

**CITY OF PONTIAC  
POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH & INSURANCE PLAN  
BOARD OF TRUSTEES VEBA MEETING MINUTES  
MAY 30, 2013**

**Trustees Present**

Lon Britton, Vice Chairman  
Leon Jukowski, Mayor,  
John Naglick, Secretary  
Craig Storum  
Matthew Nye, Chairman

**Others Present**

Chris Kuhn, Gray & Company  
Matthew Henzi, Sullivan, Ward, Asher & Patton  
Chuck Wytrychowski, BeneSys, Inc.  
Darris Garoufalis, BeneSys, Inc., *excused*  
Liz Edwards, BeneSys, Inc.

**Trustees Absent**

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*The meeting was called to order at 8:55 a.m.*

**AGENDA CHANGES**

Secretary Naglick requested that payments due to the Fund be included in Unfinished Business.

**CONSENT AGENDA**

- A. Approval of Regular Meeting Minutes: April 25, 2013
- B. Financial Reports
  - 1. Financial Reports – March 31, 2013
  - 2. Bills for Ratification – April, 2013

**RESOLUTION 13-021** By Britton, Supported by Storum  
Resolved, That the consent agenda for May 30, 2013, be approved.

Yeas: 5 – Nays: 0

Trustee Britton would like more time to review the meeting books prior to the Board meetings. Attorney Henzi and Mr. Kuhn stated they will provide BeneSys their documentation on the Monday prior to the Board meetings, and BeneSys will send it to the Trustees on the Tuesday prior to the meetings.

Chairman Nye asked if any participants paid medical contributions by writing a check. Mr. Wytrychowski stated that BeneSys will review. Trustee Naglick stated he will check with Meadowbrook to see who deposits checks.

## **CONSULTANTS**

### **A. Gray & Company**

Mr. Kuhn distributed and discussed the Fund's Flash Report as of April 30, 2013.

Mr. Kuhn distributed and discussed the Fund's Asset Summary as of May 24, 2013.

Mr. Kuhn discussed the performance results for the 2013 First Quarter and issues that impacted the results. He stated that large and small cap International and U.S. funds had a good quarter. Emerging markets did not do as well. Barclays fixed income was down. CitiGroup Global appreciated compared to the yen / Euro. Trustee Britton stated he believes private equity investments should not be in public funds. Mr. Kuhn expressed interest in looking at plan loan investments. Trustee Storum asked if real estate funds can be held in the Veba. Attorney Henzi stated they can.

Mr. Kuhn stated the Fund was up 7% for the quarter, which is good. Dodge & Cox is a little bit behind in emerging markets, Bradford & Marzec had a good quarter, Pluscios performed as expected, and Loomis Sayles had a good start. For the month of April, Loomis Sayles was okay, and Dodge & Cox was strong. There is almost \$37,000,000 in the Fund, which includes cash held at Comerica, which is a bit heavy.

There was discussion with respect to Bradford & Marzec, and the possibility of expanding their investments by giving them more in fixed income. Mr. Kuhn did a comparison of core fixed funds against Artio, Janus, Loomis Sayles, McCay, Pimco, Wells and Bradford & Marzec. Wells is more conservative and the others more aggressive than Bradford & Marzec.

### **RESOLUTION 13-022** By Storum, Supported by Naglick

Resolved, To invest in the Bradford & Marzec Core Plus Fund on a going forward basis.

Yeas: 5 – Nays: 0

Mr. Kuhn stated that he will edit the Investment Policy guidelines and bring the revised policy to the June Board meeting.

## **REPORTS**

A. Chairman

B. Secretary

C. Trustee Committees

D. Legal, Attorney's Report, Sullivan, Ward, Asher & Patton, P.C., Matthew Henzi

Trustee Naglick asked Mr. Wytrychowski for a status update with respect to the Plante & Moran audit. Mr. Wytrychowski stated that Plante & Moran has the majority of items needed to complete the audit.

Attorney Henzi discussed those matters relative to the VEBA on his Attorney Report for General Matters. Attorney Henzi presented his proposed handout for Trustees' use in responding to retirees questions. At a previous meeting, the Trustees had requested some text to refer to about the function of the VEBA Trust since they are frequently contacted by both VEBA eligible and non-VEBA eligible retirees who have specific questions about the operation of the VEBA Trust. There was discussion about whether this handout should be reduced to letter form and posted on the City's website or mailed to retirees for review. Trustee Britton stated that it should be mailed out, as many retirees do not access the City's website. Attorney Henzi will revise the handout to letter form for approval at the next meeting.

Trustee Naglick discussed that there are some potential errors in the proposed actuarial valuation report, which was reviewed by the Trustees at the meeting. For example, their report did not treat a recent \$3.2M payment from the City as received income. Further, the report indicates that there are 158 inactive, vested participants in the VEBA. There was consensus among the Trustees that this number seems high. In fact, Chairman Nye stated that he thought there would be approximately 40 inactive, deferred VEBA members. Attorney Henzi stated he told the actuary at a meeting, at which the administrator was also present, that inactive, deferred vested VEBA members should include only those who have ten years or more service and who are not age 50. Attorney Henzi advised he believes the actuary's number is approximately four times too high. The Trustees directed Attorney Henzi to consult with the actuary about all necessary revisions to the actuarial valuation report.

Trustee Naglick asked that, if the Fund operated as its own plan, would the Trust document need to be amended. Attorney Henzi responded affirmatively that amendments to the Trust document would be necessary.

**RESOLUTION 13-023** By Britton, Supported by Storum

Resolved, That the Board move to closed session to discuss pending litigation at 10:12 a.m.

Yeas: 5 – Nays: 0

*The Board moved to closed session at 10:12 a.m.*

*Mr. Kuhn left at 10:12 a.m.*

*The Board returned from closed session at 11:26.*

**RESOLUTION 13-024** By Storum, Supported by Britton

Resolved, That the Board approve the April 25, 2013, closed session minutes.

Yeas: 5 – Nays: 0

**RESOLUTION 13-025** By Storum, Supported by Britton  
Resolved, That the Board move to appeal Judge Kumar's Order for Summary Judgment.

Yeas: 3 – Trustee Storum, Britton and Nye  
Nays: 0 –  
Abstain: 2 – Trustees Jukowski and Naglick

### **UNFINISHED BUSINESS**

Mr. Wytrychowski discussed options for retiree medical coverage. There are 221 Blue Cross/Blue Shield self-funded contracts for VEBA members (including single, two person or family). There are 25 Medicare Advantage plan contracts for VEBA members. Mr. Wytrychowski discussed that, because this is a small, closed group, which is self-insured, it will be difficult and very expensive to obtain fully insured coverage. This is because there are no active employees, and the group's population is of an age that requires medical care. The good news is we have a structure in place, the bad news is we probably can't do better price-wise.

The use of Insurance Exchanges in 2014 is a possibility, but unknown at this time. We should look at the stop-loss levels and see if they should be adjusted. We should also look at the possibility of the HAP PPO, or Cofinity, Aetna. Fully insured plans are really not an option due to the size of the population and associated expense. There are State COPS medical plans, and perhaps similar plans for firefighters. Trustee Britton will call the executive director of MAP with respect to existing retiree plans. Mr. Wytrychowski will bring comparisons to the July Board meeting. Chairman Nye stated that plan design and cost factors are the most important issues.

### **NEW BUSINESS**

- A. Attorney Alec Gibbs recently filed a class action lawsuit on behalf of the City of Pontiac Retired Employees' Association. The lawsuit seeks to restore terminated life insurance benefits. Once the lawsuit was filed, the City decided that it would continue to pay premiums for life insurance benefits during the pendency of the lawsuit. The rationale was that the Emergency Manager felt there was exposure to the City in the event a retiree died during this litigation over what life insurance benefits are payable. The Trustees previously resolved to reimburse the City for insurance premiums to maintain the status quo coverage. There was discussion on whether this motion should be rescinded, since the City subsequently agreed to maintain coverage. The Fund pays for insurance premiums now. Trustee Naglick suggested this be moved to Unfinished Business. Attorney Henzi stated he would contact an attorney to discuss this, but does not recommend rescinding the motion. Trustee Storum suggested working with the insurer to continue coverage at the group rate. Trustee Naglick asked Attorney Henzi to contact Mr. Hitchcock.
- B. Mr. Wytrychowski gave an update on the 2012 Actuarial report. He suggests reviewing the headcount. From what source did the actuary get the vested term count? 48 firefighters went to Waterford. Trustee Storum believes there should be a maximum of 55-60. Attorney Henzi commented it should be approximated 25% of 161. He will contact the

actuary and ask them to fix and correct the counts. Trustee Britton asked if the problem is with the actuary or with whomever provided them the numbers. Mr. Wytrychowski stated that data integrity is an issue both with the pension and health care plans. We will ask the actuary to fix the numbers and cc Chairman Nye. Trustee Naglick stated that the Plan has a 30-year amortization rate. Because there are no more active employees eligible for the benefit, should we have a closed amortization rate which will reduce by one year every year?

**RESOLUTION 13-026** By Naglick, Supported by Storum

Resolved, That the amortization rate be changed to a closed rate, but to wait until the actuary corrects the figures before adopting the new rate.

Yeas: 5 – Nays: 0

**NEXT MEETING DATE: June 27, 2013**

**ADJOURNMENT**

**RESOLUTION 13-027** By Storum, Supported by Britton

Further Resolved, That the meeting be adjourned at 12:35 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 May 30, 2013.



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John Naglick, Secretary  
*As recorded by BeneSys*