

**CITY OF PONTIAC  
POLICE AND FIRE RETIREE PREFUNDED  
GROUP HEALTH & INSURANCE PLAN  
BOARD OF TRUSTEES VEBA MEETING MINUTES  
OCTOBER 30, 2014**

**Trustees Present**

Matt Nye, Chairman  
Nevrus Nazarko, Secretary (Arrives 10:07)  
Lon Britton  
Craig Storum

**Others Present**

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

**Trustees Absent**

Deirdre Waterman, Mayor

---

*Chairman Nye declared that a quorum was present and called the meeting to order at 8:47 a.m.*

**AGENDA CHANGES**

**CONSENT AGENDA**

- A. Approval of Regular Meeting Minutes: August 28, 2014
- B. Financial Reports
  - 1. Financial Reports – August 31, 2014
  - 2. Bills for Ratification – September, October, 2014

**RESOLUTION 14-058** By Storum, Supported by Britton  
Resolved, That the Consent Agenda for October 30, 2014, be approved.

Yeas: 3 – Nays: 0

**CONSULTANTS**

- A. Gray & Company

Mr. Kuhn communicated to the Board that he is leaving Gray & Company on November 3 or 4. He will be a consultant with the Bogdahn Group, which is based out of Orlando, Florida, although he will remain in Michigan. He stated that Mr. Gray will assign someone to this account very shortly. Trustee Storum stated he would like to have Mr. Kuhn and a representative from the Bogdahn Group come and introduce themselves at the next upcoming Board meeting. Trustee Britton agreed and stated he would like the Bogdahn principals to review the company and its

history in greater detail. The Trustees thanked Mr. Kuhn for his many years of dedication, hard work and expertise with respect to the funds.

**RESOLUTION 14-059** By Storum, Supported by Britton

Resolved, That the next scheduled December 4, 2014, Board of Trustees meeting be moved to December 9, 2014.

Yeas: 3 – Nays: 0

Mr. Kuhn then reviewed the Summary Table for the Fund as of October 24, 2014. Trustee Britton stated that he was contacted by Julie Moll at Wells Fargo about an offering through Neuberger Berman. Mr. Kuhn stated he had reviewed it and passed it on to a contact who no longer works for Gray & Company, but he was not impressed with it, and thought there were better strategies available. Trustee Britton stated he liked the product, but would like Ms. Moll to present it at the next meeting. Mr. Kuhn suggested that legal counsel review the contract now, and he will have Bogdahn review it as well. Attorney Henzi stated he will contact Ms. Moll for all presentation documents prior to the meeting. Mr. Kuhn will tentatively present at 8:30, and Ms. Moll at 10:00.

Mr. Kuhn stated that in August, the SEC issued a “Wells Notice” to Gray & Company, which means that the SEC is investigating Gray & Company. The Wells Notice specifically stated that the SEC is investigating three issues: 1) The SEC is investigating whether Georgia law permitted a Georgia governmental pension fund to invest in the Gray & Company Fund. The SEC is investigating the offering document drafted by Gray & Company for this Fund. Mr. Kuhn advised that Gray & Company relied on the professional advice of its attorneys in developing the offering document associated with each Fund; 2) The SEC is investigating whether Gray & Company properly disclosed to its clients and has a potential conflict of interest by being the consultant for a retirement system as well as the investment manager for an investment vehicle in which the retirement system invested; and 3) The SEC is investigating an additional issue raised by an investor in Gray & Company’s first investment fund. The Wells Notice was not clear about the investigation on this topic. Gray & Company responded by disclosing an updated ADV.

Chairman Nye asked if it is normal for a consulting firm to develop its own investment vehicles. Mr. Kuhn responded yes and no. Some firms do, some do not. Attorney Henzi stated that a conflict of interest does not automatically exist. A conflict only exists if the consultant provides consulting services for the investment vehicle it is managing. To avoid the conflict, the consultant would state that it will not provide consulting services on its own vehicle. A system could then hire a different consultant to provide services relative to the subject vehicle. Mr. Kuhn stated that he wants to be sure that the Board is on top of the situation and informed on it. Attorney Henzi agreed, and stated he will send a letter to Gray & Company for monthly updates. Further, Mr. Henzi stated that a Wells Notice is not evidence of any wrongdoing. The SEC investigation could simply end with no charges brought against Gray & Company. However, the SEC does not give written notice of rescission of a Wells Notice. Mr. Kuhn stated that the consulting practice is not being investigated for consulting issues – the SEC had no issues with that.

**RESOLUTION 14-060** By Britton, Supported by Storum  
Resolved, That the Board move to closed session to discuss pending litigation at 9:30 a.m.

Yeas: 3 - Nays: 0

*The Board moved to closed session at 9:30 a.m.*  
*The Board returned from closed session at 10:00 a.m.*

**RESOLUTION 14-061** By Storum, Supported by Britton  
Resolved, That the Board approve the August 28, 2014, closed session minutes.

Yeas: 3 – Nays: 0

#### **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.

##### Increase in Pontiac Retiree Health Care Insurance Premiums / Letter on Open Enrollment – Exhibit B

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

##### Edward Pittman

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.

##### Health Plan Identifier – Exhibit J

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

## **UNFINISHED BUSINESS**

### **A. Participant Website**

The participant website is in progress. Mr. Wytrychowski stated that the City's website can have a link to the system's website. He recommended we keep the content to a minimum. Trustee Britton suggested we post the Rules and Regulations, the City Charter, meeting documents, minutes, the Summary Annual Reports, actuarial reports, and the City's Ordinance. Attorney Henzi suggested the website name be included in the Summary Annual Report cover letter. Trustee Storum suggested we change the name to pontiacpfrs.org or pontiacpolicefire.org. Mr. Wytrychowski stated we would do this.

### **B. Self-Pay Reconciliation**

Ms. Edwards stated that the self-pay reconciliation is in progress.

### **C. Delta Dental Survey Response**

Mr. Wytrychowski stated that Delta Dental agreed to continue the individual dental policy offering. He recommends offering the no commission policy. Trustee Britton wants to send out a letter to all pre- and post-1996 retirees, with bullet points that these are probably lower rates, with no waiting period, and premiums could be tax deductible.

### **RESOLUTION 14-062** By Storum, Supported by Britton

Resolved, That an announcement letter and enrollment form be sent to all pre- and post-1996 retirees with respect to the individual Delta Dental policy offering.

Yeas: 4 – Nays: 0

Mr. Wytrychowski then discussed rates received from VSP Vision that could be offered to retirees as well. The rates will be good for two years, and a minimum of ten retirees must enroll.

### **RESOLUTION 14-063** By Storum, Supported by Britton

Resolved, That an announcement letter and enrollment form be sent to all pre- and post-1996 retirees with respect to the individual VSP Vision policy offering.

Yeas: 4 – Nays: 0

### **D. Actuarial Services Request for Proposal**

Attorney Henzi stated that the actuarial request for proposal is complete but not yet sent out. He generally likes to send it to MAPERS members. He recommends we send it to them, and to the incumbent. He also commented on the timing of sending it out. We are in the middle of a court-ordered facilitation. We may want to wait until this issue is resolved before we send out the request for proposal. We could wait at least until January 1, 2015.

**NEW BUSINESS**

**A. VEBA September and October 2014 Expenses**

The Board reviewed the September and October invoices received from the City.

**RESOLUTION 14-064** By Nazarko, Supported by Storum

Resolved, That payment of the September and October, 2014, Blue Cross Blue Shield invoices be approved.

Yeas: 4 – Nays: 0

**B. VSP Vision Optical Quote**

This item was discussed earlier along with the Delta Dental quote.

**CORRESPONDENCE**

**A. Pluscios Management LLC, August 25, 2014**

**NEXT MEETING DATE:** Moved to December 9, 2014, from December 4, 2014.

**ADJOURNMENT**

**RESOLUTION 14-065** By Storum, Supported by Nazarko

Further Resolved, That the meeting be adjourned at 10:47 a.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 October 30, 2014.



---

Nevrus Nazarko, Secretary

*As recorded by BeneSys*