

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
FEBRUARY 26, 2015**

Trustees Present

Matt Nye, Chairman
Nevrus Nazarko, Secretary
Lon Britton
Craig Storum
Deirdre Waterman, Mayor (arrives 9:22 a.m.)

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Liz Edwards, BeneSys, Inc.
John Bowman, Crescent Capital
Jeff Doran, Sankaty Advisors
Julie Moll, Wells Fargo Advisors

Trustees Absent

Chairman Nye declared that a quorum was present and called the meeting to order at 8:45 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Approval of Regular Meeting Minutes: January 15, 2015
- B. Financial Reports
 - 1. Financial Reports – December 31, 2014
 - 2. Bills for Ratification – January, 2015, February, 2015

RESOLUTION 15-008 By Britton, Supported by Nazarko
Resolved, That the Consent Agenda for February 26, 2015, be approved.

Yeas: 4 – Nays: 0

CONSULTANTS

- A. The Bogdahn Group

Mr. Kuhn reviewed the Fund's performance as of December 31, 2014. He stated that the Fund was up around 5% in the fourth quarter. Small caps were up 10%, fixed income 12%. The dollar is stronger today than a year ago which prompted a loss in the international funds. Small caps had losses mid-year due to the global economy. Fixed income was up around 6% for the year. Domestic equity was not a strong performer one way or another. Growth and value performed similarly. Large caps were affected by energy which was not good, and by oil which is down. He reviewed the weighting in indexes. The Russell 1000 bottom ten performers were all energy. The

fixed income funds were broken down by quality ratings. High yield was negative, Treasury was the best place to be, globals not.

The Fund in total is \$39 million. Mr. Kuhn reviewed the pie chart that shows the asset allocation between investments. He stated that our Fund performed better than all public sector funds, and is in the top 1/3 of large cap core managers. Broadview is a little behind, Bradford & Marzec is a little under as well. Pluscios is flat for the year. He commented that ten years ago, the Fund had \$30 million, and today it is just under \$40 million. Mr. Kuhn then reviewed graph comparisons by peer group, by the Fund's performance since inception, and by investment manager.

Mr. Kuhn then discussed communication from Bradford & Marzec with respect to a partnership with McMoran and Company. He stated that it does not impact their strategy, and that they are doing this for the ability to raise assets.

REPORTS

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

ATTORNEY'S REPORT

RESOLUTION 15-009 By Waterman, Supported by Nazarko
Resolved, That the Board move to closed session to discuss pending litigation at 9:35 a.m.

Yeas: 5 - Nays: 0

The Board moved to closed session at 9:35 a.m.

The Board returned from closed session at 10:05 a.m.

RESOLUTION 15-010 By Nazarko, Supported by Waterman
Resolved, That the Board approve the January 15, 2015, closed session minutes.

Yeas: 5 – Nays: 0

Attorney Report – General Matters:

IRS Request for Form 990

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

Bogdahn Group Investment Agreement – Exhibit B

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

RFP for Actuarial Services – Exhibit E

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

CAPIS Commission Restructure – Exhibit F

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

Political Contribution Disclosure / Fee Disclosure – Exhibit G

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

Crescent Direct Lending Investment

Attorney Henzi addressed this issue for the Board.

Sankaty Direct Lending Investment

Attorney Henzi addressed this issue for the Board.

Proposed Amendment to Open Meetings Act – Exhibit J

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

Changes to Michigan's FOIA Effective July 1, 2015 – Exhibit L

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

Millennium Investment Contract

Attorney Henzi addressed this issue for the Board.

Burgundy Investment Contract

Attorney Henzi addressed this issue for the Board.

Miscellaneous Articles – Exhibit O

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

UNFINISHED BUSINESS

A. Participant Website

The participant website is up and running. An announcement will be sent to all participants.

B. Self-Pay Reconciliation

Ms. Edwards stated that the self-pay reconciliation is in progress. There was discussion with respect to how to get the money back from the City to pay back the participants. Trustee Nazarko offered the support of the Human Resources Department and Meadowbrook as to what we think is owed back versus what the City thinks is owed back. Trustee Britton stated we should give them the money back out of the VEBA. Trustee Nazarko asked if this goes against the Emergency Manager ruling. Trustee Britton stated that the Board had agreed to put the OPEB Medicare participants into the VEBA, then it changed. There was discussion and it was decided to repay the

Medicare VEBA participants now, and to give the spreadsheet to Meadowbrook to return amounts deducted from the pension checks.

RESOLUTION 15-011 By Waterman, Supported by Storum

Resolved, That VEBA assets shall be used to return health insurance contributions that had been deducted from VEBA-Medicare members' pension benefit, payable for the period September 1, 2013 – March 31, 2014, and payable only to VEBA-Medicare participants.

Yeas: 4 – Nays: 1

Trustee Britton stated that individuals who are in the pre-VEBA fund want coverage, but want their contributions deducted out of their pension checks rather than having to send a monthly check to the City. There is a potential tax benefit to the member under the HELPS Act if taken from the pension check. Mr. Wytrychowski stated it would be difficult for BeneSys to administer this since BeneSys does not administer the health care plan and does not immediately know what participants elect. Trustee Storum stated participants should sign a form to have the deductions taken from their pension checks. Mr. Wytrychowski stated that if they elected to have \$500 deducted, then fine, we would send that to the City, or if \$400, then we would send that. Chairman Nye asked if we are sending out a letter, should we put in the dollar amount to be withheld for medical insurance coverage that we get from the City. Trustee Nazarko stated we should not include the dollar amount. Attorney Henzi agreed that the dollar amount should not be included in the letter. Chairman Nye stated the letter will include the deduction amount of the health care premium on a monthly basis, and no dollar amount.

RESOLUTION 15-012 By Britton, Supported by Storum

Resolved, That a letter be drafted to offer pre-August 22, 1996, retirees, dependents and beneficiaries the option to have health care premium amounts deducted from their pension checks, be approved.

Yeas: 5 – Nays: 0

NEW BUSINESS

A. VEBA February 2015 Expenses

The Board reviewed the January invoices received from the City.

RESOLUTION 15-013 By Britton, Supported by Storum

Resolved, That payment of the February, 2015, Blue Cross Blue Shield invoices be approved.

Yeas: 5 – Nays: 0

RESOLUTION 15-014 By Nye, Supported by Britton

Resolved, That the Pension Fund invest \$4 million in both the Wells Fargo Advisors and Sankaty Advisors funds, and the VEBA invest \$2 million in Crescent Capital, be approved.

Yeas: 3 – Nays: 0

Attorney Henzi stated that he has reviewed the contract documents for the three investments. The investments are permissible under PA 314. He noted that the Wells Fargo Subscription Agreement must be signed and returned to them no later than March 11, 2015.

CORRESPONDENCE

A. Bradford & Marzec, Investment Outlook and Portfolio Strategy, January, 2014

NEXT MEETING DATE: March 19, 2015

ADJOURNMENT

RESOLUTION 15-015 By Storum, Supported by Britton

Further Resolved, That the meeting be adjourned at 11:06 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 February 26, 2015.



Nevrus Nazarko, Secretary
As recorded by BeneSys