

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

**St. Thomas/St. Croix via Zoom  
Thursday, March 26, 2020  
9:30 am**

**\*\* AGENDA \*\***

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Secretary's Minutes (Regular: 02/27/2020)
- V. Communications and Correspondences
- VI. Chairperson's Report
- VII. Administrator's Report
- VIII. Committee Reports
- IX. Treasurer's Report
- X. Investment Officer's Report
- XI. REGULAR SESSION
  - A. New Business
    - (i). Approval of a 150KW Kohler Generator Equipped with 4S12X Alternator 120/208 Volts Rated For 154kW/193kVA to Service the IT and Payroll Departments
    - (ii). Update on GERS Coronavirus Protocol
    - (iii). Meketa Investment Group – Portfolio Update
    - (iv). Segal Presentation – Coronavirus Effect on GERS Solvency
    - (v). Presentation - Havensight Mall Merchants Association
    - (vi). Approval of the FY 2020 Budget
- 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***
  - A. Unfinished Business
    - (i).
- XIII. Privileges of the Floor
- XIV. Adjournment

**GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM**  
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**I. Call to Order**

The GERS Regular Board of Trustees Meeting on March 26, 2020 was called to order at 10:19a.m. The meeting was held in the St. Thomas conference via Zoom.

**II. Roll Call**

All Trustees in attendance except Trustee Liger, Smith and McDonald

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

Also, in attendance were Pedro Williams, Board Counsel. A stenographer was not present at this meeting. The secretary's minutes were transcribed from the Zoom recording of the meeting.

**III. Comments and Suggestions from Retirees**

No Retirees were in attendance. Administrator Nibbs recommended, since the Board will be having future meetings thru via zoom, that the Board develops a protocol or a policy addressing how to communicate with members and retirees. The Policy Committee will work on this recommendation.

**IV. Secretary Minutes (Regular: February 27, 2020)**

*A motion was made by Trustee Callwood and seconded by Trustee Cohen to approve the secretary minutes for the February 27, 2020 Regular Board Meeting session. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).*

*A motion was made by Trustee Bowry, as recommended, to amend the agenda to start with the presentations from Meketa Investment Group (item Regular Session: XI.A.iii) followed by Segal presentation (item Regular Session: XI.iv) and it was seconded by Trustee Callwood. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).*

**Meketa Investment Group – Portfolio Update by Gustavo Bikkesbakker and Leondro Festino**

The purpose of Meketa's presentation by Leo Festino and Gustavo Bikkesbakker is to provide a status of the world markets based upon the recent events of the Coronavirus Pandemic. The market is reacting very negatively since February 19, 2020 but the System (GERS) is in a good position to withstand these market environments because most pension funds have 40% (Bonds) and 60% (Equity) and GERS has a much lower weight. With respect to GERS advisor, Meketa is in a good position. The company has the right resources, technology, all employees are healthy, and everyone is working remotely. Meketa is sound financially and has no debt.

Administrator Nibbs asked if the estimated \$70M in domestic equity that GERS has should it be preserved, or should it be moved to cash? Mr. Festino replied that Meketa has a plan (Dynamic Asset Allocation) in place for liquidating. In these moments the #1 issue is access is to liquidity. For the USVI, currently that is not an issue because Meketa has been working on plan since 2016. Meketa is going to continue within that plan to accelerate liquidity because the money from the plan sponsor are being reduced. However, there is a timetable that has been shared with the Board if GERS is heading for a tough landing.

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Mr. Henderson provided the following numbers regarding the current assets; total plan assets are about an estimate \$607M. Nonlocal assets are about \$489M, of which \$476M is in marketable securities, which is about two more years of liquidity. The GERS has approximately \$476M in liquid assets, of which \$336M is in fixed income, \$40M is in equities, and \$100M is in cash. Total local and liquid assets is \$131M, of which \$118M are local assets, and \$13M in Private Equity.

Trustee Bowry mentioned that his concern is, based upon having two years of funding, that GERS's timetable for liquidating assets/investments may be shorten if the Government of the Virgin Islands (GVI) does not pay its contributions. The Board needs to be fully advised by the investment consultants as to the timing of liquidation of the assets, especially when it comes to equity.

Mr. Festino re-confirmed that Meketa has a process in place but to identify the timing to execute the liquidation of assets is difficult. If the cashflow situation changes, Meketa will revisit the model and see what changes can be made, keeping in mind that GERS has money in the bond index fund. Mr. Henderson mentioned that some assets have been liquidated already such as Carambola, VI Finest and received cashflow from them. The other assets are land, office complexes, Havensight Mall and Kazi loan.

**V. Segal Presentation – Coronavirus Effect on GERS Solvency by Aldwin Frias and Rocky Joyner**

The updated projections are based on the new contribution rate effective January 1, 2020 which is 23.5%. The projected insolvency is going to be the same; between years 2023 or 2024. The biggest challenge for GERS is whether GERS will be able to collect contributions from the government and its employees. Once GERS run out of money the question is how much benefits GERS will be able to pay. This depends on how much contributions GERS will be getting from the Government.

*On page #2 of Segal Presentation:* Assuming that GERS will be able to receive employer and employee contributions, GERS can expect to pay full benefits. But once the money runs out, GERS will have the same level of contributions coming in from both employer and employee, the level of benefits GERS will be able to pay will be \$.45 on the dollar. For example, if a person is receiving \$1,000 per month; their payment will go down \$450. Contributions are expected to go up and the benefit may go down as more retirees are coming in from the Tier II group instead of the Tier I group.

Attorney Smith asked if Segal kept the payroll under the same amount for the presented scenario? Aldwin agreed that such action will impact GERS. GERS will get a reduction to the system and an increase to benefits; this happened in 2011 when people were laid off and contributions went down and that had a negative impact on GERS. Therefore, GERS can run out of funding between 2022 and 2024. GERS will need to have a plan in place to determine how to adjust the benefits with the amount of contributions coming in and the amount of assets going down to zero.

*On page #3 of Segal Presentation:* It addressed the subject of taking money from actives. The money is to pay other people's benefits. If GERS were only relying on Government contributions, paying benefits will drop under 30% in probably in 2025. If the GVI cannot make contributions, then GERS will run out of money in two years.

Trustee Bowry asked about the legality regarding the policy addressing the condition of employment; the employee must contribute to the system, but the system is going to be insolvent in two years. Board Counsel Pedro Williams confirmed that is what the law provides. GERS is only complying with the law. Unless a mandate from Legislature changes, GERS has no choice. GVI has an obligation to pay and GERS collects the monies or until someone challenges it and the court chooses an injunction not to accept any contribution

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from the person's salary. Attorney Smith added that the law does not alleviate the GVI from a liability. They made a promise, it's a contract to the employee.

Trusty Bowry made a recommendation to the Board for Segal, to make a couple of scenarios to show that GERS has explored different angles to soften the landing of the system. Rocky Joyner confirmed that an analysis can be done and recommended to make an analysis to show, for example, if GVI can't pay contributions, show a lower amount such as paying 75% instead of 100% and see how much that will extend insolvency out. Aldwin recommended to define a formula to make the scenario equitable based on the contributions. Trusty Bowry requested Seagal to share those examples with the Board. Attorney Smith and Rocky Joyner will look into some examples.

Board Counsel, Pedro Williams, mentioned that in October the Board did take a vote that if the GVI does not do anything, the Board will institute a 45% reduction. The Board instituted that move in the hope that the Governor would tackle the issue immediately. GERS met with GVI officials', but nothing was done. The Board was hoping that the Governor and the Legislature would come together and agree to reduce the annuity payments. The Board has legal authority to do that reduction. However, Senators and the Governor agreed not to have any reduction in annuity payments. Additionally, the Board of Trustees already passed a resolution recommending the 45% cut. Assuming, once reviewing the scenarios by Seagal, there are different results, it's a matter of revisiting the resolution and making changes. Attorney Smith reminded the Board, that under VI Code, GERS is only to pay for benefits that have been funded. Technically, no retiree has fully funded their benefits, using that provision of the code, GERS can cut the benefits to the ADEC. The ADEC is 67% since October 1, 2018 and contribution (GVI portion only) is 23.5%.

**VI. Communications and Correspondences**

The Administrator read into the record:

1. First Bank Advice of Credit - \$5M was provided to GERS via Court Order regarding what GVI owed GERS missing employer contributions based on RSM's Report from January 1, 2010 – December 31, 2018. This amount does not include interest.
2. Letter from McCloskey, Mulet & Bonnin Appraisers, P.S. C. - Dated March 3, 2020 –requesting information about property appraisals for Estate Coakley Bay, Estate Hoffman/Nullyburg Properties.
3. Memorandum from the Office of Management and Budget requesting information for the Budget Hearing for FY 2021. The due date to submit the information is April 6<sup>th</sup> but GERS may not meet the deadline due to the Executive Order established to the Governor of the Virgin Islands.
4. VI Legislature – E-Mail from Senator Alicia Barnes Office dated March 12, 2020, regarding removal of Bill #330276 which has been deleted from the March 20, 2020 Hearing and attendance is no longer needed.

**VII. Chairperson's Report**

On March 9, 2020 a letter was sent to various media regarding GERS issues and the Consortium is the only media that printed the letter. The Chairman attended the Townhall meeting on March 12, 2020; the staff did a wonderful job and the presentation was comprehensive. However, members still were complaining about the bad investments made by the GERS. Chairman Callender shared that the last time that the plan sponsor provided a recommendation for contributions was in 1995. The plan sponsor's contribution percentage has progressively decreased to 36% in 2018. Between 2018 the System was underfunded by more than \$1.7M. The system now has a funding level of about 23% and it's the lowest funded system in the US when a healthy system should be at least 80% funded. In year 2006, the VI Legislature passed a bill allowing the Board to engage in high risk investment. For example, GERS invested in Carambola, but it started to lose money. Chairman Callender expressed his appreciation and thanked GERS' consultants and will keep reminding the

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members that it is the responsibility of the plan sponsor to fund the system. Trustee Bowry requested a copy of the Chairperson's report.

**VIII. Administrator's Report**

March 9<sup>th</sup> – Attended GERS vs. GVI evidentiary hearing

March 10<sup>th</sup> – Presented to the St. Croix Retiree Group

Attended the Town Hall Meeting in St. Croix

March 12<sup>th</sup> - Participated in the Board's Budget Committee meeting

Attended the Town Hall Meeting in St. Thomas

March 13<sup>th</sup> – All Staff Meeting

March 17<sup>th</sup> – Met with an RTW retiree regarding outstanding obligations to the GERS

March 18<sup>th</sup> – Met with the Havensight Mall tenants

March 24<sup>th</sup> – Attended Pre-Bid meeting regarding the RFP for Roofs

repairs/replacement for Havensight Mall

March 25<sup>th</sup> – Appeared on Redfield's Show

Attended GERS/WICO transition meeting

2). No updates on Act. No. 7261 VIESA (recalculation of salary increases) and Act. No. 7128 (sick and excess annual leave).

3.) Retirees Applications. Pending from 2013-2020 – 175; pending applications are due to missing NOPA's or retirement NOPA's.

4.) Refunds. Cases completed from 10/1/19 – 2/28/2020 – 333 and 105 pending - \$3.7M totaling / \$3.4 Non-vested cases

5.) Death Benefits. Cases completed from 10/1/19-2/28/2020 – 31 (Totaling \$1.1M), Pending cases are 68.

6.) Life Certificates dated January 31, 2020 were sent out. Of the 96 certificates sent to retirees residing in Puerto Rico, Caribbean and International; 45 were validated; 51 are pending receipt of the life certificate. Regarding duty and non-duty disability, 235 letters were sent out – 22 were validated and 213 are pending life certificate.

7.) Annuity Payments. On 3/15/2020 there were 8,712 retirees on the payroll. The cumulative amount paid out from 10/1/2019-3/15/2020 is \$117.1M (with pensioners). Retirees added to the payroll 10/01/2019 through 3/15/2020 - 155; the number of retirees added to the payroll for 3/15/2020 is 13; Number of retirees expected to be placed on March 30, 2020 payroll is 24; Deleted (Deceased) 132 as of 10/1/2019-3/15/2020. Gross Retiree payroll for March 15, 2020, was \$10.7M.

8.) Loan Portfolio. At 2/29/2020 – Personal Loans 3,734 and mortgages 92. By 2025 all personal loans terms would have expired. The amount in the total loan portfolio is \$44.7M.

11.) St. Croix Complex – three estimates received for trash dumpster enclosure; awaiting estimates for security guard roof; routine maintenance continuing

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12.) St. Thomas Office Complex – Exterior wall on East elevation 90%; steel columns primed and coated; East side gutter has been replaced; received quotation for north flat roof and pending decision; main and secondary transformer is leaking, and both have been replaced.

13.) Rental Collections in February 2020 is (\$177K) and FYTD (\$667K). Arrearages is \$69K. Ms. Clendinen Gumbs will submit arrearages received after February 29, 2020 to Mr. Nibbs and it will be shared with the Board.

Trustee Clendinen (Director of Division of Personnel) requested from Administrator Nibbs the period that the 3.4M was paid to non-vested members the amount of non-vested members. Mr. Nibbs will submit this information to Trustee Clendinen. **Answer is 228 – for period October 2019 – February 2020. See # 4 above – 333 less 105. The number includes central government and autonomous agencies. For period January 1, 2020 – February 29, 2020 – 86.**

Regarding Life Certificates (Non-Duty Disability), it was confirmed to Chairman Callender that GERS will hold checks until there is evidence that the member is still alive. In compliance with the VI Code, the person will need to submit evidence about source of income such as tax return.

Trustee Bowry ask for an analysis regarding pending applications. Most cases are that the employee has contributions or the employer has not paid contributions. Juan Luis Hospital, for example, are paying current deductions. However, the challenge with JLH is they do not have the money to pay employer contributions; they are focus on operations. According to Ms. Jeremiah, CFO, when GERS met with JLH, it showed that most of their payments have been met. However, it's the data to upload that is the problem. GERS can't post if they can't upload the data which is the major issue right now. JLH is recreating files so that they can reconcile with GERS.

**IX. Committee Reports**

a. Investment Committee — No Report (b). Development Committee — Trustee Leona Smith - No Report (c). Medical Committee Report – The March 23, 2020 meeting was postponed (d). Budget Committee Report – Chairperson Trustee Bowry– The Committee received the 2020 Fiscal Budget and met on March 12, 2020. Other Trustees present were Chairman Callender and Trustee Smith as well as members of the Administrator's Senior Management team . The Budget Committee is prepared to present to the Board a motion for the FY 2020 Budget. (e). Policy Committee Report – Trustee Callwood – The Committee will be scheduling a meeting in short order to finalize items such as the Board of Trustees Manual and creating a policy for meetings via electronic means.

**X. Treasurer's Report**

The Treasurer's Report for the month ending of February 29, 2020 was presented and read into the record by Denise Jeremiah, CFO. Total Collections for February 2020 is \$14.4M and FYTD is \$71.5M and Total Disbursements for February \$25.5M and FYTD is \$122.6M; a negative Net Cash Deficit of \$11.1M for February and FYTD is \$51.1M.

*A motion was made by Trustee Cohen and seconded Trustee Callwood to approve the Treasurer's report. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).*

**XI.** Investment Officer's Report – The Investment Report was presented by Administrator Nibbs. Total Plan Return is 0.0% for the month; Total Equity returned is -8.1% for the month and outperformed its benchmark by 10bps; Total Fixed Income is 1.5% return and underperformed its benchmark by 30bps; Total Alternatives

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is -0.1% return and outperformed its benchmark by 790bps. For the monthly cashflow update the month ended in February with \$582M; no funds were raised in February; plans are to raise \$22M for the month of March; The beginning market value is \$582,178,581; Net Cash Flow is 0; Income is \$295,166 and a loss of -\$433,084 and the ending market value is \$582,040.663. The notable fund performance for Russell 1000 Value is -9.7% with index return of -8.2%; Pugh Capital returned is 2.0% and outperformed its benchmark by 17bps; US Dept index return is 1.8%.

**XII. REGULAR SESSION**

**A. New Business**

**i. Approval of a 150KW Kohler Generator to Service the IT and Payroll Departments**

The main generator at GERS got damaged due to water during Hurricane Irma and Maria and GERS was unable to operate, especially the V3 system. Then GERS formed a Disaster Recovery Committee and it was recommended to have a back up generator. First Bank generator was located on the South side of the building however, GERS was not granted permission to use it by DPNR because GERS was unable to obtain the old permit. Also, the cost to retrofit the generator was expensive. Therefore, quotes were secured to provide backup generators for Payroll / Accounting, and IT-these are the units that are very critical for the operations of the agency. The company, during an on-site visit did a load balance and they are recommending a 150KW to support these sections. The quote is for a Kabuta 150KW for \$29,895 to support a partial load requirement which includes delivery by crane to GERS site; it does not include installation.

According to Mr. Terence Thomas, two reason for a partial upload is because the current generator is at near capacity. It was installed in 1997. The second reason is having a second generator will allow IT/Payroll/Accounting operations to continue independently of the first generator in the event it fails. During Hurricane Irma and Maria, IT shutdown the network and other systems when the generator needed to be refueled and this impacted various network operations.

Trustee Bowry asked if it may be more cost effective to invest in a second generator that carries the entire system as oppose to a partial load. Mr. Thomas explained that it will require to find a location for the generator because of size and space. Second, having a second generator gives GERS an additional layer of protection in case the main generator breaks down. To replace the old generator, GERS will need to purchase a 1.5 Mega unit which is very large in size. Another issue is that this expense is not in the budget. However, the Administrator can expend \$30,000 outside of the approved budget. Trustee Bowry recommended to look at the FY 2020 budget for \$29,895.00.

As recommended by the Budget Committee Chairman, Trustee Bowry, the Administrator and his Senior Management team is to identify \$29,895 in the current approved FY 2020 Budget to support the purchase of the Kabuta 150KW generator or another option is within the Administrator's authority, proceed to expend up to \$30,000.00; keeping in mind that the FY 2020 budget will not increase to support this purchase. No approval was needed by the Board of Trustees at this time. However, with electrical and installation the amount may increase to \$60T within the capital budget. Mr. Nibbs will submit budget actuals projected until June and present the results to the Board of Trustees.

*A motion was made by Trustee Bowry and seconded by Trustee Cohen to approve the purchase of the Kabuta 150KW generator for the purpose of providing load for the Accounting/Payroll and IT units of GERS*

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*in the event of a catastrophe in the amount of \$29,895 to be expended from the FY 2020 Budget. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).*

Trustee Bowry requested a listing of what Capital Projects has GERS not yet started and what projects can be postponed. According to Ms. Clendinen Gumbs, the projects the of Exterior, AC and the Northern Roof, Fence at Nulleyberg has started. The projects that have not started are Tiling, Tinting, Lobby, Security Cameras, and Transformer. Administrator Nibbs will reunite with his team to decide what projects will move forward and those that will be postponed.

ii. Update on GERS Coronavirus Protocol

Reported by COO, Clendinen Gumbs – Prior to the Executive Order, the GERS had contacted different vendors for supplies to secure for staff. The Maintenance crew increased the number of times the custodial staff disinfected high frequent touched areas. GERS held meetings with management staff and were advised of a two-day remote working plan with Friday being closed. However, because of the Executive Stay Home Order, this plan was suspended, and the staff is coming in for two days. Those that can work remotely can do so. On the first floor there are drop mailboxes so to avoid in person services. An e-mail was created ([customercare@usvigors.com](mailto:customercare@usvigors.com)) so that persons can contact us. The payroll was completed early, and Member Services was slated to put almost 25 people in the Annuity Payroll listing but got about 15 people on. CFO Jeremiah reported that Accounting got to add about 22 to the April payroll.

- iii. Presentation – Havensight Mall Merchants Association – No one from the Association was present. On March 18<sup>th</sup> the Oversight committee met, and many issues were discussed such as malfunctions of the generator and adding more speed bumps. Some stores have closed for two weeks and restaurants were closed. United States Postal Service remains open. The main discussion was rent payment or reduction. The Association is looking for rent abatement from May to October. Most tenants do not have Business Interruption Insurance policy. This topic will be discussed further at Executive Session.

iv. Approval of the FY 2020 Budget

A motion was made by Trustee Bowry and seconded Trustee Callwood to approve the GERS Operating Budget in the total amount of \$14,717,845 and the Capital Budget in the amount of \$4,698,164 for the FY ending September 30, 2020, for a Total FY 2020 Budget of \$19,416,009 for the purposes specified.

*The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).*

A motion moved by Trustee Cohen and seconded by Trustee Bowry to go into Executive Session. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent (Liger, McDonald, and Smith).

**XIII. EXECUTIVE SESSION**

A. Unfinished Business

A motion moved by Trustee Bowry and seconded by Trustee Cohen to come out of Executive Session. The motion passed with 4 Yes (Callwood, Bowry, Cohen, and Callender), 3 Absent



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*(Liger, McDonald, and Smith).*

**XIV. REGULAR SESSION**

A motion moved by Trustee Bowry and seconded by Trustee Cohen to approve 2 month deferred rent to the Havensight Mall tenants without penalty and interest, and review thereafter on a month to month basis.

The motion passed with 3 Yes (*Bowry, Cohen, and Callender*), 1 not voting (*Callwood*), 3 Absent (*Liger, McDonald, and Smith*).

**XV. PRIVILEGES OF THE FLOOR**

None

**XVI. ADJOURNMENT**

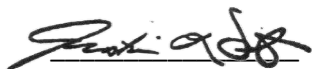
A motion moved by Trustee Bowry and seconded by Trustee Callwood to adjourn the meeting.

The motion passed with 4 Yes (*Callwood, Bowry, Cohen, and Callender*), 3 Absent (*Liger, McDonald, and Smith*).

The meeting adjourned at approximately 3:09pm.

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

Reviewed by:



Austin L. Nibbs, CPA, CGMA  
Secretary/Administrator/CEO