Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting
Thursday, February 21, 2013

The Regular Meeting of the Board of Trustees was held at the GERS Boardroom on St. Croix (STX) and via videoconferencing (VTC) from St. Thomas (STT). The meeting was called to order at 9:50a.m. At roll call, the Trustees in attendance were Wilbur K. Callender, Vice Chairman, Vincent Liger, Chairman, Desmond Maynard, Edgar Ross, Leona Smith and Raymond T. James. Carol Callwood was absent.

Staff in attendance via VTC in STT- Austin Nibbs, Administrator, Cathy Smith, General Counsel, Grasilda Dobbins, Chief Financial Officer (CFO), Charmaine Modeste-Antoine, Internal Auditor, and Lorraine Gumbs-Morton, Public Information Officer. Anthony Selkridge, Assistant Administrator, Bruce Thomas, Investment Officer and Nikia Benjamin, Administrative Assistant to the Board, were in attendance in the STX Boardroom.

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

Comments and Suggestions from Members

Miguel Nico, a member of the GERS Community Taskforce a STX retiree interest group asked a series of questions. As follow:

1. How does the GERS check for the death of international members so that there annuity can be canceled?
Response. All international retirees are required to complete a life certificate every year and have it notarized by a consulate, etc. The GERS also has a relationship with the Social Security Administration, the Division of Personnel (life insurance claims) and two services that monitor deaths globally.

2. Status of Golden Gaming Proposal.
Response. On hold pending Golden Gaming acquiring adequate financing.

3. ID Cards for Retirees.
Response. It has been contemplated in the past; however, it is very costly. GERS is investigating a service that can be offered by Human Services to include on the senior citizens card that the person holding the card is a GERS retiree.

4. Status of Bill No. 29-0999.
Response. It died in the 29th Legislature. GERS has met with the 30th Legislature and it will be revived when the Governor submits the Taskforce recommendations to the 30th Legislature.

5. Does GERS own stock in Boeing, and given the issues with the Dreamliner has GERS taken any action to Divest itself of the stock?
Response. One to two of our Investment Managers has Boeing in their portfolio. The Investment Officer will research.

6. Post Retirement Workshops.
Response. The GERS is planning a series of Financial Literacy Workshops which will include the retirees.

7. Post Retirement Employment beyond the 75 day period.
Response. The GERS monitors retirees returning to work and advises the heads of departments and personnel officers of the requirements.

8. Status of rates increase for active members.
Response. The Board has the authority to increase contribution rates no more than 3 percent every 5 years for Tier I employees.

9. GERS no longer providing check stubs for retirees.
Response. In order to cut costs a decision was made to curtail providing check stubs when GERS begins the processing of the annuity payroll in house.

Adoption of Secretary's Minutes.
Trustee Ross indicated that on page 4 under Investment Committee Meetings, "except on" should be deleted and insert "is not". The Board Counsel recommended that on page 4 under election of Board Officers for 2013-2014; eliminate the sentence "a straw poll was taken". Motion made by Trustee Smith and seconded by Trustee Maynard to accept the secretary's minutes for the January 29, 2013 with the corrections noted. Motion passed 6 Yes and 1 Absent (Callwood).

Communications and Correspondences.
The Administrator read into the record the following:
A letter dated February 15, 2013 addressed to Mr. Austin Nibbs, Administrator from Sandra Andrews, Manager of the Christiansted Federal Credit Union requesting to purchase the old GERS Building. The Chairman responded to the effect that the Credit Union has made several offers to the GERS in the past and the GERS's position remains the same that the building is not for sale.

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Chairperson's Report.

Chairman Liger read into the record the committee assignments for 2013-2014. As follow: Budget/Audit Committee - Dr. Wilbur K. Callender, Chair. Members are: Judge Edgar D. Ross, Vincent G. Liger, Leona E. Smith and Raymond T. James.

Investment Committee - Desmond Maynard, Esq., Chair. Members are: Judge Edgar D. Ross, Leona E. Smith, Raymond T. James, Esq. and Carol A. Callwood.

Development Committee - Leona E. Smith, Chair. Members are: Desmond Maynard, Esq., Vincent G. Liger and Carol A. Callwood.

Policy Committee - Judge Edgar D. Ross, Chair. Members are: Vincent G. Liger, Raymond T. James, Esq., and Leona E. Smith.

Medical Review Committee - Dr. Wilbur K. Callender, Chair.
Chairman Liger stated that Dr. Callender will work with the Administrator and the Attorneys to implement the Medical Review Committee

Administrator's Report.

The Administrator reported that he attended the Seaborne Airlines board meeting on February 19th and the Carambola Northwest, LLC board meeting on February 20, 2013. Both meetings were held on STX.

Committee Reports.

Trustee Smith, Chair of the Development Committee reported that the committee met at the Havensight Mall and toured the facility. Their main observations were the taxis and the traversing of the cruise ship passengers to and from the dock.

Internal Auditor's Report

The Internal Auditor reported that the V3 is under control and the team is working to resolve the outstanding issues. In addition, she briefly reported on other projects mainly employer's missing contribution, corporate credit card audit, records management STX audit and the internal audit comprehensive review.

Treasurer's Report.

The Treasurer's Report was read into the record by the CFO. For the month ending January 31, 2013, the receipts were $15,894,280.00 and the disbursements were $24,525,656.00, for a deficit of $8,631,376.00. YTD Fiscal 2013 receipts were $50,249,284.00 and the disbursements were $96,690.881.00, for a deficit of $46,441,598.00.

Motion made by Trustee Maynard and seconded by Trustee Callender to accept the Treasurer's Report. Motion passed 5 Yes and 2 Absent (Callwood and Smith).

Investment Officer's Report.

The Investment Officer presented a copy of the Account Compliance Summary for period ending January 31, 2013. The Account Compliance Summary showed 4 Alerts and 3 Warnings test concentration results.

1). Portfolio Value at the end of January 31, 2013 is $993 million up from $989 million at the end of December 2012. The Total Portfolio return was 2.64% for the month of January 2013. The Total Portfolio underperformed by 26bps. Total Domestic Equity out performed its benchmark by 10bps, International Equity outperformed by 25bps and Total Fixed Income outperformed by 36bps. 2). Of note, Union Heritage and Oberweis had returns of 4.5% and 5.5% respectively, underperforming by 64bps and 105bps respectively. LSV and Fisher outperformed by 24bps and 79 bps respectively with returns of 6.7% and 6.8% respectively.
3). GERS is currently maintaining 75% compliance with the VI Code. 4).Walter Scott has been funded as of February 15th.

Regular Session.

The Administrator recommended that for bank purposes a resolution is needed to grant the new Chairman, Vincent G. Liger a corporate credit card. There was general discussion regarding who is entitled to have a GERS corporate credit card. The Administrator responded that based on the Corporate Credit Card policy, only the Chairman of the GERS Board of Trustees, Administrator and CFO are entitled to have a corporate credit card. He further stated that presently only the Administrator has a credit card. The CFO opted not to have a credit card and former Chairman James' card was cancelled.

Motion made by Trustee Smith and seconded by Trustee Callender to accept the Administrator's recommendation to grant the new Chairman, Vincent G. Liger a corporate credit card. Motion passed 6 Yes and 1 Absent (Carol Callwood).

The Administrator recommended that the signatories on bank accounts for Carambola Northwest LLC be the same as the signatories on the GERS bank accounts, except for the payroll account.

The bank accounts will also have the signatories of the Accounting manager and HR/Payroll manager at Carambola.

Motion made by Trustee Smith and seconded by Trustee Callender to accept the Administrator's recommendation to add the GERS staff signatories to Carambola Northwest LLC bank accounts,

except for the payroll account. Motion passed 5 Yes, 1 Not Voting (Ross) and 1 Absent (Carol Callwood).

The Administrator pulled back item A (iii) because approval was already given by the Board before to make all repairs that were included in the Marriott PIP.

Trustee Ross questioned whether the Carambola Northwest LLC Board was legally appointed because the GERS Board of Trustees is the one to appoint the Board members of Carambola Northwest LLC.

Motion made by Trustee Maynard and seconded by Trustee Callender to authorize the temporary installation of the Board of Carambola Northwest LLC (Administrator, CFO and Chairman of the GERS Board of Trustees), and authorize the Board of Carambola Northwest LLC to prepare Bylaws to be presented to the GERS Board of Trustees for approval. Motion passed 6 Yes and 1 Absent (Carol Callwood).

The Administrator presented the Board of Carambola Northwest LLC request for approval to hire a Consultant to perform a feasibility study to determine the cost to operate a casino at Carambola Beach Resort & Spa.

Motion made by Trustee Smith and seconded by Trustee James to authorize the Board of Carambola Northwest LLC to hire a Consultant to perform a feasibility study to determine the cost to operate a casino at Carambola Beach Resort & Spa.

The Administrator brought to the attention of the Board again that there has been no identified funding source for the GERS Scholarships for the past 3 or more years. The Administrator pointed out that this was brought to his attention by Gino Rena the former Investment Advisor at Segal Advisors. His position was that the practice of the Investment Managers funding the scholarships appeared to be in conflict with SEC regulations.

There was a general discussion on an appropriate funding source for the GERS Scholarships. The Administration's position is that based on the law, it cannot be funded from member's

contributions or earnings from member's contributions. The Administration recommended that the additional $5,000 on the application fee earned from proposals under the Alternative Investment Program be used for this purpose. This may not be a viable source because the program has reached its funding requirements limit, The Investment Officer recommended that the proceeds from the security lending be used. This recommendation was not acceptable because the security lending is part of the portfolio which is funded by contributions. This issue was placed on hold.

Motion made by Trustee Smith and seconded by Trustee Callender to go into Executive Session Motion passed 5 Yes 2 Absent (Callwood and James).

Executive Session.

The Administrator requested to reorder the agenda to move up the presentation of the Consultant for the review of the operations of the Havensight Mall.

Motion made by Trustee Callender and seconded by Trustee Ross to reorder the agenda. Motion passed 6 Yes and 1 Absent (Callwood).

Motion made by Trustee Smith and seconded by Trustee Maynard to come out of Executive Session. Motion passed 6 Yes and 1 Absent (Callwood).

Regular Session.

Motion made by Trustee Callender and seconded by Trustee Ross to approve the agreement for legal services with the Law Firm of Pedro K. Williams. Motion passed 6 Yes and 1 Absent (Callwood).

The meeting adjourned at approximately 1:00pm.

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