

# **Government Employees Retirement System**

## **Minutes of Board of Trustees Regular Meeting**

**Thursday, January 19, 2012**

The Regular Meeting of the Board of Trustees was held at the GERS Conference Room on St. Thomas (STT). The meeting was called to order at 10:00 a.m.

At roll call the Trustees in attendance were Raymond James, Chairman, Wilbur Callender, Vincent Liger and Edgar Ross. Carver Farrow, Desmond Maynard and Leona Smith were absent.

Staff in attendance: Austin Nibbs, Administrator, Anthony Selkridge, Assistant Administrator, Cathy Smith, General Counsel, Grasilda Dobbins, CFO, Bruce Thomas, Investment Officer, Charmaine Modeste, Internal Auditor and Linda Bicar-Kabuka, Executive Assistant to the Board.

Also in attendance was Pedro Williams, Board Counsel.

The stenographer was Desiree Hill.

### **Adoption of Secretary's Minutes.**

A motion was made by Trustee Ross and seconded by Trustee Callender to approve the Secretary's minutes for the Regular Meeting held on December 15, 2011. Motion passed 4 Yes (Callender, Liger, Ross and James) and 3 Absent (Farrow, Maynard and Smith).

### **Communications and Correspondences.**

The Administrator read into the record the following communications and correspondences:

- 1). Letter dated January 10, 2012 from Senator Dowe requesting the total number of employees with over 40 years of credited service, to include the total annual salary amount.
- 2). Letter dated January 13, 2012 from Senator Usie R. Richards, Chairman, 29<sup>th</sup> Legislature Committee on Rules and the Judiciary inviting the GERS to provide testimony on Bill No. 29-0099 (An Act amending Title 3 V.I.C., Chapters 27 and 28A as it relates to the retirement of personnel) on January 24, 2012 at 10:00a.m. in the Earle B. Ottley Legislative Chambers

### **Chairperson's Report.**

The Chairman recommended that a Special meeting be held before the Administrator appears before the Rules and Judiciary Committee on January 24<sup>th</sup> to discuss the amendments recommended by the Administrator when he appeared before the Legislature on August 23, 2011. The Chairman stressed that the Board should be prepared to act quickly.

# Government Employees Retirement System

## Minutes of Board of Trustees Regular Meeting

Thursday, January 19, 2012

### Administrator's Report.

The Administrator reported the following:

- 1). The processing of the administrative payroll in house has been implemented. Other than a few minor issues, it went well.
- 2). The GERS offices are closed from January 12<sup>th</sup> through March 12<sup>th</sup> to complete the implementation of the new V3 system. Because of the layoffs, we will assist those members who were laid off with their concerns and filings on a limited basis; however, we will not process those cases until after we go live.
- 3). Last week Cathy Smith and I traveled to Ft. Lauderdale, FL to meet with Vitech (software provider for V3) and LRWL (Project Manager) to determine the status of the project, in addition to, addressing and negotiating Vitech's proposal for delay costs on the project.
- 4). Request the Board reorder the agenda Re: Disability retiree eligibility to obtain a personal loan. Current practice vs. V.I.C. interpretation.
- 5). Transition of New Investment Consultant:
  - In discussion with Meketa
  - Letters to Investment Managers are ready to go out today or tomorrow
  - Will contract with Meketa on February 1<sup>st</sup>
- 6). Request the Board reorder the agenda to clarify funding for Walter Scott and WHV.

### Committee Reports.

Chairman James stated that he will set a schedule for Investment Committee meetings.

### Internal Auditor Report.

Highlighted ongoing area under review (V3 Project, V3 Maintenance Agreement, State Street Compliance Monitoring System, Loan Division's Control Environment Evaluation, Cash Disbursements Audit and Accounting Software Upgrade). The Internal Auditor (IA) stated that she is will be monitoring the new GASB Statement 27 requirement relating to the recording of the unfunded liability on the books of the plan sponsor and the semi-autonomous agencies.

The Administrator recommended to the Board that the IA relinquish the responsibility of the State Street Compliance Monitoring to the Investment Unit since there is now an

# Government Employees Retirement System

## Minutes of Board of Trustees Regular Meeting

Thursday, January 19, 2012

Investment Officer and Investment Analyst dedicated 100% to the investment monitoring and due diligence process. The IA could review their work periodically and report back to the Board.

Trustee Smith was acknowledged as being present by the Chairman at 10:35a.m.

### **Treasurer's Report.**

The Treasurer Grasilda Dobbins presented the report. Month ending December 31, 2011 receipts of \$10,523,009 and disbursements of \$24,673,813 for a deficit of \$14,150,803. Year to date FY 2012 receipts of \$36,746,497 and disbursements of \$70,227,217 for a year to date FY 2012 deficit of \$33,480,721.

Administrator noted that the significant decrease in contributions (employee and employer) is due to members retiring under the Economic Stability Act.

The Administrator also noted that there was a significant increase in contribution refunds. There was a general discussion on whether the statute should be amended to restrict refunds to non-vested members only.

A motion was made by Trustee Liger and seconded by Trustee Ross to accept the Treasurer's Report. Motion passed 5 Yes (Callender, Liger, Ross, Smith and James) and 2 Absent (Farrow and Maynard).

### **Investment Officer's Report.**

The Investment Officer Bruce Thomas reported items he has been working on to include: 1). Investment Policy, 2). Brandywine transition to comingled fund and using forwards (derivatives) in the portfolio to hedge risk, 3) implementation of the internal spreadsheet for cash flow purposes, 4). reviewing year end data, 5). fine tuning the compliance module, and 6). boilerplate for investment manager's contract.

### **Regular Session.**

Unfinished Business.

1). Selection of Policy Committee.

Chairman James named Trustee Ross as the policy committee chair.

2). Update on GERS Mortgage Loan Interest Rate.

Anthony Selkridge, Assistant Administrator reported that the review is not complete. He reported that there are 251 units in the mortgage loan inventory. The balance outstanding is approximately \$15 million. An appraisal is needed for each property to determine the average property value. The study revealed that in about 12 years all mortgages will be paid of.

# **Government Employees Retirement System**

## **Minutes of Board of Trustees Regular Meeting**

**Thursday, January 19, 2012**

The Administrator requested that the agenda be reordered to discuss current practice vs. V.I.C. requirement based on statute relating to a disability retiree eligibility to receive a personal loan.

Motion made by Trustee Ross and seconded by Trustee Liger to reorder the agenda to include a discussion on a disability retiree eligibility to apply for a personal loan. Motion passed 5 Yes (Callender, Liger, Ross, Smith and James) and 2 Absent (Farrow and Maynard).

Attorney Cathy Smith presented to the Board the current practice vs. the V.I.C. interpretation. The new V3 system is not programmed to allow a disability retiree to receive a personal loan which is based on V.I.C. interpretation. The Board requested that Attorney Smith prepare a memo with the Administration's recommendations.

### 3). Amendment to Vitech's Contract Re: Delay Costs.

The Administrator reported that Vitech submitted a Change Order # 12 to the GERS for additional costs to the project in the amount of \$1,057,500 which they claimed is due to delay in the implementation of the new V3 system. The Administrator and General Counsel met with Vitech and Wechsler and negotiated an amount of \$495,000 which was identified to GERS contributing to the delay. This was due to the burden placed on the System to redirect its focus to servicing the 351 retirees that elected to retire under the Economic Stability Act. The Administrator stated that the System will bill the GVI for the delay costs and also the overtime incurred by the staff to implement the Economic Stability Act.

### 4). Meeting with WAPA Board Chair Re: Contributions Due.

The Chairman reported that he is still trying to arrange a meeting to resolve the outstanding contributions issue.

### New Business.

#### 1). Discussion on the Impact of Layoffs and Hovensa Closing.

The Administrator circulated the impact to the Board regarding the layoffs and recommended that the Administrator's recommended amendments be considered by the Board.

Motion made by Trustee Smith and seconded by Trustee Liger to approve Vitech's CO # 12 in the amount of \$495,000. Motion passed 5 Yes (Callender, Liger, Ross, Smith and James) and 2 Absent (Farrow and Maynard).

Motion made by Trustee Smith and seconded by Trustee Liger to go into Executive Session. Motion passed 3 Yes (Liger, Smith and James), 2 No (Callender and Ross) and 2 Absent (Farrow and Maynard).

**Government Employees Retirement System**  
**Minutes of Board of Trustees Regular Meeting**  
**Thursday, January 19, 2012**

**Executive Session.**

- 1). Seaborne's Loan Modification Proposal
- 2). Update on WICO Management Agreement

Motion made by Trustee Callender and seconded by Trustee Liger to come out of Executive Session. Motion passed 5 Yes (Callender, Liger, Ross, Smith and James) and 2 Absent (Farrow and Maynard).

**Regular Session.**

The Chairman reported that the Administrator is directed to respond to Seaborne Loan Modification letter that the Board approved all items proposed except the waiver of any future prepayment penalty.

The Chairman directed the Administrator to contact WICO and invite them to resume negotiation of the management agreement on Thursday, February 16<sup>th</sup> at 6:00p.m. in the STX Boardroom.

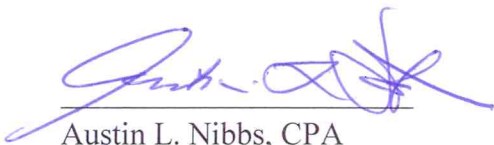
Privileges of the Floor.

The Chairman reported that Investment Committee meetings will be held the 1<sup>st</sup> Wednesday of each month.

The Board changed the Regular meeting scheduled for February 16<sup>th</sup> to Friday, February 17<sup>th</sup> at 9:30a.m.

Motion made by Trustee Smith and seconded by Trustee Liger to adjourn the meeting. Motion passed 5 Yes (Callender, Liger, Ross, Smith and James) and 2 Absent (Farrow and Maynard).

The meeting adjourned at 12:25 p.m.



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