

**CITY OF PONTIAC VEBA TRUST
BOARD OF TRUSTEES MEETING
May 12, 2022**

A meeting of the Board of Trustees was held on Wednesday, May 12, 2022

Trustees Present

Claudia Filler, Chairperson
Linda D. Watson
Khalfani Stephens, Deputy Mayor
Lon Britton
NZ Bryant
Tim Greimel, Mayor – Pontiac, MI
Walter Moore, Lantana, TX

Others Present

Matt Henzi, AsherKelly
Violet Gjorgjevski, BeneSys
Jennifer Crosby, BeneSys
Steve Roth, Dahab

Chairperson Filler declared that a quorum was present and called the meeting to order at 9:02 a.m.

AGENDA CHANGES

RESOLUTION by Mr. Moore; seconded by Ms. Watson

Further Resolved, The Board determined to have Dahab present their Financial Consultant Reports at the beginning of the meeting.

Yea – 7 Nay - 0

CONSULTANT REPORT

A. Dahab Associates, Inc.

a. Manager Roster Track Record as of March 31, 2022

b. Preliminary Performance as of April 30, 2022

Mr. Roth presented and reviewed the roster track record as of March 31, 2022 and the preliminary performance as of April 30, 2022. He stated that the Trust is down 5.3%. The Market has been unkind, and all funds are showing negative returns except real estate. Mr. Roth recommended that \$2M be moved from cash and invested into equity. There are three Macros affecting the market right now: COVID in China, Inflation, and the War in Ukraine.

RESOLUTION by Mr. Moore; seconded by Mr. Britton

Further Resolved, to follow the recommendation from the Investment Consultant and move \$2M from cash to Fidelity Small Index Fund.

Yea – 7 Nay – 0

CONSENT AGENDA

- A. Meeting Minutes April 20, 2022
- B. Financial Statements Dec 2021 – Feb 2022

C. Bills for Ratification May 12, 2022

D. Invoices for Payment

- a. AsherKelly Invoice – April 2022 - \$7,868.00
- b. BCBS MA – April 2022 - \$107,364.79
- c. BCBS MA – May 2022 - \$101,911.60
- d. BCBS Pre-65 – May 2022 - \$84,237.75
- e. BCBS Vision – May 2022 - \$3,859.70
- f. BeneSys – April 2022 - \$14,628.55
- g. Nyhart – Through March 31, 2022 - \$28,000.00

E. Total Benefit Enrollees as of May 9, 2022 = 497

F. New Enrollees April 20, 2022 to May 9, 2022 = 5 (2 approved appeals & 3 corrections)

G. Total Number of Appeals to Date = 37

- a. Approved = 18
- b. Denied = 7
- c. On Hold = 10
- d. Member Withdrew = 1

RESOLUTION by Mr. Britton; seconded by Mr. Moore

Further Resolved, to approve the Consent Agenda as presented.

Yea – 7 Nay - 0

REPORTS

A. CHAIRPERSON

Chairperson Filler updated the Board as to the status of the Escrow Agreement. The Attorney's are still in the process of putting the Escrow Agreement in place. The Escrow Agreement will hold the excess funds that will go to the new GERS until the Settlement Agreement changes can be made.

B. SECRETARY - None

C. TRUSTEE COMMITTEES - None

D. LEGAL REPORT

Nyhart Supplemental Valuation Report

Attorney Henzi addressed this matter for the Board in the Attorney Report. At the Board's February 23, 2022, meeting, the Board resolved to hire Nyhart to prepare an initial, actuarial valuation of the VEBA to determine the VEBA's liabilities. This report was received. The Board also requested Nyhart to calculate the financial impact to the VEBA if member eligibility was expanded to include those with 10+ years of service as of December 22, 2011, but who retired after that date, and if it was expanded to include all persons who retired after December 22, 2011.

Nyhart is waiting for confirmation of credited service for the 119 persons who retired after December 22, 2011, to complete the last phase of its assignment from the Board. This involves a supplemental analysis of the financial impact to the VEBA if all persons with 10+ years credited service as of December 22, 2011, but who retired after December 22, 2011, are also included as eligible VEBA members.

As directed at the last meeting, legal counsel sent correspondence to Nyhart requesting that it calculates the Pontiac GERS' liabilities using a 6.5% assumption rate. Legal counsel sent actuarial reports produced by the GERS. Nyhart was instructed to assume that all information on the reports is accurate and to perform the mathematical modeling for comparison purposes.

Nyhart Actuarial Services Contract

Attorney Henzi addressed this matter for the Board in Attorney Report. Nyhart produced its Actuarial Services Contract, which was revised by legal counsel.

RESOLUTION by Mayor Greimel; seconded by Mr. Britton

Further Resolved, to table signing the Nyhart Actuarial Services Contract until the previously received RFPs are reviewed.

Yea – 7 Nay – 0

Asset Transfer/Escrow Agreement

Attorney Henzi addressed this matter for the Board in the Attorney Report. The Settlement Agreement provides for two sources that will fund the VEBA: certain excess GERS assets that have been previously defined and which total approximately \$140M and 100% of the PF VEBA assets (approximately \$45M). The VEBA received approximately \$10M from the excess GERS transfer on January 3-4, 2022. On December 21, 2021, the GERS also transferred \$8M to a special fund so the City could comfortably fund the payment of all \$20,000 opt-out elections.

Legal counsel reviewed and approved the Escrow Agreement as drafted by the City and CPREA. These parties have agreed to use Comerica Bank as the custodian. A final document is not ready for execution.

RFP for Auditing Services

Attorney Henzi addressed this matter for the Board in the Attorney Report. As directed, legal counsel prepared an RFP and sent it to four auditing firms: Plante Moran, Alan C. Young & Associates, P.C., George Johnson & Co., and Yeo & Yeo.

Responses to the RFP were due by May 6, 2022. George Johnson & Co. is the only firm that issued a proposal.

RESOLUTION by Mr. Britton; seconded by Mr. Moore

Further Resolved, to engage George Johnson & Co. to perform auditing services, subject to legal review of the contract.

Yea – 7 Nay – 0

Draft Policy Granting a Reasonable Accommodation for a Trustee to attend meeting remotely under the ADA

Attorney Henzi addressed this matter for the Board in the Attorney Report. Michigan's Attorney General issued an opinion on February 4, 2022, holding that a member of a public board or a member of the public who is immunocompromised or otherwise disabled from in-person attendance due to COVID-19 related reasons may attend the public meeting on a virtual basis.

The Trustees directed legal counsel to research this issue and to develop a policy for how the Board can evaluate future requests by Trustees for a reasonable accommodation pursuant to the Attorney General Opinion.

At the last meeting, the Trustees resolved to enact a policy that will grant a requesting Trustee a reasonable accommodation to attend the meeting remotely if the Trustee is disabled under the ADA, which includes being immunocompromised.

RESOLUTION by Ms. Watson; seconded by Mr. Bryant

Further Resolved, to adopt the proposed policy regarding granting a reasonable accommodation for Trustees to attend meetings remotely under the ADA.

Yea – 7 Nay – 0

Fiduciary Liability Insurance

Attorney Henzi addressed this matter for the Board in the Attorney Report. The VEBA previously approved purchasing a fiduciary liability insurance policy with Hudson Insurance Company for the period September 1, 2021-September 1, 2022. The Policy has limits of \$1,000,000, and a \$25,000 deductible. The annual premium was \$5,706.

Huttenlocher Group, the fiduciary liability insurance agent for the VEBA Trust has shopped the marketplace for increased liability limits in light of the fact that the VEBA Trust has received significant assets. The recommended Policy is also with Hudson Insurance Company with a \$5,000,000 limit of liability and \$100,000 deductible. The annual premium is \$27,648.

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to follow the recommendation of the insurance agent and to purchase fiduciary liability insurance as proposed, with increased liability limits.

Yea – 7 Nay – 0

Manquen Vance Consent to Assignment Contract

Attorney Henzi addressed this matter for the Board in the Attorney Report. Since the last meeting, Manquen Vance advised that it is being acquired by AP Global Insurance Services, LLC. Manquen Vance will continue to operate under its current name, with the same service providers in providing services to the City of Pontiac VEBA Trust. Manquen Vance provided a Consent to Assignment of Contract, which will assign the VEBA Trust Contract with Manquen Vance to the new owner. Legal counsel has reviewed the document and recommends that it be executed.

RESOLUTION by Mr. Bryant; seconded by Deputy Mayor Stephens

Further Resolved, to sign the Consent of Assignment Contract with Manquen Vance.

Yea – 7 Nay – 0

City of Pontiac/PF VEBA/VEBA Merger Agreement

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

Attorney Kopacz advised that the IRS has reported that it will not issue a ruling that approves the Merger Agreement. This does not invalidate the Merger Agreement or otherwise negatively affect the VEBA or PF VEBA since each of those entities has received tax exempt status from the IRS. Legal is working with Ms. Kopacz to determine whether the City and CPREA are required to amend the Settlement Agreement, and if the VEBA Trust or Merger Agreement need to be amended.

VEBA Request for Miscellaneous Determination, Form 8940

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

Business Associate Agreement and Service Agreement with GERS

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

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.

TRUSTEE COMMENTS - None

PUBLIC COMMENTS

Ms. Swazer requested to have the number of Police & Fire Retirees that retired prior to 1996 that are currently enrolled in the VEBA. Attorney Henzi stated that he would provide this to her.

Mr. Folz stated to the Board that he felt that he should be reimbursed for previously paid insurance premiums that were paid prior to benefits beginning in February 2022 before bringing in more members. Chairman Filler suggested that Mr. Folz appeal if he would like for the Board to consider reimbursing him for his premiums paid while no benefits were being offered.

Ms. Stewart commented regarding the time it is taking to add the members who have at least 10 years of service as of December 22, 2011. Chairman Filler explained to her why it was taking so much time, that the Settlement Agreement will have to be amended and that is something that will not happen quickly.

UNFINISHED BUSINESS

A. Requests for Information from GERS – Still Pending

- a. **GERS Members Receiving Disability Retirement**
- b. **GERS Surviving Spouses Count**

B. Pontiac VEBA Trust Resolution to Expand Eligibility

NEW BUSINESS

A. Trustee Election & Candidate Statement – Lon Britton

RESOLUTION by Mr. Moore; seconded by Deputy Mayor Stephens

Further Resolved, to accept by declaration the election of Lon Britton as Police and Fire representative Trustee.

Yea – 7 Nay - 0

B. Election of Officers

Mr. Britton nominated Claudia Filler to continue as Board Chairperson.

RESOLUTION by Mr. Britton; seconded by Mr. Bryant

Further Resolved, to elect Claudia Filler as Board Chairperson.

Yea – 7 Nay – 0

Mr. Moore nominated Deputy Mayor Khalfani Stephens to act as Vice-Chairperson of the Board.

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to elect Deputy Mayor Khalfani Stephens as Vice-Chairperson of the Board.

Yea – 7 Nay – 0

Mr. Moore nominated Lon Britton to continue as Secretary of the Board.

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to elect Lon Britton as Secretary of the Board.

Yea – 7 Nay – 0

C. Euclid Specialty – Fiduciary Liability Limit Increase Quote

D. Nyhart – 2022 Modeling Report for Expanded Eligibility

CORRESPONDENCE

A. BeneSys Navigator

B. BeneSys Response to DOL Cybersecurity Guidelines

NEXT MEETING DATE:

RESOLUTION by Mr. Moore; seconded by Mr. Bryant

Further Resolved, to move the August 11, 2022, meeting date to September 8, 2022, at 9:00 a.m.

Yea – 7 Nay – 0

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, directing counsel to invite Foster/Foster, Nyhart, and Lauterbach & Amen for a final presentation and to include a sample actuarial report and explain that report to the Trustees. Presentations are to be limited to 30 minutes by each at the Special Meeting to be held on June 29, 2022.

Yea – 7 Nay – 0

RESOLUTION by Mr. Britton; seconded by Ms. Watson

Further Resolved, to have a special meeting to interview actuarial candidates on June 29, 2022, at 9:00 a.m.

Yea – 7 Nay – 0

ADJOURNMENT

RESOLUTION by Mr. Britton; seconded Mr. Bryant

Further Resolved, that the meeting be adjourned at 11:26 a.m.

I certify that the foregoing are the true minutes of the City of Pontiac VEBA Trust on May 12, 2022.

As recorded by BeneSys