

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 (videoconference from St. Thomas), Carol Callwood and Leona Smith. Desmond Maynard, Edgar Ross and Raymond James were absent.

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: Pedro K. Williams, Board Counsel and Yvonne , Stenographer.

Comments and Suggestions from Members.

Active and retired members present were Patricia Oliver, Mary Moorehead, Mary Roebuck and Abdul Ali. Ms. Oliver requested documentation for the Orbitel loan. She was advised by the Administrator that there was no \$19 million loan to Orbitel, just approval of a loan by the Board. He also stated that no funds will be loaned to Orbitel until all conditions and requirements are met. Ms. Moorehead made a statement that Executive Session items are not reported to the members. Mr. Liger responded that after the Board comes out of Executive Session to Regular Session, any actions taken by the Board are reported and voted on in Regular Session. Mary Roebuck mentioned the \$19 million loan to Orbitel. Abdul Ali commented on various topics to include that the Administrator was invited to speak to the St. Croix Retiree Group on Tuesday November 19th.

Secretary's Minutes.

Motion made by Trustee Callender and seconded by Trustee Smith to accept the Secretary's minutes for the November 7, 2013 Special Meeting. Motion passed 7 yes.

Communications and Correspondences.

The Administrator read into the record:

1). A letter dated October 21, 2013 received from Dr. Stephen Cohen an active member. He suggested that GERS execute a loan agreement with the V.I. Government for monies owed and establish a payment plan. 2). A letter dated November 13, 2013 from Senator Clifford F. Graham, Chairman of the Committee on Finance requesting copies of employment contracts for top level staff (Executive Director, Assistant Directors, Chief Financial Officer and Chief Operating Officer). The Administrator responded in email dated November 13, 2013 to the

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, November 18, 2013

Senator that there are no employees with the GERS inclusive of the top level positions that have an employee contract.

Chairperson's Report.

Chairman Liger reported that he will discuss the meeting held with the Governor on Saturday November 16th in Executive Session.

Administrator's Report.

The Administrator reported that:

- 1). The annual bonus payment that is funded by the Virgin Islands Lottery (VIL) will be paid on November 22, 2013 to retirees who are 60 years of age and have been on the payroll for 1 year. The total amount received from the VIL was \$1,091,093.91. The number of eligible retirees and pensioners is 6,721. The net amount each will receive is \$121.75 (Gross - \$162.34 less 25% withholding taxes).
- 2). A Stipulation, Release and Final Settlement between GERS and WAPA was executed on October 31, 2013 regarding outstanding employer contributions, lost investment and delinquency charges. On November 14, 2013, a lump sum check for the outstanding employer contributions and the lost investment was received. In addition, it was the intent of the parties that the agreement be "SEALED".
- 3). GERS is in the process of obtaining the latest numbers on the outstanding contributions and related charges for the Juan F. Luis Hospital and Medical Center. When received, GERS will communicate with the JFLHMC's management regarding timeline for resolution.

Committee Reports.

Development Committee.

None

Investment Committee.

None, other than the due diligence for Blackrock will be conducted on November 22, 2013.

Policy Committee.

None.

Committee on Medical Review.

Trustee Callender reported that it is extremely difficult forming the Committee because of the requirement that there must have equal members from each district.

Trustee Ross asked and/or made statements as follow:

1). Was Willis Todmann the former Administrator bonded? The Administrator was not sure if there was such a bond at that time. Cathy Smith, General Counsel will investigate. Trustee Ross

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, November 18, 2013

further stated that if Todmann was not bonded, then he has to make restitution to the GERS as ordered by the court, and the Administrator should initiate this. However, if Todmann was bonded, GERS should file a claim with the insurance company.

2). GERS should file a claim with the GVI's insurance company regarding the \$47 million employer missing contributions.

3). What is the status of the WICO feasibility study? The Administrator responded that GERS is waiting for the consultant's attorney to respond to the draft contract. Also, a request for information and documentation was submitted to WICO yesterday for their response.

4). Were there any lawsuit filed by GERS where the Board has not received a report? The Administrator and General Counsel responded concerning the issue with the bankruptcy filing by Larry Vaughn the previous owner of Carambola. The General Counsel will prepare a report for the Board.

Internal Auditor's Report.

The Internal Auditor reported on six (6) projects that she has been working on.

Treasurer's Report.

Since there was no Regular Board meeting in October, the CFO submitted reports for period ending September 30, 2013 and October 31, 2013.

The September 30, 2013 report shows collections for the month of September 2013 in the amount of \$11,574,133 and disbursements in the amount of \$22,905,364 for a deficit of \$11,331,231. The YTD collections for FY 2013 were \$149,743,171 and disbursements were \$290,275,185 for a deficit of \$140,532,014.

The October 31, 2013 report shows collections for the month of October 2013 in the amount of \$11,698,885 and disbursements in the amount of \$24,192,193 for a deficit of \$12,493,308. The YTD collections and disbursements for October 2013 is the same.

Motion made by Trustee Smith and seconded by Trustee Ross to accept the Treasurer's Reports. Motion passed 6 yes and 1 Abstain (James).

Investment Officer's Report.

Bruce Thomas, Investment Officer reported:

The Fund Balance at the end of October 2013 was \$971,736,440. \$32,276,543 was withdrawn from the portfolio in October 2013 for various reasons to include benefit payments. In November

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, November 18, 2013

2013, the System plans to withdraw \$28 million from the Fund. The Fund returned 2.24% for the month of October 2013 underperforming the benchmark by 54 basis point (bps). Domestic Equity matched its benchmark. International Equity underperformed by 146 bps and Fixed

Income underperformed by 22 bps. The Fund maintained 75% compliance with the VI Code. A summary of account compliance shows that there were 2 Alerts, 0 Warnings and 15 Passes.

Regular Session.

The Administrator asked to amend the agenda to include under: 1). New Business (ii) - Amend the Board Policy to allow retirees to refinance personal loans effective December 2, 2013 at a maximum twice per year as long as there is an ability to repay. 2). Executive Session – New Business (i) – To approve Robbins Geller Rudman & Dowd’s request for approval to pursue a foreign currency market manipulation investigation for which the GERS may have some exposure.

Motion made by Trustee Ross and seconded by Trustee Smith to amend the agenda to include the two matters requested by the Administrator. Motion passed 7 yes.

There was general discussion lead by Trustee Ross regarding the contribution rates for active members. The main thrust of his position was that the Trustees have the fiduciary duty and as mandated by law to raise the contribution rate. The vote taken by the Board to increase the rates which was rescinded by a poll vote was contrary to parliamentary procedures.

The Administrator stated that although he understands Trustee Ross’s position, the System should work in concert with the Executive and Legislative Branches to draft a comprehensive pension reform bill. Because the employer rate that was recommended by the Governor’s Taskforce is 2% which is less than the 3% recommended by the Board, this could confuse the legislators, because both rates were reviewed and recommended by the Actuary. The Administrator also voiced strong opposition because Trustee Ross’s increase in the rates was for Tier I only. Any increase in Tier II rates must be recommended by the Board to the Governor, and the Governor submits his recommendation to the Legislature. The Administrator mentioned that an increase in the Tier I rates only could cause Tier I members to file a discrimination lawsuit.

Motion made by Trustee Ross and seconded by Trustee Callender to implement the contribution rates (Tier I) agreed upon in the 2012 Retreat. Motion failed 3 yes, 3 no (Callwood, Smith and Liger) and 1 abstain (Maynard).

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, November 18, 2013

Motion made by Trustee James and seconded by Trustee Callwood to amend Board policy to allow retirees to refinance personal loans at a maximum twice per year as long as there is an ability to repay. Motion passed 7 yes.

Motion made by Trustee James and seconded by Trustee Smith to ratify the poll vote taken to rescind the increase in the contribution rates (Tier I) which was established in letter to the Legislature. Motion passed 5 yes, 1 no (Ross) and 1 not voting (Callender).

Motion made by Trustee James and seconded by Trustee Ross to continue with Standard International Group to conduct due diligence for the Alternative Investment Program. Motion passed 5 yes, 1 not voting (Smith) and 1 abstain (Maynard).

Motion made by Trustee Callwood and seconded by Trustee Callender to reallocate the FY 2014 Budget as follows:

FROM:

Administration and Operations Budget - \$11,797,055.00

Facilities Budget - \$3,114,526.00

Total Budget - \$14,911,581.00

TO:

Administration and Operations Budget - \$14,148,981.00

Capital Outlay Budget - \$762,600.00

Total Budget - \$14,911,581.00

Motion passed 7 yes.

Motion made by Trustee James and seconded by Trustee Callender to go into Executive Session. Motion passed 7 yes.

Executive Session.

Motion made by Trustee Smith and seconded by Trustee Callwood to come out of Executive Session. Motion passed 7 yes.

Regular Session.

Motion made by Trustee James and seconded by Trustee Smith to approve Robbins Geller Rudman & Dowd's request to pursue a foreign currency market manipulation investigation to include litigation. Motion passed 7 yes.

Government Employees Retirement System

Minutes of Board of Trustees Regular Meeting

Thursday, November 18, 2013

Motion made by Trustee Smith and seconded by Trustee James to give the Administrator authorization to refer Synergy Group for collaboration and any other matter with financial consultant. Motion passed 7 yes.

The meeting was adjourned at approximately 2:30p.m. without objection so ordered by the Chairman.

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