

**CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREE PREFUNDED
GROUP HEALTH & INSURANCE PLAN
“VEBA MINUTES”
APRIL 26, 2012**

Trustees Present

Lon Britton
Leon Jukowski, Mayor
John Naglick
Matthew Nye, Vice Chair
Craig Storum

Others Present

Chris Kuhn, Gray & Company
Matthew Henzi, Sullivan, Ward
Ellen Zimmermann, Retirement Administrator
Jane Arndt, Retirement M-Admin Assistant

The meeting was called to order at 8:41 a.m.

AGENDA CHANGES - None

CONSENT AGENDA

- A. Approval of Regular Meeting Minutes: March 22, 2012
- B. Financial Reports
 - 1. Consolidated Statement of Changes – March 2012
 - 2. Accounts Payable:
 - a. Gray & Company 1,250.00
- C. Correspondence:
 - 1. Correspondence from Bradford & Marzec Re: Newsletter
 - 2. Correspondence from Rhumblin
 - 3. Correspondence from PFVEBA Re: Request for Healthcare Bids

RESOLUTION 12-016 By Storum, Supported by Nagick
Resolved, That consent agenda for April 26, 2012 be approved.

Yeas: 5 – Nays: 0

TRUSTEE/COMMITTEE STAFF REPORTS

Fourth Quarter 2011 Retiree Healthcare Reimbursement

Ms. Zimmermann distributed copies of the check disbursement in the amount of \$778,320.00 to reimburse the City for retiree healthcare costs.

Trustee Britton confirmed that the reimbursement was for the fourth quarter of 2011.

Executive Order S-183

Ms. Zimmermann distributed copies of Executive Order S-183. In order to hit a number of targets to receive State revenue sharing money, the Emergency Manager is changing the pension multiplier to 1.5% and capping the amount of accrued leave at 240 hours.

Mr. Henzi said that they contacted the Department of Treasury regarding these changes. He explained that these changes are going forward and that an employee with fifteen years of service credit will now have two elements to their FAC. The first fifteen years will be at the old multiplier and their service credit going forward will be at the other multiplier.

When the law was enacted the legislature likely never considered this because there was no guidance included in the legislation. The Treasury Dept. states that is FAQ will be disseminated later this week. All the cities around the State need guidance going forward and require access to the FAQ.

The FAQ has been drafted but Andy Dillon and others are reviewing the document before it is sent out.

Trustee Naglick stated that the State has cut municipal revenue sharing. The EVIP payment is \$4.2 million and is distributed based on compliance with certain guidelines; \$1.4 million for meeting disclosure requirements; \$1.4 million for meeting employee compensation requirements and \$1.4 million for meeting intergovernmental shared services requirements. This group should not be affected by these changes.

Mr. Henzi said that the PFRS members and Retirement System staff should not be affected. However, we need the state's FAQ for further discussion and confirmation. The ordinance clearly provides that it only applies to employees of the city.

Ms. Zimmermann questioned whether deferred members would go out under the old terms.

Mr. Henzi said that the City is most likely following the Governor's checklist set forth in the EVIP.

Trustee Storum asked why only certain individuals are still eligible for life insurance.

Ms. Zimmermann stated that it could be because these are management positions.

Chairman Storum requested that Ms. Zimmermann find out why these individuals were singled out to get life insurance at two times their salary and how much time they have at the City.

Trustee Naglick stated that the Emergency Manager was just trying to make it clear which employees are still eligible.

Trustee Britton confirmed that this holds true for every City in the State.

Trustee Nye indicated that he thinks Waterford already complies with these guidelines. However, they have to negotiate with the Unions.

Mr. Henzi said that these requirements are tied to the State budget and they come up every year for renewal. The more serious issue is that some legislators are pushing employees into defined contribution plans.

Ms. Zimmermann said that there have been previous discussions about the healthcare changes.

Trustee Nye said that he has been flooded with calls because retirees do not know what insurance they have. They had not received insurance cards.

Ms. Zimmermann indicated that issue may have been resolved.

Trustee Britton asked Trustee Naglick if there have been any changes.

Trustee Naglick said that there has been discussion that retirees may be put on the 80/20 Plan.

Mr. Henzi said that Governor that State is pushing State employees to pay 20% or the hard cap.

Trustee Naglick stated that it will be a controversial issue.

Mr. Henzi said that requiring retirees to pay 20% of their healthcare costs does not fall under the guidelines for State revenue sharing.

Trustee Britton noted that he heard that another change was coming.

CONSULTANTS

Re: Gray & Company – Flash Report

Mr. Kuhn reported that Total Plan performance as of March 31, 2012 was 1.23% and 9.25% for the quarter.

Index Manager Rhumblin returned performance of 2.37% for the month and 12.6% for the quarter outperforming the S&P 500 and Equally Weighted Indexes for the quarter.

Broadview returned performance of 1.87% for the month and 13.76% for the quarter slightly above the benchmark.

International Equity Index Manager Dodge & Cox outperformed the benchmark 0.15% versus -0.46% for the month and 12.72% versus 10.86% for the quarter.

All managers slightly outperformed the benchmark for the quarter.

They did not have the performance information for Pluscios. He also indicated that the HFRI Index was not available.

He indicated that they are looking at the large cap portfolio. They are addressing the mid cap issues by adding Ceridex which is an index that is overweight to the top one hundred names. This means that the portfolio will have equally weighted indexes one weighted with the meta cap and

the other weighted in the bottom 400 names including the same Russell names. He will bring his report to the May, 2012 meeting.

He reviewed the Plan's asset allocation as of March 31, 2012.

There was a question whether the market values as of April 20, 2012 included the funds used to reimburse the City for retiree healthcare benefits.

Mr. Kuhn explained that the overfunding from Rhumblin and Broadview were used to reimburse the City. The current asset allocation is within 2% of the target allocations.

Trustee Storum's asked if the asset allocation is based on last month's payment to the City.

Re: Sullivan, Ward, Asher & Patton

IRS Request for Form 990

Mr. Henzi reported that this issue is still pending. He should have a favorable response from the IRS next month.

Consent Judgment – Repayment of Contributions Injunction

Mr. Henzi indicated that a trial date of May 11, 2012 has been set in front of Judge Bowman regarding a permanent injunction.

There are two motions to be heard at a hearing on May 9, 2012.

Trial briefs will be executed on May 4, 2012 and Emergency Manager Lou Schimmel will be deposed on May 3, 2012 which should go well for the Fund.

He indicated that he has not filed an appeal yet.

Trustee Britton said that it would be nice to pack the Court Room on May 11, 2012. He asked what time the trial is scheduled to begin.

Trustee Jukowski said that he would call Judge Bowman's Clerk to make sure the trial is still on.

Mr. Henzi confirmed that he always calls a few times ahead of the date scheduled to confirm the time and that the preceding has not been canceled.

Trustee Britton asked that Mr. Henzi confirm the time. He feels it is an important issue and that the Court Room should be packed.

Mr. Henzi said that he will confirm with the Clerk when he files the trial brief. He will go into more detail in the closed session during the Police & Fire Retirement System Board Meeting.

UNFINISHED BUSINESS

Re: Non Payment of Contributions – Refer to Legal

Re: Contribution Invoices July – December 2011

Trustee Naglick confirmed that Ms. Munson is currently issuing the invoices for the contributions due from July, 2011 through December, 2011.

Re: Tax Exempt Status – Refer to Legal

NEW BUSINESS

Re: Election of Chairman

Ms. Zimmermann requested that the Board elect a Chairman.

Trustee Storum nominated Trustee Nye for Chairman. There being no other nominations, the nominations were closed.

RESOLUTION 12-017 By Storum, Supported by Jukowski
Resolved, That Trustee Nye is appointed Chairman of the Police & Fire Retiree Prefunded Group Health & Insurance Plan “VEBA Trust.”

Yeas: 5 – Nays: 0

SCHEDULING OF NEXT MEETING & ADJOURNMENT

Regular Meeting – May 31, 2012 – City Council Conference Room, Second Level, City Hall @ 8:30 a.m.

ADJOURNMENT

RESOLUTION 12-018 By Britton, Supported by Jukowski
Further Resolved, That the meeting be adjourned at 9:13 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 April 26, 2012.

John Naglick, Secretary
As recorded by Jane Arndt