

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, December 19, 2013

The Regular Meeting of the Board of Trustees was held in the St. Croix boardroom and via videoconference from the St. Thomas conference room. The meeting was called to order at 9:45am. At roll call, Trustees present were Vincent Liger, Chairman, Wilbur Callender, Vice Chairman (via videoconference from St. Thomas), Carol Callwood and Leona Smith. Desmond Maynard, Edgar Ross and Raymond James were absent. Trustee James joined the meeting shortly after the roll call.

Staff in attendance: Austin Nibbs, Administrator, Cathy M. Smith, General Counsel, Grasilda H. Dobbins, Chief Financial Officer, Charmaine Modeste-Antoine, Internal Auditor, Nikia Coley, Administrative Assistant to the Board, Anthony J. Selkridge, Assistant Administrator and Bruce Thomas, Investment Officer. Lorraine Gumbs-Morton, Public Information Officer participated by videoconference from St. Thomas.

Also in attendance in St. Croix: Pedro K. Williams, Board Counsel and Yvonne Setorie, Stenographer.

Comments and Suggestions from Members.

Comments and suggestions were made by retirees Patricia Oliver, Adul Ali, Mary Moorehead, Coach Fahie and Betty Wilson. The majority of the discussion surrounding the Seaborne issue. Mary Moorehead requested that after each meeting a press release should be issued regarding any actions taken in executive session.

Secretary's Minutes.

Motion made by Trustee Smith and seconded by Trustee Callwood to accept the Secretary's minutes for the November 7, 2013 Special Meeting and the November 18, 2013 Regular Meeting. Motion passed 5 yes and 2 absent (Maynard and Ross).

Motion made by Trustee Smith and seconded by Trustee James to amend the agenda to include under executive session – unfinished business (ii) A discussion on Synergy Group LLC. Motion passed 5 yes and 2 absent (Maynard and Ross).

Communications and Correspondences.

The Administrator read into the record:

1). A memorandum dated November 5, 2013 to Angel Dawson, Commissioner – Department of Finance (DOF) regarding errors in deductions files received from the DOF. 2). Memorandum dated December 3, 2013 to Angel Dawson, Commissioner DOF various issues affecting file submissions from the DOF. 3). Memorandum dated December 4, 2013 to Heads of Departments

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, December 19, 2013

and Agencies requesting that copies of NOPAs for new hires be sent directly to GERS. 4). Letter dated December 4, 2013 from WICO regarding invitation to annual Christmas tree lighting at Havensight Mall. 5). Letter from St. Croix Government Retirees, Inc. to Deputy Inspector General – US Department of Interior requesting an audit of the GERS and its Board of Trustees.

Chairperson's Report.

Chairman Liger reported: 1). He has been in contact with the Governor and that the Governor is willing to negotiate a resolution to the Settlement Agreement. 2). Some trustees met with a few members of the Havensight Merchants Association and the merchants feel that the present WICO management is doing a good job.

Administrator's Report.

The Administrator reported that:

- 1) Since the December 2, 2013 letter, he had a discussion with Dr. Griffith, Interim CEO of the Juan F. Luis Hospital and Medical Center. Dr. Griffith stated that because of the departure of the CFO and Assistant CFO, he could not give GERS the files as requested for the contributions and deductions due from February 21, 2013. He requested additional time to respond. 2). Postings of the deduction files from the DOF are up to date through November 28, 2013. The December 12, 2013 file was received and is being reviewed by Accounting. GERS has been having problems with the deduction files received from DOF, for reasons, such as, not balancing and containing errors. 3) Attorney Smith is collaborating with the Governor's working group with the drafting of the pension reform bill. GERS submitted the portions of the measures that were approved by the Board. The objective is to incorporate the Governor's taskforce recommendations. 4). Expected that the consulting contract for review of the Havensight Mall operation to commence in January 2014. 5). The classification, compensation and workforce study was completed and a report was received. Management is reviewing the results and will make a presentation to the Board in the January 2014 meeting.

Committee Reports.

Policy Committee.

Trustee James in the absence of Trustee Ross-Chairman reported that the policy committee reviewed the board's travel policy in its December meeting.

Development Committee.

Trustee Smith stated that the development committee met recently with Synergy Group's consultant Darnell Carpenter.

Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 19, 2013

Investment Committee.

None. Committee Chair Maynard was absent.

Internal Auditor's Report.

The Internal Auditor reported on seven (7) projects that she has been working on. The major project is the reconciliation of the WICO records as it relates to unresolved issues surrounding rents and expenses for Havensight Mall operations.

Treasurer's Report.

Grasilda H. Dobbins, CFO reported:

The November 30, 2013 report shows collections for the month of November 2013 in the amount of \$12,815,521.00 and disbursements in the amount of \$25,050,769.00 for a deficit of \$12,235,248.00. The YTD collections for FY 2014 were \$24,514,406.00 and disbursements were \$49,242,962.00 for a deficit of \$24,728,556.00.

Motion made by Trustee James and seconded by Trustee Smith to accept the Treasurer's Reports. Motion passed 5 yes and 2 absent (Maynard and Ross).

Investment Officer's Report.

Bruce Thomas, Investment Officer reported:

1). The Fund Balance at the end of November 2013 was \$967 million, a decline of approximately \$5 million from the previous month. 2). \$28 million was withdrawn from the Fund in November 2013 mainly to meet annuity payroll. No plans to withdraw funds in December 2013. 3). Total Fund returned 1% in November 2013 and returned 14% CYTD (calendar year to date). 4). The Fund maintained 75% compliance with the VI Code.

Regular Session.

The Administrator requested amending the agenda to include under: 1). New Business (iii) – Approval of 2014 business calendar to include investment managers meeting and the board retreat. 2). Recommend to tie the Alternative Investment Program (AIP) interest rate to the actuarial assumed rate of 7.5% effective January 1, 2014.

The Administrator read into the record our litigation attorney Bernstein Litowitz Berger & Grossmann LLP recommendation that GERS seeks lead plaintiff status as a result of an apparent fraud perpetrated by Fusio-io, Inc. It is believed that Fusion-io deceived investors from August 10, 2012 through October 23, 2013 by misrepresenting Fusion-io's competitive landscape and

Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 19, 2013

commoditization of its principal products. GERS incurred a loss of approximately \$377,000 on its transactions in the Fusio-io stock.

Motion made by Trustee Smith and seconded by Trustee Callwood to ratify the Fusion-io poll vote. Motion passed 5 yes and 2 absent (Maynard and Ross).

The Administrator stated that the Carambola Board had approved a consultant contract with BCA Watson Rice LLP to develop formal policies and procedures for the Carambola Beach Resort and Spa in an amount not to exceed \$77,890.00. Motion made by Trustee James and seconded by Trustee Smith to approved the consultant contract with BCA Watson Rice LLP to develop formal policies and procedures for the Carambola Beach Resort and Spa. Motion passed 5 yes and 2 absent (Maynard and Ross).

Motion made by Trustee Smith and seconded by Trustee Callwood to approve the 2014 business calendar as amended. Motion passed 5 yes and 2 absent (Maynard and Ross).

Motion made by Trustee Smith and seconded by Trustee James to approve to tie the Alternative Investment Program (AIP) interest rate to the actuarial assumed rate of no less than 7.5% effective January 1, 2014.

Motion made by Trustee James and seconded by Trustee Callwood to go into executive session to accommodate the external auditor's presentation. Motion passed 5 yes and 2 absent (Maynard and Ross).

Trustee Ross joined the meeting.

Executive Session.

Motion made by Trustee Callwood and seconded by Trustee James to come out of executive session. Motion passed 6 yes and 1 absent (Maynard).

Regular Session.

Chairman Liger stated again that he was in contact with the Governor and that the Governor is amenable to negotiating a settlement agreement regarding employer missing contributions..

Attorney Smith reported that GERS employees are covered under the commercial crime coverage for 1). employee dishonesty, 2). forgery and alteration 3). theft, disappearance and

Government Employees Retirement System
Minutes of Board of Trustees Regular Meeting
Thursday, December 19, 2013

destruction and 4). computer fraud/fraudulent transfer. The statute of limitation has passed on the Willis Todman issue.

Motion made by Trustee Smith and seconded by Trustee Ross to go into executive session. Motion passed 6 yes and 1 absent (Maynard).

Executive Session.

Motion made by Trustee Ross and seconded by Trustee James to come out of executive session. Motion passed 5 yes and 2 absent (Maynard and Smith).

Regular Session.

Motion made by Trustee Callwood to prepare an agreement with Synergy Group LLC after the due diligence of the company. Motion failed for lack of a second.

No other actions were reported out of executive session.

The meeting was adjourned at approximately 2:43p.m. without objection so ordered by the Chairman.

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