

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
May 27, 2021**

A regular meeting of the Board of Trustees was held on Thursday, May 27, 2021 via Conference Call in accordance with Michigan’s Executive Orders issued restricting in-person gatherings due to COVID-19, and Michigan’s Open Meetings Act, as amended.

Trustees Present

Lon Britton, Sebastian, FL
Matt Nye, Chairman, Pontiac, MI
Craig Storum, Hale, MI
Darin Carrington, Finance Director, Pontiac, MI

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Duane Menter, BeneSys, Inc.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.
Spencer Tawa, Plante Moran
Joe Kowalski, Plante Moran
Rosemary Howell, Nyhart
Drew Simmermeyer, Nyhart
Danielle Winegardner, Nyhart
Matt Sheretz, Nyhart
Steve Roth, Dehab
David Lee, Dehab
Zack Cziryak, Financial Investment News
Jennifer Turk, Nyhart

Trustee Absent

Deirdre Waterman, Mayor

Trustee Britton declared that a quorum was present and called the meeting to order at 9:21 a.m.

AGENDA CHANGES – Mr. Carrington requested that action items be moved up on the Agenda because he will not be able to continue past 10:00 a.m.

Due to limited time and limited quorum, it was determined to have the presentations scheduled with the plan professionals from Nyhart and AndCo completed for Pension System immediately following their VEBA presentations. In addition, the action item regarding the fiduciary liability policy was moved to the beginning of meeting.

RESOLUTION 21-10 By Britton, Supported by Nye

Resolved, to accept and renew the Fiduciary Liability Policy with Chubb as quoted and presented.

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

CONSENT AGENDA

- A. Minutes of Regular Meeting – February 25, 2021
- B. Financial Reports
 - 1. Financial Reports – January – March 2021
 - 2. Bills for Ratification through May 27, 2021

RESOLUTION 21-09 By Storum, Supported by Carrington
Resolved, That the Consent Agenda for February 25, 2021 be approved.

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| Roll Call Vote: | Lon Britton | Yea |
| | Craig Storum | Yea |
| | Darin Carrington | Yea |

CONSULTANTS

- A. Board Summary of December 31, 2020 Actuarial Valuation & Experience Summary – Preliminary Results

Rosemary Howell and Matt Sheretz presented the VEBA preliminary Actuarial Valuation for December 31, 2020. The VEBA experience a favorable health plan experience. Expected 2020 premium increases were 8% for per-65 plans and 7% for post 65-plans. Actual rate experience was 3.9% rate increase for Simply Blue 1500, 15.8% for Medicare Blue 100 and 25.1% for Medicare Blue 500. This resulted in an accrued liability reduction of 21.1%. The discount rate assumption remained at 7.5% in 2021. The projected benefit payment time horizon is 79 years. There was a 7.3% return on assets in FY 2020. Capital Market forecasts indicate that a rate of return assumption lower than 7.5% may be appropriate. However, due to the plan closure the current assumption was maintained. December 31, 2020 valuation of P&F VEBA was the last “normal” valuation. Asset transfer to New VEBA currently scheduled for August 31, 2021. Potential for a final partial year valuation after merger is complete.

RESOLUTION 21-10 By Britton, Supported by Storum
Resolved, to accept and approve the Actuarial Valuation December 31, 2020 as presented.

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

- B. Plante Moran – End of Audit Letter and Financial Statements December 31, 2020

Spencer Tawa and Joe Kowalski presented the End of Audit Letter and Financial Statement December 31, 2020. In their opinion, the basic financial statements referred to present fairly, in all material respects, the fiduciary net position of the City of Pontiac Police and Fire Retiree Prefunded Group Health and Insurance Trust as of December 31, 2020 and the changes in its fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. An unmodified opinion was granted. The Statement of Fiduciary Net Position was reviewed. The Statement of Changes in Fiduciary Net Position was also reviewed, and a net increase was experienced. No significant deficiencies or material weaknesses were found. There were no difficulties or disagreements with management in performing the audit. As a significant disclosure it was made known that there will be a transfer to the newly created VEBA Trust.

C. AndCo.

Christopher Kuhn reviewed the recommendation regarding Yousif Capital Management. AndCo recommends the Board retain Yousif Capital Management to manage the customized S&P 500 Equal Weight and S&P 400 Portfolios for the Retirement System and VEBA. This recommendation is based on YCM's investment capabilities, historical performance, ability to service this relationship, and low fees.

Mr. Kuhn gave the board a market summary and update. The positive trend for US stocks remained intact during the first quarter. The rotation in leadership that started during the 4th quarter continued into the 1st quarter with small cap and value stocks leading the way. The Russell 2000 Index (proxy for small companies) rose by 12.7% and the Russell 1000 Value increased by 11.3% during the quarter compared to 6.2% for the S&P 500. International equities also gained during the quarter, but their returns were not as strong (MSCI ACWI ex US +3.5%). The primary driver of stock prices has been the re-opening of the global economy and additional fiscal and monetary stimulus. This quarter-end marks, almost to the day, the one-year anniversary of the rally in the equity markets – US equity indices have appreciated by over 50% in the past year. While the momentum in stocks was decidedly positive during the quarter, that was not the case in fixed income. The yield on the US 10-Year Treasury bond increased 83 basis points during the quarter as investors anticipated rising inflation rates in the near future. Core fixed income suffered losses in all three months to start 2021; the BB US Aggregate declined 3.4% during the quarter. The lone bright spot in the bond market was high yield, benefiting from their stronger relationship to the equity markets than interest rates.

ATTORNEY'S REPORT

Attorney Henzi informed the Board that the City of Pontiac Mayor has rescinded the public emergency order re: COVID-19, however the State of Michigan has extended its pandemic order through July 1, 2021.

PF VEBA Tax Exempt Status – Form 1024

Attorney Henzi addressed this matter for the Board in the Attorney Report. He noted that the IRS had acknowledged receipt of the letter and forms submitted by Mr. Henzi and will respond within 90 days.

Correspondence to PF VEBA Investment Managers re Transition

Attorney Henzi addressed this matter for the Board in the Attorney Report. He noted that he informed Investment Managers in February 2021 that the PF VEBA Trust will merge into a new City of Pontiac VEBA Trust in 2021. He also informed the Investment managers that the Trustees of the PF VEBA resolved to permit PF Investment Managers (AndCo) to provide portfolio information to the Investment Consultants for the VEBA, (Dahab Associates). Dahab is recommending that the assets would be better transferred “in kind” rather than liquidated to cash.

Updated Timeline for PF VEBA/VEBA Transition

Attorney Henzi addressed this matter for the Board in the Attorney Report. He discussed an updated draft VEBA transition timeline that was sent out to plan professionals via email on May 18, 2021. There were items inserted with the plan professionals' input after a Special Meeting held on March 19, 2021. The timeline was amended due to certain events as well. The timeline still uses September 1, 2021 as the date for commencement of benefits.

Draft PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. He discussed that the Merger Agreement is close to be finalized. The outstanding issue is how will the opt-out benefit be paid. Once this is determined, the Merger agreement can be finalized.

Yousif Capital Management Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. He discussed that the Investment Committee had met and recommended entering into an agreement with Yousif Capital Management effective April 1, 2021. The contracts provide that the term of the contract expires May 1 in the event AndCo does not recommend YCM as a portfolio manager by April 30. The side letter agreement stated that the parties may execute a new side letter agreement to extend the term of the contract if YCM was recommended by AndCo as a portfolio manager. A new side letter was signed on May 3, 2021 to extend the agreement.

RESOLUTION 21-11 By Storum, Supported by Britton

Resolved, to ratify the Investment Committee’s decision to extend the Side Letter Agreement with Yousif Capital Management and execute the contract documents.

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

LSIA Termination of Investment Management Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. He presented the letter to LS Investment Advisors, LLC notifying them that the Trust terminated the Investment Management Agreement with their firm effective March 31, 2021 and all records should be released to Yousif Capital Management.

PF VEBA Fiduciary Liability Insurance Tail Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. He reported that he has requested from Chubb a Fiduciary Liability Insurance Tail Policy for the VEBA to cover until the merger is complete. He has provided the requested details of the merger to Chub and is waiting for a quote.

Mark Seay Eligibility for VEBA Benefits

Attorney Henzi addressed this matter for the Board in the Attorney Report. He reported it has been determined that Mr. Seay is eligible for Medical Insurance benefits through the VEBA and should contact Meadowbrook to enroll.

Correspondence to and from NEW VEBA re: Raymond Wiggins’ Eligibility

Attorney Henzi addressed this matter for the Board in the Attorney Report. The New VEBA responded to Chairman Nye that they received the correspondence regarding Mr. Wiggins for health care benefits. Once the New VEBA received Census Data and final approval from the IRS eligible individuals will be sent notice acknowledging that they can receive benefits. The New VEBA must defer acknowledgement of Mr. Wiggin’s eligibility until the census confirms it.

PA 314 Disclosures

Attorney Henzi addressed this matter for the Board in the Attorney Report. He presented the completed and signed PA 314 Compliance Certificates for all plan professionals.

PUBLIC COMMENT – None.

UNFINISHED BUSINESS

A. Vital Information 3rd Request Mailer Results

Ms. Crosby presented the Board with detailed results of the 3rd Request Vital Information Mailer. These letters were sent via Certified Mail at the Boards request. The report details which Certified Letter Receipts were returned, which Vital Forms were then received, and which members still have not submitted a completed Vital Information Form. In addition, the report showed which members are currently receiving a pension. It was determined that BeneSys would flag the accounts for all non-pension members who did not submit a Vital Information Form showing that they would not be able to receive their pension until a Vital Information Form was completed.

RESOLUTION 21-12 By Britton, Supported by Storum

Resolved, to direct Legal Counsel to review with Benesys the verification of receipt by members of prior vital information letters. Further, to draft letter to suspend the pension of members who are receiving a pension until they complete and submit the Vital Information Form to BeneSys.

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

B. Electronic Document Retention

Mr. Henzi discussed this item in his Legal Report.

NEW BUSINESS

A. February – April 2021 Expenses

Ms. Gjorgjevski presented the February 2021 to April 2021 expenses to the Board and informed the Board that they May 2021 expenses were received after Meeting Materials were circulated.

RESOLUTION 21-12 By Britton, Supported by Storum

Resolved, to approve expenses for February – May 2021 and email the Trustees the May 2021 expenses for their knowledge.

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

B. LSIA – Important Organization Change

BeneSys provided the letter from LSIA informing the Board that effective April 1, 2021 Kevin Yousif and his investment team would be leaving LSIA and setting up operations as Yousif Capital Management.

C. Yousif Capital Management Side Letter Agreement

This item was handled under the Attorney Reports.

D. New VEBA Benefit Procurement

Trustee Britton informed the Board that the City of Pontiac is not meeting the deadlines of providing Census data to the City of Pontiac VEBA so that the process of selecting an Insurance Agent can take place. This could delay the September 1, 2021 Benefit Commencement goal of the City of Pontiac VEBA. Trustee Britton is concerned that the P&F members will not have benefits after August 31, 2021. He would like this Board to work with Meadowbrook to offer P&F members continued benefits offered within the Settlement Agreement so that coverage will be maintained should there be a delay with the new City of Pontiac VEBA. The Board agreed to move the scheduled August 26, 2021 Meeting to July 2021 and invite Meadowbrook to present benefits for P&F members within what the Settlement Agreement lays out.

CORRESPONDENCE

A. BeneSys Navigator – Q1 2021

B. NCCMP Annual Conference

C. IFEBP New Trustee Institute

NEXT MEETING DATE: August 26, 2021 at 9:00 a.m.

ADJOURNMENT

RESOLUTION 21-13 By Britton, supported by Storum
Further Resolved, that the meeting be adjourned at 12:27 p.m.

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| Roll Call Vote: | Lon Britton | Yea |
| | Matt Nye | Yea |
| | Craig Storum | 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 May 27, 2021.

As recorded by BeneSys