

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
May 11, 2023**

A meeting of the Board of Trustees was held on Thursday, May 11, 2023

Trustees Present

Claudia Filler, Chairperson
Linda D. Watson
Lon Britton, Secretary
NZ Bryant
Tim Greimel, Mayor (arrival 10:00 a.m.)
Carolyn Clark

Others Present

Matt Henzi, AsherKelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
David Lee, Dahab
Gloria Zhao, GJC (via video conference)
Michael Nicholas, GJC (via video conference)

Absent Trustee

Khalfani Stephens, Deputy Mayor, Vice Chair

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

AGENDA CHANGES

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to amend the agenda to move George Johnson & Company's (GJC) presentation of Audited financials for the period ending June 30, 2022, to the beginning of meeting.

Yea – 5 Nay – 0

Motion Carried

CONSULTANT REPORT

A. GJC – Gloria Zhao & Michael Nicholas

Ms. Zhao addressed the Board with the results of the June 30, 2022, Audit. She stated that GJC has substantially completed their audit of the financial statements of City of Pontiac VEBA Trust as of, and for the year ended, June 30, 2022. They expect to issue an unmodified opinion on the financial statements. All records and information that were requested were freely available for their inspection. Management and other personnel provided full cooperation. The most sensitive estimates affecting the financial statements were the total OPEB liability and the estimated fair value of investments not recorded at quoted market prices. They evaluated the key factors and assumptions used to develop the investment values and considered those values to be reasonable in relation to the financial statements taken as a whole. There were no other matters to be discussed with those charged with governance.

CONSENT AGENDA

- A. Meeting Minutes February 9, 2023
- B. Financial Statements December 2022 – February 2023
- C. Opt-Out Balance Remaining as of April 30, 2023 - \$3.8M

- D. Bills for Ratification May 11, 2023
- E. Bills for Approval

<u>Payee</u>	<u>Amount</u>
American Graphics	\$185.29
Asher Kelly	\$2,840.00
Asher Kelly	\$3,219.00
Attucks	\$23,133.65
Comerica Bank	\$4,375.00
GJC	\$2,350.00
Sawgrass Asset Mgmt.	\$12,387.44
WCM Investment Mgmt.	\$3,616.63
WCM Investment Mgmt.	\$6,024.20
WCM Investment Mgmt.	\$5,213.85
	\$63,345.06

- F. Comerica Bank Balance as of April 30, 2023
- G. Total Benefit Enrollees as of April 30, 2023 = 516
- H. New Enrollees January 24, 2023 to April 30, 2023 = 7
- I. Total Number of Appeals to Date = 39
 - a. Approved = 14
 - b. Denied = 9
 - c. On Hold = 15
 - d. Member Withdrew = 1
 - e. New = 0

RESOLUTION by Mr. Britton; seconded by Ms. Watson
 Further Resolved, to approve the Consent Agenda as presented.

Yea – 5 Nay – 0

Motion Carried

CONSULTANT REPORT

A. Dahab Associates, Inc.

a. Performance Summary – March 2023

Mr. Lee reviewed performance as of March 2023. For the first quarter, the total portfolio returned 4.0%, which was 0.7% below the Shadow Index's return of 4.7% and ranked in the 63rd percentile of the Public Fund universe. Over the trailing year, the portfolio returned -5.8%, which was 0.1% below the benchmark's -5.7% return, ranking in the 77th percentile.

Mr. Lee also provided an education to the Trustees on the potential risk associated with assets held on deposit with the System's custodian bank. Mr. Roth and Mr. Henzi both advised that investment accounts are trust accounts held for the benefit of the trust and are not assets of the custodian bank. Accounts on deposit, like a cash account or administrative expense account, would be considered an asset of the bank. The FDIC does provide limited insurance to these accounts. Mr. Roth gave an education on Trustee options, which include various sweep accounts. Attorney Henzi advised that he met with representatives of Comerica to discuss this issue on behalf of the PFRS and PF VEBA and that he would provide the sweep account marketing materials to Mr. Roth.

Mr. Lee also reported that Victory Capital, one of the Trust's investment managers, will be merging with Yousif Capital Management (YCM) another one of the Trust's investment managers. This will require a new Investment Management Agreement for this fixed income position between the Trust and YCM. Mr. Roth also advised the Trustees about the reconciliation of Victory Capital's management fees.

b. Asset Allocation Education – May 2023

Mr. Lee reviewed the importance of Asset Allocation. He stated that 90% of the variability of the returns can be attributed to asset allocation. Asset classes are chosen to work together in two ways. To achieve overall return and to reduce risk. In selecting asset classes, the factors that should be considered are risk, return and correlation, transactions costs, legal complexity, comfortable holding at least 5% in the asset class, and client specific requirements. The overall goal is to meet the required rate of return (7%) with the least amount of risk.

c. Asset Allocation Study – April 2023

Mr. Lee reviewed the results of Dahab's Asset Allocation Study. The Board was given summary statistics for several selected mixes. The Board had lengthy discussion regarding the selected mixes. The Board was given an update regarding the merger with the Police & Fire VEBA, which requires a revision to the Settlement Agreement. CPREA and the City jointly requested that the Court enter an Order permitting the merger to occur. A Court hearing on the joint Motion is scheduled for July 18, 2023. A favorable Court ruling would allow the merger to proceed.

RESOLUTION by Mr. Britton; seconded by Mr. Bryant

Further Resolved, to table discussion on Dahab's asset allocation study for further review when the P&F VEBA merges and assets transfer to the VEBA. Further, to move to the current target allocation before the next Board Meeting.

Yea – 6 Nay – 0

Motion Carried

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board regarding the status of the litigation, and contemporaneous negotiation between CPREA and the City, regarding modifying the Settlement Agreement. The independent Actuarial Valuation that CPREA had commissioned has been completed. The parties are scheduled to meet to discuss these matters on May 12, 2023. The next Court hearing is scheduled for July 18, 2023

B. SECRETARY

Secretary Britton informed the Board of a request he received from a member regarding financial statements, income and expenses of this Board and the P&F Board. For P&F he will simply refer the person to the website. For this VEBA once the Audit is finalized it too will be posted on the website.

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. Since last meeting, 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. The bargaining parties agreed and jointly filed a Motion on March 20, 2023, requesting that the Court revise the Settlement Agreement to permit an immediate merger while the parties continue to negotiate resolution of other issues in dispute. The parties attended a status conference in March 2023. The Judge scheduled this Motion for hearing on July 18, 2023. The principal basis for the Motion was that there could be significant cost savings associated with merging the VEBA now. For example, the two VEBAs will not have to duplicate certain professional services, like having two audit reports. Additionally, it would be preferable to have only one open enrollment in September 2023.

Asset Transfer

Attorney Henzi addressed this matter for the Board in Attorney Report. 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. CPREA's representatives acknowledged that they would safeguard the HIPAA restricted census data. All information was produced by the VEBA and the PF VEBA.

VEBA Request for Miscellaneous Determination – Form 990

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel spoke with Mr. Nicholas, Fund auditor. Mr. Nicholas filed an extension for the VEBA's Form 990 filing. The Form 990 is due on or before May 15, 2023.

Mr. Verhagen recently contacted us to advise that the IRS requested additional information because the VEBA Trust has two EINs. We sent return correspondence advising that is not the case and are waiting for a response.

On May 2, 2023, Mr. Verhagen notified us to advise us that the IRS remains confused on the EIN for the VEBA. In fact, there are two City of Pontiac VEBA Trusts listed on the IRS' website. One has the correct EIN with attached letters of determination. The other has an incorrect EIN and states that the VEBA Trust has had its tax-exempt status automatically revoked. We do not know how the IRS assigned this EIN. We are working with Mr. Verhagen to straighten the issue out.

Comerica Revised Fee Proposal

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

Sawgrass Proposed Amendment to Investment Management Agreement

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. Trustee Filler's initial term on the Board expired May 30, 2023. Legal counsel sent a Trustee election packet to BeneSys, which was distributed to all eligible members. Specifically, Trustee Filler's position is elected by VEBA members who are members of the GERS. Trustee Filler was the only candidate who returned a candidate statement form and may be elected by acclamation.

RESOLUTION by Mr. Britton; seconded by Ms. Clark

Further Resolved, to elect Claudia Filler as Trustee by acclamation.

Yea – 6 Nay – 0

Motion Carried

Inquiry re: Eligibility for VEBA Benefits

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

As requested by the Trustees at the last meeting, attorney Henzi explained the Michigan State law that precludes, with conditions, the payment of pension benefits to an individual convicted of a felony. Attorney Henzi explained this statute does not apply to retiree health care.

Inquiry re: Eligibility for District Court Retirees

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

Marquette Dudley v. City of Pontiac and City of Pontiac VEBA Trust

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, this individual filed suit against the City of Pontiac and the City of Pontiac VEBA Trust seeking to compel payment of a \$20,000.00 opt-out benefit. The Complaint alleges that the individual is eligible for the opt-out and that she received correspondence from the City regarding the opt-out along with an opt-out form, which she executed and returned. She was later determined to be ineligible for the opt-out because she did not have 10 years credited service as of December 22, 2011. She appealed to the VEBA in 2022, and her appeal was denied.

Legal counsel filed an Answer to the Complaint on behalf of the VEBA. Legal also requested that Plaintiff dismiss the City from the Complaint. Plaintiff's counsel did not respond. Legal counsel explained to Plaintiff's counsel the basis for the VEBA Trust's 2022 denial and asked for any employment records that would evidence that the Plaintiff was entitled to health care because of some special agreement. Plaintiff's counsel provided an unsigned Settlement Agreement following a 2010 lawsuit she filed against the 50th District Court and Chief Judge alleging wrongful termination. That Settlement Agreement provided her 2 years 10 months of additional service credit bringing her total service credit to 9 years 1 month of credited service at the time she retired in 2010. The Settlement Agreement also expressly if she would be able to obtain a pension benefit at age 51 in 2010 instead of having to wait until age 60. However, the Settlement Agreement was silent as to whether she was entitled to retiree health care.

We also requested that the GERS produce any records regarding the Plaintiff's separation of employment. The Settlement Agreement produced evidence that Plaintiff settled a claim against the City for a monetary sum in 2010. The transcript from the September 17, 2010, federal court hearing at which the parties put the settlement on the record provides as follows: "And she is to receive the medical benefits consistent with retirees who are fully vested in the Retirement System." Based on this transcript, the individual was eligible for health care at the time she retired and is eligible to opt-out of the VEBA.

RESOLUTION by Mr. Britton; seconded by Mayor Greimel

Further Resolved, to reconsider Ms. Dudley's appeal to obtain a \$20,000.00 opt-out payment based on new information obtained by legal counsel and to approve Ms. Dudley's appeal and pay the opt-out benefit.

Yea – 6 Nay – 0

Motion Carried

Proposed Revision to Trustee Reimbursement Policy/Opinion on Reimbursement of Trustee Travel Costs to Attend Meetings

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting the Trustees directed legal counsel to propose a revision to the Trustee Reimbursement Policy regarding reimbursement for travel to Trustee meetings and to further opine on whether such reimbursement is appropriate. Proposed revision to Trustee Reimbursement Policy provided.

RESOLUTION by Ms. Clark; seconded by Ms. Watson

Further Resolved, to approve and adopt the Trustee Reimbursement Policy as provided.

Yea – 5 Nay – 1, Mayor Greimel

Motion Carried

Proposed Revision to Trustee Computer/iPad Use

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, the Trustees directed legal counsel to prepare a proposed revision to this policy to state that the VEBA will not reimburse a member for a device if the member possesses a device purchased by another Pontiac Board, e.g., Pontiac PFRS.

RESOLUTION by Mr. Britton; seconded by Ms. Clark

Further Resolved, to approve and adopt the updated Trustee Computer/iPad Use policy as provided.

Yea – 5 Nay – 1, Mayor Greimel

Motion Carried

City of Pontiac June 30, 2022 Audit – Meetings with Rehmann and Plan Professionals

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

Litigation Response to Fund Auditor

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.

TRUSTEE COMMENTS

The Board has requested that all Trustee policies be placed on the Trustee Website for them to have access to.

Discussion took place regarding benefit enhancements. Ms. Crosby informed the Board that if they would like to enhance benefits for 2024, they will need to engage Manquen Vance right away.

Ms. Gjorgjevski informed the Board that she has a returned MacBook from PFRS Board that has been wiped clean and is available if a Trustee would like it. This Board would need to purchase at a reduced rate.

RESOLUTION by Mr. Britton; seconded by Mr. Bryant

Further Resolved, to authorize BeneSys to purchase 10–12-inch iPad with a minimum of 128 GB memory to Trustees as requested and in compliance with the Board’s Computer/iPad policy.

Yea – 5 Nay – 0
(Mayor Greimel had stepped out for a phone call)

Motion Carried

PUBLIC COMMENTS - None

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 being reviewed by BeneSys and Trustee Stephens.

NEW BUSINESS

A. Victory Capital – Proposed New Fee Schedule

Victory Capital approached the Board regarding a new Fee Schedule that will reduce the annual fee rate for the Trust.

RESOLUTION by Mr. Britton; seconded by Ms. Clark

Further Resolved, to approve and authorize Chairperson Filler to sign the updated Fee Schedule from Victory Capital.

Yea – 6 Nay – 0

Motion Carried

B. Candidate Statement – Claudia Filler

This item was addressed earlier in the meeting.

C. Trustee Officer Elections

The floor was opened for nominations for Chairperson, Vice-Chairperson and Secretary. Nominations were made for each position and the floor was closed to nominations.

RESOLUTION by Mr. Britton; seconded by Mr. Bryant

Further Resolved, to reelect Claudia Filler as Board Chairperson.

Yea – 6 Nay – 0

Motion Carried

RESOLUTION by Mr. Bryant; seconded by Mr. Britton

Further Resolved, to reelect Deputy Mayor Stephens as Board Vice-Chairperson.

Yea – 6 Nay – 0

Motion Carried

RESOLUTION by Ms. Watson; seconded by Ms. Clark

Further Resolved, to reelect Lon Britton as Secretary.

Yea – 6 Nay – 0

Motion Carried

CORRESPONDENCE

A. Attucks – Economic and Market Review – February 2023

City of Pontiac VEBA Meeting
May 11, 2023

- B. Attucks – Asset Management Summer Conference**
- C. BeneSys DOL CyberSecurity Program Response Q1 - 2023**
- D. BeneSys Navigator Q1 2023**
- E. Securities Class Action Services – The Top 50 of 2022**
- F. Dahab & Associates – Silicon Valley & Signature Bank Communication**

NEXT MEETING DATE – August 10, 2023, at 9:00 a.m.

ADJOURNMENT

RESOLUTION by Mr. Britton; seconded Mayor Greimel

Further Resolved, that the meeting be adjourned at 12:08 p.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on May 11, 2023.

As recorded by BeneSys