

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
September 13, 2023**

A regular meeting of the Board of Trustees was held on Wednesday, September 13, 2023, at St. John Resort.

Trustees Present

Matt Nye, Chairman
Lon Britton, Trustee
Tim Sadowski, Finance Director, City of Pontiac
Craig Storum, Trustee
Tim Greimel, Mayor, City of Pontiac (arrived at 4:13 p.m.)

Others Present

Matt Henzi, AsherKelly
Chris Kuhn, AndCo.
Violet Gjorgjevski, BeneSys, Inc.
Jennifer Crosby, BeneSys, Inc.
Danielle Winegardner, Nyhart
Karen Nasoni, Bonadio Group (via Zoom)
Rachel Kavney, Bonadio Group (vis Zoom)

Chairman Nye declared that a quorum was present and called the meeting to order at 3:05 p.m.

AGENDA CHANGES – None

CONSENT AGENDA

- A. Minutes of Regular Meeting – May 11, 2023
- B. Financial Reports
 - 1. Financial Reports – March - June 2023
 - 2. Bills for Ratification through September 13, 2023

RESOLUTION 23-13 By Storum, Supported by Britton

Resolved, That the Consent Agenda for September 13, 2023, be approved.

Yea – 4 Nay - 0

CONSULTANTS

A. Bonadio Group

a. Financial Statements December 31, 2022

Ms. Kavney began to review the Financial Statements for December 31, 2022. Bonadio Group issued a unmodified opinion for the VEBA’s December 31, 2022 audit. She reviewed a condensed view of the financial information with the Board. The net Position for the VEBA as of December 31, 2022, was \$36.9M which is a decrease of \$10.8M from 2021. This decrease was due to the volatile market in 2022. In continued review of the Financial Statement, it was discovered that the number of inactive plan members entitled to but not yet receiving benefits was not accurate. Members with less than 10 years of service at the time of their deferment are not eligible for VEBA benefits and should not have been included in the report. Ms. Crosby with BeneSys is to work with Bonadio Group and Nyhart to provide corrected census information so that the VEBA reporting can be corrected.

b. Management Letter

Ms. Kavney reviewed the Management Letter with the Board. There were deficiencies found in the internal controls, some of which were considered material weaknesses. She reviewed each of these with

the Board. Improvements were made by BeneSys and there were no significant challenges in the process of performing the audit and there was no delay in completion of the audit. However, there were still some deficiencies presented. The Board requested that Legal Counsel submit a formal request for response to deficiencies to BeneSys.

c. Required Communication

Bonadio Group provided the required communication to the Board.

d. Management Rep Letter & Summary of Past Audit Adjustments

The management rep letter and summary were provided but will not be signed at this time because of the corrections to census that need to be made and the new analysis that will need to be completed.

RESOLUTION 23-14 By Britton, Supported by Storum

Resolved, to table the December 31, 2022, Audit for the VEBA until it can be revised to include corrected Census data.

Yea – 4

Nay - 0

B. AndCo.

a. Investment Performance Review Period Ending June 30, 2023

Mr. Kuhn updated the Board Central banks remained vigilant in their fight against inflation with the Fed, the Bank of England, and the European Central Bank foreshadowing the potential for further tightening with additional rate hikes in the coming months. The US Federal Reserve Bank (the Fed) increased interest rates again by 0.25% in May and paused in June, prioritizing their fight against inflation. Both US and international equity markets continued to recover from last year's declines on expectations that inflation will moderate, and central banks are approaching the end of their current monetary tightening cycles. The S&P 500 Index rose 8.7% for the quarter, its best performing quarter since Q4 2021. In the US, large cap growth was the best performing category and small cap value was the weakest (although positive). International stocks experienced modest returns during the quarter. Short-term interest rates rose in the second quarter in many of the developed markets in response to the central banks' actions; fixed income investors suffered losses due to the shift in yields (Bloomberg US Aggregate Index -1.4%). Despite previous concerns about the potential for slowing economic growth credit spreads narrowed; corporate and mortgage-backed bonds outperformed government bonds. Echoing the equity market's positive sentiment during the quarter, high yield was the best performer in the domestic bond market and posted the only positive return among major fixed income indexes.

The Total Fund gained 3.48% during the quarter, outperforming the Policy Index by 1.02% and ranking in the top third of the public fund universe. The Fund's relative performance was aided by strong relative results from the international equity and fixed income allocations. The Total Fund returned 11.69% over the past year, handily outperforming the Policy Index and ranking in the top decile of the peer group. Longer-term, the Fund has mixed results, generally outperforming the Policy Index but ranking in the bottom half of the universe. Burgundy outperformed the MSC EAFE Index by 0.64% this quarter and ranked in the top half of their peer group. The manager's out performance is partially attributed to a strong stock selection within the consumer discretionary sector. Long-term, Burgundy trails performance expectations and was placed on Watch (as of 6/30/22). The alternative fixed income strategies have provided some positive returns over the past year, helping offset the weak results from traditional fixed income. The Bloomfield and PIMCO funds are meeting performance expectations currently. At quarter end the Fund was overweight domestic

equities and underweight to fixed income; all allocations are within policy ranges. The Fund followed all investment guidelines and MI Act 314 at quarter end. AndCo does not have any recommendations currently.

ATTORNEY'S REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, the Court entered an Order granting the bargaining parties' Joint Motion to Modify Settlement Agreement to allow for the PF VEBA/VEBA merger. We immediately sent correspondence to service providers for both VEBAs. There are two components to the merger, which will be effective December 31, 2023. One is the merger of membership which will occur through open enrollment and will be discussed further. Second, the merger will be effectuated when the PF VEBA assets for the period ending 12/31/23 are transferred to the VEBA on or about January 1, 2024.

RESOLUTION 23-15 By Britton, Supported by Storum

Resolved, to authorize that Chairman to sign the Amended Merger Agreement as presented.

Yea – 5

Nay – 0

a. VEBA Open Enrollment

Attorney Henzi addressed this matter for the Board in the Attorney Report. The VEBA Board has consulted with its health care consultant, Manquen Vance, regarding open enrollment for the period beginning 1/1/24. Manquen Vance and BeneSys have worked to prepare for the open enrollment process. The VEBA Trustees are also in the process of reviewing the 2024 benefit levels. At the VEBA meeting held on August 10, 2023, Manquen Vance presented the benefit levels, with and without potential benefit enhancements. The VEBA has scheduled two open enrollment open houses. These will occur as follows:

1. November 15, 2023, 10:00 a.m.-1:00 p.m. at Bowens Center.
2. November 30, 2023, 4:00 p.m.-6:00 p.m. at Bowens Center.

There will be Zoom options as well.

A question arose at the August 10 VEBA meeting about whether the police and fire members would be auto enrolled or whether they would be required to execute an open enrollment packet. BeneSys and Manquen Vance advised that auto enrollment is possible and, in fact, easier since Blue Cross already has the demographic data for the police and fire members. Under this option, BeneSys would not be able to verify the eligibility of police and fire members through an enrollment form process. BeneSys has this responsibility as administrator for the VEBA. BeneSys would also have the opportunity to verify eligibility through ongoing eligibility audits.

b. Transfer of Assets

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

Fiduciary Liability Insurance Tail Policy

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

Empyrean Termination Fee

Attorney Henzi addressed this matter for the Board in the Attorney Report. Legal counsel notified the providers that the Federal Court issued an order approving the merger. This caused Meadowbrook to give notice of termination of the Empyrean contract. Empyrean had informally represented to Meadowbrook that there would be no termination fee if the contract was terminated by June 1, 2023. However, Empyrean subsequently produced the contract, which provides that contract termination notice was required on or before May 4, which is 6 months before the contract termination of November 1, 2023. The contract provides that,

absent timely termination, Empyrean is entitled to 11 months of fees. This amount totaled \$16,500.00. Legal counsel exchanged correspondence with Empyrean’s vice-president on behalf of the VEBA to dispute the termination fee after Meadowbrook’s attempts at resolving the matter were unsuccessful. On August 2, 2023, legal counsel attended a meeting with Meadowbrook and Empyrean to discuss our termination fee dispute. After extensive negotiations, Empyrean agreed to resolve the fee dispute by accepting 50% of the termination fee, or \$8,250.00.

RESOLUTION 23-16 By Storum, Supported by Britton
Resolved, to authorize payment of the \$8,250 fee to Empyrean as negotiated.

Yea – 5 Nay - 0

PF VEBA Audit

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

FOIAs

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

PA 314 Disclosures

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

Deferred Vested Benefits

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, Chairman Nye asked legal counsel for an analysis of whether a surviving spouse of a deferred vested PFRS member, who dies before retirement, would be entitled to retiree health care or a pension benefit. In summary, the spouse of any deferred vested member of the PFRS who had 10 years of credited service when he/she withdrew from service will be eligible for a surviving spouse pension benefit. The spouse of the deferred vested PFRS member who had 10 years of credited service as of December 22, 2011 will be eligible for retiree health care.

Legislative Update

House Bill 4346

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

House Bill 4817

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

House Bill 4693

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

PUBLIC COMMENT - None

UNFINISHED BUSINESS

A. 2021 Audit Deficiencies – Request for Response

Ms. Gjorgjevski provided the BeneSys Accounting response to the identified seven deficiencies that were provided by Bonadio Group related to internal controls per the Board’s request.

B. City of Pontiac Additional Invoice November 2021

Ms. Crosby updated the Board regarding an additional invoice from the City of Pontiac for benefits from November 2021. The Board has asked at the last meeting that the City of Pontiac provide additional information and reasoning as to why the VEBA owed them an additional \$247K for November 2021. BeneSys reached out to Meadowbrook and asked them to perform an audit of the November 2021 billing from BCBS. They did so and their audit showed that the City potentially owes the VEBA for November 2021 because of an overpayment. Ms. Crosby reached back out to the City of Pontiac and provided the audit information and asked them to respond. As of this meeting no response has been received.

NEW BUSINESS

A. April - August 2023 Expenses

Ms. Crosby presented the April through August 2023 expenses to the Board.

RESOLUTION 23-17 By Britton, Supported by Storum
Resolved, to approve reimbursement of expenses for April through August 2023.

Yea – 5 Nay – 0

B. GASB 74/75 Interim Actuarial Valuation December 31, 2022

The GASB 74/75 Interim Actuarial Valuation for December 31, 2022 as performed by Nyhart was presented for the Board.

C. Delta Dental Contract January 2023

Ms. Crosby updated the Board that it came to her attention that Delta Dental was terminating dependents at the end of the month they turned 26 rather than the end of the year. She reached out to Ms. Hanks at Delta Dental who reinstated coverage for any dependents who has already turned 26 this year and sent over an updated contract to have the Chairman sign. Because time was of the essence Chairman Nye had signed the contract and she was asking the Board to ratify that signature.

RESOLUTION 23-18 By Britton, Supported by Storum
Resolved, to ratify the signing of the Delta Dental contract by Chairman Nyke

Yea – 5 Nay – 0

D. Eligibility for Adopted Child – City of Pontiac VEBA Trust

This matter was provided for informational purposes.

E. PF VEBA Tail Policy – Fiduciary Liability

Mr. Henzi will reach out to have the Tail Policy for Fiduciary Liability of this Board put into place when the merger takes place.

F. City of Pontiac VEBA Trust – Open Enrollment

This matter was discussed during the Legal Report.

G. Election of Officers

RESOLUTION 23-19 By Britton, Supported by Storum
Resolved, to elect Matt Nye as Chairman of the Board
to elect Lon Britton as Vice-Chairman of the Board

Yea – 5 Nay – 0

CORRESPONDENCE

- A. BeneSys DOL Cybersecurity Program Response Q2-2023**
- B. BeneSys DOL Cybersecurity Program Response Q3-2023**
- C. BeneSys Navigator Q2-2023**
- D. BeneSys Navigator Q3-2023**
- E. MAPERS 2023 Case Update**
- F. MAPERS Fall 2023 Agenda**
- G. MoveIT Breach Information**

NEXT MEETING DATE: December 7, 2023, 10:00 a.m.

ADJOURNMENT

RESOLUTION 23-20 By Mayor Greimel, supported by Britton
Further Resolved, that the meeting be adjourned at 6:00 p.m.
Yea – 3 Nay – 0

I certify that the foregoing are the true minutes of the Police &
Fire Retirement Pre-Funded Group Health and Insurance Plan
“VEBA Trust” on September 13, 2023.

As recorded by BeneSys