

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
March 2, 2023**

A regular meeting of the Board of Trustees was held on Thursday, March 2, 2023.

Trustees Present

Matt Nye, Chairman
Lon Britton, Sebastian, FL
Craig Storum
Tim Greimel, Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.
Cody Kocher, Nyhart
Karen Nasoni, Bonadio Group
Rachel Kavney, Bonadio Group
Dawn Minemier, Bonadio Group

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

AGENDA CHANGES

RESOLUTION 23-01 By Britton, Supported by Storum

Resolved, to grant a reasonable accommodation under the ADA and allow Trustee Lon Britton to attend the meeting electronically.

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

CONSENT AGENDA

- A. Minutes of Regular Meeting – December 1, 2022
- B. Financial Reports
 - 1. Financial Reports – October - December 2022
 - 2. Bills for Ratification through February 23, 2023

RESOLUTION 23-02 By Britton, Supported by Storum

Resolved, That the Consent Agenda for March 2, 2023, be approved.

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

CONSULTANTS

A. Nyhart – GASB 74/75 Actuarial Valuation December 31, 2021

Mr. Kocher reviewed the GASB 74/75 Actuarial Valuation for December 31, 2021 with the Board. The VEBA is 99.9% funded. A decreased rate of 6.5% was utilized for the expected return on assets. BeneSys stated that more accurate census data was provided for this valuation than previous. These two factors caused a reduction in the funded ratio from 2020 to 2021.

RESOLUTION 23-03 By Britton, Supported by Storum

Resolved, to accept and approve the GASB 74/75 Actuarial Valuation for December 31, 2021 as presented.

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

B. Bonadio Group – Financial Statements as of December 31, 2021

Ms. Nasoni and Ms. Kavney reviewed the Financial Statements and Supplementary Information as of December 31, 2021. They stated that there were many challenges in the process of performing this audit which caused delay in completion. The challenges were discussed in detail with the Board. A report of deficiencies in internal controls was provided as well. The Board requested that Legal Counsel submit formal request for response to deficiencies to BeneSys. The expectation is that the next audit run much more smoothly, and these deficiencies no longer be an issue.

RESOLUTION 23-04 By Storum, Supported by Mayor Greimel

Resolved, to accept and approve the Financial Statements as of December 31, 2021 as presented.

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

C. AndCo.

Mr. Kuhn updated the Board that inflation statistics improved during the quarter around the world. In anticipation that central banks are nearing the end of the current interest rate hiking cycle – the Federal Reserve and European Central Bank reduced the magnitude of their rate increases during the quarter – the stock and bond markets posted impressive gains during the first half of the quarter. However, the rally was relatively short-lived as recession fears replaced inflation concerns and markets trended lower to finish the year. The S&P 500 gained 7.6% in the 4th quarter, trailing only mid cap and value stocks in the US. The Bloomberg US Aggregate generated its first positive quarter in 2022, advancing 1.9%. The international markets benefited from a depreciating dollar this quarter; the developed equity markets rose over 17% and the emerging equity markets returned just under 10%. Real estate had avoided the losses experienced by the public markets during the first three quarters but posted a negative return to end the year. 2022 was a painful year for investors; stocks declined almost 20% and bonds fell over 13% (worst year in fixed income in over 100 years). We look forward to a new year.

The Total Fund gained 4.92% during the quarter, trailing the Policy Index and ranking in the bottom half of the public fund universe. The Fund was hindered by weak results from the international equity allocation. Note: many of the private investments have not reported 4Q results in time for this report (approximately 11% of the Fund). The Total Fund returned -10.38% over the past year, handily outperforming the Policy Index and ranking in the top quartile of the peer group. Longer-term, the Fund exceeds performance expectations. The custom YCM Equal Weight strategy slightly under performed the equal weight benchmark but exceeded the S&P 500 this quarter (11.1% vs. 7.6%) and ranked near the top of the large cap core universe. Over the past twelve months this portfolio has mitigated some of the market's losses relative to the traditional S&P 500 Index and ranked in the top third of its peer group.

Burgundy trailed the MSC EAFE Index by almost 4% this quarter and ranked near the bottom of their peer group. The manager under performance is partially attributed to an underweight to Financials and overweight to Consumer Staples. Long-term, Burgundy trails performance expectations and was placed on Watch (as of 6/30/22). Garcia outperformed the Bloomberg Intl Govt/Credit Index this quarter and ranked near the top of their universe. The manager benefited from a longer duration than the benchmark as interest rates fell during the quarter. Longer-term, Garcia exceeds performance expectations. The real estate allocation suffered a loss this quarter as the real estate markets began to price in the impact of higher interest rates. Both American funds declined like the overall market and ranked near the median fund in the private real estate universe. Longer-term, the funds exceed performance expectations. At quarter end the Fund was overweight real estate and non-core fixed income and underweight to core fixed income and alternatives; all allocations are within policy ranges. AndCo is recommending the Board review the asset allocation targets.

ATTORNEY’S REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement

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

CPREA Subpoenas

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel and counsel for CPREA negotiated an appropriate Protective Order which was entered by the Court on December 29, 2022. Legal counsel has written to counsel for CPREA asking that CPREA’s actuary, and the attorneys if they request review of the census data, sign Exhibit A, which acknowledges that they will safeguard the HIPAA restricted census data.

PF VEBA Audit

Attorney Henzi addressed this matter for the Board in the Attorney Report. In January 2022, Deputy Mayor Stephens asked legal counsel and BeneSys to provide certain information to forward to the City’s auditor. All documents in our possession were produced. The City’s auditor, Rehmann, identified that there were two items precluding Rehmann from completing its audit report. Rehmann needed the PF VEBA actuarial valuation report and completed audit as well as an actuarial valuation report for the VEBA. The applicable PF VEBA documents mentioned above were produced and this is no longer a hurdle to Rehmann’s completion.

Legal counsel sent correspondence to Rehmann requesting that it accept the actuarial valuation report completed April 7, 2022, for the VEBA which included both PF VEBA and VEBA census information and asset information. Rehmann reiterated that this was not sufficient; it needs a standalone valuation report for the VEBA. The VEBA commissioned its actuarial firm to perform this report, which is underway, and which is expected to be completed in four weeks.

Trustee Elections/Proposed Amendment to Rules and Regulations

Attorney Henzi addressed this matter for the Board in the Attorney Report. The term of Fire Trustee Matt Nye and Police Trustee Lon Britton are set to expire May 31, 2023. According to the Rules and Regulations, an election for each Trustee is to occur in June. The Rules and Regulations also provide that Trustee terms shall be for three years commencing July 1 and concluding June 30. The Rules and Regulations also provide that the Board’s annual meeting, for purposes of electing officers, shall be the July meeting. This was scheduled, in part, because Trustee elections would have concluded in June and the annual meeting was an opportunity to swear in new Trustees. However, the Rules and Regulations were last revised at a time when the Trustees met monthly. Since the Trustees now meet quarterly, with no meeting in July (meetings are held February, May, August, September, and November) legal proposes to amend the Rules and Regulations to move the annual meeting from July to August. Further, to change the term of office to June 1-May 31. The

Trustees preferred to retain discretion on when to conduct the annual meeting, depending on the annual meeting schedule and the schedules of each Trustee. Legal was requested to review the Rules and Regulations and, if necessary, draft a revision regarding the annual meeting.

Lastly, legal counsel prepared the Notice of Vacancy for the two elections.

Legislative Update

House Bill 5427

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

PUBLIC COMMENT - None

UNFINISHED BUSINESS - None

NEW BUSINESS

A. December 2022 Expenses

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

B. January 2023 Expenses

Ms. Crosby presented the January 2023 expenses to the Board.

RESOLUTION 23-05 By Storum, Supported by Britton

Resolved, to approve reimbursement of expenses for December 2022 and January 2023.

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

The Trustees directed Benesys to request Meadowbrook to copy the PF VEBA expense billing to ensure more timely payment of expenses.

C. Bonadio Group Email to Matt Nye

This item was presented to the Board per the request of Matt Nye. The issues brought up in the email were discussed in detail when Bonadio presented earlier in the meeting.

CORRESPONDENCE

A. BeneSys External Penetration Test Summary – November 2022

B. BeneSys Navigator 4th Quarter 2022

C. MAPERS Spring 2023 Conference Agenda

NEXT MEETING DATE: May 11, 2023, 2:00 p.m.

ADJOURNMENT

RESOLUTION 23-06 By Britton, supported by Storum

Further Resolved, that the meeting be adjourned at 11:44 a.m.

Roll Call Vote: Lon Britton Yea
 Craig Storum Yea
 Matt Nye 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 March 2, 2023.

As recorded by BeneSys