

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
FEBRUARY 22, 2024**

A meeting of the Board of Trustees was held on Thursday, February 22, 2024

Trustees Present

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

Others Present

Matt Henzi, Asher Kelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
Steve Roth, Dahab
Gloria Zhao, GJC
Michael Nicholas, GJC

Chairperson Filler declared that a quorum was present and called the meeting to order at 1:01 p.m.

AGENDA CHANGES

Mr. Henzi reviewed House Bill 4346 with the Board. House Bill 4346 was signed into law in November 2023. As a result, Trustees will be able to attend Retirement System meetings remotely, for any reason. The law went into effect on February 13, 2024. The law requires a Retirement System to draft a policy to determine what constitutes a quorum if the Board hosts remote meetings. The law also includes certain requirements regarding the content of meeting notices. The law evidenced a clear intent that Retirement System Boards that hold remote meetings have flexibility in how to conduct meetings, except that appropriate notice must be given, and any person appearing remotely must have the opportunity to hear and be heard.

Mayor Greimel arrived at 1:04 p.m.

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to amend the agenda to move the review of House Bill 4346 to the beginning of meeting and approve the Amended Electronic Meeting Policies and Procedures as well as Amended Rules and Regulations as provided.

Yea – 5 Nay – 0

Motion Carried

CONSENT AGENDA

- A. Meeting Minutes November 9, 2023
- B. Minutes of Joint Meeting with City of Pontiac Police & Fire VEBA December 7, 2024
- C. Financial Statements September - December 2023
- C. Opt-Out Balance Remaining as of January 31, 2024 = \$3,840,000.00
- D. Bills for Ratification February 22, 2024

E. Bills for Approval

Date	Payee	Amount
2/19/2024	American Graphics Printing	\$1,590.82
11/20/2023	Asher Kelly	\$6,757.70
2/13/2024	Asher Kelly	\$1,075.00
2/13/2024	Asher Kelly	\$3,663.00
12/6/2023	Asher Kelly	\$74.00
12/6/2023	Asher Kelly	\$27,477.70
1/15/2024	Asher Kelly	\$11,660.00
1/15/2024	Asher Kelly	\$9,603.60
1/1/2024	Attucks Asset Mgmt.	\$11,106.27
1/9/2024	City of Pontiac	\$1,932.15
12/7/2023	Foster & Foster	\$3,972.50
12/4/2023	GJC	\$10,700.00
12/18/2023	GJC	\$10,700.00
2/15/2024	Northern Trust	\$928.92
12/28/2023	Nyhart	\$3,800.00
1/9/2024	Sawgrass	\$8,841.03
1/16/2024	WCM	\$3,625.98
1/10/2024	YCM	\$2,187.31
1/10/2024	YCM	\$618.99
1/10/2024	YCM	\$10,641.52

Total = \$130,956.49

F. Comerica Bank Balance as of January 31, 2024

G. Total Benefit Enrollees as of January 31, 2024 = 1,016

H. Added Enrollees October 27, 2023 to January 31, 2024 = 3

I. Total Number of Appeals to Date = 40

- a. Approved = 14
- b. Denied = 9
- c. On Hold = 15
- d. Member Withdrew = 1
- e. New = 1

RESOLUTION by Mr. Bryant; seconded by Ms. Watson

Further Resolved, to approve the Consent Agenda as presented.

Yea – 5 Nay – 0

Motion Carried

Deputy Mayor Stephens arrived at 1:14 p.m.

CONSULTANT REPORT

A. GJC

a. Financial Statement June 30, 2023, and 2022

Ms. Zhao and Mr. Nicholas reviewed the audit and Financial Statement for June 30, 2023, and 2022 with the Board. They followed up on Note B to the Financial Statements that the Trust's management identified to omission of the Trust's Equity in the City's pooled cash from the financial statements as of June 30, 2022. Accordingly, amounts reported for the Trust's equity in the City's pooled cash and employer contributions have been restated in the June 30, 2022, financial statements now presented, and an adjustment has been made to the net position restricted for postemployment benefits other than pension as of June 30, 2022, to correct the error. Their opinion was not modified with respect to this matter.

In addition, they discussed that in Note A, the Trust is included in the annual comprehensive financial report of the City. The accompanying financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2023, and 2022, and the changes in its financial position for the years then ended, in accordance with U.S. GAAP. Their opinion is not modified with respect to this matter.

The Fiduciary Net Position of the Trust for June 30, 2022 (revised) was \$110.7M and for June 30, 2023 was \$110.3M.

b. Audit June 30, 2022, Management Letter

RESOLUTION by Deputy Mayor Stephens; seconded by Mr. Bryant

Further Resolved, to accept and finalize the audit and Financial Statement for June 30, 2023, and 2023 as presented today.

Yea – 6 Nay – 0

Motion Carried

Mr. Henzi provided a proposed amendment to the VEBA Trust Agreement. The Amendment would only change the fiscal year from July 1-June 30 to January 1-December 31. This proposed amendment to the Trust was initially suggested by the City of Pontiac's auditing firm. However, the VEBA's auditor concurs that it would make sense. Currently, the PF VEBA and PFRS have a fiscal year ending December 31. The VEBA Trust selected July 1 as the fiscal year beginning date, presumably to match the City of Pontiac's fiscal year. However, this caused hardship for the VEBA auditor and City of Pontiac auditor, especially over the last two years because both audits are completed at the same time. If the VEBA has a fiscal year ended December 31, the PF VEBA audit should be completed in the 2nd Quarter of the following year. The City's audit for the period ended June 30 is due by December 31.

The Trustees directed AsherKelly to work with the auditing firms to discuss whether the VEBA should audit the periods 7/1/23-12/31/23 during 2024. Or, conduct no audit in 2024 and wait for 2025 to audit the period 1/1/24-12/31/24, so that audits going forward, will annually occur according to a change in the fiscal year. Attorney Henzi will follow-up at the next meeting.

B. Dahab Associates

Mr. Roth reviewed performance as of December 2023. On December 31st, 2023, the City of Pontiac VEBA Plan was valued at \$92.3M, representing an increase of \$28.4M from the September quarter ending value of \$64M. Last quarter, the Fund posted net contributions equaling \$23.2M plus a net investment gain equaling

\$5.2M. Total net investment return was the result of income receipts, which totaled \$510,199 and net realized and unrealized capital gains of \$4.8M.

Mr. Roth reviewed the post-merger portfolio and recommendations. All assets were transferred from the P&F VEBA to the City of Pontiac VEBA during the last week of December 2023 and first week of January 2024. He explained that with the merger the VEBA is over-allocated in Large Cap, Small Cap and International and under-allocated in All Cap, Private Equity and Real Estate. There are also areas of manager overlap. The recommendation was to eliminate redundant managers and rebalance the portfolio. It would also be necessary to adjust the Investment Policy Statement.

RESOLUTION by Ms. Watson; seconded by Mr. Britton

Further Resolved, to liquidate assets held Sawgrass Asset Management and move those assets to Fidelity Large Cap Growth Fund.

Yea – 5 Nay – 1, Mr. Bryant

Motion Carried

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to liquidate assets from the Fidelity MidCap Index Fund and move those assets to YCM MidCap Equal Weighted Index Fund, per recommendation of the investment consultant.

Yea – 6 Nay – 0

Motion Carried

RESOLUTION by Mr. Britton; seconded by Mayor Greimel

Further Resolved, to liquidate assets held in First Eagle International Value Fund and move those assets to the Burgundy Asset Management EAFE Equity Fund per recommendation of investment consultant.

Yea – 6 Nay – 0

Motion Carried

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to maintain the current allocation to Wellington Management Emerging Markets Research Equity Fund. Further, to liquidate assets held in Northern Trust Emerging Markets Index Strategy Fund and move those assets to Vanguard Emerging Markets Stock Index Fund per recommendation of investment consultant.

Yea – 6 Nay – 0

Motion Carried

RESOLUTION by Deputy Mayor Stephens; seconded by Mr. Bryant

Further Resolved, to maintain the current allocation in Baird Intermediate Bond Fund and YCM (Victory) Income Investors Core Fixed Income Fund. Further, to liquidate assets held in the PIMCO Diversified Income Fund and move those assets into cash as needed for benefit payments, per recommendation of investment consultant.

Yea – 6 Nay – 0

Motion Carried

Mr. Roth went on to provide Asset Allocation education for the Board. He provided Dahab’s allocation study for the City of Pontiac VEBA Trust. Several combinations of fixed income, domestic and foreign equities, and real assets were considered when selecting mix options for the Trust. The current mix was provided along with the various combinations.

RESOLUTION by Mayor Greimel; seconded by Mr. Bryant

Further Resolved, to select mix 325 for the asset allocation model going forward per recommendation of the investment consultant.

Yea – 6 Nay – 0

Motion Carried

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 February 6, 2024.

She also informed the Board that NZ Bryant has told her that he will not seek to remain a Trustee beyond his current term which ends May 30, 2024. She thanked him for instrumental service to the VEBA and the retirees of the City of Pontiac during his term.

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 Attorney Report. As previously reported, the PF VEBA, VEBA, and City of Pontiac agreed to terms on a Merger Agreement. The City executed the Merger Agreement on December 19, 2024.

As previously reported, the City filed a Complaint against the VEBA on November 3, 2023, requesting that the Court enter an injunction that would stop the VEBA from lowering VEBA member medical deductibles effective March 1, 2024. The basis for the Complaint was that the enhanced benefit would harm the funding level of the VEBA and cause the City to make contributions to the VEBA. The VEBA filed a Motion for Summary Disposition and responded to the Motion for Preliminary Injunction. A hearing was held on

November 29, 2023 before Oakland County Circuit Court Judge Martha Anderson. Judge Anderson commented that her initial conclusion was that the Settlement Agreement terms supersede the terms of the Trust Agreement, which is an issue that the City and VEBA dispute. Further, she questioned whether jurisdiction over the Complaint rested in Federal Court. She denied the City’s Motion for Preliminary Injunction but did order the parties to Participate in mediation. Legal counsel for the VEBA, CPREA, and the City all agree that any mediation should include CPREA. The three parties agreed to convene a mediation session on December 21, 2023.

On December 6, 2023, the City voluntarily dismissed its Complaint in the Oakland County Circuit Court on the basis that it would refile the litigation in Federal Court. Since the action before Judge Anderson was dismissed, the VEBA was not necessary for mediation. The City and CPREA met on December 21, 2023, and perhaps on additional dates, regarding the outstanding issues being discussed regarding revising the Settlement Agreement.

On February 5, 2024, the City filed an identical Complaint against the VEBA in the United States District Court for the Eastern District of Michigan. The case was assigned to Judge David Lawson who is the Judge presiding over the CPREA v. Pontiac matter. The City also filed a Motion for a Temporary Restraining Order, which sought to enjoin the VEBA from lowering medical deductibles effective March 1, 2024. Judge Lawson denied the Motion for TRO and ordered the VEBA to respond to the Motion for Preliminary Injunction by February 15, 2024. A hearing was scheduled for earlier today, February 22, 2024.

The Board moved to closed session at 3:22 p.m. Mayor Greimel and Deputy Mayor Stephens were asked to leave the room and did so at 3:22 p.m. Members of the public attending via Zoom were placed in a waiting room and Mr. Roth also left the room.

RESOLUTION By Mr. Britton, Supported by Ms. Watson

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
	Mayor Greimel	Abstain
	Deputy Mayor Stephens	Abstain

The Board returned from closed session at 3:48 p.m. Mayor Greimel returned to the meeting at 3:48 p.m.

RESOLUTION By Mr. Britton, Supported by Ms. Watson

Resolved, to approve the Closed Meeting Minutes from November 9, 2023 as presented.

Yea – 4 Nay – 0 Abstain – 2 (Mayor Greimel and Deputy Mayor Stephens)

Motion Carried

VEBA Open Enrollment

Attorney Henzi addressed this matter for the Board in the Attorney Report. All eligible PF VEBA members were automatically enrolled into the VEBA effective January 1, 2024. The PF VEBA’s Plan Professionals communicated regularly since the last meeting to ensure this occurred.

We were contacted by Blue Cross Blue Shield of Michigan which requested that the City of Pontiac and/or VEBA execute a termination of the PF VEBA contract with BCBSM considering the merger. The PF VEBA and City jointly executed such a letter.

Transfer of Assets

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, all PF VEBA assets transferred into the VEBA. The PF VEBA's Plan Professionals communicated regularly with Comerica and all investment managers to accomplish the asset transfer. On December 28, 2023, all mutual fund and cash assets were transferred by Comerica from PF VEBA accounts to a VEBA account. Additionally, there were some actively managed accounts that were transferred into the VEBA prior to January 1, 2024. There were some actively managed accounts that were transferred into the VEBA on a date after January 1, 2024. Those transfers mostly occurred on January 3 and January 8, 2024. All assets were transferred into the VEBA by January 8, 2024.

PF VEBA 2023 Audit

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

PF VEBA Fiduciary Liability Tail Policy

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

Trustee Election

Attorney Henzi addressed this matter for the Board in the Attorney Report. Sadly, there is a retiree Trustee vacancy due to the passing of Carolyn Clark. Ms. Clark was elected by all eligible VEBA members to fill the vacancy of that term due to Walter Moore's resignation. That term expires May 30, 2024. Trustee Moore was specifically identified in the CPREA v. Pontiac Settlement Agreement as the Trustee representative of the Plan as a whole. Legal counsel worked with BeneSys to prepare the Notice of Election documents, which were mailed to all eligible members.

Fiduciary Liability Endorsement

Attorney Henzi addressed this matter for the Board in the Attorney Report. The endorsement names the PF VEBA as a merged plan covered by the VEBA's fiduciary liability insurance policy. Mr. Fladger recommended obtaining this endorsement because the original policy was based on VEBA assets but not PF VEBA assets. As indicated earlier in the report, the PF VEBA will also purchase a fiduciary liability tail policy when the PF VEBA is finished conducting business. The VEBA Trust's fiduciary liability policy expires in September and Mr. Fladger will provide quotes in advance to evaluate the propriety of this Trust's insurance coverage. Mr. Fladger recommended keeping this endorsement and the existing PF VEBA policy which expires May 31, 2024.

Coordination of Benefits

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, two VEBA members, who are both City of Pontiac retirees, contacted BeneSys with questions about coordination of Delta Dental benefits for City of Pontiac VEBA retirees. Prior to January 1, 2024, one of the retirees was a member of the PF VEBA and the spouse was a member of the VEBA. Prior to January 1, 2024, they received coordination of dental benefits, i.e. each had an individual contract. When one of the retirees sought dental treatment after January 1, 2024, they were erroneously instructed that there is no coordination of coverage. BeneSys contacted legal counsel to discuss. Legal counsel sent a copy of FAQs developed by the City and CPREA as well as the Delta Dental contract, which evidences that the VEBA Trust does provide coordination of benefits for two spouses who are each Pontiac retirees.

Record Retention Policy

Attorney Henzi addressed this matter for the Board in the Attorney Report. BeneSys requested guidance on retaining documents. This policy is intended to provide that guidance to BeneSys. Retention Policy provided.

RESOLUTION By Mayor Greimel, Supported by Mr. Britton

Resolved to approve the Record Retention Policy attached to legal counsel's report.

Yea – 6 Nay – 0

Member Appeal

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

Member Appeal

Attorney Henzi addressed this matter for the Board in the Attorney Report. The member filed an appeal for a VEBA membership on January 25, 2024. The Settlement Agreement provides that retirees and vested deferred retirees, and their eligible spouses and dependents, who were eligible for health insurance coverage as of December 22, 2011, are eligible for benefits through the VEBA.

The member is a retired Police Officer with 6 years 11 months credited service but 11 years 0 months of eligibility service. He initially worked for the City from August 27, 1992, through October 3, 1996. He returned to employment with the City on August 28, 2000, to August 3, 2007. This second period of employment is the basis for his 6 years 11 months of credited service. When he was rehired for employment in 2000, the PFRS Ordinance permitted him to redeposit his withdrawn contributions, with interest, from his first period of employment from 1992-1996, which represents 4 years 1 month of service. Upon repayment in full, credit for service previously forfeited by accepting withdrawn contributions shall be reinstated to the member. Section 4, PFRS Ordinance, was provided as well as documents from the member's PFRS retirement file. Because he did not redeposit his withdrawn contributions, he did not receive credit for these 4 years 1 month of service. The member states in his appeal that he was provided insurance through the PF VEBA. Legal counsel will work with BeneSys to determine the basis for the enrollment because it may have been in error. The PF VEBA and Collective Bargaining Agreement for the PPOA required 10 years of service credit "in the Police and Fire Retirement System of the City of Pontiac..." for eligibility in the PF VEBA.

RESOLUTION by Mayor Greimel; seconded by Mr. Bryant

Further Resolved, to deny the Appeal for participant 2763763587 as he lacks the required 10 years of service requirement because he did not redeposit his withdrawn contributions and therefor does not receive credit for his 4 years and 1 month of service.

Yea – 5 Nay – 0 Abstain – 1 (Lon Britton)

Motion Carried

TRUSTEE COMMENTS

Trustee Lon Britton requested that Mr. Henzi draft a letter to Manquen Vance asking why the Police & Fire Retirees did not receive their new BCBS ID Cards in a timely fashion, who is responsible, what happened that caused this issue?

PUBLIC COMMENTS

City of Pontiac General Retiree Keith Keesling addressed the Board. He stated he is still waiting on a

decision regarding his benefits through the VEBA. He asked why the Police & Fire retirees were allowed into the VEBA, but it has still not been decided about those General retirees who retired after December 22, 2011, but had 10 years of service as of that date. Not only has no decision been made but the additional \$400 they were receiving in their pension has been stopped.

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 Updated Board Meeting Calendar Draft

Ms. Crosby provided an updated draft of the VEBA Board meeting calendar for 2024. The previous calendar presented a conflict for Dahab and Associates.

RESOLUTION by Deputy Mayor Stephens; seconded by Ms. Watson

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

Yea – 6 Nay – 0

B. Change Fiscal Year to Calendar Year

This item was discussed under the Legal Report.

C. Breach of Contract Communication 3990506972

This matter was discussed under the Legal Report.

D. Appeal 2763763587

This matter was discussed under the Legal Report.

CORRESPONDENCE

- A. Attucks – Economic Market Summary 4th Quarter 2023**
- B. Attucks – Quarter Report 4th Quarter 2023**
- C. BeneSys DOL Cyber Security Program Response 4th Quarter 2023**
- D. MAPERS Spring Conference Agenda**

NEXT REGULAR MEETING DATE – May 23, 2024, at 1:00 p.m.

ADJOURNMENT

RESOLUTION by Mr. Bryant; seconded Mr. Britton

Further Resolved, that the meeting be adjourned at 4:48 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on February 22, 2024.

As recorded by BeneSys