motion for hearing on July 18, 2023. The principal basis for the Motion was that there could be significant cost savings associated with merging the VEBA now. For example, the two VEBAs will not have to duplicate certain professional services, like having two audit reports. Additionally, it would be preferable to have only one open enrollment in September 2023.

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.

There are two components to the merger, which will be effective December 31, 2023. One is the merger of membership which will occur through open enrollment. Second, the merger will be effectuated when the PF VEBA assets for the period ending 12/31/23 are transferred to the VEBA on or about January 1, 2024.

We specifically consulted with Bonadio, the auditing firm for the PF VEBA, and George J. Johnson (GJC) regarding best practices for the transfer of assets. Bonadio recommended that the assets transfer on or about

January 1, 2024. This was preferable to transferring the assets at the end of Q3 2023. GJC concurred in the recommendation.

One of the PF VEBA's practical considerations in planning for this merger has been to make sure that all PF VEBA administrative expenses are paid before the transfer date. To that end, the PF VEBA has prepaid for its fiduciary liability tail insurance policy, and the PF VEBA has taken steps to make sure that plan professionals are paid, as much as possible, up to date through the effective date of the merger. However, we know that the PF VEBA's investment managers will invoice the PF VEBA in Q1 2024 for investment management services performed in Q4 2023. This is the natural consequence of a performance-based fee arrangement. The investment manager cannot reconcile its fee until the end of any quarter.

We also discussed with Bonadio the alternatives for paying the final PF VEBA administrative expenses. One option would be to hold some money back in the PF VEBA as of January 1, 2024 in order to pay Q4 2023 investment management fees, and any other PF VEBA administrative expenses which would not be billed 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. Under either of these scenarios, the administrative expenses would be paid from the approximately \$40M in assets being transferred from the PF VEBA to the VEBA.

Bonadio has advised that it would be preferable, from an auditing standpoint, to go with the latter option. Bonadio recommended that invoices should remain billed to the PF VEBA, even if submitted after the merger. GJC took the same position as Bonadio. The auditors instructed that all PF VEBA expenses should be billed to the PF VEBA and paid by the Super VEBA, if appropriate. This will help each VEBA reconcile its financial statements. The auditors also share the opinion that the PF VEBA should have a final accounting, completed in Q1 or Q2 2024. That document will be valuable for both VEBAs. Thus, all PF VEBA administrative expenses should be invoiced to the PF VEBA even if that entity does not pay the invoice.

Therefore, we revised the Merger Agreement to include language indicating that any administrative expense invoiced after 12/31/23 for the PF VEBA will be paid by the VEBA. The PF VEBA Trustees resolved to approve and execute the revised Merger Agreement at their meeting held September 13, 2023. The VEBA Trustees resolved to approve and execute the revised Merger Agreement at the meeting held on September 15, 2023. We forwarded a proposed, revised Merger Agreement to counsel for the City and requested approval. We forwarded the Merger Agreement to City Council but have not received confirmation of when the Merger Agreement will be reviewed or approved.

Transfer of Assets

Attorney Henzi addressed this matter for the Board in the Attorney Report. We requested that the PF VEBA investment managers provide the required contractual documents that will transfer the assets from the PF VEBA to the VEBA. The investment managers have forwarded the documents. We have revised and completed the documents, which will serve as contracts between each investment manager and the VEBA and will permit the transfer of the PF VEBA assets into the VEBA effective January 1, 2024. There are four investment manager agreements ready for execution.

1. Yousif Capital Management
2. Crescent
3. Burgundy
4. Bloomfield Capital

The PF VEBA invests in three electronically traded funds (ETFs). These will require a letter of direction from the PF VEBA to Comerica to transfer the account from PF VEBA to VEBA. We are working with Comerica on this task.

IRS Response to Request for Form 990 Exemption

Attorney Henzi addressed this matter for the Board in the Attorney Report. The VEBA requested that the IRS exempt the VEBA from the requirement to file an annual Form 990. The VEBA's auditor filed an extension for the VEBA's Form 990 filing. The Form 990 is due on or before May 15, 2023. Mr. Verhagen contacted us to advise that the IRS requested additional information because the VEBA Trust has two EINs. We sent return correspondence advising that is not the case and are waiting for a response.

On May 13, 2023, we attended 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.

On September 7, 2023, the IRS issued its letter of determination reinstating the VEBA's tax qualification status and exempting the VEBA from filing a Form 990. We sent evidence of the new EIN to all plan professionals. This required the VEBA to execute amended contracts with BCBSM to reflect the new EIN.

Fiduciary Liability/Cyber Insurance Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the August 10, 2023 meeting, the Trustees resolved to renew and buy fiduciary liability coverage. The policy was renewed and bound, and the policy premium was paid. The Trustees also resolved to renew cyber liability coverage with the best available coverage and an annual premium of no greater than \$10,000.00. Further, that the Chair was authorized to execute the necessary documents, if necessary, since the renewal date was September 9, 2023. We worked with the Huttenlocher Group and timely obtained cyber liability coverage with a policy premium of \$10,000.00. The necessary documents were executed, and coverage was bound.

Legal counsel and BeneSys have also been working with the Huttenlocher Group to apply for fiduciary liability and cyber liability insurance coverage in increased amounts effective January 1, 2024, after the merger of the VEBAs. We have executed the necessary application documents and are awaiting quotes from the carriers.

Legislative Update

House Bill 4346

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

The Board moved to closed session at 10:40 a.m. Mayor Greimel was asked to leave the room and did so at 10:40 a.m.

RESOLUTION 23-15 By Mr. Britton, Supported by Mr. Bryant
Resolved, to go into closed session to discuss the City of Pontiac v. City of Pontiac VEBA Trust – Verified complaint to Preclude VEBA Trustees from Enhancing 2024 Benefit Levels.

Roll Call Vote: Claudia Filler Yea
Lon Britton Yea
Linda D. Watson Yea
NZ Bryant Yea

The Board returned from closed session at 11:03 a.m. Mayor Greimel returned to the meeting at 11:03 a.m.

TRUSTEE COMMENTS

Trustee Linda D. Watson informed BeneSys of a deceased member, her sister, who had passed away.

Chairperson Filler updated the Board that Duane Menter, with BeneSys, is retiring after 20 years of service. He was previously a Plan Manager for this Board.

RESOLUTION by Mayor Greimel; seconded none received.

Further Resolved, to reverse the Board's previous decision to enhance the benefits of members for 2024 by reducing the deductible.

Motion Fails for Lack of Support

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

A. 2024 VEBA Board Meeting Calendar Draft

Ms. Crosby provided a draft of the VEBA Board meeting calendar for 2024.

RESOLUTION by Ms. Watson; seconded by Mr. Britton

Further Resolved, to accept and approve the 2024 VEBA Board Meeting Calendar for 2024 as presented.

Yea – 5 Nay – 0

B. Fiduciary and Cyber Liability Policies Renewal Post Merger

Ms. Crosby provided the Board with the application submitted for the Fiduciary and Cyber liability policies for post-merger.

C. MAPERS Membership Renewal 2024

Ms. Crosby provided the updated MAPERS membership renewal for 2024.

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to approve the renewal of the MAPERS membership for the Board of Trustees.

Yea – 5 Nay – 0

D. BeneSys Annual Client Survey

Ms. Gjorgjevski reminded the Board that emails will be going out from BeneSys for their Annual Client Satisfaction survey and feedback is strongly encouraged.

CORRESPONDENCE

- A. Attucks – Economic & Market Summary 3rd Quarter 2023**
- B. Attucks – Monthly Market Review – August 2023**
- C. Attucks – Quarter Report 3rd Quarter 2023**
- D. Sawgrass Asset Management – Investment Statement September 2023**
- E. Wolf Popper Firm Overview**
- F. MAPERS One-Day Conference Agenda – February 29, 2024**
- G. Benesys Navigator 3rd Quarter 2023**

NEXT REGULAR MEETING DATE – February 8, 2024, at 9:00 a.m.

ADJOURNMENT

RESOLUTION by Mr. Bryant; seconded Mr. Britton

Further Resolved, that the meeting be adjourned at 11:22 a.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on November 9, 2023.

As recorded by BeneSys