

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
SEPTEMBER 29, 2016**

Trustees Present

Matt Nye, Chairman
Lon Britton, Vice-Chairman, (phone-in)
Craig Storum
Nevrus Nazarko, Secretary
Deirdre Waterman, Mayor, (arrives 9:45 a.m.)

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Niki Rockov, Meadowbrook Insurance Agency
Dave Sheeran, Meadowbrook Insurance Agency
Steven Smith, Meadowbrook Insurance Agency
Coy Mosley, City of Pontiac, Human Resources
Duane Menter, BeneSys, Inc.
Liz Edwards, BeneSys, Inc.

Trustees Absent

Chairman Nye declared that a quorum was present and called the meeting to order at 9:05 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Approval of Regular Meeting Minutes: August 25, 2016
- B. Financial Reports
 - 1. Financial Reports – July 31, 2016
 - 2. Bills for Ratification – August, September, 2016

RESOLUTION 16-031 By Storum, Supported by Nazarko
Resolved, That the Consent Agenda for September 29, 2016, be approved.

Yeas: 4 – Nays: 0

CONSULTANTS

- A. Meadowbrook Insurance Agency

Chairman Nye stated that he did not feel comfortable doing a phone meeting with the group, so he invited Meadowbrook to attend the meeting to review the renewal. Hopefully next year they will be able to attend sooner. Ms. Rockov presented the renewal for the current Medicare program. The

monthly premiums for the \$100 / deductible plan are increasing from the current \$462.01 to \$501.57, and for the \$500 / deductible plan from \$238.57 to \$257.79. Both plans include the Silver Sneakers program at no additional cost. Ms. Rockov also presented alternative plans which had an increase in deductibles, out-of-pocket maximums, and prescription drug copayments, but not as large an increase in premiums. The deductible for the \$100 plan would increase to \$150, and the out-of-pocket maximum to \$500. The deductible for the \$500 plan would increase from \$500 to \$800. The monthly premiums for the \$100 / deductible plan would increase from the current \$462.01 to \$466.66, and for the \$500 / deductible plan from \$238.57 to \$240.05. Again, the Silver Sneakers program would be included at no additional cost.

Trustee Storum asked why Meadowbrook is requesting that the Trustees approve benefit changes for the Medicare plan. Mr. Sheeran replied that we could leave it the same. Chairman Nye asked if the Trustees have the authority to change the level of benefits. Trustee Nazarko stated that Blue Cross Blue Shield sent the renewal premium numbers on the first page, and the second page is alternatives. Chairman Nye commented that in the past, unions would negotiate and decide benefit levels, and if we change, are we opening up for people suing us? So now, who decides benefit levels? If we leave them the same, then the VEBA incurs the cost.

Attorney Henzi replied that historically, the Unions and City would negotiate benefits and memorialize the level of benefits in a collective bargaining agreement. There were existing collective bargaining agreements describing the levels of benefits in 2012. The Emergency Manager issued various executive orders which amended those collective bargaining agreements by reducing the levels of coverage, or reducing the amount the VEBA could contribute toward coverage. All of these executive orders are required to be temporary, according to Michigan law, but there is no definition of "temporary." Ms. Rockov stated that we did tweak it last year so the cost would not go up, but that it takes time to do it, to look at changes or at other carriers.

Trustee Storum stated it is not in our purview to change benefits. Chairman Nye asked for clarification of what person or board has this authority. Trustee Britton responded that it is contract-bound now. Chairman Nye asked if that gives us the right to change benefit levels? Mr. Sheeran replied that the City is determining the levels of benefits and coming to the Board with options. Trustee Storum stated that we had this discussion with respect to the general population in 2012, but a legal opinion stated that this Board cannot alter the level of benefits. Trustee Nazarko stated that the Emergency Manager can dictate them.

Attorney Henzi commented that the Emergency Manager issued an Executive Order that reduced the level of benefits for members of this VEBA. The order stated that the VEBA was limited to provide \$400/month per member for the cost of health coverage. Ms. Rockov confirmed that, in 2012 when this order was entered, the cost of a member's monthly premium was approximately \$362. In subsequent years, the monthly cost has been close to this figure, but insurance premiums are rising. Attorney Henzi commented that this four-year old order does not address insurance cost increases. Chairman Nye stated that we asked about this four years ago. Attorney Henzi stated that you are not being asked to change benefit levels but to fund the cost of health insurance as dictated by collective bargaining agreements, as amended by the Emergency Manager.

Mr. Sheeran stated that CMS mandates the date on which recipients must receive information, so there are two open enrollment dates – one for pre-and post-Medicare. Ms. Rockov stated it will be a passive open enrollment, but retirees must respond if they want to change and they needed to know two weeks ago. Mr. Sheeran stated that next year this discussion should be on the August agenda, or perhaps even the May agenda.

Trustee Storum stated he wants to make a motion now that the plan continues to fund the same benefit levels until legal counsel has reviewed this. Chairman Nye stated he is concerned on the timing. Trustee Nazarko agrees with Trustee Storum with respect to the time constraints and until we sort it out, we should stay with the same plan.

RESOLUTION 16-032 By Storum, Supported by Britton

Resolved, That the funding of the same Medicare plan be approved, until legal counsel can review the alternatives and processes.

Yeas: 4 – Nays: 0

Attorney Henzi stated that the premiums went up 8.56% this year, and asked what was the increase last year. Ms. Rockov stated she believes they went up 7%.

Mr. Smith commented that with Medicare Advantage plans, the more stars the plan has, the more business CMS will give the carrier. Blue Cross Blue Shield has 4½ out of 5 stars. Chairman Nye stated that when Meadowbrook gets the renewal next year, they should e-mail it to the Trustees as soon as possible. Mr. Smith commented that Meadowbrook should attend the April meeting in order to have a pre-discussion on the issues. Ms. Rockov stated that sometimes they can negotiate with Blue Cross to get better rates. Trustee Storum asked what is Silver Sneakers? Ms. Rockov explained that it is a gym program, and is on the renewal and the alternative renewal.

Meadowbrook was then thanked for its time and left the meeting at 9:45 a.m.

B. The Bogdahn Group

Christopher Kuhn of the Bogdahn Group reviewed the Fund's status as of September 26. He commented that the amounts in the basket clause are too high, therefore changes are going through on October 4. We will take funds out by terminating Pluscios. He will present alternative investment options at the October meeting.

REPORTS

A. Chairman

B. Secretary

C. Trustee Committees

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

ATTORNEY'S REPORT

Attorney Report – General Matters:

Loomis Small-Cap Fund – Fully Executed Investment Agreement – Exhibit C

Attorney Henzi stated that the Loomis Small-Cap Fund Investment Agreement had been signed.

Nyhart Contract – PF VEBA

Attorney Henzi stated that he brought the reviewed contract for Chairman Nye to sign.

Proposed Michigan Legislation – Items of Interest

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

UNFINISHED BUSINESS

NEW BUSINESS

A. VEBA October, 2016 Expenses

The Board reviewed the October invoices received from the City.

RESOLUTION 16-033 By Nazarko, Supported by Storum

Resolved, That payment of the October, 2016, Blue Cross Blue Shield invoices be approved.

Yeas: 5 – Nays: 0

Trustee Nazarko commented on Emergency Manager Order 304. He questioned what monthly amounts the VEBA pays for pre-age 65 retirees. Attorney Henzi commented that Mr. Schimmel initially proposed, in May 2013, that he would issue an order to eliminate health care for the General Retirement System retirees. Further, that he would pay for the continued costs of insurance for the Police and Fire pre-1996 retirees by sale of the municipal golf course and the sale of City-owned Lot 9. He reversed position and issued Executive Order 304, effective September 1, 2013, which terminated the City's obligation to fund health care insurance costs for any retiree. Before September 1, 2013, the City paid 100% of health insurance costs for Police and Fire pre-1996 retirees and the beneficiaries.

Trustee Nazarko thinks we are in violation of the Executive Order since it pays more than \$400/month for its members' insurance costs. Chairman Nye stated that Mr. Schimmel might now say he should have included an escalator in the order, to account for inflationary health care costs. Attorney Henzi explained that the order may have avoided such an inflationary escalator since it would imply the order is intended to be long-lasting, and not temporary. Such an order would violate the Emergency Manager Act. Trustee Nazarko stated that a federal court in Michigan issued

an opinion yesterday that granted a municipality's motion for summary judgment against a retirees association, and held that the municipality through its Emergency Manager, was permitted to make adjustments to insurance benefits.

CORRESPONDENCE

NEXT MEETING DATE: October 27, 2016

ADJOURNMENT

RESOLUTION 16-034 By Storum, Supported by Nazarko
Further Resolved, That the meeting be adjourned at 10:20 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 September 29, 2016.



Nevrus Nazarko, Secretary

As recorded by BeneSys