CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
February 22, 2024

A regular meeting of the Board of Trustees was held on Thursday, February 22, 2024, the office of BeneSys.

Trustees Present	**Others Present**
Matt Nye, Chairman	Lyndsey Bates, AsherKelly
Tim Greimel, Mayor, City of Pontiac	Chris Kuhn, AndCo.
Lon Britton, Trustee	Violet Gjorgjevski, BeneSys, Inc.
Craig Storum, Trustee	Jennifer Crosby, BeneSys, Inc.

Chairman Nye declared that a quorum was present and called the meeting to order at 9:13 a.m.

AGENDA CHANGES – None

CONSENT AGENDA

A. Minutes of Joint Meeting with City of Pontiac VEBA Trust – December 7, 2023
B. Minutes of Regular Meeting – December 7, 2023
C. Financial Reports
   1. Financial Reports – October - December 2023
   2. Bills for Ratification through February 22, 2024

RESOLUTION 24-01 By Storum, Supported by Mayor Greimel
Resolved, That the Consent Agenda for February 22, 2024, be approved.

Yea – 4 Nay - 0

CONSULTANTS

A. AndCo.

Mr. Kuhn updated the Board The US Federal Reserve Bank (the Fed) paused on additional rate hikes during the fourth quarter. As evidenced by capital market performance during the quarter, the pause was welcomed by participants. The Fed continued to prioritize fighting higher inflation over full employment. In its press release for the December meeting, the Fed said that in determining the extent of any additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. They also indicated the Committee will continue to reduce the holdings on its balance sheet. The Fed's prolonged pause in its rate-hiking cycle and the insertion of the word "any" in its December press release gave the market hope that the Fed may be ready to pivot in its stance and begin reducing rates to a less restrictive level in 2024. Muted growth in the US labor market continued in December, as nonfarm payrolls increased by 216,000, and unemployment held steady at 3.7%. Unemployment was little changed over the last year, closing 2022 at a level of 3.5%.

ATTORNEY'S REPORT

City of Pontiac/PF VEBA/VEBA Merger Agreement
Attorney Bates addressed this matter for the Board in the Attorney Report. As previously reported, the PF VEBA, VEBA, and City of Pontiac agreed to terms on a Merger Agreement. The City executed the Merger Agreement on December 19, 2024.

Previously, the City requested revisions to the Merger Agreement to expressly state that nothing within the Merger Agreement should be interpreted to affect any party's claims and defenses in pending litigation brought by the City of Pontiac against the VEBA. The parties negotiated the language at a joint meeting held with the VEBA on December 7, 2023, and executed the document.

As previously reported, the City filed a Complaint against the VEBA on November 3, 2023, requesting that the Court enter an injunction that would stop the VEBA from lowering VEBA member medical deductibles effective March 1, 2024. The basis for the Complaint was that the enhanced benefit would harm the funding level of the VEBA and cause the City to make contributions to the VEBA. The VEBA filed a Motion for Summary Disposition and responded to the Motion for Preliminary Injunction. A hearing was held on November 29, 2023, before Oakland County Circuit Court Judge Martha Anderson. Judge Anderson commented that her initial conclusion was that the Settlement Agreement terms supersede the terms of the Trust Agreement, which is an issue that the City and VEBA dispute. Further, she questioned whether jurisdiction over the Complaint rested in Federal Court. She denied the City's Motion for Preliminary Injunction but did order the parties to Participate in mediation. Legal counsel for the VEBA, CPREA, and the City all agree that any mediation should include CPREA. The three parties agreed to convene a mediation session on December 21, 2023.

On December 6, 2023, the City voluntarily dismissed its Complaint in the Oakland County Circuit Court on the basis that it would refile the litigation in Federal Court. Since the action before Judge Anderson was dismissed, the VEBA was not necessary for mediation. The City and CPREA met on December 21, 2023, and perhaps on additional dates, regarding the outstanding issues being discussed regarding revising the Settlement Agreement.

On February 5, 2024, the City filed an identical Complaint against the VEBA in the United States District Court for the Eastern District of Michigan. The case was assigned to Judge David Lawson who is the Judge presiding over the CPREA v. Pontiac matter. The City also filed a Motion for a Temporary Restraining Order, which sought to enjoin the VEBA from lowering medical deductibles effective March 1, 2024. Judge Lawson denied the Motion for TRO and ordered the VEBA to respond to the Motion for Preliminary Injunction by February 15, 2024. A hearing is scheduled for February 22, 2024.

VEBA Open Enrollment
Attorney Bates addressed this matter for the Board in the Attorney Report. All eligible PF VEBA members were automatically enrolled into the VEBA effective January 1, 2024. The PF VEBA's Plan Professionals communicated regularly since the last meeting to ensure this occurred.

Transfer of Assets
Attorney Bates addressed this matter for the Board in the Attorney Report. Since the last meeting, all PF VEBA assets transferred into the VEBA. The PF VEBA's Plan Professionals communicated regularly with Comerica and all investment managers to accomplish the asset transfer. On December 28, 2023, all mutual fund and cash assets were transferred by Comerica from PF VEBA accounts to a VEBA account. Additionally, there were some actively managed accounts that were transferred into the VEBA prior to January 1, 2024. There was some actively managed accounts that were transferred into the VEBA on a date after January 1, 2024. Those transfers mostly occurred on January 3 and January 8, 2024. All assets were transferred into the VEBA by January 8, 2024.

PF VEBA 2023 Audit

Attorney Bates addressed this matter for the Board in the Attorney Report. Since the last meeting, legal counsel convened meetings with the auditing firms for the PF VEBA and the VEBA. The purpose of the meeting was to discuss how each VEBA would "book" assets in each Trust as of December 31, 2023, for auditing purposes. The parties also discussed whether that would that affect the PF VEBA's final audit. Each firm was in agreement that any asset in the PF VEBA as of December 31, 2023 (meaning it was not transferred into the VEBA until January 2024) would be booked as an asset of the PF VEBA. The VEBA will book transferable that remained in the PF VEBA as of December 31, 2023, as accounts receivable.

This accounting practice will not impede or alter Bonadio's final audit, which will be for the period December 31, 2023. That audit will note the assets under management (remaining in the PF VEBA) as of December 31, 2023. Remaining assets will be booked as accounts payable to the VEBA and it will be considered the final audit.

PF VEBA Fiduciary Liability Tail Policy

Attorney Bates addressed this matter for the Board in the Attorney Report. As previously reported, the Trustees approved purchasing a fiduciary liability "tail" policy that will cover any claims against the Board of Trustees of the PF VEBA within six years of the effective date of the policy. Legal counsel met several times with Segal, the insurance agent for the PF VEBA, to discuss the timing of the tail policy. Legal counsel advised that the PF VEBA will continue to meet in 2024, primarily to discuss any post-merger required activity and to review and adopt the final audit report which will not be completed until May or June 2024. Segal advised that the Trustees delay purchasing the tail policy until the PF VEBA stops meeting. Illustratively, the PF VEBA could renew its annual fiduciary liability policy effective June 1, 2023, if the PF VEBA still has business to conduct, which would principally amount to discussion of the final audit report. If that report is discussed and approved at a meeting held in June or September, that would conclude the PF VEBA's business. The PF VEBA should then purchase a tail policy so that the policy truly "tails" a six-year period after the PF VEBA last conducted business. Any premium refund would be paid to the VEBA, which is the entity responsible for paying the administrative expense.

Corrective Action Plan re: Deficiencies in the Audit Report for the Period ended December 31,2022

Attorney Bates addressed this matter for the Board in the Attorney Report. As previously reported, Bonadio presented its 2022 audited financial statements and audit report. The audit report identified certain internal controls that were labeled as deficiencies. Legal counsel sent correspondence to BeneSys asking for responses to each of the internal controls' deficiencies.

Since the last meeting, the State of Michigan requested that the PF VEBA file a Corrective Action Plan to correct the deficiencies identified on the audit report. Legal counsel held several meetings with BeneSys' accounting department, BeneSys' IT department, and Bonadio to develop the Corrective Action Plan, which was filed on December 29, 2023.

The Corrective Action Plan argued that the deficiencies identified on the audit report were corrected or should not amount to deficiencies in the first place. Further, that the PF VEBA was merging into the VEBA effective December 31, 2023, and that a final audit report for the period ended December 31, 2023 would be prepared in 2024. It is our goal that the final audit will confirm that the deficiencies have been corrected.

PUBLIC COMMENT - None

UNFINISHED BUSINESS

A. Empyrean Termination Fee Status

B. Fiduciary Liability Tail Policy

This matter was discussed in the Legal Report.

NEW BUSINESS

A. 2022 Audit Deficiencies – Request for Response from BeneSys Accounting

BeneSys provided their response.

CORRESPONDENCE

NEXT MEETING DATE: May 23, 2024, 9:00 a.m.

ADJOURNMENT

RESOLUTION 24-02 By Storum, supported by Britton
Further Resolved, that the meeting be adjourned at 10:06 a.m.

Yea – 4 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 February 22, 2024.

As recorded by BeneSys