

City of Detroit Police and Fire Retiree Health Care Trust Trustee Responsibilities Overview and Appointment Guidelines

The City of Detroit Police and Fire Retiree Health Care Trust (Trust) was established under the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit (October 22, 2014).

Class 12 -- OPEB Claims Section B. Detroit Police and Fire VEBA -- identifies the initial appointing authorities. The initial appointment terms expires on December 31, 2018.

Thereafter, the Retired Detroit Police and Fire Fighters Association (RDPFFA or Association) is identified as the sole appointing authority for six of the seven Voting Trustees.

Trustee Candidate Requirements

To be considered for appointment as a “**Member Representative Trustee**” on the Trust’s Board of Trustees (BOT), an individual must be:

- A current participant of the Trust.

To be considered for appointment as an “**Independent Professional Trustee**” on the Trust’s BOT, an individual must:

- *Not* be a Trust participant but shall possess special qualifications, knowledge and/or experience related to economics, finance, institutional investments, and administration of public or private health and welfare benefit plans.

Separate from Association

The Trust and the BOT are completely separate from, and independent of, the RDPFFA.

Although certain Trustees may be affiliated with the Association or be an Association Member, a Trustee’s duties are independent of the Association’s business.

A Trustee's duties include:

- The duty to act solely and exclusively in the interest of the Trust participants;
- The duty to separate themselves completely from the issues and/or politics of the Association;
- The duty to understand that the Trust's mission is to operate *in perpetuity* to provide benefits to the Trust participants, and their dependents, independent of the Association; and
- The duty to serve a full term on the BOT, regardless of Association politics.

Trustee Educational Requirements

The position of Trustee requires a high degree of understanding about:

- The technical operations of employee benefit plans, fiduciary standards, investment policy design and management;
- Demographic and economic factors affecting the provision of health care, cost containment and managed care issues; and
- The legal requirements imposed by the IRS, as well as guidance from Employee Retirement Income Security Act of 1974 (ERISA) and the U.S. Department of Labor.

Education is an ongoing Trustee responsibility, given the fact that the law requires that a Trustee exercise the care, skill, caution and diligence of a prudent expert in making Trust decisions.

The Trustees must attend appropriate, BOT-approved educational training that addresses, among other things, a Trustee's fiduciary duties.

The law allows and encourages Trustees to hire experts to assist them in their duties. But, a Trustee must act prudently in educating themselves in the matters on which they are being advised and to actively evaluate the performance of the hired

experts. So, a Trustee cannot simply and blindly rely on the advice of the BOT-hired experts.

Fiduciary Responsibilities

Trustees are responsible for the Trust's financial health and accounts, and must be bonded and insured for fiduciary liability. This insurance, however, will not release or protect a Trustee from liability for a fiduciary breach involving a criminal violation, libel, slander, fraud or that result in penalties, fines or punitive damages.

An individual may not serve as a Trustee if the individual has been convicted or imprisoned as a result of his or her conviction of a felony crime or:

- Any violation of Section 302 of the Labor-Management Relations Act;
- Any violation of ERISA;
- Any violation of the federal mail fraud prohibitions;
- Any crime that would bar a person from serving as an investment advisor; and
- A number of other violations involving abuse or misuse of a person's position with a labor organization or employee benefit plan.

An individual, who is appointed to serve as a Trustee, must sign an affidavit attesting to his or her fitness to act as a fiduciary and may be subject to a thorough criminal background investigation.

Record-Keeping Guidelines

The Trustees are responsible for maintaining detailed, financial records of all payments to and from the Trust and all Trust assets and liabilities.

An independent, certified public accounting firm audits the Trust's finances annually, prepares necessary reports to federal agencies, and attests to the Trust's compliance with record-keeping requirements.

The Trustee's record-keeping duties include the duty to:

- Be familiar with the Trust's records and be able to evaluate them for sufficiency and accuracy;
- Maintain confidentiality of all Trust records. That is, a Trustee may not release, disclose or otherwise make available sensitive and/or nonpublic Trust documents or information, nor require the Trust Administrator (nor Trust staff) to do the same, without approval of the full Board.

Understanding of Investments

Sound investments are essential to the Trust's success and continuity. To that end, the Trustees are responsible for overseeing the performance of the investment professionals hired to manage the Trust's assets.

In this regard, a Trustee must:

- Demonstrate a high level of prudence and expertise in developing an investment policy and guidelines;
- Understand and oversee the Trust's investment performance and goals, while delegating a specific investment management responsibility to a hired professional investment advisor; and
- Have the skills necessary to evaluate the performance of those investment professionals the BOT has delegated to perform the Trust's investment functions.

Trustee Appointment and Removal Guidelines

The Bankruptcy Plan for Adjustment and the Trust Agreement establishes the manner in which the members of the BOT shall be appointed and determines the number of Trustees that will serve on the BOT.

The appointment of a Trustee candidate to the Trust's BOT shall be made by a majority vote of the RDPFFA's Board of Directors.

Persons who wish to serve as a Trustee must apply using the appropriate form, available at the RDPFFA Office, or on the RDPFFA Association Website. The form shall be submitted to the RDPFFA Board of Directors.

Applications, must be received no later than the close of business on September 28th, to be considered for the terms expiring at the end of that calendar year.

All submitted applications will be kept for a period of one (1) year, or expire on December 31st of each year, whichever is shortest. Upon expiration, candidates may renew their interest in serving as a Trustee by renewing their application.

Under the current Trust Agreement, a Trustee's term of office is for four (4) years, with all current Trustees' terms expiring on staggering terms.

The appointment of an interim Trustee, who fills a vacancy occurring prior to the expiration date of the term for which the Trustee's predecessor was appointed, shall hold office as a Trustee for the remainder of that term.

The RDPFFA Board of Directors may schedule interviews of Trustee candidates as they deem appropriate. Candidate interviews will be conducted at the RDPFFA offices, located at 2525 E. 14 Mile Road, Sterling Heights, MI 48310. Dates and times of interviews will be solely within the discretion of the RDPFFA Board of Directors.

Removal

Trustees, who are appointed by the RDPFFA, serve at the pleasure of the Association. As the appointing authority, the Association may remove a Trustee immediately for cause. Or, the Association can remove a Trustee without cause after providing thirty (30) days' notice to the Trustee. (Public Act 557 of 2016).

If it becomes necessary to remove a Trustee, or a Trustee vacancy occurs for another reason, the RDPFFA Board of Directors shall take immediate action, as reasonably as possible, to fill that Trustee vacancy.

A replacement shall be appointed within sixty (60) days. To ensure the continued efficient operation of the Trust, the RDPFFA Board of Directors may appoint a temporary replacement Trustee until a permanent replacement is selected by the Association.

Compensation

If the Trust allows for BOT members to receive any compensation for their service, the amount of such compensation shall not exceed the maximum amount, if any, which has been established by formal action of the RDPFFA Board of Directors.

Should it become necessary to make a temporary Trustee appointment to the Trust by the RDPFFA Board of Directors, he/she shall be compensated by the RDPFFA -- rather than the Trust -- in accordance with existing Association policy, provided the Association has deemed compensation to be appropriate and it has been approved by the RDPFFA Board of Directors.

These Trustee Responsibilities Overview and Appointment Guidelines will be periodically reviewed and revised as necessary.

Trustee Nominee Agreement

I have read this document and understand its contents. I agree, if appointed by the Association as a Trustee, to execute my Trustee Responsibilities and follow all administrative policies and procedures approved by the BOT.

Signature_____ Date_____

Printed Name_____

Please keep a copy for your records and submit original document (by mail or fax) to:

RDPFFA
2525 E. 14 Mile Road
Sterling Heights, MI 48310
Fax 586-795-2183
Phone 586-795-1734

The RDPFFA is not responsible for any failure of telecommunications technology equipment. Regardless of the method of submission, candidates are advised to call the RDPFFA prior to the deadline to confirm that their documents were received.