

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

**St. Thomas/St. Croix via Zoom
Thursday, July 23, 2020
9:30 am
** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Secretary's Minutes (Regular: 06/25/2020)
- V. Communications and Correspondences
- VI. Chairperson's Report
- VII. Administrator's Report
- VIII. Committee Reports
- IX. Treasurer's Report
- X. Investment Officer's Report (see Meketa's Presentation)
- XI. **REGULAR SESSION**
 - A. New Business
 - (i). 2nd Quarter Portfolio Performance – Meketa Investment Group
 - (ii). Insolvency Contingency Plan
 - B. Unfinished Business
 - (i). Approval of Board Governance Policy
- 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). Legal Matters
- XIII. Privileges of the Floor
- XIV. Adjournment

GOVERNMENT EMPLOYEES RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

July 23, 2020

The Regular Meeting of the Board of Trustees was called to order at 9:48a.m. The meeting was held in the St. Thomas conference room via Zoom. At roll call, Trustees present were Bowry, Cohen, Smith, Callender Trustee Liger was excused from the meeting and Trustees Callwood, McDonald and Dayna Clendinen were absent.

Staff in attendance: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Ishmael Meyers, Deputy General Counsel, Denise Jeremiah, CFO, Asiah Clendinen Gumbs, Acting COO, and Zaida Castro, Executive Assistant to the Administrator and Nikia Coley, Administrative Assistant to the Board of Trustees

Also, present in the meeting were Pedro Williams, Board Counsel, Desiree Hill, Stenographer, and Gustavo Bikkesbakker and Leonardo Festino of Meketa Investment Group, and Valcina Quashi, Deputy Director for Division of Personnel representing Trustee Dayna Clendinen.

Glenville Henderson, Investment Analyst was absent.

Comments and Suggestions from Retirees

No comments from retirees.

Secretary's Minutes

A motion was made by Trustee Cohen and seconded by Trustee Bowry to approve the Secretary minutes for the June 25, 2020 Regular Board meeting. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald) and 1 excused (Liger).

Trustee Callwood was acknowledged as present during the Roll Call vote. Her microphone was muted.

Communications and Correspondences

1. Letter dated July 2, 2020 from Havensight Mall Merchants & Professional Association representative, Ram Mirpuri regarding Cruise Line cancellations and rent deferment.
2. E-mail dated July 15, 2020 from Tom Ballas, VP Store Manager of Little Switzerland, regarding rent and reopening of stores.
3. Letter from the 33rd Legislature, Committee on Finance considering Bill No. 33-0315 proposed by Senator Kurt Violet and Senator Janelle K. Sarauw scheduled for Tuesday, August 4, 2020 at Earle B. Ottley Legislative Hall. The testimony is due by July 31, 2020.

Chairperson's Report.

The Chairperson's report was read into the record.

Administrator's Report.

Presentations, Appearances, and External Meetings and Other

Administrator Nibbs was on leave.

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MINUTES BOARD OF TRUSTEES REGULAR MEETING**

July 23, 2020

MEMBER SERVICES

ACT No. 7261 - Virgin Islands Economic Stability Act – VIESA No Update.

ACT No. 7128 (2010) No Update.

Retirement Applications

	<u>Calendar Year</u>						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
STX	147	111	118	178	144	34	
STT	<u>147</u>	<u>163</u>	<u>127</u>	<u>224</u>	<u>169</u>	<u>47</u>	
Total	294	274	245	402	313	81	
Paid	<u>292</u>	<u>271</u>	<u>240</u>	<u>392</u>	<u>280</u>	<u>27</u>	
Remaining	<u>2</u>	<u>3</u>	<u>5</u>	<u>10</u>	<u>33</u>	<u>54</u>	<u>107</u>

*Includes SAA and Central Government as of July 31, 2020 retiree payroll.

Refunds

October 1, 2019 – July 31, 2020

	<u>No. Cases Completed</u>	<u>Total Amount</u>	<u>No. Cases Pending</u>
Regular	362	\$5,562,433.30	31
Erroneous	19	17,451.05	5
Employer Share	24	58,905.08	0
Overpayment	<u>127</u>	<u>340,583.31</u>	<u>6</u>
Total	<u>532</u>	<u>\$5,979,372.74</u>	<u>42</u>

Death Benefits

<u>Types</u>	<u>No. Completed</u>		<u>Amount</u>	<u>No. of Cases to be Completed</u>
	<u>10/1/19-7/31/2020</u>	<u>10/1/19-07/31/2020</u>		
Active	27	19	\$727,111.88	61
Retired	<u>19</u>	<u>19</u>	<u>867,493.50</u>	<u>22</u>
Total	<u>46</u>	<u>46</u>	<u>\$1,594,605.38</u>	<u>83</u>

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MINUTES BOARD OF TRUSTEES REGULAR MEETING**

July 23, 2020

Life Certificates – As of July 8, 2020

2020 Life Certificate Distribution

79	Validated
9	Suspended
8	Pending Receipt of Documents*
96	Letters sent out. (Dated 1/31/2020 with 3/1/2020 response deadline.)

*Primarily from Caribbean/International

Benefits Suspended = Address was changed to GERS. Annuity checks will be held by GERS until **either** a validated Life Certificate **or** a Death Certificate is received.

Duty/Non-Duty Disability

71 – U.S. Mainland
164 – Virgin Islands

174	Validated
0	Suspended
61	Receipt of Life Certificate Pending
235	Letters sent out. (Dated 2/20/2020 with 3/20/2020 response deadline.)

Accounting Department

Annuity Payments

No. of retirees as of July 15, 2020 payroll: **8,697**

Cumulative dollar paid out from October 1, 2019 – July 15, 2020 with pensioners
\$202,785,940.54

Number of retirees **added to payroll** from October 1, 2019 – July 15, 2020. **275**

Number of retirees **added to the payroll** for the July 15, 2020 pay date. **11**

Number of retirees **expected to be placed on payroll** for the July 31, 2020 pay date: **11**

Number of retirees **deleted from payroll** from October 1, 2019 through July 15, 2020: **263**

Note: The Gross Retiree Payroll was \$ 10,714,063.38 for the 07/15/20 pay date.

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MINUTES BOARD OF TRUSTEES REGULAR MEETING**

July 23, 2020

Member Loans Portfolio

PERSONAL LOANS			
	5/31/2020	6/30/2020	
Active Personal Loans	2372	2140	
Retiree Personal Loans	1041	967	
Auto Loans	1	1	
	3414	3108	
MORTGAGES			
	5/31/2020	6/30/2020	
Construction/Home Improvement	21	21	
Land	30	30	
Purchase/Refinance	40	40	
Totals	91	91	

June 2020

Active PL	-	\$23,064,364.18
Retiree PL	-	11,559,802.11
Auto PL	-	7,727.74
Purchase/Refi	-	2,013,939.37
Construction	-	2,213,889.74
Land Loans	-	<u>643,762.73</u>
GRAND TOTAL		<u>\$39,503,485.87</u>

Operations

St. Croix Office Buildings

Safety:

A Fire Drill was conducted by Plessen Medical on June 26, 2020. All went well no issues to report.

Buildings:

Roof repairs are tentatively scheduled to be completed during the third week of July on the executive complex.

GOVERNMENT EMPLOYEES RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

July 23, 2020

Utilities:

Electric: The complex continues to experience regular power outages. The emergency generator continues to function well.

Projects:

- The security guard building renovation project is approximately 35% complete.
- All three proposals received for the annual restoration of landscaping and gardening are in the evaluation stage.
- Glass doors replacement for security purposes: (Active Shooter Protection) at the following locations: Entrance to Corridor East. End of Bldg. Entrance to Corridor West end of bldg. Entrance to Loans & Benefits areas. Facilities is awaiting quotes from WW Construction Corporation and Brother Construction Inc.

St. Thomas Office Buildings

Facility Repair:

The exterior repair work for the GERS Headquarters has been completed and final inspection done by the owner's representative. There were minor issues which were corrected.

Law Library AC Unit

The Law Library AC unit is under repair. The manufacturer in Galveston Texas had no coils in stock. The company had to manufacture the part.

Slab for New AC Unit

The concrete slab for the placement of the new chillers is complete.

Generator Service

The generator has been serviced and is in good working order. A larger fuel intake line is being procured.

Build Out at Havensight Mall

The renovation of the office space is complete and is ready for use. All contractors' work was inspected and approved. We are waiting for the computer equipment to arrive.

White House

The exterior of the building was pressure washed.

In response to Trustee Cohen's inquiry, it was confirmed that there is an elevator at the White House. It is used more as a lift and maintained on a monthly basis. The vendor does not have an appropriate

GOVERNMENT EMPLOYEES RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

July 23, 2020

size elevator for the White because the contractor built the elevator based on the drawings of the architect considering that the building is historic.

Rental and Electricity Collections – Exhibit A

	June 2020	Total FYTD	Arrearages
Rental	\$58,893.28	\$568,787.63	\$100,688.00
Electric	<u>15,764.62</u>	<u>430,865.44</u>	<u>119,301.60</u>
Total	<u>\$74,657.90</u>	<u>\$999,653.07</u>	<u>\$219,989.60</u>

	June 2020 Collection		Rental Year-To-Date Collection for FY 2020	Electrical Year-To-Date Collection for FY 2020	Total Year-To-Date Revenue Collection	Rental Arrearage	APPROVED RENTAL DEFERMENT	Electrical Arrearage
	Rental Collection	Electrical Collection						
Department of Justice	\$ 37,063.00	\$ -	\$ 259,441.00	\$ 278,876.39	\$ 538,317.39	\$ 74,126.00		\$ 80,159.48
Division of Personnel	-	13,310.61	79,136.64	123,508.14	202,644.78	-	52,757.78 April-July 2020	38,496.76
FirstBank	290.00	103.82	2,610.00	1,098.90	3,708.90	-	-	-
Ophthalmology Consultants, LLC	6,365.40		57,289.00	-	57,289.00	-	-	-
Plessen Eye, LLC_ADMIN			31,840.68	-	31,840.68	16,037.12	-	-
Plessen Eye, LLC_ADMIN STORAGE	580.00		2,493.97	-	2,493.97	1,740.00	-	-
Plessen Eye, LLC_ASC	8,784.88		43,668.52	-	43,668.52	8,784.88	-	-
ResCare (JobCorps)			13,206.32	5,331.71	18,538.03	-	-	645.36
VI Housing Finance Authority	5,810.00	2,350.19	58,100.00	22,050.30	80,150.30	-	-	-
VI Casino	-	-	21,001.50		21,001.50	-	-	-
Total income Received	\$ 58,893.28	15,764.62	568,787.63	430,865.44	999,653.07	100,688.00	52,757.76	119,301.60

The Department of Justice receives from GERS monthly updates about their default payments. It was suggested by Trustee Smith to set up a meeting with Department of Justice (DOJ) to discuss default payments since GERS has not received a response from DOJ.

Committee Reports

Investment Committee – Chairman Callender - No Report. (b). Development Committee -- Trustee Leona Smith – No Report (c). Medical Committee Report – Chairman Callender – The committee has scheduled various hearings to be held within the next 60 days (d). Budget Committee Report – Trustee Bowry – No Report. (e). Policy Committee Report – Trustee Callwood – The Policy Committee will

GOVERNMENT EMPLOYEES RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

July 23, 2020

be submitting a recommendation to adopt the Board Governance Policy manual and it will be presented to the Board.

Treasurer's Report

Total Collections for June 30, 2020 is \$13.9M and FYTD is \$137.3M and Total Disbursements for June \$23.8M and FYTD is \$218.3M a Net Cash Deficit of \$9.9M and FYTD is \$ 80.9M.

A motion was made by Trustee Callwood and seconded by Trustee Smith to accept the Treasurer's report. The motion passed with 4 Yes (Callwood, Cohen, Smith, and Callender), 1 not voting (Bowry), 1 absent (McDonald), 1 excused (Liger).

Investment Officer's Report

Glenville Henderson, Investment Analyst was not available. Therefore, Administrator Nibbs recommended to proceed to regular session so that Meketa Investment Group representatives can make a presentation of the second quarter portfolio performance. Administrator Nibbs recommendation was acknowledged and the Board agreed.

Regular Session

A. New Business

i. 2nd Quarter Portfolio Performance -Meketa Investment Group

Topics discussed were

- Economic and Market Update
As of July 22nd the S&P 500 recovery continues and up 2.5%. Experts predict the US employment rate will continue to increase until the end of the year.
- Cash Flow Summary
In summary, pensions funds cannot sustain themselves when withdrawals are high. GERS has had an imbalance for years and will become unsustainable if such approach continues. (Ref: Pages 34-36 – Meketa Presentation)
- Retirement System Summary
From years 2012-2019, GERS' Asset Class Performance, Trailing Net Performance, Calendar Year Performance and Fiscal Year performance, has been strong (Ref: pages 40-43 – Meketa Presentation)
- Market Funds
GERS demonstrates strong performance in stock and bonds and at a very low cost at 7bsp (Ref: Page 44 – Meketa Presentation). GERS' equity funds of Mesirov Financial Partnership Fund for year 2006 shows a strong fund performance of 12.6% and in year 2009 of 18.6%. (Ref: 56 – Meketa Presentation)

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MINUTES BOARD OF TRUSTEES REGULAR MEETING**

July 23, 2020

ii. Insolvency Contingency Plan

The Board of Trustees discussed their thoughts about an Insolvency Contingency Plan.

Trustee Bowry recommended that GERS needs to develop a plan to address insolvency as a Board. The Administrator stated that Senior Management, as a group, has brainstormed ideas at Senior Management meetings to prepare for insolvency. Mr. Nibbs recommendation to the Board to establish a working committee comprised of Board members to look at the problem of insolvency from a financial perspective and that it should be the main topic at the Board of Trustees Retreat. Senior staff has been looking at budget cuts, personnel, and training people to do different jobs – this is a topic that will need to be researched further because of the Unions. Senior management will make recommendations and submit them to the Board of Trustees thru the Administrator. GERS has discontinued recruiting and staff has been informed at general staff meetings the consequences of the system going to insolvency. The Chairman requested Trustee Bowry to be the Chair.

It was commented that obtaining Board of Trustees members' D&O insurance has been difficult for GERS because the insurance companies are concerned about the agency's possible state of insolvency. Therefore, GERS is looking at creating a self-insurance fund.

A motion was made Trustee Cohen and seconded by Trustee Bowry to approve the new Board governance policy. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald), 1 excused (Liger).

A motion was made to amend the agenda to add a discussion on pending legislation on Bills 33-315 and 33-0338. Motion was moved by Trustee Bowry and seconded by Trustee Callwood. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald), 1 excused (Liger).

iii. Pending Legislation on Bills 33-315 and 33-0338

Bill 33-0338 refers to amending the code to give legislative approval before the Board Trustees implements any policies that would affect the employees. The Bill affects any matters that the Administrator presents to the Board of Trustees in connection to changes in policies; it impacts the Board of Trustees' fiduciary responsibility to manage the agency and perform their duties to the best of their ability. Therefore, it was recommended to submit a letter to the Governor and request Bill 33-0338 to be vetoed because the Bill is an infringement on the Board of Trustees authority. Board Counsel Williams suggested to the Board to prepare for a challenge because the Senators may override the vetoed and then the Bill becomes the law. The Board will then need to decide whether or not it will comply with the law and their fiduciary duties because both bodies (Board of Trustees and Executive Branch) may be at odds.

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
MINUTES BOARD OF TRUSTEES REGULAR MEETING**

July 23, 2020

Bill 0315 is a Special Legislation presented by Senator Sarauw whose father currently has an appeal before the Board of Trustees. GERS will submit to the Legislature a short response to the Bill. GERS never had to recalculate any pensions before. However, if someone returns to work and does not advise GERS, then the party is advised that their annuity has discontinued. Active members can not collect annuity and a salary at the same time. Another example is empty NOPAS which occurs when a person retires, and they receive a retired NOPA at a higher salary because it was negotiated but the person never received the money and GERS never received the contributions. If the legislation passes, GERS will be dedicating their time recalculating annuities for all retirees.

Motion was made by Trustee Bowry and seconded by Trustee Cohen 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. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald), 1 excused (Liger).

Executive Session

Motion was made by Trustee Bowry and seconded by Trustee Cohen to come out of Executive Session. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald), 1 excused (Liger).

Regular Session

Privileges of the Floor.
None.

Motion was made by Trustee Smith and seconded by Trustee Cohen to adjourn the meeting. The motion passed with 5 Yes (Callwood, Bowry, Cohen, Smith, and Callender), 1 absent (McDonald), 1 excused (Liger).

Adjournment.

The meeting was adjourned at approximately 12:32pm.

The minutes were transcribed from the recording by Zaida Castro, Executive Assistant to the Administrator.



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