

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

**St. Thomas GERS Conference Room
Thursday, March 17, 2016
9:30 am**

**** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Secretary's Minutes (Regular 01/21/16, Special 02/01/16, Special 02/26/16)
- 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 include Passport Card as an item that can be used when applying for a Service Retirement Annuity
 - B. Unfinished Business
 - (i). Red Legacy Due Diligence
- 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). Legal Matters
- XIV. Privileges of the Floor
- XV. Adjournment

**Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, March 17, 2016**

The Regular meeting of the Board of Trustees was held at the St. Thomas (STT) Conference Room and by videoconferencing (VTC) from the St. Croix (STX) Boardroom. The meeting was called to order at 9:38 am. At roll call, all Trustees were present except Desmond Maynard who arrived late.

Staff in attendance in STT: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Nikia Coley, Administrative Assistant to the Board, Bruce Thomas, Investment Officer, Charmaine Antoine, Internal Auditor, Ishmael Meyers, Jr., Assistant General Counsel, Grasilda Dobbins, Chief Financial Officer, Evelyn Venner Potter, Chief Operating Officer, Lorraine Gumbs Morton, Public Information Officer and Kinila Callender-Paige, Communication Specialist.

Also present were: Attorney Namosha Boykin representing the Law Office of Pedro K. Williams, Board Counsel and Desiree Hill, Stenographer. A reporter from The Source and the V.I. Daily News were in attendance in STT, as well as, AARP (Virginia Dargan).

Comments and Suggestions from Retirees.

Patricia Oliver requested to speak as an active member. Based on the statute only retirees can speak at Board meetings. She was asked to send her concerns in writing. Phyllis Nielsen asked if a retiree can receive an advanced payment (partial payment) on his/her annuity until payments are received from the plan sponsor. The Administrator responded that the statute does not permit the GERS to pay an initial annuity until all outstanding contributions are received. Urman Fahie made a comment on the statement in the Inspector General's Report regarding lack of due diligence. The Administrator responded by listing the steps and procedures that are in the Alternative Investment Program Investment Policy. He indicated that the steps may not have been followed in chronological order, but no investment is approved by the Board without due diligence being performed.

There were no retirees present in the St. Thomas office.

Secretary's Minutes.

Motion made by Trustee Smith and seconded by Trustee McDonald to accept the secretary's minutes for the Regular meeting-January 21, 2016, Special meeting-February 1, 2016 and Special meeting-February 26, 2016. Motion passed 6 yes, 1 abstain (Maynard).

Communications and Correspondences.

The Administrator read into the record: 1). Letter dated January 22, 2016 from Senator Myron D. Jackson requesting GERS's preview on a proposed Bill to amend the retiree election of a spouse as a beneficiary. GERS opposed the proposed amendment in letter dated February 10, 2016. 2). Letter dated February 5, 2016 from Dr. David Hall, President of UVI inviting the Administrator to the May 2016 commencement exercises. 3). Letter dated February 8, 2016 to Maureen G. Venzen, Chief of Group Health Insurance regarding moving GERS's loan deduction as a priority over the health insurance deduction. 4). Memorandum dated February 10, 2016 to Heads of Departments regarding employees compensated on a contractual fee or per diem basis. 5). Memorandum dated February 10, 2016 to Heads of Departments regarding retired members returning to service. 6). Letter dated February 15, 2016 from Milton E. Potter, Director of Personnel regarding a number of initiatives that the Group Health Insurance is pursuing. 7). Letter dated February 10, 2016 to Senator Kenneth L. Gittens in response to his letter dated February 1,

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2016 forwarding written testimony in opposition of Bill No. 31-0244 which would make the first four (4) years of a magistrate service equivalent to six (6) years as a judge. 8). Letter dated March 3, 2016 from Senator Clifford F. Graham inviting GERS to provide testimony on Bill Nos. 31-0289 and 31-0301. 9). Letter dated March 3, 2016 from Senator Novelle E. Francis, Jr. requesting GERS' correspondences sent to the Executive Branch in regards to Act No. 7261 – relating to the appropriation of funds from the Internal Revenue Matching Fund. Response letter dated March 10, 2016 to Senator Francis forwarding the items requested.

Chairperson's Report.

The Chairman made comments: 1a). Met with the Governor and the WICO Board. b). (i) Governor stated that he will send down legislation to increase the GERS Board members from 7 to 9. (ii). He will invest a financial instrument of \$15 million through PFA for GERS. (iii). He will offer financial assistance through the PFA to GERS for the renovations to the Havensight Mall. (iv). He is concerned about Carambola. The Chairman further stated that: 2). The Investment Managers annual meeting was successful. 3). He will appoint two separate committees for the refurbishment of the Havensight Mall. 4). He was able to get another doctor for the Medical Review Committee. He is waiting for a recommendation from GRUFF. 5). The Board's response to the Inspector General's Report was submitted. 6). A letter was sent to WICO regarding GERS Board approved \$1.6 million for Phase I renovations and request for a master plan for the renovations of the Havensight Mall. 6). He received an invitation to attend Committee on Finance hearing on March 21, 2016. He will be off island. The Administrator and the Investment Officer will attend.

Administrator's Report.

The Administrator reported significant items: **Appearances and Meetings.** 1). January 25th – Met with VI Finest Foods team, (principals, contractor, architect, attorney) and Jaredian to discuss the progress of the construction. Grand opening is expected to be around July 4th. 2). January 26th – Met with Congresswoman Stacey Plaskett and her staff. She was interested in any assistance her office can give regarding GERS unfunded liability. 3). March 21st - Invited to appear before the Committee on Finance to testify on:

- Bill No. 31-0289 – Loan Program. An Act amending title 3 Virgin Islands Code, Chapter 27, Section 717 and Chapter 28A, Section 766 relating to personal loans issued to GERS members by requiring the GERS to issue personal loans to members in an amount not to exceed \$10,000.00 and requiring that the personal loans issued not exceed the aggregate amount of \$5 million per annum per district and by making a technical amendment. We have received an amendment to increase the maximum annual allocation to \$15,000.00 (\$10,000.00 active members and \$5,000.00 retired members) per district for a maximum annual allocation of \$30,000.00 for personal loans
- Bill No. 31-0301 – Lonesome Dove. An Act authorizing the incorporation of a public corporation, as a subsidiary of the Government Employees' Retirement System, to receive, hold and manage the shares of Lonesome Dove Petroleum Company and to provide for the disposition of any income realized from the shares and for other purposes.

4). **NOPA Project.** Overall project is 58% completed. 98% of the autonomous agencies are completed and 92.3% or 36 of the 39 central government agencies are completed. The Division of Personnel (DOP) continues to work with GERS to get the project completed. The work on the annual statement is ongoing. The objective is to produce the annual statements for Tier I employees (autonomous agencies and central government departments) that are more than 90% completed. Tier II employees annual statements will be issued at a later date because of the recent legislative changes. V3 will have to be reprogrammed for the Tier II changes. The goal is to have the Tier I annual statements through December 31, 2015 issued by July 1, 2016. 5). **V3 Update.** As of March 12, 2016 there are 150 issues with the GERS for action in various forms. 55 are Critical, 55 are High, 34 are Medium, and 6 are Low. Some online training was done. Onsite training schedule is being developed with Vitech.

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6). Missing Contributions Retiree Payroll. Through March 15, 2016 payroll, of the 218 retirees (updated) who retired between May 2012 and December 31, 2014, there are 8 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 \$42,466.68. Receipt of the final NOPAs and retroactive annuity payments 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.

7). Annuity Payments. a). October 1, 2015 – February 29, 2016 - \$99,815,452.48 w/pensioners. b). Number of retirees added to the payroll for the October 15th – February 29th pay date: 97 c). Number of retirees/survivors expected to be placed on the payroll for the March 15th pay date: 20 retirees. d). Number of retirees deleted from the payroll from October 1, 2015 – February 29th: 10. e). Number of retirees added to the payroll for the February 29th pay date: 11. **8). Retiree Applications.** Number of retiree applications received January 1, 2015 –December 31, 2015: 299 (STX 150, STT 149). Number of retiree applications received January 1, 2016 to present (March 15th): 25 (STX 7, STT 18) –Includes both autonomous agencies and the central government. **9). Juan F. Luis Hospital and Medical Center (JFLHMC).** No changes since last report. Waiting for a response from the JLHMC's Board regarding our offer of \$200,000.00 per month until all missing contributions are paid off. **10). Virgin Islands Economic Stability Act – VIESA (ACT 7261).** There are still outstanding issues with the recalculation of 340. The outstanding Issues are being 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. **11). Act No 7128 (2010).** No change since last report. 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. **12). Missing Contributions.** No update as of last report. Based on the Segal study of missing contributions in 2011 - \$47 million. As of January 14, 2016, the amount outstanding is \$41.3 million. **13). Total Outstanding Loans as of February 29, 2016 - \$147.9 million.** Active Personal - \$103.8 million, Retiree Personal - \$36.4 million, and Other - \$7.7 million. **14). Operations – a). White House at Havensight.** The overall project is 100% complete. Waiting for an appraisal to be done so that we can determine the marketability of the building for rental. Also, there are some maintenance logistics that have to be worked out. b). **St. Croix Office Building.** We have received two proposals for corrective measures regarding the repairs of the stairs at this building. A decision has to be made regarding whether to repair or reconstruct. Jaredian Design Group will be conducting a site visit and will offer their recommendation. c). **St. Thomas Headquarters.** A proposal for the correction of fuel leaks on the generator has been solicited and approved. Currently experiencing leakages with the air handler on the second floor. d). **Other - Total Rental Income** collections for the month of February 2016 were \$27,870.25 and YTD was \$413,608.74. **Electrical Collections** for the month of February 2016 were \$32,126.97 and YTD - \$189,932.29.

Havensight Mall

The FY 2016 Capital Budget in the amount of \$1.6 million for Phase I renovations was approved by the Board in the February 26, 2016 Special meeting.

Legislation

Lonesome Dove – Bill No. 31-0301

Invited to testify on March 21, 2016.

Invitation for Bids (IFB)

No response was received from the highest bidder for the Hoffman/Nullyberg property. A follow – up certified/return receipt letter was sent out by the attorney. There was no response. We will make a decision whether to make an offer to the next highest bidder or reissue the IFB.

Committee Reports.

1). Development Committee. Trustee Smith. None.

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- 2). Policy Committee. Trustee Callwood. Submitted draft policy manual to Attorney Smith. Waiting for other proposed policies.
- 3). Budget Committee. Trustee Callender. The Budget Committee approved the FY 2016 Budget.
- 4). Medical Review Committee. Trustee Callender. Will meet shortly since there is now the required membership.

Internal Auditor's Report.

The Internal Auditor gave updates on the following: 1). March 12, 2016 was the 4th anniversary of V3 going live. 2). GERS Draft Business Continuity Plan (Testing). 3). Visited WICO on January 21, 2016 – Havensight Mall Review of Leases. FY 2015 revenues were reconciled to the WICO rent rolls. Verified A/R balances. Cash balance was reviewed. FY 2015 budgeted expenses were understated. Intercompany payables balance grew. Capital expenditures were not reconciled. 4). GERS Audit of Death Benefits. 5). Internal Audit ensuring Completeness and Accuracy for V3 Balances. 6). Catalog V3 Guided Practices & Standard Operating Procedures (SOPs).

Treasurer's Report.

Grasilda Dobbins CFO reported:

The February 29, 2016 report shows collections for the month of February 2016 in the amount of \$23,343,983.00 and disbursements in the amount of \$22,286,015.00 for a net cash surplus of \$1,057,968.00. YTD FY 2016 collections are \$68,912,976.00 and disbursements are \$113,264,906.00, for a cash deficit of \$44,351,930.00. Motion made by Trustee Callwood and seconded by Trustee Smith to approve the Treasurer's Report. Motion passed 7 yes.

Investment Officer's Report.

Bruce Thomas, Investment Officer reported: 1). The Total Plan Ending Market Value at February 29, 2016 was \$735.7million, which includes Attilanus Credit Facility, Carambola, GVI Loan, Kazi, and VI Finest and excludes the Loan Program, STT Office Complex, and the STX Office Complex. 2). No cash had to be raised for the month of February 2016. 3). **Total Plan** returned 1.7% for the month and outperformed its benchmark by 140 bps. **Domestic Equity's** returned 1.1% and outperformed its benchmark by 120 bps. **Concentrated Small Cap's** returned 3.2% and outperformed its benchmark by 318 bps. **International Equity's** returned 0.2% and outperformed its benchmark by 140 bps. **Fixed Income's** returned 1.1% and outperformed its benchmark by 40 bps. 4). Continuing to work with custodian to have comingled funds added.

Notable manager performance- Concentrated Small Caps 3.2% returned outperformed their benchmark by 318 bps, and Walter Scott's 0.5% return outperformed their benchmark by 231 bps.

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Regular Session

Approval to include Passport Card as an item that can be used when applying for a service retirement annuity. Motion made by Trustee Ross and seconded by Trustee Callwood to accept the Passport Card as a form of ID when doing business with the GERS. Motion passed 7 yes.

The Administrator requested to add to the agenda the approval of a quote in the amount of \$65,400.00 for solar light poles for Carambola Beach Resort and Spa. The expenditure was approved by the Carambola Board on March 16th. Trustee Ross objected and recommended that the Bylaws of Carambola Northwest LLC (CNWLLC) be amended to remove the requirement that any expenditure of \$50,000.00 or more that is approved by the CNW LLC Board must be approved by the GERS Board. Motion made by Trustee Callwood and seconded by Trustee Ross to approve \$65,400.00 for the solar light poles installation at Carambola. Motion passed 7 yes.

Red Legacy Due Diligence.

The Administrator recommended that since the Governor had requested that WICO and GERS collaborate on the renovation of the Havensight Mall, the Red Legacy proposal should be taken off the table. He stated the reason is because of what has transpired so far between WICO and GERS regarding the implementation of the Pickel recommendations and other potential projects on the property. Trustee Callwood stated that the GERS Board should invite Red Legacy to come back before the Board and not take their proposal off the table. Trustee Ross recommended GERS to determine the financial capability of the Red Legacy principals with the proposed financing before a decision is made on the proposal. Also, need to determine which Pension System has a relationship with the Red Legacy and the nature of their relationship.

Motion made by Trustee Callwood and seconded by Trustee McDonald to go into Executive Session. Motion passed 6 yes, 1 no (Ross).

Executive Session.

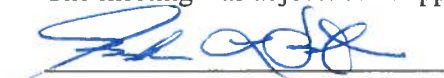
Motion made by Trustee Smith and seconded by Trustee Liger to come out of Executive Session. Motion passed 6 yes, 1 absent (Callwood).

Regular Session

Motion made by Trustee Smith and seconded by Trustee Maynard to change the May Board meeting from May 19th to May 26th. Motion passed 6 yes, 1 absent (Callwood).

Motion made by Trustee Ross and seconded by Trustee Smith to adjourn the meeting. Motion passed 6 yes, 1 absent (Callwood).

The meeting was adjourned at approximately 1:55pm.



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