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To: Committee on Financial Liability Reform

Subject: House Bill 5421

Mr. Chairman, members of the Committee, I want to thank you for this opportunity to address you on this important issue.

My name is Don Taylor I am President of the Retired Detroit Police and Fire Fighters Association (RDPFFA), we represent approximately 6500 retired Police Officers and Fire Fighters. I also represented the RDPFFA during the Detroit Bankruptcy proceedings, and was a member of the Official Committee of Retirees appointed by the Court to represent all retirees during the Detroit Bankruptcy.

I am here to ask for your support of HB 5421. I believe this legislation would establish a reasonable governance policy including compensation and accountability measures meant to provide some level of protection of the limited funds awarded to the VEBA Trust beneficiaries as a result of a municipal bankruptcy.

Currently two Healthcare VEBAs that were formed as a result of the Detroit Bankruptcy are operating with no clear guidance or statutes in place. The beneficiaries of the Detroit Police and Fire VEBA by popular vote agreed to a settlement award in the Bankruptcy which funds the VEBA with assets from B-Note valued at approximately 254 million dollars or approximately 10% of the value of their claim. The Bankruptcy Plan of Adjustment was approved by the court December of 2014. Whereas these VEBAs are Government Plans, they are not governed by ERISA, Uniform US Trust Code, or Michigan Trust Code, the only document providing governance is the VEBA Trust Agreements, which are controlled by the Trustees themselves. The Police and Fire Trust Agreement as drafted did not include;

- (1) Any requirement of Trustees to provide financial accounting of Assets to beneficiaries, to date no beneficiary has received a financial report of expenditures or assets.
- (2) Trustee removal language, The Trustees have recently amended the Trust Agreement to include removal language of Trustees, but language only allows for self-governance.
- (3) A reasonable compensation policy, currently the compensation policy gives Trustees \$1000 per month without any type of qualifiers or accountability. Healthcare Trusts normally meet quarterly and in Michigan Trustees serving on publicly funded Healthcare Trusts normally do not receive any compensated. The beneficiaries of these Trusts lost their Healthcare coverage as a result of the bankruptcy, and now only receive approximately \$100 per month to aid them in purchasing Healthcare and covering their other medical needs.

These Healthcare Trusts were funded with very limited funds, and once depleted the beneficiaries will not be eligible for any further assistance with their Healthcare cost. This legislation is needed to afford approximately 30 thousand seniors some level of protection against abuse and insure accountability of those overseeing their Healthcare funds.

Thank you for your consideration and we ask for your support of House Bill 5421.



Don Taylor

President Retired Detroit Police & Fire Fighters Association