

**EMPLOYEES RETIREMENT SYSTEM
OF THE GOVERNMENT OF THE VIRGIN ISLANDS
REGULAR MEETING OF THE BOARD OF TRUSTEES**

**St. Croix GERS Boardroom
Thursday, December 17, 2015
9:30 am**

**** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Secretary's Minutes (R: Regular 11/19/15, Special 11/25/15)
- V. Communications and Correspondences
- VI. Chairperson's Report
- VII. Administrator's Report
- VIII. Committee Reports
- IX. Internal Auditor's Report
- X. Treasurer's Report
- XI. Investment Officer's Report
- XII. **REGULAR SESSION**
 - A. New Business
 - (i). Approval to Authorize Administrator to Contract with Bert Smith & Co. to Conduct the FYI 2015 Audit of Financial Statements in the Amount of \$115,610.00
 - (ii). Approval of 2016 Board Meeting Calendar
 - (iii). Findings – V.I. Inspector General Review of Alternative Investment Program
 - B. Unfinished Business
 - (i). Bill No. 31-0289 Amending Title 3 VIC, Section 717 and 766 relating to Personal Loans
- XIII. **EXECUTIVE SESSION**

This portion of the meeting will be closed to the public for matters pertaining to trade secrets / or financial or commercial information

 - A. New Business
 - (i). Review of Consultant for Internal Auditor
 - B. Unfinished Business
 - (i). Carambola Matters
- XIV. Privileges of the Floor
- XV. Adjournment

Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 17, 2015

The Regular meeting of the Board of Trustees was held at the St. Croix (STX) Boardroom and by videoconferencing (VTC) from the St. Thomas (STT) Conference Room. The meeting was called to order at 9:56 am. At roll call, all Trustees were present except Vincent Liger who was absent. Trustee Maynard participated by VTC from the STT Conference room.

Staff in attendance in STX: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Nikia Coley, Administrative Assistant to the Board, Bruce Thomas, Investment Officer, and Charmaine Antoine, Internal Auditor. Participating by VTC from STT were Ishmael Meyers, Jr., Assistant General Counsel, Grasilda Dobbins, Chief Financial Officer, Evelyn Venner Potter, Chief Operating Officer, and Lorraine Gumbs Morton, Public Information Officer.

Also present in STX were: Pedro K. Williams, Board Counsel, and Desiree Hill, Stenographer. A reporter from The Source was present in STT.

Comments and Suggestions from Retirees.

Phyllis Nielson representing the St. Croix Government Retirees, Inc. (STXGR) asked three questions.

1). What is the status of the annual statements?

There is a pilot project to issue annual statements solely to the active employees of the autonomous agencies. The project has been ongoing for over a year to populate members' records. A separate project is also underway to do the same for the central government employees. The goal is to issue annual statements to the central government employees in 2017.

2). If GERS becomes insolvent, what would happen to the unpaid balance of loans owed to the GERS? The member will be obligated to the GERS for the unpaid balance of the loan.

3). If the present administration remitting the payroll contributions deductions to GERS?
Yes.

No retirees attended the meeting in STT.

Secretary's Minutes.

Motion made by Trustee Callwood and seconded by Trustee McDonald to accept the secretary's minutes for the Regular meeting November 19, 2015 and the Special meeting November 25, 2015. Motion passed 6 yes, 1 absent (Liger).

Communications and Correspondences.

The Administrator read into the record: 1). Letter dated November 24, 2015 from Senator Clifford Graham, Chairman, Committee on Finance inviting the Administrator to testify on January 19, 2016 on Bill Nos. 31-0152 and 31-0169. 2). Letter dated November 23, 2015 from Joseph B. Boschulte, President/CEO of WICO to Administrator thanking GERS for the invite to present their recommendations on improvements to the Havensight Mall. 3). Memorandum dated December 9, 2015 from Administrator to Heads of Departments, Agencies and Instrumentalities of the GVI relative to Act No. 7802, which amended Chapters 27 and 28A of Title 3 of the VIC regarding contractual individuals and payment of contributions. 4). Letter dated December 9, 2015 from Director of

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, December 17, 2015

the Bureau of Economic Research, Bernadette V.M. Melendez regarding obtaining data on the value of construction, professional services, and any other category of contracts issued by GERS for the years 2012-2014, and payroll and the number of employees making between \$7.50 and \$9.50, \$10.00 and \$12.00, and \$12.00 and \$14.00.

Chairperson's Report.

The Chairman made comments: **1).** V.I. Daily News request for corporate credit cards information. **2).** Attended the GERS Employee recognition on December 11th. **3).** Received a letter from Senator Gittens regarding the reconsideration of the suspension of the loan program. Bill No. 31-0289 is expected to be brought to the floor this week. **4).** Received invitation to testify on Bill No. 31-0152. Will not be able to attend. Not in favor of the Bill.

Administrator's Report.

The Administrator reported significant items: **Appearances and Meetings.** **1).** 90% of my time between November 19, 2015 to present was spent in meeting with hospitality consultant (HVS) and the new management of Carambola with the transition. **2).** December 8th - Walk through at the White House which is 100% complete. A prospective tenant is interested in establishing a Maritime Museum. **3).** December 14th - Exit conference with the VI Inspector General. A summary of the findings was submitted to the Trustees. A draft report will be forthcoming for the Board to respond. Then, the final report will be issued.

The NOPA Project. Overall project is 52% completed. 98% of the autonomous agencies are completed and 92.3% or 36 of the 39 central government agencies. The Division of Personnel (DOP) continues to work with GERS. The work on the annual statement is ongoing. The objective is to produce the annual statement by agency for those agencies that are more than 90% completed. The goal is to begin the process in the first quarter of 2016.

V3 Update. The new V3 reporting tool JIRA shows that there are 133 issues with the GERS for action in various forms. 52 are critical, 54 are High, 21 are Medium, and 6 are Low. Additional training is planned for the first quarter of 2016. Training is expected to reinforce previous training and reduce the error rate when processing V3 transactions.

Missing Contributions Retiree Payroll. Through December 15, 2015 payroll, of the 218 retirees (updated) who retired between May 2012 and December 31, 2014, there are 16 retirees remaining to receive their initial annuities. The remaining balance left from the \$2.1 million that was allotted by the central government for members retiring between May 2012 and December 31, 2014 is \$112,007.39. Receipt of the final NOPAs and retroactive not enough to cover *employee* contributions due are the major reason why these cases cannot be completed timely. There are a few V3 issue related problems which are being addressed, in addition to, receipt of contributions from JFLHMC. Departments/Agencies are being billed for missing employer contributions for those retirees that retired beginning January 1, 2015.

Annuity Payments. **a).** October 1, 2015 – November 30, 2015 - \$39,890,406.55 w/pensioners. **b).** Number of retirees added to the payroll for the October 15th - November 30th pay date: 41 **c).** Number of retirees/survivors expected to be placed on the payroll for the December 15th pay date: 4 retirees and 1 survivor. **d).** Number of retirees deleted from the payroll from October 1, 2015 – November 30th: 44. **e).** Number of retirees added to the payroll for the November 30th pay date: 6.

Retiree Applications. Number of retiree applications received January 1, 2015 – November 30th 253 (STX 135, STT 118). Includes both autonomous agencies and the central government.

Juan F. Luis Hospital and Medical Center (JFLHMC) No change. Legal and Accounting are working with JFLHMC to reconcile the spreadsheet submitted by JFLHMC and to complete the draft of the MOU. 3 of the 10 cases mentioned in the last report were processed. There are 7 cases remaining to be processed during the month of January 2016.

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, December 17, 2015

Virgin Islands Economic Stability Act – VIESA (ACT 7261)

There are still outstanding issues with the recalculation of 348 cases. 6 cases were processed since the last report. Issues were discussed with the Vitech Team during TEAM GERS meetings. Further discussions will be required to address these abnormalities. We continue to have difficulties obtaining the NOPAs for salary increases.

Act No 7128 (2010)

There are now 44 cases pending completion under Act 7128 for 2010, where adjustments of annuities have to be made for those retirees where the Government of the Virgin Islands paid for their Sick and Excess Annual Leave. **No update.**

Total Outstanding Loans as of November 30 2015 - \$155.1 million.

Active Personal - \$108.0 million, Retiree Personal - \$39.2 million, and Other - \$7.9 million.

Operations

White House at Havensight

The overall project is 100% complete. As a result of the walk-through some additional scope items were recommended by GERS.

St. Croix Office Building

We continue to collaborate with the new tenant on completing outstanding items. The installation of the water meter is pending. All rental payments from the new tenants are received timely.

St. Thomas Headquarters.

Emergency to expend \$7,500.00 to replace one of the two water pumps for the chilled water system.

Other

Total Rental Income collected for the month of November was \$74,925.84 and YTD Fiscal Year 2016 was \$165,249.39. Electrical Collections for the month of November were \$24,184.30 and YTD Fiscal Year 2016 - \$71,417.19.

Havensight Mall

The FY 2016 Capital Budget for the Havensight Mall is pending a decision on the redevelopment of the Mall.

Legislation

Lonesome Dove

No update.

Pension Reform

Bill No. 31-251 was passed on October 19th and the Governor signed it into law. The Bill is being reviewed in house to determine the amendments made and the impact to the V3 System.

Retiree Trustee Election

The election in the St. Thomas/St. John district concluded at midnight on December 11th. 4,612 ballots were mailed to retirees in the STT/STJ district who were on the payroll through September 30, 2015.

**Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 17, 2015**

Invitation for Bids (IFB)

A summary of the bids for the properties on St. Thomas and St. Croix was forwarded to the Trustees with the Administrator's recommendations. A letter was sent to the highest bidder for the Hoffman/Nullyberg property accepting their offer of \$6,501,000.00.

Carambola NW LLC (Carambola Resort & Spa)

1). The new management was in place on December 1st. 2). Business license was issued on December 7th under the name Caribbean USVI Hotel Services Corp. 3). In the process of selecting a General Manager, Director of Sales/Marketing, Food and Beverage Manager, and a Chief Engineer. 4). Certificate for EDA tax exemption is pending.

Legal Report. Cathy Smith, General Counsel read the report into the record.

Committee Reports.

- 1). Policy Committee. Trustee Callwood. Will meet on December 18th.
- 2). Development Committee. Trustee Smith. Mentioned the sale of Hoffman/Nullyberg, the pending walk-through of Havensight Mall, and site visit to White House in January.
- 3). Budget Committee. Trustee Callender stated would like to have the FY 2016 Budget reviewed by Wednesday, December 23rd. Administrator stated that a supplemental will be submitted prior to December 23rd.
- 4). Investment Committee. Trustee Maynard stated that a meeting could be held right after this meeting but he will have to leave. Red Legacy due diligence may be held next month. Possible dates – January 13th, 14th, and 15th.

Internal Auditor's Report.

The Internal Auditor gave an update on the following: 1). Internal Audit 2016 Tasks. 2). GERS Draft Business Continuity Plan (Testing). 3). Havensight Mall Review of Leases. 4). Pension Expense GASB 68 5). GERS Audit of Death Benefits. 6). Internal Audit ensuring Completeness and Accuracy for V3 Loan Balances. 7). GERS Credit Cards Audit. 8). Catalog V3 Guided Practices & Standard Operating Procedures (SOPs).

Treasurer's Report.

Grasilda Dobbins CFO reported:

The November 30, 2015 report shows collections for the month of November 2015 in the amount of \$12,086,022.00 and disbursements in the amount of \$22,563,409.00 for a deficit of \$10,477,387.00. YTD FY 2016 collections are \$21,007,682.00 and disbursements are \$45,237,550.00, for a deficit of \$24,229,868.00. Motion made by Trustee Callwood and seconded by Trustee McDonald to approve the Treasurer's Report. Motion passed 5 yes, 2 absent (Liger and Smith).

Investment Officer's Report.

Bruce Thomas, Investment Officer reported: 1). The Total Plan Ending Market Value at November 30, 2015 was \$776.9 million, which includes Attilanus Credit Facility, Carambola, GVI Loan, Kazi, and VI Finest and excludes Loan Program, STT Office Complex, and the STX Office Complex. 2). Raised \$15

**Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 17, 2015**

million in the month of November, and plan to raise \$15 million in the month of December. **3). Total Plan** returned 0.04% for the month and outperformed its benchmark by 25 bps. **Domestic Equity's** returned 1.5% and outperformed its benchmark by 97 bps. **Concentrated Small Cap's** returned 3.8% and outperformed its benchmark by 50 bps. **International Equity's** returned -2.4% and underperformed its benchmark by 34 bps. **Fixed Income's** returned -0.7% and underperformed its benchmark by 38 bps. **4).** Continuing to work with custodian to have comingled funds added.

Regular Session

New Business

The Administrator requested approval of a contract with Bert Smith & Company to conduct the FY 2015 audit of the financial statements in the amount of \$115,610.00. Motion made by Trustee Smith and seconded by Trustee Callwood to approve a contract with Bert Smith & Company to conduct the FY 2015 financial audit in the amount of \$115,610.00. Motion passed 5 yes, 1 absent (Liger), and 1 Abstain (Maynard).

Motion made by Trustee Smith and seconded by Trustee Callwood to approve the 2016 Business Calendar pending the approval by the Chair of the Manager's meeting. Motion passed 4 yes, 3 absent (Liger, Maynard, and Smith).

There was a brief discussion on the V.I. Inspector General's summary of the findings.

There was no discussion on Bill No. 31-0289, Senator Gitten's bill amending personal loans requirements

Motion made by Trustee Callwood and seconded by Trustee McDonald to go into Executive Session. Motion passed 3 yes, 1 no (Ross), 3 absent (Liger, Maynard, and Smith).

Executive Session.

Motion made by Trustee Smith and seconded by Trustee Callwood to come out of Executive Session. Motion passed 5 yes, 2 absent (Liger and Maynard).

Regular Session

Motion made by Trustee Smith and seconded by Trustee Callwood to adjourn the meeting. Motion passed 5 yes, 2 absent (Liger and Maynard).

The meeting was adjourned at approximately 2:27pm.



Austin L. Nibbs, CPA, CGMA
Administrator/CEO
Secretary, GERS Board of Trustees