

**CITY OF PONTIAC, MICHIGAN  
POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH & INSURANCE PLAN  
“VEBA MINUTES”  
MAY 19, 2011**

**Trustees Present**

Brian Lee, Chairman  
Leon Jukowski, Mayor  
John Naglick, Secretary  
Matthew Nye, Vice Chair  
Craig Storum

**Others Present**

Matthew Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, Gray & Company  
Ellen Zimmermann, Retirement Administrator  
Jane Arndt, Retirement M-Admin Assistant

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*The meeting was called to order at 8:37 a.m.*

**AGENDA CHANGES**

**CONSENT AGENDA**

- A. Approval of Regular Meeting Minutes: April 28, 2011
- B. Financial Reports
  - 1. Statement of Changes – April 2011
  - 2. Accounts Payable:
    - a. Bradford Marzec \$8,403.95
    - b. Comerica \$4,613.62
    - c. Gray & Company 1,250.00
    - d. Rhumblin 4,375.00
- C. Correspondence: Bradford Marzec CMBS Update

**RESOLUTION 11-018** By Storum, Supported by Jukowski  
Resolved, That consent agenda for May 19, 2011 be approved.

Yeas: 5 – Nays: 0

**TRUSTEE/COMMITTEE STAFF REPORTS**

Ms. Zimmermann distributed a recap of receivables due from the City through April, 2011 and through June, 2011. This is to keep the trustees updated on what the City owes to the Fund.

Trustee Storum said he had asked for this to be included in the financial statement. Ms. Zimmermann indicated that it is also included in the financial statement.

She distributed the clear due to/due from. She told the Board that this is to clear the miscellaneous inter-fund transfers.

Trustee Nye questioned why they are being asked for the healthcare reimbursement when the City owes the Fund contributions next month which are in excess of the healthcare reimbursement.

Ms. Zimmermann said that the City is strapped for cash.

Trustee Storum said that the City is now making their contributions annually versus bi-weekly.

Ms. Zimmermann explained the due to/due from line items. She indicated that the Police & Fire Retirement System pays for the VEBA's legal and manager bills because the VEBA does not have a payables system setup. She indicated that this is just housekeeping between the Funds.

Trustee Naglick indicated that the City intends to reimburse their contributions by June 30, 2011.

Ms. Zimmermann distributed the current healthcare reimbursement request from the City for \$791,810.66.

Trustee Nye questioned the time period for this reimbursement.

Trustee Naglick stated that the last healthcare reimbursement was for the period July, 2010 through December, 2010. This reimbursement is for the period of January, 2011 through March, 2011.

He said that the reimbursement works out to approximately \$800,000.00 per quarter or \$3.2 million per year. The City owes the \$2.9 million in contributions to the VEBA Fund once per year.

Trustee Naglick informed the Board that there are still some issues with the Meadowbrook reporting.

Ms. Zimmermann indicated that Meadowbrook has yet to create a report itemizing expenses. It should not take nine months to create a summary report. She is not confident in their ability.

Trustee Naglick did not feel that this was an action item for this Board. He suggested passing this issue onto the Emergency Manager for resolution.

## **CONSULTANTS**

### **Re: Gray & Company – 2010 Fourth Quarter Performance Report**

Mr. Kuhn provided a brief overview of the performance report for the first quarter of 2011.

This was a good quarter for domestic equity with performance ranging from 5% to 10%. International equity was not as strong for the period. Fixed income was flat.

The Fund was up 4.88% ahead of the policy index at 4.19%.

Rhumblin Advisors performance has averaged 5% ahead of the index. Their two-year performance since inception is 28.6% versus the SP 500 at 22.4%. He said that there are times that

they will not out perform the S&P. He said that they will regularly under perform at the end of a cycle when the market focuses on a couple of names. Rhumblin typically will out perform during a market correction.

Small cap manager Broadview Advisors' performance was inline with the benchmark.

Bradford Marzec performance of 1% is phenomenal due to the big gap in fixed income.

Hedge fund manager Pluscios was fully funded for one quarter with returns of 3.82% versus the benchmark at 0.77%. Most hedge funds saw returns of 1% to 2%. They were hoping to see positive returns but 3.8% is on the high side.

He told the Board that Pluscios attended the Spring MAPERS conference.

Mr. Kuhn confirmed that the assets to reimburse healthcare will be pulled from Rhumblin. They have the most liquid assets in the portfolio. They hold 0.2% in each stock in the index. When we take assets from them they use this as an opportunity to rebalance.

**RESOLUTION 11-019** By Lee, Supported by Jukowski  
Resolved, That the Board approve the transfer of Fund assets from domestic equity manager Rhumblin to reimburse the City \$791,811.00 for retiree healthcare costs covered under the Police & Fire VEBA.

Yeas: 5 – Nays: 0

**Re: Sullivan Ward Asher & Patton, P.C.**

IRS Request for Form 990

Mr. Henzi reported that IRS request for Form 990 is currently pending.

Intercontinental Real Estate Company

Mr. Henzi reported that they are currently negotiating a Side Letter Agreement with Intercontinental. They are looking to draw capital this summer.

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## **UNFINISHED BUSINESS**

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## **NEW BUSINESS**

**Re: Healthcare Reimbursement 4** – Refer to Consultant

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## **SCHEDULING OF NEXT MEETING & ADJOURNMENT**

Regular Meeting – June 23, 2011 – City Council Conference Room, Second Level, City Hall @ 8:30 a.m.

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**ADJOURNMENT**

**RESOLUTION 11-020** By Jukowski, Supported by Naglick  
Further Resolved, That the meeting be adjourned at 9:08 a.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 May 19, 2011.

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John Naglick, Secretary  
*As recorded by Jane Arndt*