

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
November 17, 2022**

A meeting of the Board of Trustees was held on Thursday, November 17, 2022

Trustees Present

Claudia Filler, Chairperson
Linda D. Watson
Khalfani Stephens, Deputy Mayor
Lon Britton, Secretary, Sebastian, Florida
NZ Bryant
Tim Greimel, Mayor

Others Present

Matt Henzi, AsherKelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
David Lee, Dahab
John Vance, Manquen Vance
Craig Kuenzer, Manquen Vance

Chairperson Filler declared that a quorum was present and called the meeting to order at 9:08 a.m.

AGENDA CHANGES

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to amend the agenda to move Trustee Moore resignation and Dahab Report to beginning of meeting.

Yea – 6 Nay – 0

RESOLUTION by Deputy Mayor Stephens; seconded by Mr. Britton

Further Resolved, to accept the resignation of Walter Moore as Trustee for the VEBA effective immediately.

Yea – 6 Nay – 0

Dahab Associates, Inc.

a. Performance Review – September 2022

Mr. Lee reviewed performance as of September 2022. Inflation is now the preeminent topic driving markets. The top three components being housing costs, energy prices and food cost which make up 65% of the overall index. The components are showing that higher inflation is likely to persist. During the third quarter, the Composite Portfolio lost 4.5%, which was 0.3% greater than the Shadow Index's return of -4.8% and ranked in the 55th percentile of the Public Fund universe. The asset allocation was reviewed, and the managers are being monitored to see if any changes should be made.

CONSENT AGENDA

- A. Meeting Minutes September 8, 2022
- B. Financial Statements July - September 2022
- E. Bills for Ratification November 17, 2022
- F. Bills for Approval

10/11/2022	Asher Kelly	Professional Service through Sep 30, 2022	\$4,162.00
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11/10/2022	Asher Kelly	Professional Service through Oct 31, 2022	\$5,390.00
10/1/2022	Attucks Asset Mgmnt	Management Fees 3rd Q 2022	\$23,338.11
11/12/2022	Comerica Bank	Banking Fees 3rd Q 2022	\$4,375.00
9/19/2022	GJC	1st Installment Payment	\$7,050.00
10/3/2022	GJC	2nd Installment Payment	\$7,100.00
10/17/2022	GJC	3rd Installment Payment	\$7,050.00
10/31/2022	Manquen Vance	OE Mailing 2023	\$2,319.31
10/14/2022	Sawgrass Asset Mgmnt	Period Ending September 30, 2022	\$11,229.59
10/28/2022	WCM Investment Mgmnt	Billing Period: Jul to Sep 2022	\$13,628.89
Total			\$100,642.90

- G. Comerica Bank Balance as of November 9, 2022
- H. Total Benefit Enrollees as of November 1, 2022 = 507
- I. New Enrollees August 27, 2022 to November 1, 2022 = 10
- J. Total Number of Appeals to Date = 42
 - a. Approved = 14
 - b. Denied = 9
 - c. On Hold = 12=7
 - d. Member Withdrew = 1
 - e. New = 1

RESOLUTION by Ms. Watson; seconded by Deputy Mayor Stephens

Further Resolved, to approve the Consent Agenda amended to remove invoice for Bonadio which was submitted in error.

Yea – 6 Nay – 0

It was discussed that going forward the Board would like to see the balance remaining from the funds set aside for the Opt-Outs added to the agenda. The city is to provide this information to BeneSys to include.

In addition, Deborah Munson states that there are approximately 10 retirees who received the Opt-Out and didn't qualify. She provided Deputy Mayor Stephens with the information, and he is investigating.

CONSULTANT REPORT

A. Manquen Vance

a. 2023 Benefit Renewal Analysis

Mr. Vance presented the 2023 Benefit Renewal Analysis to the Board. Renewals will be for January 2023 for both BCBSMA and Delta Dental. Originally the group was quoted to include Police & Fire retirees, however, they have yet to be added to the VEBA membership. Overall, there is a 2.3% increase in costs for 2023 Medical/RX/Dental/Vision.

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to approve the 2023 rates for BCBSMA and Delta Dental as presented.

Yea – 6 Nay – 0

The Board requested that Manquen Vance disclose commissions received on invoices going forward.

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board regarding the status of modifying the Settlement Agreement. Mediator Kathleen Bogas, who the parties used during the negotiations for the original Settlement Agreement, was retained again to act as mediator. The mediation meetings have taken place through October 2022. CPREA has decided to spend \$12,000 to have a new Actuarial Valuation completed. Subpoenas have been sent out to obtain census data to complete the Actuarial Valuation. Once this Actuarial Valuation is complete either mediation will continue, or it will go to the judge to determine next steps. In addition Chairperson Filler apologized to Mayor Greimel for a misstatement made at the June meeting regarding CPREA and the \$400/mo Pension increase.

B. SECRETARY - None

C. TRUSTEE COMMITTEES - None

D. LEGAL REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, there was discussion by the Trustees about whether Manquen Vance could facilitate open enrollment for both Police & Fire and VEBA members. After the meeting, legal counsel, BeneSys, and Manquen Vance met and decided that it would be easier for Meadowbrook to handle the PF VEBA enrollment.

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. This would include deletions to the Settlement Agreement which conditions the Agreement on receiving IRS approval. The IRS has advised it will not provide written approval. Legal counsel sent a proposed revision to the Merger Agreement.

The PF VEBA met on September 14, 2022, approximately a week after the last VEBA meeting. At the meeting, Meadowbrook presented the 2023 renewal rates. Meadowbrook advised that the PF VEBA needed to contract with Medicare on or before September 30, 2022, in order to accomplish an orderly open enrollment. Legal counsel conveyed this information to the attorneys for the bargaining parties. There was not sufficient time to obtain Court approval for this singular revision to the Settlement Agreement. However, the PF VEBA is expected to realize cost savings due to rates that were negotiated. As such, 2023 open enrollments will be kept separate for each of the VEBAs. When the Settlement Agreement is revised in 2023, PF VEBA members will be enrolled into the VEBA.

Asset Transfer/Escrow Agreement

Attorney Henzi addressed this matter for the Board in Attorney Report. As you know, the Settlement Agreement provided for two sources that will fund the VEBA: certain excess GERS assets that have been previously defined and which total approximately \$140M and 100% of the PF VEBA assets (approximately \$45M). The VEBA received approximately \$10M from the excess GERS transfer on January 3-4, 2022. On December 21, 2021, the GERS also transferred \$8M to a special fund so the

City could comfortably fund the payment of all \$20,000 opt-out elections. An additional transfer occurred in February 2022. As of August 31, 2022, the VEBA's assets totaled \$67,874,029.

At its March 31, 2022 meeting, the GERS' Board resolved to place the excess assets in escrow with legal to work with the City and CPREA to develop an Escrow Agreement.

An Escrow Agreement was never finalized because CPREA and the GERS could not agree on mutually acceptable terms for the Escrow Agreement.

CPREA and the City are in mediation on this and other topics.

CPREA Subpoenas

Attorney Henzi addressed this matter for the Board in the Attorney Report. On November 7, 2022, BeneSys received identical subpoenas addressed to the VEBA and PF VEBA. In short, the subpoenas seek census data and information, actuarial reports and information possessed by the VEBA's former actuarial firm, Nyhart. Legal counsel responded to the subpoena by producing the requested actuarial reports.

Legal counsel requested an extension of the November 18, 2022 deadline because the census data includes protected health information and personal identifying information. The production of such private information would violate HIPAA. Legal counsel suggested that the parties enter into a protective order, which will ensure that the information is for the eyes of CPREA's actuary, only, that the information will be kept confidential, and returned to the VEBAs at the end of the case.

Counsel for CPREA has indicated a willingness to draft an appropriate protective order. Once the order has been entered, the census data will be produced to CPREA's actuary. Additionally, legal counsel spoke with John Mallows of Nyhart and asked that he produce information requested in the subpoena which is in his possession and not in the possession of the VEBA. Mr. Mallows agreed to produce this information.

RESOLUTION by Deputy Mayor Stephens; seconded by Mr. Bryant

Further Resolved, to approve submitting Census data as requested by the Subpoena with a protective order in place and a secure means by which to share the information.

Yea – 4 Nay – 2

Motion Carried

VEBA Request for Miscellaneous Determination – Form 990

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. The IRS subsequently exempted the Police & Fire VEBA Trust from this annual filing requirement.

Legal counsel previously prepared a Form 8940 on behalf of the VEBA and requested that Hon. Brenda Lawrence's office assist in expediting IRS approval. We were recently contacted by Hon. Lawrence's office and advised that, due to her retirement, her office could no longer assist in this process. As such, we requested Hon. Debbie Stabenow's office assist in expediting IRS approval. Hon. Stabenow's office has agreed to assist. IRS approval remains pending.

On October 7, 2022, Spencer Verhagen a representative from Hon. Stabenow’s office contacted our office. He indicated that the IRS is yet to reach a resolution on our inquiry. The IRS has confirmed that it is reviewing our request. Spencer will contact us with any updates.

On November 15, 2022, legal counsel spoke with Mr. Nicholas, Fund auditor. Mr. Nicholas filed an extension for the VEBA’s Form 990 filing.

Cyber Liability Insurance Quotes

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Trustees previously directed the Huttenlocher Group, at its recommendation, to obtain quotes for cyber liability insurance. The Huttenlocher Group obtained quotes from two carriers. The Huttenlocher Group also prepared a summary comparison of the quotes. The agent recommends that the Trustees purchase the National Specialty Insurance policy with \$1M policy limits.

At the last meeting, the Trustees resolved to follow the recommendation of the insurance agent. Since the last meeting, we submitted the insurance application for this policy, the premium was paid, and the coverage was bound.

Proposal for Handling Appeals for Surviving Spouse

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting the Trustees directed legal counsel to revise his proposed policy for handling appeals of surviving spouses that are permitted to elect the opt-out option. Legal counsel prepared such policy and forwarded it to counsel for the City and CPREA.

Comerica Revised Fee Proposal

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees directed legal counsel to negotiate a fee adjustment on Comerica’s revised fee proposal. Legal counsel asked for a fee reduction and is awaiting receipt. It should be noted that the fees proposed are identical to fees Comerica is charging to the PF VEBA Trust.

Legislative Update

House Bill 5427

Attorney Henzi addressed this matter for the Board in the Attorney Report. HB 5427 would allow for retirement boards to meet remotely, for any reason. It was referred out of Committee without amendment. It underwent a second reading on November 11, 2021.

The Legislative Fiscal Analysis concluded that HB 5427 could result in cost savings for local units of government to the extent that convening meetings of public bodies responsible for maintaining a retirement system remotely would not be required to reimburse members for necessary travel expenses if the members are eligible for travel reimbursements.

On November 9, 2022, the Michigan House of Representatives passed this Bill. The matter was referred to the Committee of the Whole. There were no substitutes proposed to the Bill. It is anticipated that it will proceed to a vote before the Senate.

TRUSTEE COMMENTS - None

PUBLIC COMMENTS - None

UNFINISHED BUSINESS

A. Tabled Appeals

- a. 0139159276
- b. 2679039353
- c. 2684822459
- d. 2692662515
- e. 2705262060
- f. 2706082502
- g. 2706117649
- h. 2721200367
- i. 2734064624
- j. 2740400506
- k. 2754925324
- l. 2762113260
- m. 2776100632
- n. 2777199310
- o. 2819359750
- p. 2845931904
- q. 3990506972

NEW BUSINESS

A. Appeals

- a. 0139159276 MB

RESOLUTION by Mayor Greimel; seconded by Deputy Mayor Stephens

Further Resolved, to table appeal for participant 0139159276MB

Yay – 5 Nay - 0

B. Trustee Walter Moore Resignation from Board

RESOLUTION by Mayor Greimel; seconded by Mr. Bryant

Further Resolved, to instruct BeneSys to begin the election process to replace Walter Moore. Nominations are to be received by December 31, 2022.

Yay – 5 Nay - 0

B. 2023 Board Meeting Calendar Draft

BeneSys provided the Board with the 2023 Board Meeting Calendar.

RESOLUTION by Ms. Watson; seconded by Mr. Britton

Further Resolved, to approve the 2023 Board Meeting Calendar with amendment for November meeting to be on November 9, 2023.

Yay – 5 Nay - 0

C. MAPERS 2023 Enrollment

RESOLUTION by Ms. Watson; seconded by Deputy Mayor Stephens

Further Resolved, to remove Walter Moore from the MAPERS Enrollment for 2023 and proceed with payment for renewal.

Yay – 5 Nay - 0

CORRESPONDENCE

- A. Attucks Fiduciary Liability Policy 22-23**
- B. Attucks Compromised Emails**
- C. BCBS RX Saving Letter**
- D. BeneSys DOL CyberSecurity Program Response Q4 2022**
- E. Communication from Appeal Participant**

NEXT MEETING DATE: February 9, 2023

ADJOURNMENT

RESOLUTION by Deputy Mayor Stephens; seconded Ms. Watson

Further Resolved, that the meeting be adjourned at 12:06 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on November 17, 2022.

As recorded by BeneSys