

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
September 14, 2022**

A regular meeting of the Board of Trustees was held on Thursday, May 26, 2022.

Trustees Present

Lon Britton
Matt Nye
Craig Storum
Tim Greimel, Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.
Niki Rockov, Meadowbrook
Steven Smith, Meadowbrook

Trustee Britton declared that a quorum was present and called the meeting to order at 1:11p.m.

AGENDA CHANGES

RESOLUTION 22-11 By Britton, Supported by Nye

Resolved, to grant Chairman Storum a reasonable accommodation under the Americans with Disabilities Act and to approve his participation in the meeting via telephone because his disability prevents him from appearing in person.

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

CONSENT AGENDA

- A. Minutes of Regular Meeting – May 26, 2022
- B. Financial Reports
 - 1. Financial Reports – April – June 2022
 - 2. Bills for Ratification through September 14, 2022

RESOLUTION 22-12 By Britton, Supported by Storum

Resolved, That the Consent Agenda for September 14, 2022, be approved.

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

CONSULTANTS

- A. AndCo.

Mr. Kuhn updated the Board that unfortunately, the 2nd quarter was very much like the 1st quarter, only worse. Inflation, and the Federal Reserve's aggressive rate hikes to combat rising prices, continued to dominate the headlines and impact the markets. The Fed raised the federal funds rate

twice during the quarter (May and June) and additional rate hikes are expected; the Fed funds rate was increased by 125 basis points to a target range of 1.50% to 1.75%. In addition, economic growth has slowed; GDP was negative during Q1 2022, and fears of a recession have dramatically increased. Inflation, higher interest rates, and slowing growth are global issues impacting markets around the world. The US equity market declined about 16% during the quarter. Value and large cap stocks performed better than growth and small cap counterparts. The international equity markets fared slightly better (MSCI EAFE -14.5% and MSCI EM -11.5%). Fixed income also struggled with core bonds declining over 4.5% and high yield falling almost 10%. One bright spot in an otherwise dismal quarter was real estate, which posted another strong quarter (over 4% for core real estate). The decline in stocks and bonds in 2022 has been painful but does improve the expected returns for both asset classes moving forward.

Overall, the Total Fund declined 11.30% during the quarter, exceeding the Policy Index by 0.22% but ranking in the bottom half of the public fund universe. The Fund was hindered by weak results from the fixed income managers. The Total Fund returned -11.38% over the past year, outperforming the Policy Index by 165 basis points but ranking in the bottom half of the peer group. Longer-term, the Fund has lagged performance expectations.

B. Meadowbrook – 2023 Renewal

Mr. Henzi updated the Board that he met with attorneys for CPREA and the City to discuss merging the PF VEBA into the VEBA effective 1/1/23. The attorneys expressed a willingness to seek Court approval of a revision to the parties' Settlement Agreement on a piecemeal fashion to accomplish the merger effective 12/31/22. After discussions with Meadowbrook and Manquen Vance, the VEBA's consultant, it became clear that it would be most efficient to proceed with the 2023 benefit renewal for the PF VEBA through Meadowbrook. Ms. Rockov and Mr. Smith presented the 2023 renewal rates. They indicated that the City needs to sign its contract with Medicare on or before September 30, 2022 to confirm 1/1/23 renewal rates. Legal counsel advised that he will follow up with the attorneys for the bargaining parties to see if Court approval is possible prior to September 30, 2022. In the meantime, Mr. Smith will obtain an executed contract between the City and Meadowbrook before the deadline.

Ms. Rockov and Mr. Smith informed the Board that the rates from BCBS will be going down for 2023. The pre-65 Plan costs will reduce by 20.54% in 2023 compared to 2022. The Medicare Plan will experience a 6.14% cost reduction in 2023 compared with 2022. There are currently 164 non-Medicare retirees on the plan and 152 Medicare retirees. There are no changes in the plan design.

RESOLUTION 22-13 By Britton, Supported by Storum

Resolved, to adopt the recommendation of Meadowbrook to conduct 2023 Enrollment, to direct legal and BeneSys to work with Meadowbrook to implement the Open Enrollment in the event a merger into the VEBA cannot occur effective 1/1/23. Further, to adopt the 2023 renewal rates at the recommendation of Meadowbrook.

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

Trustee Britton extended his thanks to Meadowbrook for the 12 years that they have provided benefit services to the City of Pontiac Police & Fire VEBA.

ATTORNEY’S REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. The City and CPREA jointly filed a Motion with the Federal Court for the approval of certain revisions to the Settlement Agreement including the deletion of language that conditions the merger of the PF VEBA and VEBA on obtaining IRS approval. There is an October 5, 2022 Court hearing scheduled regarding that Motion.

At the September 8, 2022, VEBA meeting, it was disclosed that the City and CPREA have agreed on certain revisions to the Settlement Agreement. However, there are some unresolved issues that they continue to negotiate.

Legal counsel provided the Board with a copy of a revised Merger Agreement which deletes language that conditions the merger on obtaining IRS approval of the PF VEBA/VEBA merger.

RESOLUTION 22-14 By Britton, Supported by Storum

Resolved, to approve the Revised Merger Agreement conditioned on the merger into the VEBA becoming effective 1/1/23.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Craig Storum	Yea
	Mayor Greimel	Yea

Asset Transfer/Escrow Agreement

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

PF VEBA Fiduciary Liability Insurance Tail Policy and Renewal

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

City of Pontiac VEBA Trust Actuarial Cost Study Reports

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

Bonadio Audit Engagement Letter

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the May 26, 2022, meeting, the Trustees resolved to retain Bonadio & Company as the auditor for the PFRS and PF VEBA. Legal counsel met with the auditor and negotiated a contract, which was executed by both Chairmen. See attached. The auditor has been working with BeneSys to complete the 2021 audit.

On August 25, 2022, the auditor met with Chairman Nye, legal, and BeneSys to discuss the 2021 audit.

Litigation Response Letters to Bonadio

Attorney Henzi addressed this matter for the Board in the Attorney Report. Bonadio, in the furtherance of its auditing services, sent the annual request to legal counsel for any threatened or pending claims made against the PFRS and PF VEBA. Legal counsel sent the appropriate responses.

Memo regarding PA 492

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, during the discussion of the financial report, Mayor Greimel inquired about the legal authority for compensating

retired Trustees for attending meetings. Following the meeting, attorney Henzi sent correspondence to Mayor Greimel and all Board members setting forth the legal authority for such compensation. See attached. The compensation will stop once Trustee Nye goes into retiree status.

Political and Fee Disclosure Statement

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

- Alidade
- Metropolitan
- Garcia Hamilton

All disclosures have been received.

AndCo Investment Consulting Services Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel discovered that the Investment Consulting Services Agreement entered into by both Funds was with The Bogdahn Group. The Bogdahn Group underwent a name change and is now known as AndCo Consulting, LLC. After discussing the matter with the consultant, it was determined that AndCo Consulting, LLC is a new and distinct entity. As such, legal counsel and AndCo negotiated new Investment Consulting Services Agreements between each of the Funds and the correct consultant – entity. There are no substantive changes from the Bogdahn Contract.

RESOLUTION 22-15 By Britton, Supported by Mayor Greimel
Resolved, to approve and execute the AndCo. Agreement as presented.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Mayor Greimel	Yea

Legislative Update

House Bill 5427

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

House Bill 6283

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

House Bill 6021

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

House Bill 5467

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

Senate Bill 705

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

UNFINISHED BUSINESS - None

NEW BUSINESS

A. April 2022 Expenses

Ms. Crosby presented the April 2022 expenses to the Board.

RESOLUTION 22-16 By Mayor Greimel, Supported by Britton Resolved, to approve reimbursement of expenses for April 2022.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Craig Storum	Yea
	Mayor Greimel	Yea

B. Craig Storum Election

RESOLUTION 22-17 By Britton, Supported by Nye Resolved, To approve the election of Craig Storum as the fifth Trustee of the Police & Fire VEBA Trust, for a term ending July 31, 2025.

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Mayor Greimel	Yea

CORRESPONDENCE

A. BeneSys DOL Cyber Security Program Response Q3 2022

B. Exela Ransomware – June 2022

C. AsherKelly Fee Proposal

Attorney Henzi advised that the fees have been relatively unchanged since 2001. Attorney Henzi proposed a fee increase for legal services rendered. There was significant discussion by the Trustees about the fee proposal.

RESOLUTION 22-18 By Britton, Supported by Mayor Greimel Resolved, To approve the AsherKelly fee proposal and to set the following hourly rates for legal services rendered by AsherKelly, as follows:

Effective 1/1/23	Attorneys \$200 / Paralegals \$100
Effective 1/1/24	Attorneys \$215 / Paralegals \$115
Effective 1/1/25	Attorneys \$225 / Paralegals \$125

Roll Call Vote:	Lon Britton	Yea
	Matt Nye	Yea
	Mayor Greimel	Yea
	Craig Storum	Yea

NEXT MEETING DATE: September 14, 2022, 1:00 p.m.

ADJOURNMENT

RESOLUTION 22-19 By Britton, supported by Storum Further Resolved, that the meeting be adjourned at 3:25 p.m.

Roll Call Vote:	Lon Britton	Yea
	Craig Storum	Yea

Darin Carrington Yea
Mayor Greimel 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 September 14, 2022.

As recorded by BeneSys