

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

**St. Thomas GERS Conference Room  
Thursday, November 22, 2016  
9:30 am**

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

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Secretary's Minutes (Regular: 10/20/16)
- 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). Move the Regular Board Monthly Meetings to the 4<sup>th</sup> Thursday Effective January 2017
    - (ii). Request Legislative Change for Benefit Payments from Bi-Monthly to Monthly Effective July 15, 2017
    - (iii). Request Legislative Change to the Return to Work Provisions for Retirees
    - (iv). Discussion on Bill No. 31-0244 – Retirement Benefits Program for Members of the Judiciary
  - B. Unfinished Business
    - (i). Results of Custodian Search and Committee's Recommendation
- 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. New Business
    - (i). Proposed Purchase and Sale Agreement
    - (ii). Actuary's Recommendation to Reduce Benefits by 30% Effective January 1, 2017
    - (iii). Recommendations from Committee on Medical Review
    - (iv). Diplomat Pharmacy
  - B. Unfinished Business
    - (i). Carambola
    - (ii). Legal Issues
- XIII. Personnel Issues
- XIV. Privileges of the Floor
- XV. Adjournment

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
MINUTES BOARD OF TRUSTEES REGULAR MEETING  
THURSDAY, NOVEMBER 22, 2016**

The Regular Meeting of the Board of Trustees was held at the St. Thomas Conference Room and by videoconferencing (VTC) to the Croix (STX) Boardroom. The meeting was called to order at 9:59am. At roll call, all Trustees were present except Michael McDonald.

Staff in attendance in STT: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Lorraine Gumbs Morton, Public Information Officer, Grasilda Dobbins, and Glenville Henderson, Investment Analyst. Staff in attendance in STX: Nikia Coley, Administrative Assistant to the Board and Bruce Thomas, Investment Officer

Also present in STT were: Pedro K. Williams, Board Counsel and Desiree Hill, Stenographer.

**Comments and Suggestions from Retirees.**

In STX retiree Verdel Petersen asked two questions. 1). What is going to be the GERS Board official response if there is no \$100 million provided to the GERS? **The Board cannot respond until that time.** 2). Is there any way to verify amount of money the GVI has and if the GVI is up to date with their contributions? **The GERS does not have access to the GVI financial records. The GVI is up to date with current payroll contributions, but there are outstanding missing employer contributions going back many years.**

Phyllis Nelson asked two questions. 1). What compensation there is for being on the Board? **\$75.00 per meeting.** 2). Why don't the tenured members resign? **t Board members terms are set by statute and they serve until the Governor appoints new members. Also, if these members resign, the Board may not be able to function due to a lack of a quorum.**

Joyce Wilson asked a question why the Administrator in his testimony to the Committee on Finance is not in favor of the Sin Tax being given to retirees earning \$25,000.00 or less as a bonus, and why the Board not doing anything about it? **The Administrator opposed this because those retirees are recipients of the annual lottery bonus and the funds from the Sin Tax should go to the general fund and be available for employer missing contributions for retirees waiting to receive their initial annuity.**

Bevin Smith asked what would GERS do with the \$100 million? **Pay benefits. There is a \$150 million deficit between what is received as contribution and what is paid out in benefits and expenses.**

Rhea Hodge asked the following questions: 1). What about the Morgan Stanley case? **GERS did not pursue litigation and sold the securities on the market with no losses.** 2). What about the 30% reduction? **The matter is on the agenda and the Board will make a decision today.** 3). Deceased retirees. Are any being paid? **The System has in place various methods to determine this. Retirees residing outside of the Virgin islands and internationally have to confirm annually by signing a life certificate and having it notarized. GERS checks the obituary section of local newspapers, is notified by DOP- Group Insurance when beneficiaries apply for life insurance, inquiries to the**



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**Social Security office, and GERS has an arrangement with two stateside firms that conduct searches for deceased retirees.** 4). Should retirees take action against the GVI? No answer. 5). There were no questions from the retiree present in the STT office.

**Secretary's Minutes.**

Motion made by Trustee Smith and seconded by Trustee Callwood to accept the secretary's minutes for the regular meeting-October 20, 2016. Motion passed 6 yes and 1 absent (McDonald).

**Communications and Correspondences.**

The Administrator read into the record: 1). Letter dated September 28, 2016 addressed to the Administrator from Valdamier O. Collens, Executive Director-PFA advising of the election of Michelle M. Nico and April Moran Newland as new Directors of the West Indian Company, Ltd. 2). Memorandum from Meketa Investment Group regarding the outcome of the presidential election repercussions and expectations. 3). Letter dated November 10, 2016 to Valdamier O. Collens from the Administrator regarding the Property Tax Revenue Anticipation Note - \$13 million loan to the GVI expiration date of December 15, 2016. 4). Letter dated November 10, 2016 to Valdamier O. Collens from the Administrator regarding Lonesome Dove funds allocated to the GERS and his response by email dated same day. 5). Letter dated November 10, 2016 to Valdamier O. Collens from the Administrator inquiring about the \$15 million annuity product mentioned by the Governor in his State of the Territory address in January 2016, and his response by email dated same day. 6). Email dated November 14, 2016 from Charles Consolvo a merchant at Havensight Mall requesting 30% rent reduction, and responses from the Administrator dated November 18, 2016 stating that the GERS Board has no intention to reduce rents at Havensight Mall, and his response the same date berating the GERS Board for inaction to assist the merchants.

**Chairperson's Report.**

The Chairman read a lengthy statement into the record in response to statements made in the media by the Governor.

**Administrator's Report.**

The Administrator reported significant items: **Appearances and Meetings.**

- 1). October 25<sup>th</sup> – 28<sup>th</sup> - Attended due diligence with small cap managers and Meketa in Los Angeles and San Diego.
- 2). October 31<sup>st</sup> – Meeting with USW union representations to discuss reorganization and cross training within GERS.
- 3). November 1<sup>st</sup> – Meeting with DOI and US Treasury officials from Washington, D.C. to discuss the financial condition of the GERS.
- 4). November 10<sup>th</sup> – Attended disability hearing in STT.
- 5). November 15<sup>th</sup> – Testified before Committee on Finance on Bill No. 31-0353 in STX regarding rental proceeds to GERS from the units acquired in the Archlight/Limetree Agreement to the GERS.
- 6). November 16<sup>th</sup> - Testified before Committee on Finance on Bill No. 31-0244 in STT regarding amending the retirement benefits for members of the Judiciary.
- 7). November 16<sup>th</sup> - Testified before Committee on Finance on Bill No. 31-0459 in STT regarding assigning the proceeds from the Sin Tax Revolving Fund for annual COLAs to retirees who earn \$25,000.00 or less.
- 8). November 21<sup>st</sup> – Attended the Carambola Northwest LLC Board meeting.
- 9). **NOPA Project & V3 Project. (Next quarterly reporting at the January 2017 meeting)**



**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
MINUTES BOARD OF TRUSTEES REGULAR MEETING  
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10). **Missing Contributions.** As of November 3, 2016, based on the Segal study of missing contributions of \$47 million in 2011 – the balance is \$38.9 million.

**11). Retiree Applications Received and Dispositions**

- a). Of the 219 retirees who retired May 2012 through December 31, 2014, there are 4 retirees remaining to receive their initial annuities.
- b). Of the 299 (STX-150/STT-149) retirees who retired in 2015, 260 retirees have received their initial annuities. In progress – 39 in various forms of processing.
- c). Of the 208 (STX-84/STT-124) retirees who retired from January 1, 2016 to present, 32 retirees have received their initial annuities. In progress – 176 in various forms of processing.

**12). Annuity Payments.** a). October 1, 2016 – November 15, 2016 - \$30,417,849.84 w/pensioners.

b). Number of retirees added to the payroll for the October 1, 2016-November 15, 2016: 25.

c). Number of retirees/survivors expected to be placed on the payroll for the November 30<sup>th</sup> pay date:

11. d). Number of retirees deleted from the payroll from October 1, 2016 – November 15, 2016: 27.

e). Number of retirees added to the payroll for the November 15<sup>th</sup>: 10. Total retirees as of November 15<sup>th</sup> payroll – 8,517. Gross retiree payroll for the November 15<sup>th</sup> pay date - \$10,138,465.08.

13). **Total Refunds** January 1, 2016 to present - \$3,330,412.30.

14). **VI Lottery Bonus Payments.** Total received - \$1,086,331.92. Retirees eligible – 7,084. Expected Gross - \$153.35 /Net - \$115.01. Payments to be made on or about November 22, 2016.

15). **Juan F. Luis Hospital and Medical Center (JFLHMC).** See General Counsel's Legal Report

16). **Virgin Islands Economic Stability Act – VIESA (ACT 7261).** No Significant Update.

17). **Act No 7128 (2010).** No Significant Update.

18). **Section 718(k) Project (ADEC).** To date, we billed a total of \$870,345.38 (GVI - \$633,604.44 – 23 retirees) and (WAPA and VIWMA - \$236,740.94). We received \$633,604.44 from the GVI. No payments received from WAPA or VIWMA.

- Forty-one (41) retirees are impacted as of October 31, 2016.
- Six (6) retirees have been placed on the payroll for October 31, 2016.
- Nine (9) retirees will be placed on the payroll for November 30, 2016.

We have received confirmations from some of the retirees that they will wait to be paid the 3% instead of the 2.5%.

19). **Total Outstanding Loans as of October 31, 2016 – Approximately \$127.8 million.** Active Personal - \$87.6 million, Retiree Personal - \$32.7 million, and Other - \$7.5 million.

20). **Operations – a). White House at Havensight.** Completed. Pending decision to rent. b). **St. Croix Old Office Building.** Renovations completed. c). **St. Thomas Headquarters.** Awaiting the engineer's report on exterior wall problems. Air conditioning problems continue. Cleaning of roof and vullemizing being done. c). **Other.** Total Rental Income collections for the month of October 2016 and YTD were \$48,840.79. Electrical Collections for the month of October 2016 and YTD were \$17,417.34. Arrearages – rental is \$257,989.84 (DOJ, DOP, and Casino Commission) and electrical is \$8,803.74 (DOP). Lease negotiations with DOJ and DOP are still pending.

21). **Havensight Mall.** Refurbishment work is progressing. Expected to be completed at the end of December 2016 or early January 2017.



**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
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22). **Appraisals. Expected completion dates.** Estate Hoffman/Nullyberg – 2/28/17. Estate Coakley Bay – 2/28/17. STT Complex – 3/31/17. Havensight Mall – 4/30/17. Carambola – 8/31/17. STX Complex – 9/30/17.

23). **Employee Relations.** 1). November 18<sup>th</sup> – The STT GERS staff contributed 5 bags of non-perishable thanksgiving food items and \$40.00 cash to Adopt-A-Family Holiday Program sponsored by the Department of Human Services. The STX office will do the same for the Christmas holidays. 2). On November 18<sup>th</sup> Thanksgiving Cost-U-Less gift certificates (\$25.00) were distributed to all GERS employees. 3). On November 25<sup>th</sup> both offices will be closed. 4). On December 16<sup>th</sup> – Annual Employee recognition and Christmas Social to be held at The Great House from 9:00am – 3:00pm. Management and staff extended an invitation to the Trustees.

**Committee Reports.**

1). **Development Committee** – Trustee Smith. None. 2). **Policy Committee** – Trustee Callwood. Meeting was to be held yesterday. To be rescheduled 3). **Investment Committee** – Trustee Maynard. Meeting was held last night and Meketa made a presentation. Others issues are on the agenda to be discussed in executive session. 4). **Medical Review Committee** – Trustee Callender stated the committee met and heard a request for a non duty disability. 5). **Budget/Audit Committee.** -Trustee Callender mentioned the Internal Auditor vacancy.

**Internal Auditor's Report. None.**

**Treasurer's Report.**

Grasilda Dobbins CFO reported:

The October 31, 2016 report shows collections for the month of October 2016 and YTD in the amount of \$15,310,608.00 and disbursements in the amount of \$22,000,001.00, for a net cash deficit of \$6,689,393.00. Motion made by Trustee Smith and seconded by Trustee Callwood to approve the Treasurer's Report. Motion passed 5 yes and 2 absent (Liger and McDonald).

**Investment Officer's Report.**

Bruce Thomas, Investment Officer reported: 1). The Total Plan Ending Market Value at October 31, 2016 was \$736.5 million, 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 funds were drawn from the portfolio in October. 3). **Total Plan FYTD** returned -1.4%, **CYTD** 4.3%.

**Regular Session.**

Motion made by Trustee Ross and seconded by Trustee Callwood to move executive session A (ii) to regular session A (i). Motion passed 6 yes and 1 absent (McDonald).

Motion made by Trustee Smith and seconded by Trustee Ross to authorize the administrator to seek to amend legislation to change benefit payments from bi-monthly to monthly effective July 1, 2017. Motion passed 6 yes and 1 absent (McDonald).

**GOVERNMENT EMPLOYEES RETIREMENT SYSTEM  
MINUTES BOARD OF TRUSTEES REGULAR MEETING  
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Motion made by Trustee Callwood and seconded by Trustee Smith to request legislative change to repeal acts for certain retired members to return to service. Motion passed 6 yes and 1 absent (McDonald).

Motion made by Trustee Smith and seconded by Trustee Liger to add to the agenda two more legislative changes. 1). Amend for WICO's employees to pay in to the system. 2). Limit personal liability to \$25,000.00 for fiduciaries of the GERS. Motion passed 5 yes and 2 absent (Carol Callwood and McDonald).

Motion made by Trustee Smith and seconded by Trustee Maynard to include legislation for WICO employees as part of the GERS. Motion passed 5 yes, 1 not voting (Ross), and 1 absent (McDonald).

Motion made by Trustee Callwood and seconded by Trustee Smith to limit personal liability of fiduciaries to \$25,000.00. Motion passed 5 yes, 1 no (Ross), and 1 absent (McDonald).

Motion made by Trustee Smith and seconded by Trustee Maynard to continue with State Street as the custodian of the Fund. Motion passed 6 yes and 1 absent (McDonald).

Motion made by Trustee Smith and seconded by Trustee Callwood to go into Executive Session.  
Motion passed 6 yes and 1 absent (McDonald).

**Executive Session.**

Motion by Trustee Smith and seconded by Trustee Ross to come out of executive session. Motion passed 6 yes and 1 absent (McDonald).

**Regular Session.**


Motion made by Trustee Smith and seconded by Trustee Maynard to authorize GERS to serve as lead plaintiff for the Diplomat Pharmacy litigation. Motion passed 6 yes and 1 absent (McDonald).

Motion made by Trustee Callwood regarding reduction of benefits by 30% died for lack of a second.

Motion by Trustee Maynard and seconded by Trustee Smith to move that the actuary's recommendation to reduce benefits by 30% at January 1, 2017 will not be approved because will be in violation of Title 3 VIC, Section 723. Motion passed 4 yes, 2 not voting (Callwood and Callender), and 1 absent (McDonald).

Motion by Trustee Liger and seconded by Trustee Smith to adjourn. Motion passed 5 yes and 2 absent (Maynard and McDonald).

The meeting was adjourned at approximately 3:34pm.

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