

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
May 26, 2022**

A regular meeting of the Board of Trustees was held on Thursday, May 26, 2022.

Trustees Present

Lon Britton
Darin Carrington, Finance Director
Craig Storum
Tim Greimel, Mayor

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Duane Menter, BeneSys, Inc.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.

Absent Trustee

Matt Nye

Trustee Britton declared that a quorum was present and called the meeting to order at 9:16 a.m.

AGENDA

CONSENT AGENDA

- A. Minutes of Regular Meeting – December 7, 2021
- B. Minutes of Regular Meeting – February 24, 2022
- C. Financial Reports
 - 1. Financial Reports – December 2021 – March 2022
 - 2. Bills for Ratification through May 13, 2022

RESOLUTION 22-06 By Storum, Supported by Carrington
Resolved, That the Consent Agenda for May 26, 2022 be approved.

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

CONSULTANTS

- A. AndCo.

Christopher Kuhn reviewed the market summary for first quarter 2022. The markets did not react kindly to the Federal Reserve’s shift in monetary policy and the conflict in the Ukraine during the 1st quarter. The Fed indicated that they would reduce their bond purchases and raise rates more aggressively, in an attempt to control inflation. Investors also continued to factor in new variants of COVID-19, rising oil prices, a slowing economy, and supply chain issues. The Fed’s actions caused the yield curve to shift upward; the 2-year Treasury rose from 0.7% to 2.3% during the quarter, the 10-year Treasury and 30-year Treasury both gained over 50 basis points and ended over 2.3%. After two challenging months to start the year, equities managed a modest gain in March. The market favored large cap and value stocks during the 1st quarter, value outperformed growth by a wide margin across all capitalization. The S&P 500 was the best performing major index during the quarter, declining only 4.6%. The fixed income markets suffered similar losses with the Barclays US

Aggregate falling 5.9%; this was the 3rd worst quarter for the benchmark since 1980. High yield performed slightly better, losing only 4.8%. Overall, it was a painful quarter for investors.

Mr. Kuhn concluded that the Total Fund declined 4.83% during the quarter, trailing the Policy Index by 0.35% and ranking in the third quartile of the public fund universe. The Fund was hindered by weak results from a couple active equity managers. The Total Fund returned 4.20% over the past year, outperforming the Policy Index by 178 basis points but ranking in the bottom half of the peer group. Longer-term, the Fund has lagged performance expectations. Loomis, Sayles underperformed their benchmark this quarter and ranked in the bottom half of their universe. The manager was hindered by an underweight to Energy, the best performing sector this quarter. Longer-term, Loomis Sayles has mixed results versus performance expectations. Baird underperformed the Bloomberg Intm G/C Index and ranked near the bottom the intermediate fixed income universe this quarter. The manager was hindered by an overweight to corporate bonds. Baird meets performance expectations after seven quarters. At quarter end the Fund was overweight to domestic equity and cash and underweight to fixed income; however, all allocations are within policy ranges. The Fund was in compliance with all investment guidelines and MI Act 314 at quarter end. AndCo does not have any recommendations at this time.

RESOLUTION 22-07 By Storum, Supported by Mayor Greimel

Resolved, to terminate Loomis Sayles as investment manager for the VEBA and move those funds to Fidelity Small Cap Index Fund.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Craig Storum	Yea
	Mayor Greimel	Yea

ATTORNEY’S REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement

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

Open Enrollment

Attorney Henzi addressed this matter for the Board in the Attorney Report. Open Enrollment concluded and benefits commenced February 1, 2022. Currently, there are 496 persons enrolled in the VEBA. Of this number, 72 are pre-96 Police & Fire retirees and/or their surviving spouses. Presently, there are 466 persons enrolled in the PF VEBA.

Asset Transfer/Escrow Agreement

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

PF VEBA Fiduciary Liability Insurance Tail Policy and Renewal

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Board approved purchasing a tail policy with insurance limits of \$1M The policy premium cost is \$15,000.00. The term of the policy is six years, which is intended to provide coverage through the period of limitations by which any claimant could bring suit. The premium has been paid. The effective date of the policy was written as January 31, 2022. However, this date will be amended to correlate with the true merger date.

Coverage expires on the existing Fiduciary Liability coverage for the PFRS and PF VEBA on May 31, 2022. We requested that the insurance agent shop the marketplace for renewal coverage. See attached.

The liability limits are \$1M with a \$50,000 deductible. The annual premium cost for June 1, 2022 through June 1, 2023 is \$34,044. The limits of liability and deductible are the same as the 2021-2022 policy. The 2021-2022 policy premium was \$34,044.

Transfer of Assets to VEBA Trust

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal has met with the PF VEBA’s auditor, actuary, administrator, investment consultant, custodian bank, as well as the New VEBA’s investment consultant to discuss various issues relative to the transfer of assets to the VEBA Trust. The New VEBA has accounts opened at Comerica Bank which will allow for the timely transfer of assets from the PF VEBA to the VEBA. Further, we have worked with the relevant investment managers to execute the necessary contracts to effectuate the transfer of assets.

Finally, the plan professionals recommend that the Trustees hold money in its account at the time the PF VEBA/VEBA merger is effectuated to ensure that all PF VEBA expenses are paid. The most likely expenses to trail after the merger would be investment manager fees. For example, investment manager fees earned in Q1 are not billed until Q2.

Participant Eligibility Issues

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the last meeting, legal was directed to discuss with Meadowbrook enrollment issues regarding four Participants. Legal contacted Meadowbrook. One of the affected Participants was the spouse of a member who has an identical name to another individual who is married to a retiree with the same name. Consequently, the affected individual was disenrolled. This was corrected. The three other Participants contacted Trustees to inquire as to why they were not enrolled in the VEBA or were disenrolled from the PF VEBA. All situations were corrected and all affected persons are enrolled.

RFP for Auditing Services

Attorney Henzi addressed this matter for the Board in the Attorney Report. Shortly before the last Trustee Meeting, Plante Moran notified legal counsel that it would no longer provide services as auditor for the PFRS and PF VEBA. At the last meeting, the Trustees directed legal counsel to draft an RFP for auditing services and to work with the Chairman regarding this process. Legal counsel sent an RFP to the following accounting firms: Bonadio & Company, Alan C. Young & Associates, Wrubel Wesley, George Johnson Company, and Yeo & Yeo. Responses were due on or before May 16, 2022. Only one firm responded, Bonadio & Company.

RESOLUTION 22-09 By Storum, Supported by Carrington

Resolved, To hire Bonadio & Company to perform audit services for the City of Pontiac P&F VEBA.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Craig Storum	Yea
	Mayor Geimel	Yea

Political and Fee Disclosure Statements

Attorney Henzi addressed this matter for the Board in the Attorney Report. We have attached the required disclosures for the PF VEBA from the following entities:

- AndCo Consulting
- AsherKelly, PLLC
- BeneSys, Inc.
- Bloomfield Capital Partners
- Comerica Bank

- Crescent Capital
- Loomis Sayles
- Nyhart

- Plante Moran
- Tortoise
- Yousif Capital Management

Legislative Update

House Bill 6021

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

House Bill 5427

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.

UNFINISHED BUSINESS - None

NEW BUSINESS

A. February and March 2022 Expenses

Ms. Crosby presented the February and March 2022 expenses to the Board.

RESOLUTION 22-10 By Storum, Supported by Carrington
Resolved, to approve reimbursement of expenses for February and March 2022.

Roll Call Vote:	Lon Britton	Yea
	Darin Carrington	Yea
	Craig Storum	Yea
	Mayor Greimel	Yea

CORRESPONDENCE

A. BeneSys DOL Cyber Security Program Response

B. BeneSys Navigator Q1 2022

C. Northern Trust Asset Management Leadership Change

NEXT MEETING DATE: September 14, 2022, 1:00 p.m.

ADJOURNMENT

RESOLUTION 21-33 By Storum, supported by Carrington
Further Resolved, that the meeting be adjourned at 10:19 a.m.

Roll Call Vote:	Lon Britton	Yea
	Craig Storum	Yea
	Darin Carrington	Yea
	Mayor Greimel	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 26, 2022.

As recorded by BeneSys