

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

**St. Thomas/St. Croix via Zoom
Thursday, April 21, 2022
9:30 am
** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Comments and Suggestions from Active Members
- V. Secretary's Minutes (Regular: 3/24/22; Special: 4/1/22)
- VI. Communications and Correspondences
- VII. Chairperson's Report
- VIII. Administrator's Report
- IX. Committee Reports
- X. Treasurer's Report
- XI. Investment Officer's Report
- XII. REGULAR SESSION
 - A. Unfinished Business
 - (i). Approval of January 2022 Treasurer's Report
 - (ii). Approval of January 2022 Investment Officer's Report
 - (iii). Approval of February 2022 Treasurer's Report
 - (iv). Approval of February 2022 Investment Officer's Report
 - B. New Business
 - (i). SB & Company Proposal to GERS re: Audit Services Beginning FY 2021 for Five Years
- XII. **EXECUTIVE SESSION**

This portion of the meeting will be closed to the public for matters pertaining to trade secrets / or financial or commercial information/ or personal/ or legal matters; or matters whose premature disclosure will frustrate the implementation of the proposed agency action.

 - A. Unfinished Business
 - (i). JLL Presentation
 - B. New Business
 - (i). M. Duggan Appeal
- XIII. Privileges of the Floor
- XIV. Adjournment

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

April 21, 2022

The Regular Meeting of the Board of Trustees for April 21, 2022, was called to order at 9:48 am. The meeting was held via Zoom and shown on YouTube. At roll call, Trustees present were Callwood, Russell, Smith, and Bowry. Trustees not present during the roll call were Dorsey and Liger. A quorum was established with 4 Trustees present. Trustee McDonald and ex-officio member Cindy Richardson were absent. Trustees Dorsey and Liger joined the meeting after the roll call.

Staff in attendance: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Denise Jeremiah, CFO, Asiah Clendinen Gumbs, COO, Glenville Henderson, Investment Analyst, LeSean Moses, IT, Nikia Coley, Administrative Assistant to the Board of Trustees, Roy Moorehead, Chief Security Officer-Havensight Mall, Sakeeda Figueroa, Ucilla Austrie, Accounting Coordinator, Jasmin Greaux, Chief, Compliance and Control, and Jenelle Forbes, Records Retention/Imaging Coordinator.

Also present in the meeting were Pedro K. Williams, Board Counsel and Kelsha Williams (Associate Pedro Williams Law Offices).

Comments and Suggestions from Retirees and Active Members

Mary Moorehead (retiree) made a comment that the Board should not follow the Governor's recommendation for the immediate reinstatement of the loan program. She suggested that the Board should wait a couple of years to consider reinstatement.

The Chairman asked for a moment of silence for Yvonne Bowsky a former trustee whose funeral was being held today.

Secretary's Minutes

Motion was made by Trustee Callwood and seconded by Trustee Russell to approve the secretary's minutes for the Regular Board Meeting – March 24, 2022. The motion was passed 4 yes (Callwood, Russell, Smith, and Bowry) and 3 absent (Dorsey, Liger, and McDonald).

Trustee Callwood mentioned that there was a typo in the secretary's minutes for April 1st meeting. Under Regular Session in the second sentence the word *agree* should be changed to *agreed*.

Motion was made by Trustee Callwood and seconded by Trustee Smith to approve the secretary's minutes for the Special Board Meeting – April 1, 2022 as amended. The motion was passed 5 yes (Callwood, Dorsey, Russell, Smith, and Bowry) and 2 absent (Liger and McDonald).

Communications and Correspondences

The Administrator read into the record: 1). A letter from the Administrator dated February 18, 2022 to the President of the Legislature Dona Frett Gregory regarding an amendment to Section 4 (g) of Act No. 8540 which provides Upon the issuance of delivery of the GERS Funding Note, all amounts budgeted by the Government to be paid into the GERS during Fiscal Year 2022, are deemed voided, rescinded, and of no further effect. The Administrator mentioned that no response was received.

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- 2). A letter dated February 24, 2022 received from Senator Kenneth L. Gittens requesting the GERS to resume the loan program in accordance with Act No. 7880.
- 3). A letter dated March 14, 2022 from Senate President Donna Frett Gregory inviting the Administrator to appear on March 16, 2022 to provide testimony on zoning map amendment application ZAT-22-3 regarding the rezoning of Parcels 2 and 4 at the Havensight Mall property.
- 4). A letter dated March 21, 2022 from the Administrator to Senator Gittens in response to his February 24, 2022 letter. The Administrator indicated to the senator that a recommendation to reinstate the loan program will be made to the Board.
- 5). A letter dated March 29, 2022 from Kurt A. Vialet, Chairman, Committee on Finance requesting information from the GERS in preparation for the FY 2023 budget. The Administrator mentioned that the System has selected 4 days in August (8th, 10th, 15th, and 16th) that the System will be available to present to the Committee.
- 6). A letter dated March 29, 2022 from Andrew. Smith, WAPA CEO in response to a meeting with GERS on March 28, 2022 and proposing extended payment schedules for outstanding employee and employer contributions.
- 7). A letter from the Administrator dated April 1, 2022 to WAPA CEO Andrew Smith which was read into the record advising Mr. Smith that the extended schedules presented were not acceptable to the GERS.

There was a lengthy discussion regarding the Board's directive to pursue court action against WAPA. It was suggested that the Administrator forward a settlement agreement to WAPA. The Administrator stated that he had sent WAPA a letter on April 1, 2022 to Mr. Smith and no response was received as of today. The final Board's directive was that the Administrator send a settlement agreement to WAPA for a response by Monday on their final decision and move forward immediately to file a court action against WAPA for not remitting to the GERS employee contributions and deductions and employer contributions since June 24, 2021.

Chairperson's Report

The Chairman reported:

- 1). On April 6th the GVI executed the loan financing for the GERS and made the first payment of \$89.2 million was received on April 7th. He attended the press conference on April 11th where a photo check presentation was made.
- 2). The second payment of \$158 million is due on October 1, 2022, for a total of \$247 million that will be received by the GERS in calendar year 2022.
- 3). Thanked the governor and the legislature for making good on their promise to avert the GERS insolvency.
- 4). Act No. 8573 was signed by the governor on April 11th for the rezoning of the Parcels at the Havensight Mall for the proposed hotel development. This allows the GERS to move forward with negotiating a ground lease, a source of revenues to the GERS.

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5). Act No. 8560 – Return to Work legislation was signed by the governor on April 11th. This legislation allows retirees to return to work where there are hard to fill vacant budgeted positions and retain their annuity and pay in contributions to the GERS.

6). Thanked the management and staff that contributed behind the scenes to the success of these efforts.

Administrator's Report

Meetings, Presentations, and Appearances

March 25th Attended Havensight Mall Oversight Committee meeting.

28th Meeting with WAPA CEO

April 1st Attended Special Meeting Re: Haven Development LLC

5th Attended GERS Bond Note Closing in Washington, DC

12th Meeting with Segal Re: ADEC

20th Meeting with Commissioner of Department of Finance

Retirement Applications - as of April 15, 2022

A total of 168 applications pending as of April 15th. Of the 168 applications, 99 (2021) and 59 (2022).

Disability Life Certificates

2020 Duty/Non-Duty Disability Life Certificate Distribution

226	Validated	
0	Benefits Suspended	
3	Deceased	
2	Pending Receipt of Life Certificate (Annuity suspended)	
231		

2022 Duty/Non-Duty Disability Life Certificate Distribution

A total of 262 new Disability Life Certificates were mailed out on April 5, 2022 with a deadline date of May 30, 2022. 86 residing in the U.S. and 176 residing in the Virgin Islands.

DISABILITY CASES PENDING

In Person Medical Exams	0
Disapproved by GERS Physicians	1
Internal Legal	4
Total Pending Disabilities	5

Return to Work Analysis

Total employee contributions due	\$1,845,725
Total employee contributions received	<u>536,928</u>
Balance due	<u>\$1,214,583</u>
Employer contributions due from SAAs -	<u>\$116,468</u>

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Note: We are accumulating a listing of retirees (police officers, nurses, and teachers) who returned to work under the current law (returned for 2 years, retaining annuity, no contributions due, no recalculation of annuity).

Compliance and Control - Contribution Processing - October 1, 2021 – March 31, 2022

Refunds

	<u>No. Cases Completed</u>	<u>Total Amount</u>	<u>No. Cases Pending</u>
Total	<u>427</u>	<u>\$3,646,362.81</u>	<u>29</u>

\$3,011,061.20 (82.6%) represents regular (non-vested).

Death Benefits - October 1, 2021 – March 31, 2022

<u>Types</u>	<u>No. Completed</u>	<u>Amount</u>	<u>No. of Cases Pending</u>
Active	15	\$474,075.90	44
Retired	<u>10</u>	<u>310,003.92</u>	<u>9</u>
Total	<u>25</u>	<u>\$ 784,079.82</u>	<u>53</u>

\$474,075.90 (60.5%) represents active members.

Accounting Department

Annuity Payments

Number of retirees as of April 13, 2022 payroll: **8,701**

Cumulative dollar paid out from October 15, 2021 – April 13, 2022 - **\$141,144,895.08**

Number of retirees **added to payroll** from October 1, 2021 – April 13, 2022. **197**

Number of retirees **deleted from payroll** from October 1, 2021, through April 13, 2022: **176**

Note: The Gross Retiree Payroll for pay date April 13th was \$10,895,150.69.

FY 2023 Budget Timeline

Divisions/Units Budgets

CFO's office releases budget calls to divisions/units including Havensight Mall NLT March 1, 2022

Preliminary Budget

CFO's office to Administrator – on or before June 30, 2022

Preliminary Budget Review/Adjustments

Administrator to CFO's office on or before July 15, 2022

Final Budget Review

CFO's office to Administrator - on or before July 25, 2022

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Submit to Budget Committee

Administrator submits to Budget Committee - on or before August 1, 2022.

Mid-Year Review with Budget Committee – FY 2022 Budget

Recommend Monday, May 2nd or Monday, May 9th.

The Chairman recommend a joint Investment/Budget Committee meeting be held. Ms. Coley will arrange the meeting.

Member Loan Portfolio – March 31, 2022

Total Loans and Mortgages 1,676 units (1,598 – personal / 78 – mortgages)

Total Amount Outstanding - \$18.5 million

At the end of 2022, approximately 526 loans are scheduled to mature.

Management will be forwarding a recommendation for the Reinstatement of the Loan Program in a different form beginning FY 2025 (October 1, 2024) for personal loans and FY 2026 (October 1, 2025) for mortgages to the Policy Committee for review and consideration.

Operations

St. Croix Office Complex – Nothing substantial to report.

St. Thomas Office Complex

Building

GERS Hip Roof

Scheduled completion date July 2022 (subject to weather).

Air Conditioner Project

Anticipated project completion date – 2nd to 3rd Quarter FY 2022.

Generator

The generator is currently not operable. The fuel injection pump is being rebuilt. Currently, the company is calibrating the rebuilt part. We anticipate arrival within the next 2-3 weeks. The generator is not operable until the part is replaced. Load test was conducted by Import Supply . The building is at 400KW full power. Scheduling a load test for a prospective new generator.

Havensight Mall

Warehouse J

RFP is out to bid. The new date for submittal is April 20, 2022, at 3pm.

Rental and Electricity Collections

	March 2022	Total FYTD	Arrearages
Rental	\$65,326.63	\$397,528.11	\$100,491.16
Electric	<u>29,071.69</u>	<u>243,685.18</u>	<u>53,125.75</u>
Total	<u>\$94,398.32</u>	<u>\$ 641,213.29</u>	<u>\$153,616.91</u>

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LEASES

Division of Personnel - Property and Procurement requested Purchase Orders for the rental amounts from DOP to move the lease forward for the final signatures and a spreadsheet of payments. Additionally, Property and Procurement is requiring DOP to obtain a letter from DOF ensuring the validity of the Purchase Order.

Department of Justice –Brief conversation held with Property and Procurement and Department of Justice for signatures. Spoke with the Department of Justice AG for an update on signatures 4-06-2022.

FEMA

GERs (Clendinen Gumbs) attended FEMA Meeting on April 4, 2022.

FEMA request an RFI (Request for Information).

FEMA Log ID: 21825 www.fema.gov

FEMA has indicated that our response to this RFI will enable FEMA to respond to the current SOW amendment and EHP compliance review requests accurately and fully.

COVID-19 Protocol

The GERS COVID-19 Protocols remain in place until Management is satisfied that their offices are safe to open up to the public. An E-mail was sent to staff by Operations on March 15, 2022.

Committee Reports

None,

Treasurer's Report

The Treasurer's Report for the month of March 2022 was read into the record by Denise Jeremiah, CFO.

System

Collections – Month of March - \$14,627,575 / FYTD \$80,468,229

Disbursements – Month of March - \$24,333,315 / FYTD \$144,700,064

Net Deficit – Month of March - (\$9,705,741) / FYTD (\$64,231,835)

Havensight Mall

Collections – Month of March - \$220,889 / FYTD \$1,266,932

Disbursements – Month of March - \$188,662 / FYTD \$1,381,081

Net Surplus/(Deficit) – Month of March - \$32,227 / FYTD (\$114,149)

Motion was made by Trustee Smith and seconded by Trustee Callwood to approve the Treasurer's Report for March 31, 2022. The motion passed 5 yes (Callwood, Dorsey, Liger, Smith, and Bowry) and 2 absent (Russell and McDonald).

Investment Officer's Report

Total Plan Market Value at the end of March 2022 - \$358.9 million.

YTD \$35.0 million was withdrawn from the portfolio. Income - \$1.2 million, and Loss - \$15million.

Total Plan returned -1.6% for month of March. Fixed Income -2.2% and outperformed its benchmark by 0.6%. Total Alternatives returned 0.7% and underperformed its benchmark by 3.3%.

Motion was made by Trustee Smith and seconded by Trustee Callwood to approve the Investment Officer's Report for March 31, 2022. The motion passed 5 yes (Callwood, Dorsey, Liger, Smith, and Bowry) and 2 absent (Russell and McDonald).

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Regular Session

Unfinished Business

A decision was made to approve the prior months' Treasurer's Reports and Investment Officer's Reports in blocks.

Motion made by Trustee Callwood and seconded by Trustee Dorsey to approve the Treasurer's Reports for January and February 2022 and the Investment Officer's Reports for January and February 2022. The motion passed 5 yes (Callwood, Dorsey, Liger, Smith, and Bowry) and 2 absent (Russell and McDonald).

New Business

The Administrator presented a Summary of the RFP No. 2022-01 for Auditing Services.

The RFP was issued on January 3, 2022 through March 30, 2022 and advertised in the V.I. Daily News, St. Croix Avis, Pensions and Investments, and the GERS Website.

Inquiries Received from SB & Company, LLC (National) and Benham & Hodge (Local).

One (1) proposal was received before February 15th deadline (5:00pm) from SB & Company, LLC (National) Because only one (1) proposal was received, the RFP was extended to March 30th (5:00pm) and advertised in the V.I. Daily News and the GERS Website. We advised SB & Company of the extension and informed them that they did not have to resubmit a proposal. We also invited the following Big 6 firms to bid - Cohn Reznick, Deloitte, KPMG, and Price Waterhouse Coopers. KPMG inquired and was afforded a zoom meeting. However, on deadline date after 4:00pm asked if the RFP could be extended. Management responded no. KPMG submitted a proposal at 9:44pm. The deadline time was 5:00pm.

Evaluation Results

SB & Company, LLC was responsive to the RFP and met all of the requirements and qualifications set forth in the RFP.

Experience in Auditing Pension Plans - See Below and Pages 13-14 of Proposal

Pennsylvania Public School Employees Retirement System – Net Assets \$50.2Billion/Active Participants 346,618 / Metropolitan Washington Airport Authority Employees Police and Firefighters Retirement Plan – Net Assets \$331.2 Million/ Active Participants 2,482 / Montgomery County Employees Retirement System – Net Assets \$5.3Billion/ Active Participants 13,660 / Maryland State Retirement & Pension System Plan – Net Assets \$55Billion/Active Participants 193,000.

Fees Proposed - See Below and Page 10 of Proposal

FY 2021-\$110K / FY 2022-\$115K / FY 2023-\$120K / FY 2024-\$125K / FY 2025- \$130K

SB & Company fees are in line with the amounts paid to the predecessor auditor (Bert Smith & Company) - 2015-\$108K, 2016-\$116K, 2017-\$123K, 2018 -\$133K, 2019-\$147K, 2020-\$160K, and 2021-\$160K.

Note that KPMG (Puerto Rico office) proposal was responsive and met all of the requirements and qualifications set forth in the RFP to conduct the audit. However, the proposal was *disqualified* because it was received on March 30th after the 5:00pm deadline. The proposal was received via email on March 30th at 9:44pm. Compared to SB & Company fees and the predecessor auditor fees (Bert Smith & Company) to conduct an audit of this size, KPMG fees are out of range. FY 2021-\$560K / FY 2022-\$465K / FY 2023-\$455K / FY 2024-\$480K / FY 2025-\$505K.

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Experience in Auditing Pension Plans - GERS prior to 2006, Pension System of the Government of Puerto Rico (Presently), The Government of the Virgin Islands through 2007.

Due Diligence - Preliminary due diligence has started on SB & Company with request of reference letters from four (4) clients mentioned above. Staff on site due diligence at SB & Company audit office will commence within 30 days. The team will comprise of the CFO, Investment Analyst, General Counsel, and the Administrator. The Board will conduct a Zoom meeting with the principal partner of SB & Company after the staff has completed its report and prior to GERS executing an engagement letter with SB & Company to audit the GERS for a period of five (5) years beginning FY 2021 - 2025. Also, SB & Company will be invited to participate in the Board Retreat.

Management's Recommendation. The Board to authorize management to complete the due diligence of SB & Company, LLC proposal to audit the GERS for a period of five (5) years beginning FY 2021-2025 and report its finding to the Board.

Questions and statements asked:

Chairman Bowry asked if KPMG threw those amounts out because they would be late? The Administrator responded no. Trustee Callwood stated that the fees submitted by KPMG are because of the brand name.

The Chairman asked what are the requirements? The Administrator responded that the firm must be a nationally recognized CPA firm with experience in pension and trust accounting for a period not to exceed five (5) years.

The Chairman inquired if the audit could be expedited? The Administrator cautioned the board that although S & B Company has significant experience auditing large pension plans, they are new auditors and there is a process after executing the engagement letter, such as, planning, mobilizing, collaborating with the predecessor auditor, site visits, and preliminary audit work, etc. that have to be done. The GERS fiscal year ended September 30, 2021. The unaudited financial statements are completed by accounting. If the new auditor comes aboard in June, management feels based on their experience, the FY 2021 audit should be completed in 120 days (October 2022). This is usually the norm if there are no hiccups during the audit.

Board Counsel made a statement to the Chairman that maybe GERS should not commit to a 5-year contract and offer a 1 or a 2-year contract to see how they perform. The Administrator disagreed and stated that the RFP was advertised for 5 years, and this is what S & B Company proposed for. General Counsel Cathy Smith mentioned that there is always a termination provision in any contract.

Motion made by Trustee Smith and seconded by Trustee Callwood to authorize management to complete the due diligence of SB & Company, LLC proposal to audit the GERS for a period of five (5) years beginning FY 2021-2025 and report its finding to the Board. Motion passed 4 yes (Callwood, Liger, Smith, and Bowry) and 3 absent (Dorsey, McDonald, and Russell).

Motion made by Trustee Callwood and seconded by Trustee Smith to go into executive session to discuss matters pertaining to trade secrets/or financial or commercial information/or personal/or legal matters; or matters whose premature disclosure will frustrate the implementation of the proposed agency action. Motion passed 4 yes (Callwood, Liger, Smith, and Bowry) and 3 absent (Dorsey, McDonald, and Russell).

Executive Session

A motion was made by Trustee Dorsey and seconded by Trustee Russell to come out of executive session. The motion passed 5 yes (Callwood, Dorsey, Liger, Russell, and Bowry) and 2 absent (McDonald and Smith).

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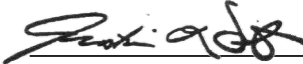
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Regular Session

The Chairman reported out the following actions taken in Executive Session.

- 1). The Board voted to accept the term sheet with Haven Development LLC as presented to the Board for a ground lease for the hotel development at the Havensight Mall property.
- 2). The Board voted to authorize the Administrator to negotiate a lease agreement with Port of Sale and seek approval from the Board as to the terms negotiated.
- 3). The Board made a decision in the matter of an appeal by Mary Duggan and the parties will be notified of the decision by an order.

The meeting adjourned at 2:09pm.



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