

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
JANUARY 21, 2014**

Trustees Present

Matt Nye, Chairman
Lon Britton
Nevrus Nazarko, Secretary (8:50)
Craig Storum
Deirdre Waterman, Mayor (9:20)

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, Gray & Company
Larry Gray, Gray & Company
Chuck Wytrychowski, BeneSys, Inc.
Liz Edwards, BeneSys, Inc.

Trustees Absent

The meeting was called to order at 8:35 a.m.

AGENDA CHANGES

- A. Election of Deirdre Waterman to the Board
- B. Approval of Revised October 31, 2013, Meeting Minutes

CONSENT AGENDA

- A. Approval of Regular Meeting Minutes: December 5, 2013
- B. Financial Reports
 - 1. Financial Reports – November 30, 2013
 - 2. Bills for Ratification – January, 2014

RESOLUTION 14-001 By Storum, Supported by Britton
Resolved, That the Consent Agenda for January 21, 2014, be approved.

Yeas: 3 – Nays: 0

CONSULTANTS

- A. Gray & Company

Mr. Kuhn and Mr. Gray reviewed the Fund status. Mr. Kuhn discussed the Summary Table as of January 15, 2014. He noted that the markets finished strong in 2013. He noted the Fund has not invested much in real estate, and asked if the Board would want to piggy-back with the pension system for this fund. Trustee Britton stated there is no new money coming in, and is concerned with over-diversification. Trustee Storum agrees that we do not want to over-diversify, and he is comfortable with the current position. Mr. Kuhn commented that he would consider more real estate, as the Fund is 65% invested in equity, which presents a high equity risk. Trustee Britton

stated he does not have a problem with that, but wants investments that will help produce cash. Mr. Kuhn stated he would steer clear of private equity. Trustee Britton stated he is okay with Mr. Kuhn improving cash-flow options and looking at real estate.

Mr. Kuhn discussed correspondence received from Bradford & Marzec. Three senior personnel have left the firm. The Fund is not directly impacted, however he still does not like to see this. Gray & Company has communicated to them that they are on probation.

RESOLUTION 14-002 By Storum, Supported by Britton
Resolved, That the Fund put Bradford & Marzec on a watch list.

Yeas: 4 – Nays: 0

Mr. Gray stated he will call Zee Marzec for follow up.

Trustee Storum discussed Aberdeen and stated he would put them on a watch list for the Fund as well.

RESOLUTION 14-003 By Storum, Supported by Nazarko
Resolved, That the Fund put Aberdeen on a watch list.

Yeas: 4 – Nays: 0

Mr. Gray congratulated the Trustees for a good year, and believes 2014 will be another banner year.

Chairman Nye asked if it was necessary for Gray & Company to attend each monthly Board meeting. Mr. Kuhn stated that it was up to the Board. If there are issues which arise more frequently than quarterly, then he would let the Board know and attend the next following meeting.

REPORTS

- A. Chairman
- B. Secretary
- C. Trustee Committees
- D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matthew Henzi

Attorney Report – General Matters:

Northern Trust Settlement

Attorney Henzi discussed the Northern Trust class action suit. He stated that part of the case had been settled. The Securities and Lending program lost funds because of poor management. Attorney Henzi stated that he cannot quantify how much the Fund lost. He will get a pro-rata amount. The settlement will cover just direct losses.

Ambassador Capital Management

Attorney Henzi reviewed and discussed information with respect to an SEC investigation of Ambassador Capital Management. The SEC is specifically investigating one manager and one fund. Ambassador has responded that they did nothing wrong and contest the allegations. They have also submitted a proposed settlement offer to the SEC. The hearing is scheduled for May 5, 2014. Until that time, the Fund will not invest any monies with them.

Mr. Kuhn and Mr. Gray left the meeting at 9:35 a.m.

Electronic Meeting / House Bill 4363

Attorney Henzi discussed House Bill 4363 proposed to change the Open Meetings Act. Currently, if a member of the public body casts a vote without being physically present at the meeting, it does meet the Open Meeting Act guidelines. Bill 4363 would change this to say that a member must be physically present at the meeting for the vote to count. The Bill was passed by the Michigan House of Representatives on May 16, 2013, and it was referred to Committee on May 21, 2013. There has been no activity since.

IRS Request for Form 990

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

Proposed PF VEBA Ordinance Amendment

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

Transition Packet for New Trustees

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

IRS 2014 Standard Mileage Rates

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

Public Employee Retirement Benefit Protection ACT PA 492

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

Miscellaneous Articles

Attorney Henzi addressed these articles for the Board in the Attorney Report.

RESOLUTION 14-004 By Storum, Supported by Nazarko

Resolved, That the Board move to closed session to discuss pending litigation at 9:45 a.m.

Yeas: 5 - Nays: 0

The Board moved to closed session at 9:45 a.m.

The Board returned from closed session at 11:30 a.m.

RESOLUTION 14-005 By Storum, Supported by Britton
Resolved, That the Board approve action on the items discussed in closed session.

Yeas: 3 – Nays: 0 – Abstain: Nazarko; Abstain: Waterman

RESOLUTION 14-006 By Britton, Supported by Storum
Resolved, That the Board approve the December 5, 2013, closed session minutes.

Yeas: 3 – Nays: 0 – Abstain: Nazarko; Abstain: Waterman

UNFINISHED BUSINESS

There was discussion about the ongoing issues with respect to the pre-1996 retirees and their coverage. Chairman Nye stated that we are coming up with a proposal for the City Administrator addressing cost issues and funding. Trustee Nazarko stated that he is anxious for this issue to get resolved because the pre-1996 retirees are anxious. Chairman Nye advised that we need to get an actuarial report to outline the associated costs.

Mr. Wytrychowski asked if the City is sending letters to retirees. Trustee Nazarko stated they are sending letters for full premium payment. The letters went out in December. They have not cancelled anyone's coverage at this time. He stated the City does not have the right to tell the Board to take money from retirees' pension checks. It was noted that the Board approved contributions of \$90/\$180/etc. from the pension checks, but not \$400. Trustee Nazarko believes the Board does not have the authority to say to take or not take the contributions, or to include pre-1996 retirees in the VEBA.

Mayor Waterman stated that no one wants confusion or dismay. She believes if the Board wants to cover the full premium amount, then the Board should send the letter. Chairman Nye stated that the Board has already done so. Trustee Britton states we should continue to fund the pre-1996 retirees as we have been while we continue to negotiate an agreement. Trustee Nazarko agrees, and states we should try to keep the status quo, but what if this situation continues for six more months? He then would want the Board to hold the City harmless. Trustee Storum states if it goes forward and the Board wins the lawsuit, then it could harm the City with costs due. Trustee Nazarko believes it will not go that far.

Mr. Wytrychowski noted that everyone has a responsibility to the City, and we all must resolve on how to best move forward. Trustee Nazarko stated he wants compromise so he can go to the City Administrator to achieve resolution; he wants the issues resolved so that the retirees are covered. Chairman Nye asked if the City can delay sending out invoices to retirees – can they be “escrowed”? Trustee Waterman asked if the invoices can be modified to show the charge, the amount paid by the Board, and the amount owed by the retiree. Trustee Nazarko stated that this would put him in violation of TAB. Trustee Waterman asked if Attorney Henzi would draft a letter on how invoicing should be changed and she will sign it, therefore no one would lose coverage.

NEW BUSINESS

- A. Review of 3rd and 4th Quarter 2013 Expenses for the period ending September 30, 2013, and December 31, 2013, respectively.

RESOLUTION 14-007 By Storum, Supported by Britton
Resolved, That the Board approve 3rd and 4th Quarter 2013 Expenses.

Yeas: 3 – Nays: 0 – Abstain: Nazarko; Abstain: Waterman

Trustee Britton asked if Mr. Wytrychowski could research and present dental plan options which would be 100% paid by plan participants out of their pensions and administered through the VEBA. Mr. Wytrychowski stated he will contact some dental plans and discuss this with them. Trustee Nazarko asked when dental coverage was terminated. Trustee Britton stated it was reduced in September of 2012, and cancelled in September of 2013. Trustee Nazarko stated that it was taken away, but to put it back now would be another expense from the VEBA. Chairman Nye noted that it would be 100% paid by the retirees, not by the City.

CORRESPONDENCE

NEXT MEETING DATE: February 27, 2014

RESOLUTION 14-008 By Storum, Supported by Britton
Resolved, That the Board move the February 27, 2014, meeting to February 28, 2014, the April 24, 2014, meeting to April 16, 2014, and the September 25, 2014, meeting to September 24, 2014.

Yeas: 5 – Nays: 0

ADJOURNMENT

RESOLUTION 14-009 By Storum, Supported by Britton
Further Resolved, That the meeting be adjourned at 12:15 p.m.

Yeas: 5 – Nays: 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 January 21, 2014.



Nevrus Nazarko, Secretary
As recorded by BeneSys