

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, December 20, 2012

The Regular Meeting of the Board of Trustees was held at the GERS Boardroom on St. Croix (STX). The meeting was called to order at 10:20a.m. At roll call, the Trustees in attendance were Raymond James, Chairman, Vincent Liger, Edgar Ross and Leona Smith. Carver Farrow, Vice Chairman and Wilbur Callender were absent. Desmond Maynard was excused.

Staff in attendance - Austin Nibbs, Administrator, Cathy Smith, General Counsel, Charmaine Modeste, Internal Auditor, Nikia Benjamin, Administrative Assistant to the Board, Anthony Selkridge, Assistant Administrator, Bruce Thomas, Investment Officer and Grasilda Dobbins, Chief Financial Officer.

Board Counsel Pedro Williams and stenographer Yvonne Setorie were also in attendance.

Comments and Suggestions from Members

Mary Moorehead a retiree inquired about the letter that was read into the record at the November 29th Board meeting which was addressed to Chairman James with concerns from the GERS Community Taskforce. The Chairman stated that there will be a response to the letter.

Adoption of Secretary's Minutes.

Motion made by Trustee Liger and seconded by Trustee Ross to accept the secretary's minutes for the November 29, 2012 meeting. Motion passed 4 Yes, 3 Absent (Callender, Farrow and Maynard).

Communications and Correspondences.

None.

Chairperson's Report.

The Chairman mentioned that the rooms at Carambola should be completed by January 9, 2013. He also mentioned that all of the available rooms at Carambola are filled.

Administrator's Report.

The Administrator reported:

1). Town Hall meeting held on St. Thomas (STT) on December 4th. Over 250 members were in attendance. 2). The DPNR rezoning public hearing for the Estate Coakley Bay Property was held in STX at the Florence Williams Library on Tuesday, December 11, 2012. There was no major opposition to the project. Chairman James and Trustee Liger attended. 3). GERS's Report Responding to the US Inspector General's Recommendation was submitted on December 19th (due date) to the GERS Pension Reform Taskforce via Government House. The next meeting of

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the Taskforce is January 17, 2013 at 1:30pm. 4). Houlihan Lokey the service provider selected to conduct the valuation of the Attilanus Fund (investment in senior life settlements) has satisfied all licensing requirements and a contract will be executed very shortly.

Trustee Ross asked the Administrator if the Governor had signed the Bill that repealed the legislation that was contrary to Board's policy. The Administrator responded yes and that GERS is trying to get a copy of the Bill.

Trustee Ross thanked the Board and Administration for their efforts in drafting of the amendments to repeal the Bills.

Committee Reports.

Trustees Smith and James stated that the Governor had vetoed the Estate Hoffman/Nullyberg rezoning because of a technicality. The Legislature included inaccurate and inconsistent information in the Bill that was contrary to DPNR's Report.

The Administrator indicated that he had a recent discussion with Senator Malone and that he is amiable for a sit down meeting with all Senators after they are sworn in. Bill No. 29-0099 and amendments, the rezoning of Estate Hoffman/Nullyberg and other GERS concerns will be on the table.

Internal Auditor's Report

The Internal Auditor (IA) report focused primarily on the status of her review of the employer's missing contribution indicating that she had reached out to GERS's Actuary, The International Foundation and Deloitte.

The Administrator stated that he requested the assistance of the IA to review the rents received from the Havensight Mall tenants for FY 2012, because he is not sure that the amounts that were reported in the Treasurer's Report are correct. WICO still collects rents from some tenants by credit cards and cash. The Administrator would like to determine that these rents are reflected in GERS's general ledger and in the Treasurer's Report.

Treasurer's Report.

The Treasurer's Report was read into the record by the Chief Financial Officer. For the month ending November 30, 2012, the receipts were \$13,323,832.00 and the disbursements were \$25,042,624.00, for a deficit of \$11,718,791.00. YTD Fiscal 2013 receipts were \$20,969,076.00 and the disbursements were \$48,534,133.00, for a deficit of \$27,565,057.00.

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Trustee Ross stated that he is not satisfied with the reporting in the Treasurer's Report. The Administrator indicated that as discussed previously, the format and reporting will be changed to include a more comprehensive report of the sources and uses of cash.

Motion made by Trustee Smith and seconded by Trustee Liger to accept the Treasurer's Report. Motion passed 3 Yes, 1 No (Ross) and 3 Absent (Callender, Farrow and Maynard).

Investment Officer's Report.

The Investment Officer submitted a copy of the State Street Performance Report Summary for the period ending November 30, 2012 and Account Compliance Summary as of November 30, 2012 that are compiled by State Street. The Account Compliance Summary showed 5 Alerts and 3 Warnings test concentration results.

1). Portfolio Value at the end of November is \$981 million up from \$971 million at the end of October. Return was 10.0% YTD and 0.7% for the month of November. The 10.0% YTD exceeds our mandate of 8.0%. The 0.7% for the month of November is primarily because of large cap equity performance of 1.1%. 2). Notable manager performance MTD – Turner's 3.8% return outperformed its benchmark by 2.1% and Oberweis's -2.6% return underperformed its benchmark by 3.3%. Cash Flow – withdrawing \$15 million in December - \$10 million from LSV and \$5 million from Union Heritage.

Regular Session.

The Administrator stated that the FY 2012 Budget was read into the record at the last meeting and a correction is needed to properly reflect the allocation of the FY 2012 Budget. Administration and Operations from \$11,327,776.00 to \$15,553,461.00 and Capital Outlay from \$5,447,920.00 to \$1,222,235.00. The Total Budget of \$16,775,696.00 remains the same.

Motion made by Trustee Liger and seconded by Trustee Smith to amend Resolution No. 31-2012 to correct the allocation of the FY 2012 Budget between the Administration and Operations and Capital Outlay. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

The Administrator submitted recommendations to increase the retiree personal loan limit from \$10,000.00 to \$50,000.00 in accordance with the statute. GERS has secured an increase in the insurance coverage for the increase from \$10,000.00 to \$50,000.00. The conditions are as follows: 1). No Power of Attorney will be allowed for loans over \$10,000.00, 2). Term of the loan will not exceed 5 years, 3). Loans for amounts over \$10,000.00 must be repaid by age 85,

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4). Additional collateral - insurance policies must be prepaid for 6 months and cannot be cancelled during the 6 months period. The policy excludes coverage for pre-existing conditions for 6 months, and 5). All other existing loan policy will remain in force.

Motion made by Trustee Liger and seconded by Trustee Smith to amend the agenda to include a discussion on the WICO agreement in Executive Session. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

Motion made by Trustee Ross and seconded by Trustee Ligers to go into Executive Session. Motion passed. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

Executive Session.

Discussed in executive session were a member complaint, a discussion on a settlement and WICO's management agreement.

Motion made by Trustee Smith and seconded by Trustee Liger to come out of Executive Session. Motion passed. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

Regular Session.

Motion made by Trustee Ross and seconded by Trustee Smith to authorize the Administrator to hire a consultant to review the Havensight Mall operations, its development and financial relationship with WICO. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

Motion made by Trustee Ross and seconded by Trustee Liger to direct the Administrator to submit a report to the Board regarding a member's complaint in accordance with Title 3, Chapter 27, Section 715(f) within 2 weeks. Motion passed 4 Yes and 3 Absent (Callender, Farrow and Maynard).

Motion made by Trustee Smith to adjourn the meeting. There was no objection and it was so ordered by the Chairman.

The meeting adjourned at approximately 12:30pm.

Austin L. Nibbs, CPA

Administrator/Secretary, GERS Board of Trustees