

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES SPECIAL MEETING
January 13, 2022**

A special meeting of the Board of Trustees was held on Wednesday, January 13, 2022 via Conference Call and in person.

Trustees Present

Claudia Filler, Chairperson – In-Person
Linda D. Watson – In Person
Khalfani Stephens, Deputy Mayor – In Person
Lon Britton – Sebastian, FL
NZ Bryant – In Person
Tim Greimel, Mayor – In-Person
Walter Moore, Lantana, TX

Others Present

Matt Henzi, AsherKelly
Duane Menter, BeneSys
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
Samantha Kopacz, Miller Canfield
Steve Roth, Dahab
David Lee, Dahab
Kim Kulas, Manquen Vance
Gary Hanger, Son of Member
Joanne Dennis, Member
Billie Swazer, Member

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

RESOLUTION by Mayor Greimel; seconded by Mr. Bryant

Further Resolved, to suspend the public rules and allow Trustee Moore and Trustee Britton to have discussion with the Board throughout the meeting rather than waiting for public comment.

Yea – 5 Nay - 0

Discussion took place regarding the Open Meeting Act that is currently in place. This required that all Trustees be present in person at each meeting in order to vote on resolutions. Mr. Henzi gave a Legislative Update and discussed bills introduced that haven't been passed as of today. These include House Bill 5427, House Bill 5467 and Senate Bill 705.

RESOLUTION by Ms. Watson; seconded by Mr. Bryant

Further Resolved, to support Senate Bill 705 and instruct Mr. Henzi to put in place a letter confirming the Board's support of this Bill.

Yea – 5 Nay - 0

AGENDA CHANGES

After discussion it was determined to move public comment and appeals to the top of the agenda.

PUBLIC COMMENT

Member Billie Swazer asked the Board how many members are in VEBA before and after Open Enrollment. BeneSys informed her that they have received 600-700 enrollment forms that are being processed. She asked for the number of Opt-Outs which is 185. She asked when an Actuarial Valuation would be completed. The

Board is in the process of doing RFP's for Actuarial Firms. Specific eligibility for one member was asked for. BeneSys will review and discuss with member.

Lynn Asker questioned how to obtain payment for opting out of the VEBA. The City's representatives will follow up with her.

Francis Finnegan commented about eligibility for the opt out.

Public Appeals were heard by the Board for two Police & Fire surviving spouses, member 2738567927 and 2675869564. Both members' spouses retired prior to August 1996 and did not qualify for Medicare due to lack of work credits. During the relevant time period, Police and Fire employees did not contribute to Medicare during their employment with the City of Pontiac. These surviving spouses have been enrolled in the Pre-65 medical plans through the City of Pontiac and have been paying the premiums for these plans. They are asking the Board that they be allowed to continue this through the VEBA due to the cost of enrolling in Medicare at this point in time (i.e. penalties and delay in time for enrollment).

The Board discussed this issue at length and determined they need additional information to decide for these members and others that may fall into this scenario. BeneSys and Manquen Vance were directed to identify how many Police & Fire Surviving Spouses or Members are in this same scenario, how many may become eligible in the future and the cost of insuring these individuals in the Pre-65 plan and the cost of them obtaining Medicare Part A&B to qualify for the MA plan. Once that information is provided and reviewed, a decision can be made. The matter will be placed on the Agenda for the next meeting.

RESOLUTION by Mayor Greimel; seconded by Deputy Mayor Stephens

Further Resolved, to extend benefits in Pre-65 Plan for P&F Surviving Spouses and Members who retired prior to August 1996 and do not have Medicare through July 1, 2022 pending more details and that the Board meet again as soon as possible to determine its final decision.

Yea – 5 Nay - 0

CONSENT AGENDA

- A. Bills for Ratification – November 18, 2021
- B. Financial Statements – October 2021
- C. Financial Statements – November 2021
- D. Invoices for Payment
 - a. AsherKelly Invoice – December 2021 - \$23,426.50
 - b. BeneSys Invoice – December 2021 - \$13,450.31

RESOLUTION by Mr. Bryant; seconded by Deputy Mayor Stephens

Further Resolved, to approve the Consent Agenda as presented with payment being made for invoices presented today and previously approved invoices for AsherKelly, BeneSys, and Manquen Vance now that the VEBA has received additional funding.

Yea – 5 Nay - 0

CONSULTANT REPORTS

A. Investment Consultant – Steve Roth and David Lee, Dahab

Mr. Roth and Mr. Lee updated the Board that as of January 3, 2022 the VEBA has approximately \$10M transferred from GERS. GERS stopped further transfers from taking place pending additional review on their

part. They were unable to stop the transfer of the \$10M because those transfers were already in process. They let the Board know that the funds that were transferred are as follows:

(\$3,537,739)	Assets transferred to VEBA Trust on January 3, 2022 for Emerging Markets Index Fund
(\$6,297,711)	Assets transferred to VEBA Trust on January 3, 2022 for Principal Real Estate allocation (in cash yet to be allocated)

As of today's meeting, the remaining funds are scheduled to be transferred the beginning of February 2022.

INSURANCE CONSULTANTS – Kim Kulas, Manquen Vance

Ms. Kulas recommended to the Board that communication be mailed to GERS retirees letting them know that benefits will begin on February 1, 2022, and they will need to reach out to current carriers to cancel their current benefits. In addition, communication should be mailed to P&F retirees letting them know that their enrollment in VEBA benefits is delayed due pending approval of Settlement Agreement by IRS. Both communications will be drafted and mailed.

REPORTS

A. CHAIRPERSON

Chairperson Filler thanked Mr. Henzi and BeneSys for their work toward Open Enrollment.

B. SECRETARY - None

C. TRUSTEE COMMITTEES - None

D. LEGAL REPORT

Asset Transfer

Attorney Henzi addressed this matter for the Board in the Attorney Report. On January 1, 2022, the GERS Chairperson temporarily paused the transfer. The GERS directed its investment consultant to send correspondence to the 13 managers to notify them of the asset transfer pause. This notification paused the transfer of 11 of the 13 investments. There were two investments (Principal and Northern Trust Emerging Markets) that did transfer into the VEBA. These total approximately \$10M. The Principal investment transfer, which exceeds \$6M, is being held in cash and can be used to pay insurance premiums for several months.

The stated basis for the temporary pause was that the GERS' Chair was inundated with contacts from GERS retirees who wanted to explore ways to continue the \$400 monthly pension enhancement on a permanent basis. Knowing that assets cannot be transferred from the VEBA back to the GERS, the Chairperson paused the asset transfer so that the bargaining parties could discuss the matter. CPREA indicated that it is formulating a response.

Open Enrollment

Attorney Henzi addressed this matter for the Board in Attorney Report. The open enrollment period concluded on December 10, 2021. BeneSys received more than 500 enrollment forms, some of which enrolled two persons. Presently, BeneSys is reviewing each enrollment form and compiling data to be forwarded to Manquen Vance. Manquen Vance will forward information to Blue Cross for final pricing

and implementation of benefits effective February 2, 2022.

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, 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. We sent correspondence to Hon. Brenda Lawrence's office to assist us in our request that the IRS expedite its response to the Merger Agreement. See attached.

On January 6, 2022, legal counsel had a meeting with Meadowbrook, the health care consultant for the PF VEBA. Legal counsel sent correspondence to memorialize the plan of action. The PF VEBA assets will be transferred into the VEBA once IRS approval of the Merger Agreement is received. Until the Merger Agreement is approved by the IRS, PF VEBA members will receive benefits paid by the PF VEBA. All other eligible members will have their benefits paid by the VEBA Trust. The benefits provided by each VEBA are identical. Illustratively, if the IRS approves the Merger Agreement on April 7, we anticipate that the PF VEBA members will be enrolled in the VEBA effective May 1, 2022. PF VEBA members participated in the open enrollment process. Their enrollment forms are being segregated by BeneSys and saved for when the IRS approval of the Merger Agreement is granted and the enrollment takes place as described above.

Communication re: Recission of Opt-Out Election sent to Hospital Retirees

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees directed legal counsel to draft correspondence to hospital retirees apologizing for the inadvertent error. Legal counsel drafted the letter and submitted it to the Trustees for approval. BeneSys is in the process of mailing the communication, which is attached.

Proposed Amendments to Trust re: Special Meeting Notices

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees unanimously voted to approve the Trust amendment. Subsequently, CPREA and the City approved the Trust amendment. Legal counsel submitted the proposed Trust amendment to City Council on December 23, 2021, and again on January 5, 2022. Legal counsel sent a proposed Council Resolution on December 27, 2021. The amendment has not yet been placed on the Council Agenda.

VEBA Request for Miscellaneous Determination , Form 8940

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel prepared a Form 8940 on behalf of the VEBA and requested that Hon. Lawrence's office assist in expediting IRS approval. IRS approval is pending.

Discussions on VEBA Eligibility

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal sent correspondence to the bargaining parties about their position on several frequently asked questions about VEBA eligibility. CPREA and the City jointly responded.

Another issue for this Board to consider involves a group of 7 Police & Fire members. Most, if not all, retired prior to 1996, or are the surviving spouse of a member who retired before 1996. For decades, police and fire personnel were required to opt-out of Social Security, presumably as a cost saving measure for the City. As a result, employment as a police officer or a firefighter would not enable such an individual to earn the requisite credit (40 quarters) to become eligible for Medicare. By way of further illustration, the same credit, termed as "quarters" are necessary to qualify for Social Security Disability benefits. It was only discovered during the open enrollment process that these individuals do not qualify for Medicare. If they were to enroll, they would have to pay substantial penalties for enrolling after their 65th birthday. These individuals have been on a pre-Medicare Plan for decades. Prior to 2011, the City paid for these individuals

to be on the pre-Medicare Plan because they did not qualify for Medicare.

Thus, the question is whether these individuals should be continued on the VEBA's pre-Medicare Plan or be forced to enroll in Medicare and incur penalties. Further, if penalties are incurred, who is responsible to pay the penalties? Manquen Vance has done a cost calculation and concluded that it would be more economical for the VEBA to enroll these individuals into the Medicare Advantage Plan and pay the Part A and B penalties then it would be to pay the cost of a pre-Medicare premium for these individuals.

Thus, due to the time sensitive nature of open enrollment, this Board should at least consider a short term process for these individuals. For example, the Board could pay the Medicare costs from February through July (the next Medicare enrollment), or for a 12 month period before making a long term decision on how to treat these individuals. These individuals will argue that the penalty should be subsidized by the VEBA because it would amount to the restoration of what benefit they had prior to the 2011 elimination of retiree health care by the City's Emergency Manager.

As directed at the last meeting, Legal counsel drafted correspondence to these individuals advising them that they should not cancel their existing coverage and that they will have to pay Medicare A and B if they want to enroll in the VEBA. Further, that the VEBA Trustees will be discussing this issue at their January 13, 2022 meeting. See attached. BeneSys sent the letter to these individuals.

Also as directed at the last meeting, legal counsel requested that Manquen Vance provide a cost analysis and explanation of this to the Board. It is anticipated that Manquen Vance will do this in person at this meeting.

Also as directed by the Board at the last meeting, legal counsel sent correspondence to retirees who married a spouse after December 22, 2011, advising them that the spouse is being enrolled provisionally pending further determination on eligibility of such spouses by the bargaining parties. See attached correspondence. Subsequently, the bargaining parties determined that spouses married after December 22, 2011 are not eligible for VEBA benefits. As such, legal counsel sent correspondence to these individuals advising them of the bargaining parties' determination that they are not eligible. See attached correspondence.

Letter Denying Eligibility Appeal – Individual Retired in 2012

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees denied an appeal for eligibility made by an individual who retired after December 22, 2021.

Letter Denying Eligibility Appeal – Individual Laid Off in 2013

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees denied an appeal for eligibility made by an individual who was laid off in 2012.

Letter Denying Appeal of Cash Equivalent in Lieu of Insurance

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees denied an appeal for eligibility made by an individual who requested payment of the cash equivalent of the monthly cost of health insurance, which is not permitted by any Plan Document.

Memorandum regarding Redacting Protected Health Information

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees asked legal counsel for an opinion on whether members' identity must be redacted on appeals of denials of benefits. Legal advises that members' names must be redacted in appeals in accordance with the Michigan Freedom of Information Act and Health Insurance Portability and Accountability Act (HIPAA). See attached memorandum.

Form Eligibility Denial

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel prepared a template for a general denial of eligibility letter to be sent to individuals who submitted enrollment forms but are determined to not be eligible. The enrollment form contains the appeal rights for such individuals.

Revised Timeline for Merger and Transition Issues

Attorney Henzi addressed this matter for the Board in the Attorney Report. The timeline was revised to indicate a benefit commencement date of February 1, 2022. Timeline dates relative to open enrollment and commencement of benefits have been revised upon recommendations by Manquen Vance.

RFP for Actuarial Services

Attorney Henzi addressed this matter for the Board in the Attorney Report. Responses to the RFP are due on or before January 7, 2022. The RFP requests an electronic and paper copies. Legal counsel will mail all RFP responses to Trustee Moore. Legal counsel will email all RFP responses to the remaining Trustees. Legal counsel will provide a chart summarizing each of the responses once all responses have been received and in advance of the Trustee meeting.

Legislative Update

House Bill 5427

Attorney Henzi addressed this matter for the Board in the Attorney Report. This Bill, which was only recently introduced, appears to serve as a replacement to HB 4934. 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.

Interestingly, the attached 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.

House Bill 5467

Attorney Henzi addressed this matter for the Board in the Attorney Report. This recently introduced Bill would amend the Open Meetings Act to allow members of public boards to attend remotely and participate in meetings, but not to deliberate or vote during the meeting. The Bill was referred to Committee on October 21, 2021.

Senate Bill 705

Attorney Henzi addressed this matter for the Board in the Attorney Report. This recently introduced Bill would amend the Open Meetings Act to temporarily extend the sickness option available for public board members allowing them to attend remotely, through March 31, 2022. The Bill was referred to Committee on October 26, 2021.

TRUSTEE COMMENTS

Discussion took place regarding the Open Meetings Act.

PUBLIC COMMENTS - None

UNFINISHED BUSINESS

A. Open Enrollment Process & Meetings

Discussion took place regarding the success of the Open Enrollment Meetings BeneSys gave an update

regarding the processing of enrollment documents, determining eligibility and communication with members.

B. P&F Members Not Qualified for Medicare

This matter was discussed during Public Appeals.

C. Part A&B Penalties for P&F Not Qualified for Medicare

a. Appeal 2738567927

This matter was discussed during Public Appeals.

D. Plan for Census Verification

This matter was not discussed as quorum was lost.

E. Hospital Retirees Issue

This matter was discussed in the Legal Report.

NEW BUSINESS

A. Early Retirees – Less Than 10 Yrs Service – Injured on Job

This matter was not discussed as quorum was lost.

B. Appeal Form Draft

Ms. Crosby presented a draft Appeal Form to the Board for review and approval. This matter was discussed prior to losing a quorum.

RESOLUTION by Ms. Watson; seconded by Deputy Mayor Stephens

Further Resolved, to approve the Appeal Form as presented.

Yea – 5 Nay - 0

C. VEBA Emerging Markets Wire Confirmation

This was provided to the Board for information purposes.

D. Principal Global Investors Transfer

This was provided to the Board for information purposes.

E. Trustee Travel Reimbursement

This matter wasn't discussed as quorum was lost.

CORRESPONDENCE

A. BeneSys – Log4J Statement

B. BeneSys – NSA Notice

NEXT MEETING DATE: February 23, 2022, at 1:00 p.m.

ADJOURNMENT

11:45 a.m. Quorum Lost

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on January 13, 2022.

As recorded by BeneSys