

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
September 8, 2022**

A meeting of the Board of Trustees was held on Thursday, September 8, 2022

Trustees Present

Claudia Filler, Chairperson
Linda D. Watson
Khalfani Stephens, Deputy Mayor
Lon Britton
NZ Bryant
Tim Greimel, Mayor
Walter Moore, Orange County, CA

Others Present

Matt Henzi, AsherKelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
Steve Roth, Dahab
David Lee, Dahab
Meribeth Rains, Manquen Vance
John Vance, Manquen Vance
Kim Kulas, Manquen Vance

Chairperson Filler declared that a quorum was present and called the meeting to order at 9:04 a.m.

AGENDA CHANGES

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to amend the agenda to add Manquen Vance's consultant presentation to the Agenda, to occur after Dahab's report.

CONSENT AGENDA

- A. Meeting Minutes February 23, 2022
- B. Meeting Minutes May 12, 2022
- C. Special Meeting Minutes June 29, 2022
- D. Financial Statements March – June 2022
- E. Bills for Ratification August 11, 2022
- F. Bills for Approval

Asher Kelly	Professional Service through June 30, 2022	\$4,051.50
Asher Kelly	Professional Service through July 31, 2022	\$3,089.50
Asher Kelly	Professional Service through August 31, 2022	\$2,606.57
Attucks Asset Mgmnt	Management Fees 1st Q 2022	\$17,877.73
Attucks Asset Mgmnt	Management Fees 2nd Q 2022	\$25,026.11
BCBS MA	August 2022 Premium	\$96,142.00
BCBS MA	September 2022 Premium	\$94,442.90
BCBS Pre-65	August 2022 Premium	\$87,788.75
BCBS Pre-65	September 2022 Premium	\$87,788.75
BCBS Vision	August 2022 Premium	\$2,772.11
BCBS Vision	September 2022 Premium	\$2,807.66
BeneSys	Admin Fees June 2022	\$14,468.31
BeneSys	Admin Fees July 2022	\$13,443.59
BeneSys	Admin Fees August 2022	\$14,544.38
Comerica Bank	Banking Fees 1st Q 2022	\$2,557.28
Comerica Bank	Banking Fees 2nd Q 2022	\$4,375.00
Dahab Associates	Investment Consultant Fees 2nd Q 2022	\$9,500.00
Delta Dental	August 2022 Premium	\$19,391.04
Delta Dental	September 2022 Premium	\$19,228.80
Nyhart	Actuarial Valuation Report December 31, 2021	\$28,000.00

Sawgrass Asset Mgmt	Management Fees 1st Q 2022	\$8,734.07
Sawgrass Asset Mgmt	Management Fees 2nd Q 2022	\$12,445.54
	Total	\$571,081.59

- G. Comerica Bank Balance as of August 31, 2022
- H. Total Benefit Enrollees as of August 3, 2022 = 500
- I. New Enrollees May 9, 2022 to August 26, 2022 = 5
- J. Total Number of Appeals to Date = 41
 - a. Approved = 18
 - b. Denied = 7
 - c. On Hold = 12
 - d. Member Withdrew = 1
 - e. New = 3

RESOLUTION by Mr. Moore; seconded by Ms. Watson

Further Resolved, to approve the Consent Agenda with requested edits to meeting minutes.

Yea – 7 Nay - 0

CONSULTANT REPORT

A. Dahab Associates, Inc.

a. Performance Review – June 2022

Mr. Roth and Mr. Lee reviewed performance as of June 2022. Inflation continues to be elevated, the public markets continue to fall, quality has outperformed glamour and real assets continue to see gains. The total portfolio was down -9.5% for the quarter. The asset allocation was reviewed, and the managers are being monitored to see if any changes should be made.

b. Combined Assets – June 2022

Mr. Roth and Mr. Lee reviewed the combined assets effective June 2022.

c. Review of Risk & Asset Classes

Mr. Roth and Mr. Lee provided a review of Risk and Asset Classes from an educational standpoint for the Board.

d. Letter from Richard Dahab

Mr. Roth and Mr. Lee informed the Board of the change in CEO for Dahab Associates.

B. Manquen Vance

John Vance and Kim Kulas discussed the 2023 Open Enrollment with the Board. They requested a status update on the Police and Fire VEBA merger. Since the merger isn't likely to take place prior to the end of 2022 it was determined that the City of Pontiac VEBA trust will move forward with Open Enrollment for the GERS retirees as well as the Police and Fire members who retired prior to 1996. Mr. Vance stated that he

will work on renewal rates for the Pre-Medicare coverage and present them to the Board when received. Ms. Kulas stated that Open Enrollment Meetings should take place again this year and she will work on an Open Enrollment Timeline for the Board to reference. If needed Benesys will approach the GERS office to assist with mailing to anyone who they may still need addresses for.

There was discussion about whether the bargaining parties would agree to revise the Settlement Agreement on a piecemeal basis to immediately allow for the Merger of the PF VEBA into the VEBA. The rationale stated that it would allow for one open enrollment. Legal counsel was directed to initiate discussions with counsel for the City and CPREA to see if this is feasible.

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board regarding the process of modifying the Settlement Agreement. There was a status conference held in July 2022 and the judge suggested a mediator. Mediator Kathleen Bogas, who the parties used during the negotiations for the original Settlement Agreement, was retained again to act as mediator. The first mediation meeting took place September 7, 2022, and there are additional dates scheduled in October 2022. There are processes that must be followed, and they will have to let it play out. The bargaining parties agree on most issues and are very optimistic that this can be done.

B. SECRETARY

Secretary Britton requested that the Opt-Out fund balance be given at each meeting as well as a list of any new withdrawals since the prior meeting. Deputy Mayor Stephens will provide this information to BeneSys prior to the meetings.

C. TRUSTEE COMMITTEES - None

D. LEGAL REPORT

George Johnson & Company Auditing Services Contract

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Trustees previously resolved to retain George Johnson & Company as the VEBA Trust's auditor. Legal counsel met with the auditor and negotiated a contract, which was executed by the Plan Manager at the authorization of the Chair.

The Agreement provides that the firm will file a Form 990 informational tax return in 2023 if the filing deadline occurs before the IRS approves the VEBA Trust's request for exemption from filing an informational tax return.

RESOLUTION by Mr. Britton; seconded by Mr. Moore

Further Resolved, to ratify the execution of the Service Contract with George Johnson & Company

Yea – 7 Nay – 0

Foster & Foster Actuarial Services Contract

Attorney Henzi addressed this matter for the Board in Attorney Report. At a special meeting held June 29, 2022, the Trustees approved Foster & Foster to act as the VEBA Trust's actuary.

Legal sent correspondence to Foster & Foster regarding its retention. Legal counsel proposed revisions to Foster & Foster's standard contract. Foster & Foster has agreed to the proposed changes.

The contract provides that Foster & Foster will act as the VEBA Trust's actuary upon execution of the Agreement. It will prepare an annual valuation report in 2023, for the plan year ending 2022. Mr. Franken advised that his firm could prepare an earlier valuation report upon request.

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to authorize the Chair to sign and execute the contract with Foster & Foster for Actuarial Services.

Yea – 7 Nay – 0

Nyhart Cost Study Reports

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the February 23, 2022 meeting, the Trustees retained Nyhart to prepare an annual valuation report which calculated the VEBA Trust's liabilities. Further, Nyhart was retained to complete two cost studies. One was to determine the financial impact if VEBA eligibility was expanded to include approximately 16 persons who had 10 years' service credit as of 12/22/11, and who subsequently entered into an Employment Agreement with the City's Emergency Manager. The second report was to determine the financial impact if VEBA eligibility was expanded to include approximately 51 persons who had 10 years' service credit as of December 22, 2011, and who subsequently retired.

The VEBA Trust previously resolved to allow Nyhart to complete a third cost study, at the City's request and expense, to determine the financial impact if VEBA eligibility was expanded to include approximately 25 persons who are employed or retired from the 50th District Court.

As requested by legal, Nyhart performed another calculation regarding the funding level of the VEBA if eligibility was expanded on both proposals. In that event, the VEBA's funding level would be 153.6%.

Nyhart has completed all of the requests for services made by the VEBA Trust.

Asset Transfer/Escrow Agreement

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

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.

Legal drafted an Escrow Agreement and provided it to counsel for CPREA and the City. Legal also drafted an Investment Consulting Services Agreement between Dahab, the City, and CPREA. The parties also drafted Investment Management Agreements between the City and four investment managers.

Legal counsel reviewed and approved the Escrow Agreement as drafted by the City and CPREA. An Escrow Agreement was never finalized because CPREA and the City agreed to transfer certain excess GERS' assets to the New GERS for the purpose of prefunding a permanent extension of the \$400.00 monthly retirement benefit to GERS' retirees.

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. City Council approved the Merger Agreement, which had previously been executed by the Chairpersons of the PF VEBA and VEBA. The fully executed document was submitted by Ms. Kopacz to the IRS on December 20, 2021.

The IRS reported that it will not issue a ruling that approves the Merger Agreement. This does not invalidate the Merger Agreement or otherwise negatively affect the VEBA or PF VEBA since each of those entities has received tax exempt status from the IRS.

Attorney Henzi sent correspondence to the attorneys for the City and CPREA requesting whether those entities were interested in revising the Settlement Agreement and Merger Agreement to remove language making the Merger Agreement dependent upon IRS approval. Both entities have responded affirmatively. The Settlement Agreement and Merger Agreement are being revised but legal has not seen a version of any revision. Legal counsel continues to provide updates to Manquen Vance and appropriate insurance agents about the merger.

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. We were recently advised that the Court hearing was changed to a Status Conference. Given that the Settlement Agreement and Merger Agreement have not been executed and because PF VEBA and VEBA benefit enrollment needs to occur by January 1, 2023, it is unknown whether PF VEBA members will re-enroll in the PF VEBA as of that date, or whether they will enroll into the VEBA. Legal counsel has taken steps to ensure that either event can occur under the circumstances. Legal counsel confirmed with Meadowbrook, the PF VEBA insurance agent, that it will obtain quotes for PF VEBA member renewal effective January 1, 2023, if the Merger Agreement has not been approved.

Legal counsel has notified Manquen Vance that, if the Merger Agreement is approved on or about October 5, 2022, then PF VEBA members will enroll into the VEBA. Each PF VEBA member has executed a VEBA enrollment, which is being held by BeneSys.

VEBA Request for Miscellaneous Determination Form 990

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

Fiduciary Liability Insurance Renewal

Attorney Henzi addressed this matter for the Board in the Attorney Report. The VEBA previously approved purchasing a fiduciary liability insurance policy with Hudson Insurance Company for the period September 1, 2021-September 1, 2022. The Policy has limits of \$1,000,000, and a \$25,000 deductible. The annual premium was \$5,706.

Huttenlocher Group, the fiduciary liability insurance agent for the VEBA Trust has shopped the marketplace for increased liability limits because the VEBA Trust has received significant assets. At the May 12, 2022, meeting, the Trustees approved the recommendation of Huttenlocher Group and agreed to purchase a new fiduciary liability insurance policy with Hudson Insurance Company with increased policy limits. The current policy has a \$5M limit of liability and \$100,000 deductible. The annual premium is \$27,648. Since the premium was due on or before September 1, 2022, the Chair authorized payment of this important invoice. The Board should resolve to ratify the Chair's action and approve payment of the invoice.

RESOLUTION by Mr. Moore; seconded by Deputy Mayor Stephens

Further Resolved, to ratify the execution of the Fiduciary Liability Insurance Renewal as presented.

Yea – 7 Nay – 0

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. The Trustees should consider following the recommendation of the insurance agent.

RESOLUTION by Mr. Moore; seconded by Ms. Watson

Further Resolved, to obtain a Cyber Liability Policy and follow the recommendation of Huttenlocher Group and purchase the National Specialty Insurance policy with \$1M policy limits.

Yea – 7 Nay – 0

Proposal for Handling Appeals for Surviving Spouses

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting the Trustees directed legal counsel to draft a 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. The Trustees discussed the definition of surviving spouses and directed legal counsel to make further amendment to the policy.

Comerica-Globe Tax Account Opening Documents

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

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.

TRUSTEE COMMENTS

Discuss took place regarding setting up a budget for the VEBA.

Discuss took place regarding the Escrow Agreement.

PUBLIC COMMENTS

Ms. Keesling addressed the Board. He stated that he is one of the members not getting health care restored.

After 13 years of waiting and to hear that this has to go back to the court over some sticking points is very frustrating. He is very tired of this going on and on. He asked the Board why this can't just be determined without going back to court. Chairperson Filler stated that the process must be followed. Further, that all parties are working diligently to resolve all outstanding issues relative to the Settlement Agreement.

UNFINISHED BUSINESS

NEW BUSINESS

A. Appeals

RESOLUTION by Mr. Britton; seconded by Mr. Moore

Further Resolved, to place previously tabled appeals under unfinished business as a reminder to address these appeals and any similarly situated eligibility situations on a go forward basis. Further, that these appeals will be listed solely using identify numbers.

Yea – 7 Nay – 0

a. 0139159276 MB

The Board determined to table this appeal until the Settlement Agreement is revised.

b. 2769254464

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to deny appeal for participant 2769254464

Yea – 6 Nay – 1, Mr. Moore

c. 2830728324

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to deny appeal for participant 2830728324

Yea – 7 Nay – 0

d. 2830825526

RESOLUTION by Mr. Britton; seconded by Mr. Bryant

Further Resolved, to deny appeal for participant 2830825526

Yea – 7 Nay – 0

e. 3990506972

The Board determined to table this appeal until the Settlement Agreement is revised.

B. Nyhart – 2022 Modeling Report for Expanded Eligibility

BeneSys provided the Nyhart 2022 Modeling Report for Expanded Eligibility for the Board to review and discuss.

C. Nyhart – 2022 50th District Court Retiree Cost Study

BeneSys provided the Nyhart 2022 50th District Court Retiree Cost Study for the Board to review and discuss.

D. Huttenlocher Group – Fiduciary Liability Policy

BeneSys provided the Huttenlocher Group Fiduciary Liability Policy which was discussed under the Legal Report.

E. GlobeTax Account Opening Documents

BeneSys provided the GlobeTax Account Opening Document for the Board.

RESOLUTION by Mr. Britton; seconded by Deputy Mayor Stephens

Further Resolved, to ratify the execution of the GlobeTax Account Opening Documents.

Yea – 7 Nay – 0

Handout from Comerica given to the Board regarding new Fee Structure based on changes in VEBA assets as they stand now.

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to have the consultant works with Comerica regarding the new fee structure.

Yea – 7 Nay – 0

Correspondence from Comerica regarding accounts that the VEBA originally opened and are earmarked for the funds now being held by GERS that they would like to close.

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to authorize letter for closure of the Xponance, Kennedy, and Robinson accounts at Comerica that were opened by the VEBA but have not been used.

Yea – 7 Nay – 0

F. Posting Financial Statements to Participant Website

Discussion took place and the Board determined that Financial Statements will not be posted on the Participant Website.

G. Medical/Dental/Vision Invoice Payment

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to authorize BeneSys to pay invoices for BCBS MA, BCBS Pre-65, BCBS Vision, Delta Dental, BeneSys and Dahab Associates upon receipt.

Yea – 4 Nay – 0

CORRESPONDENCE

- A. BeneSys DOL Cybersecurity Program Response Q3 2022**
- B. Exela Ransomware Attack**

NEXT MEETING DATE: November 17, 2022

ADJOURNMENT

RESOLUTION by Ms. Watson; seconded Mr. Britton

Further Resolved, that the meeting be adjourned at 12:31 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on September 8, 2022.

As recorded by BeneSys