

**CITY OF PONTIAC  
POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH & INSURANCE PLAN  
BOARD OF TRUSTEES VEBA MEETING MINUTES  
JULY 31, 2014**

**Trustees Present**

Matt Nye, Chairman  
Nevrus Nazarko, Secretary  
Lon Britton  
Craig Storum

**Others Present**

Matt Henzi, Sullivan, Ward, Asher & Patton  
Chris Kuhn, Gray & Company  
Chuck Wytrychowski, BeneSys, Inc.  
Liz Edwards, BeneSys, Inc.  
Denise Jones, Rodwan Consulting Company

**Trustees Absent**

Deirdre Waterman, Mayor (Excused)

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*Chairman Nye declared that a quorum was present and called the meeting to order at 8:37 a.m.*

**AGENDA CHANGES**

**CONSENT AGENDA**

- A. Approval of Regular Meeting Minutes: June 26, 2014, adjust to show that Vice-Chairman Britton called the Meeting to order.
- B. Financial Reports
1. Financial Reports – May 31, 2014
  2. Bills for Ratification – July, 2014

**RESOLUTION 14-040** By Storum, Supported by Britton  
Resolved, That the Consent Agenda for July 31, 2014, be approved.

Yeas: 4 – Nays: 0

**CONSULTANTS**

- A. Rodwan Consulting Company

Ms. Jones reviewed the Actuarial Report for the period ending December 31, 2013. There have been no changes in the assumptions used. A 5.6% inflation increase was applied. Ms. Jones commented that the report is based on the health benefits provided in the last year, and not based on benefit levels prior to reduction on February 1, 2012, via the Emergency Manager's executive order. Trustee Storum commented that benefits are going down but premiums decreased because of it, and asked when the City comes out of receivership, if benefits change, will the valuation then

change? Ms. Jones replied that it can be handled in two ways. If we know, we can build it in. The assumed ARC for GASB is 5%, and GASB requirements are not necessarily the Board's requirements. If life insurance and dental coverage are reinstated, then we can recognize it at that time.

Attorney Henzi asked what if benefits are reinstated mid-year? If the City contributes, what should we do? He questioned whether a new report would be immediately due, or if the change in benefits would be reflected in the next year's report. Ms. Jones replied that if it happens mid-year, you don't have to prepare a revised actuarial valuation report, the Board could just recognize the change in benefit levels in the following year's valuation report. She would, however, prefer to recognize any know change in benefit levels in advance.

Trustee Nazarko commented that we do not know what the new rates would be. Actuarial reports are always done once a year. If we would want another report, then we would need to do a special report based on the circumstances. Chairman Nye commented that the negatives, according to Trustee Nazarko, is the cost of the additional report. Trustee Storum commented that we would like to know in advance for possible negotiations with the City. Chairman Nye stated he would like to use the 5% investment rate.

Ms. Jones continued to review the valuation. She noted that on page two, the inactive vested participant count included opt-outs and deferrals. The funded ratio almost doubled between 2012 and 2013. The ARC is based on the fiscal year beginning July 1, 2015. Based on a 5% investment return, the funded ratio would be 58.8%, and the computed contribution would be \$1.8 million. She reviewed the financial information, and the age breakdown of the plan participants. Trustee Storum asked if the unfunded liability should be declining? Ms. Jones replied that thirty-year amortization is the maximum under GASB. Attorney Henzi asked if she would recommend thirty-year declining? Ms. Jones stated that she did do a projection for the pension plan, but not for the VEBA. She believes that thirty years is fine based on the number of opt-outs.

Trustee Storum commented that the Benefit Provision Summary talks about different coverages, and it should be noted that life insurance and dental coverage are out; life insurance as of 2012, and dental as of September 2013.

*Chairman Nye suspended the meeting at 9:15 a.m. to accommodate the schedule of Ms. Jones so she could present the Pension Valuation to the Trustees. The meeting reconvened at 9:45 a.m.*

## B. Gray & Company

Mr. Kuhn reviewed the Fund status as of July 25.

## **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:**

#### IRS Request for Form 990

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

#### Board Elections

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

#### Proposed Amendment to Open Meetings Act Regarding FOIA Requests

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

#### Correspondence to Michigan Workers' Compensation Agency Verifying No Coverage – Exhibit D

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

### **RESOLUTION 14-041** By Britton, Supported by Nazarko

Resolved, That the Board move to closed session to discuss pending litigation at 9:57 a.m.

Yeas: 4 - Nays: 0

*The Board moved to closed session at 9:57 a.m.*

*The Board returned from closed session at 10:30 a.m.*

### **RESOLUTION 14-042** By Storum, Supported by Britton

Resolved, That the Board approve the June 26, 2014, closed session minutes.

Yeas: 4 – Nays: 0

### **RESOLUTION 14-043** By Storum, Supported by Nazarko

Resolved, That the Board approve action on the items discussed in closed session.

Yeas: 4 – Nays: 0

## **UNFINISHED BUSINESS**

### **A. Trustee Elections**

It was noted that no other Candidate Statements were submitted with respect to Trustee Nye's or Trustee Britton's positions, other than those submitted by Trustee Nye and Trustee Britton. Therefore, their terms will renew without any election.

### **B. Participant Website**

The participant website is in progress. It will take special programming as some documents typically are not contained on private employers' websites.

### **C. Self-Pay Reconciliation**

Mr. Wytrychowski stated that the self-pay reconciliation is in progress. Trustee Britton stated that last year, the Board wanted the pre-1996 retirees to be included in the VEBA. We started charging those on Medicare \$91.13 for single coverage. We should stop charging them that amount now, since negotiations with the City broke down. We should also direct the Administrator to rebate back to them the amount that was collected. Chairman Nye agrees with this. Trustee Britton stated that we should pick up the full tab. Trustee Nazarko asked why does the City say pre and post-1996 retirees pay anyway? He does not agree with stopping these contributions.

### **RESOLUTION 14-044** By Storum, Supported by Britton

Resolved, That the Administrator stop taking contributions from Medicare retirees covered under the VEBA, and refund to them contributions which have been taken from them since August, 2013.

Yeas: 3 – Nays: 1

We will have to draft a letter with the refund to state it may not be permanent, and that contributions may be required at some time in the future. Attorney Henzi stated he will draft the letter and send it to Chairman Nye and Trustee Britton for review. Trustee Nazarko commented that this will perhaps result in others paying more.

It was noted that the Trustee Website is difficult to access. We will notify the IT Department and ask them to research.

### **D. Delta Dental Survey Response**

Ms. Edwards stated that not enough individuals responded "Yes" to the dental survey. Trustee Britton stated that if we do offer it, maybe more individuals will jump on.

## **NEW BUSINESS**

### **A. VEBA June 2014 Expenses**

An invoice from the City for administrative expenses from June 1, 2011 – January 31, 2012, was reviewed. This pro-rates past administrative expenses between the GERS and Police and Fire funds. Trustee Nazarko stated he had to iron it out with the City, and that this is the final one. Trustee Storum stated that the sheet is confusing. Trustee Nazarko stated that for this seven month period, the Police and Fire funds paid nothing to the City for administrative expenses. Trustee Storum stated that we did already pay for some of these items, and it would be in the Consent Agendas of the 2012 Minutes. Chairman Nye stated the spreadsheet is confusing, and asked why were these items not billed earlier? Trustee Nazarko stated he will put together a spreadsheet explaining it in greater detail.

#### **RESOLUTION 14-045** By Britton, Supported by Storum

Resolved, That payment of the administrative expenses pro-rated between the GERS and Police and Fire funds be tabled for further review.

Yeas: 4 – Nays: 0

The Board reviewed the June invoices received from the City.

#### **RESOLUTION 14-046** By Storum, Supported by Britton

Resolved, That payment of the June, 2014, Blue Cross Blue Shield invoices be approved.

Yeas: 4 – Nays: 0

### **B. City of Pontiac Open Enrollment and Updated Rates**

The City provided the updated rates for the upcoming Open Enrollment which will occur in August. The rates will be effective September 1, 2014. This will result in an increase in participant contributions. Trustee Nazarko stated that the retiree's contribution, known as the hard cap, was put in place by the Emergency Manager. Trustee Britton commented that we can send it out saying we will not increase the contributions, but that would cause issues. Trustee Nazarko commented that it was his understanding that it is the employee's responsibility. Chairman Nye stated that we do not have the power to do this since City Council has not approved it. Trustee Nazarko asked if the Emergency Manager's order hard caps a retiree's contribution at 80/20. Attorney Henzi stated that he will review the order; the Board had stipulated that a single retiree's contribution for health care would be \$91.13 per month, but the Emergency Manager's order may supersede this. Trustee Nazarko stated that we do not have the option for different carriers. Trustee Britton commented that he wants to see a letter explaining this sent to retirees. Trustee Nazarko commented that we should send out the letter. Mr. Wytrychowski stated that we should send a letter to Police and Fire retirees clarifying that there is no other option, and to do nothing.

**RESOLUTION 14-047** By Nazarko, Supported by Britton  
Resolved, That Attorney Henzi verify the hard cap amount that retirees pay.

Yeas: 4 – Nays: 0

C. City of Pontiac 3-1-2012 VEBA Contribution, \$901,797.00, June 26, 2014

It was noted that the contribution check of \$901,797.00 dated June 26, 2014, should have been deposited in the pension fund, and not in the VEBA. We can move it to the pension fund for the 2013-2014 fiscal year. Trustee Nazarko had approved it. It does not apply to this year's ARC.

**RESOLUTION 14-048** By Nye, Supported by Britton  
Resolved, That \$901,797.00 be transferred from the VEBA to the pension fund as quickly as possible, as it was erroneously deposited in the VEBA.

Yeas: 4 – Nays: 0

D. Bradford & Marzec, LLC, Authorization Request

Bradford & Marzec will now utilize the services of Electra Information Systems for recordkeeping services. Mr. Kuhn explained that they are outsourcing the recordkeeping process to Electra. Many firms do this now, and he has no problem with it.

**RESOLUTION 14-049** By Nazarko, Supported by Britton  
Resolved, That the use of Electra Information Systems by Bradford & Marzec for recordkeeping processes for the fund, be approved.

Yeas: 4 – Nays: 0

## **CORRESPONDENCE**

**NEXT MEETING DATE:** August 28, 2014

**ADJOURNMENT**

**RESOLUTION 14-050** By Nazarko, Supported by Storum  
Further Resolved, That the meeting be adjourned at 12:05 p.m.

Yeas: 4 – 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 July 31, 2014.



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Nevrus Nazarko, Secretary  
*As recorded by BeneSys*