

**CITY OF PONTIAC
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
BOARD OF TRUSTEES VEBA MEETING MINUTES
OCTOBER 29, 2015**

Trustees Present

Matt Nye, Chairman
Lon Britton, Vice-Chairman, (phone-in)
Nevrus Nazarko, Secretary
Craig Storum

Others Present

Matt Henzi, Sullivan, Ward, Asher & Patton
Chris Kuhn, The Bogdahn Group
Randy Gomez, Nyhart Actuarial Services
Jane Bais DiSessa, Deputy Mayor
Liz Edwards, BeneSys, Inc.

Trustees Absent

Deirdre Waterman, Mayor

Chairman Nye declared that a quorum was present and called the meeting to order at 8:42 a.m.

AGENDA CHANGES

CONSENT AGENDA

- A. Approval of Regular Meeting Minutes: September 16, 2015
- B. Financial Reports
 - 1. Financial Reports – August 31, 2015
 - 2. Bills for Ratification – September, October 2015

RESOLUTION 15-044 By Nazarko, Supported by Britton
Resolved, That the Consent Agenda for October 29, 2015, be approved.

Yeas: 4 – Nays: 0

CONSULTANTS

- A. Nyhart Actuarial Services

Randy Gomez from Nyhart Actuarial Services, reviewed the VEBA Fund with the trustees. He discussed which group is covered: the group that has elected coverage; the group that is eligible for coverage but does not participate; and the group that is terminated vested with over ten years of service, but not yet eligible to participate because they are not yet age fifty. He noted that pre-65 participants can choose between four different options under the plan, and Medicare participants between two options. Trustee Storum noted that the Michigan hard cap is not part of the trust

document, so it will only last until the City becomes solvent once again. Trustee Nazarko noted that the actuary will give the City the amount of the annual required contribution. Attorney Henzi noted that the Executive Order terminates the City's requirement to fund the VEBA, and that litigation is now pending for the amount of one year owed.

Mr. Gomez then reviewed the headcounts. He asked if a participant declined coverage when first eligible or during an open enrollment period, can that participant opt in at a later date. Attorney Henzi stated that this was allowed under the plan. Mr. Gomez then asked if it was appropriate to factor in that 90% of the deferreds will opt in? In this case, he will maximize the annual required contribution. He also asked if he should use the 2015 hard cap rather than the 2014 factors. Attorney Henzi suggested he contact Meadowbrook as they prepare the comparison sheets. He also stated that he assumes the VEBA will always pay 100% of the Medicare premium.

Mr. Gomez then stated there are around 184 participants who are getting coverage at this time. With a closed group, there is a decline in population. He asked if he should use an entry age of 50, 52, or 53 for modeling purposes. Trustee Storum suggested he look at the percentage of those who at age 50 could have enrolled but chose not to. Chairman Nye asked what are we aiming for? Mr. Gomez asked if we are trying to be more conservative. Trustee Storum stated that we must be realistic since we have no cash coming in. Mr. Gomez stated he will review the numbers and evaluate the status. Attorney Henzi stated he recognizes this will be an estimate since many in this group now work for Oakland County or Waterford. Chairman Nye stated he assumes most of us will be working into our 50's now rather than retiring at age 50. Mr. Gomez noted that three things will make it tough: health care trend increases, investments, and mortality. What if they outlive the trends.

Mr. Gomez then reviewed the actuarial and unfunded liability chart from December 31, 2012, through December 31, 2015. Since there is no longer any dental or life insurance coverage, he will adjust the 2015 figure. The unfunded liability as of January 1, 2015, is \$3.3 million, and the contribution for 2016 is \$297,137. He noted that he wants to use the same formula as the pension fund so this may change slightly. He reviewed a graph showing trust assets going forward twenty years assuming no money coming in, just investment interest increases.

Mr. Gomez then reviewed a spreadsheet which allows him to change coverages or assumptions and see what will project out into the future. Trustee Nazarko stated he would like to see the list of individuals who are terminated vested deferreds or who are eligible but have not enrolled. Trustee Nazarko stated he is comfortable if Mr. Gomez assumes 90% of individuals will enroll when eligible. Mr. Gomez stated he want to give a fee quote for asset modelling, which would be between \$2,000 - \$4,000 initially, then lower after that. Chairman Nye asked if he will offer a cost chart for updating the charts, and Trustee Nazarko stated he would like to see a five-year projection.

Trustee Britton thanked Mr. Gomez for his hard work and plan clarification.

B. The Bogdahn Group

Chris Kuhn of the Bogdahn Group then reviewed the Fund's assets as of October 20, 2015. The current Fund balance is just over \$37,500,000, but this will go down by the end of the quarter because equity markets have gone down, although fixed income has been a bit of a protection. He is finalizing the agreement with Bloomfield Capital to transfer \$1 million to them. Attorney Henzi stated that he is negotiating a side letter with Jason Jarjosa, and wants to ensure that once Bloomfield Capital hits \$150 million in assets, that they register with the SEC. Mr. Kuhn stated that the \$1 million will come from Bradford Marzec, as well as funds that will be transferred to Crescent. Attorney Henzi stated that these should be complete before the next meeting. Mr. Kuhn noted that this is getting close to the Basket Clause maximum, and could Bloomfield Capital be classified under Real Estate. Attorney Henzi stated he is checking on this.

REPORTS

A. Chairman

B. Secretary

C. Trustee Committees

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

Chairman Nye asked Mr. Gomez if the VEBA is 94% funded. Mr. Gomez stated that it may change, based on adjustments he will make. Chairman Nye then stated that there is around \$300,000 in contributions due to the fund, and that we should get it contributed to the Fund as soon as possible. Attorney Henzi stated that we should wait until Mr. Gomez is finished with his revisions, and then get it done.

ATTORNEY'S REPORT

Attorney Henzi stated that the lawsuit between the PF VEBA and the City of Pontiac regarding the City's obligation to pay the PF VEBA contribution for fiscal year 2012 is currently being litigated in the Michigan Supreme Court. The City filed an Application for Leave to Appeal with the Supreme Court. The PF VEBA filed its response. Attorney Henzi advised that the Michigan Supreme Court will likely not reach a decision on whether it will accept the appeal for at least six months.

Attorney Henzi then discussed VEBA eligibility with respect to those who are deferred vested individuals, but who were on disability in 2013. He asked if they were on disability at the time of the conversion in 1996, are they eligible for the VEBA when converting to a normal retirement now, or are they considered in retirement when they go on disability? He stated he will review this in greater detail at the December meeting.

Attorney Report – General Matters:

Revised Amendment to Open Meetings Act

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

VEBA Eligibility

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

Nyhart Actuarial Services Contract

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

Bloomfield Capital Subscription Agreement – Exhibit C

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

FOIA for VEBA Eligibility Data – Exhibit F

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

Medicare Part D Notice – Exhibit G

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

Portfolio Monitoring Reports – Exhibit H

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

Miscellaneous Articles – Exhibit I

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

UNFINISHED BUSINESS

None to Report

NEW BUSINESS

A. VEBA June, October, November 2015 Expenses

The Board reviewed the June, October and November invoices received from the City.

RESOLUTION 15-045 By Nazarko, Supported by Storum

Resolved, That payment of the June, October, and November, 2015, Blue Cross Blue Shield invoices be approved.

Yeas: 4 – Nays: 0

CORRESPONDENCE

NEXT MEETING DATE: December 3, 2015

Mr. Gomez stated he would like to attend this meeting as hopefully the Pension report will be done, and he will be able to address the VEBA questions. Attorney Henzi stated he needs to have the proposal for fees within the next week. Trustee Britton stated it would be okay if Mr. Gomez came to the January meeting instead.

ADJOURNMENT

RESOLUTION 15-046 By Storum, Supported by Britton
Further Resolved, That the meeting be adjourned at 9:58 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 29, 2015.



Nevrus Nazarko, Secretary
As recorded by BeneSys