

**GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
OF THE VIRGIN ISLANDS
REGULAR MEETING OF THE BOARD OF TRUSTEES**

**St. Thomas/St. Croix via Zoom
Thursday, May 19, 2022
9:30 am**

**** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. Comments and Suggestions from Retirees
- IV. Comments and Suggestions from Active Members
- V. Secretary's Minutes (Regular: 4/21/22)
- VI. Communications and Correspondences
- VII. Chairperson's Report
- VIII. Administrator's Report
- IX. Committee Reports
- X. Treasurer's Report
- XI. Investment Officer's Report
- XII. REGULAR SESSION
 - A. Unfinished Business
 - (i). Authorize the Administrator to Contract with S&B Company to Conduct Audit Services for the Amount Proposed Beginning with FY 2021
 - B. New Business
 - (i). Increase the Term of the Complex's Tenants' leases from One Year to Five Years
 - (ii) BR 21-0789 – Suspension of Retirement Annuity for Persons Convicted and Confined on a Felony Charge During that Person's Period of Confinement
- XII. **EXECUTIVE SESSION**

This portion of the meeting will be closed to the public for matters pertaining to trade secrets / or financial or commercial information/ or personal/ or legal matters; or matters whose premature disclosure will frustrate the implementation of the proposed agency action.

 - A. Unfinished Business
 - (i). Port of Sale
 - B. New Business
 - (i). Personnel Matters
- XIII. Privileges of the Floor
- XIV. Adjournment

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

The Regular Meeting of the Board of Trustees for May 19, 2022 was called to order at 9:33am. The meeting was held via Zoom and shown on YouTube. At roll call, Trustees present were Callwood, Dorsey, Russell, and Bowry. Trustees not present during the roll call were Liger, McDonald, and Smith. A quorum was established with 4 trustees present. Ex-officio member Cindy Richardson was excused.

Staff in attendance: Austin Nibbs, Administrator, Cathy Smith, General Counsel, Ishmael Meyers, Jr, Deputy General Counsel, Denise Jeremiah, CFO, Asiah Clendinen Gumbs, COO, Glenville Henderson, Investment Analyst, LeSean Moses, IT, Roy Moorehead, Chief Security Officer-Havensight Mall.

Also, present in the meeting were Pedro K. Williams, Board Counsel, Kelsha Williams (Associate in Pedro Williams Law Offices), and Desiree Hill, stenographer.

Comments and Suggestions from Retirees and Active Members

There were no comments from retirees or active members that were present.

Secretary's Minutes

Motion made by Trustee Callwood and seconded by Trustee Dorsey to approve the secretary's minutes for the Regular Board Meeting – April 21, 2022. The motion passed 4 yes (Callwood, Dorsey, Russell, and Bowry) and 3 absent (Liger, McDonald, and Smith).

Communications and Correspondences

Letter from ex-officio member Cindy L. Richardson, Director of Personnel dated May 17, 2022 informing the Board that she is unable to attend the meeting.

Chairperson's Report

The Chairman reported:

He will be reporting on the two committee meetings that he chairs (Investment and Budget) under Committee Reports.

Administrator's Report

Meetings, Presentations, and Appearances

- May 6th Attended mid-year Budget Committee meeting.
- 8th Due diligence planning meeting with CFO, General Counsel, and Investment Analyst.
- 11th Attended the due diligence meeting Re S B & Company in Owing Mills, MD.
- 13th Attended the planning/implementation meeting Re: Act No 8560 Return to Work.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Retirement Applications - as of April 15, 2022

A total of 157 applications pending as of April 15th. Of the 157 applications pending 75 (for 2021) and 72 (for 2022).

Disability Life Certificates - as of May 10, 2022

A total of 262 new Disability Life Certificates were mailed out on April 5, 2022, with a deadline date of May 30, 2022.

86 Disability Annuitants Living in the U.S.
176 Disability Annuitants residing in the Virgin Islands
262

To date, 125 Life Certificates were returned.

84 From the U.S.
41 From the Virgin Islands
125

48% were received as of May 10, 2022

Disability Cases Pending

In Person Medical Exams	0
Disapproved by GERS Physicians	1
Internal Legal (Pending hearing)	4
Total Pending Disabilities	5

Compliance and Control - Contribution Processing - October 1, 2021 – April 30, 2022

Refunds

	No. Cases <u>Completed</u>	Total <u>Amount</u>	No. Cases <u>Pending</u>
Total	<u>494</u>	<u>\$4,355,440.73</u>	<u>19</u>

\$3,681,364.68 (84.5%) represents regular (non-vested).

Death Benefits - October 1, 2021 – April 30, 2022

<u>Types</u>	<u>No. Completed</u>	<u>Amount</u>	No. of Cases <u>Pending</u>
Active	15	\$480,982.97 60.8%	46
Retired	<u>10</u>	<u>310,003.92</u>	<u>11</u>
Total	<u>26</u>	<u>\$ 790,986.89</u>	<u>53</u>

Active members represent 60.8%.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Accounting Department

Annuity Payments

Number of retirees as of May 13, 2022 payroll: **8,723**

Cumulative dollar paid out from October 15, 2021 – May 13, 2022 - **\$163,003,212.48**

Number of retirees added to payroll from October 1, 2021 – May 13, 2022. **243**

Number of retirees deleted from payroll from October 1, 2021, through May 13, 2022: **200**

Note: The Gross Retiree Payroll for pay date May 13th was \$10,938,410.49

Trustee Russell requested the definitions for all of the annuity categories.

Member Loan Portfolio – April 30, 2022

Total Loans and Mortgages 1,632 units (1,554 – personal / 78 – mortgages)

Total Amount Outstanding - \$17.9 million

At the end of 2022, approximately 526 loans are scheduled to mature.

Trustee Dorsey requested a breakdown of the 526 loans (personal/mortgages) that are scheduled to mature at the end of 2022.

Management will be forwarding a recommendation for the Reinstatement of the Loan Program in a different form beginning FY 2025 (October 1, 2024) for personal loans and FY 2026 (October 1, 2025) for mortgages to the Policy Committee for review and consideration.

Trustee Russell wanted to know what is meant by Construction in the Total Outstanding section of the loan report. I pointed to a section of the report which breaks down the types of Mortgages (construction/home improvement, land, and purchase/refinance).

Operations

St. Croix Office Complex – No updates.

St. Thomas Office Complex

Building

GERS Hip Roof

Scheduled completion date July 15, 2022 (subject to weather).

Air Conditioner Project (Installation of Central Air Control System)

Anticipated project completion date has moved to the 4th Quarter FY 2022 due to rewiring of VAV system which will require a change order of \$159,000. The original contract amount is \$1,252,500.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Generator

The generator is currently not in operation. The fuel injection pump that was rebuilt has a minor leak and returned to manufacturer for repair. The motherboard needs replacement. The parts were ordered. Expected to be delivered -in 2 weeks.

Havensight Mall

Warehouse Demolition

Two formal letters for information were requested from FEMA. GERS responded and waiting on the EHP and SHPO reviews.

Trustee Bowry asked what the acronyms are for EHP (Environmental Hazard Protection) and SHPO (State Historical Preservation Office).

Warehouse J

DCM Corporation was selected for the repairs and renovation of this warehouse. GERS waiting on FEMA for approval of the project in order to proceed.

White House Annex

The structure adjacent to the White House sustained damages to the roof during the 2017 hurricanes. The files and records inside were heavily water damaged and had to be remediated for mold accumulation, cleaned up, and the contents had to be disposed. Electrical work has to be completed. The space will be used to store cleaning and maintenance supplies.

Agave Restaurant at Havensight Mall

This new tenant is located on the corner next to Gourmet Gallery. We received rendering for the patio eating area. The Havensight Mall Oversight Committee approved it. DPNR advised that permits will be needed and will be fast-tracked for GERS. We spoke with the tenant and the necessary paperwork will be filed by May 11, 2022, at DPNR for patio rendering permits.

Rental and Electricity Collections – Exhibit A

	April 2022	Total FYTD	Arrearages
Rental	\$80,255.68	\$468,802.07	\$96,297.16
Electric	<u>38,333.07</u>	<u>270,666.48</u>	<u>68,392.29</u>
Total	<u>\$118,588.75</u>	<u>\$739,468.55</u>	<u>\$164,689.45</u>

Update: Payments received from DOJ after April 30th

Rental - \$37,063.00 and Electrical - \$26,247.26

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

LEASES

Division of Personnel

Property and Procurement has received the PO needed and the legal team has the lease for review. Next steps DOJ and Governor signatures.

Department of Justice

Brief conversation held with Property and Procurement and Department of Justice for signatures. Spoke with the Department of Justice AG for an update on signatures 4-06-2022. No additional updates.

FEMA

Working with FEMA to get final approvals. Still pending.

Trustee Russell inquired from the Administrator his meeting in Washington, DC to sign the GERS Bond Note closing. He asked if the Administrator had a copy of the note. GERS has an original copy of the Note. He requested a copy. Trustee Russell was advised that a copy of the Note was forwarded to all trustees in the package for the Investment Committee meeting.

Committee Reports

Trustee Bowry reported that:

There was a joint Investment Committee and Budget Committee meeting held on May 9th. Leo Festino (Meketa Investment Group - Investment Advisor) made a lengthy presentation. There were four (4) key takeaways from the Investment Committee meeting.

1). Economic and Market Update

2). Portfolio Performance through March 2022

3). Dynamic Asset Allocation Strategy

4). GERS Funding Note and the implication of the Note of the asset allocation

Next steps

The current investment market is categorized by volatility. Fueled by high inflation and the rise in gas prices. Expectation of the federal reserve board – tightening of credit which will increase the interest rates.

Uncertainty in the market due to the war in the Ukraine and its economic and financial consequences.

Economic growth expected to be slow and returns on equities (stocks) expected to be slow in the near term.

Short term portfolio performance is negative. Long term expected to be positive. GERS has earned 8.4% since the inception of GERS in the market.

Expected that GERS will earn 6% long-term based on the GERS Bond Funding Note. GERS will have to revisit the asset allocation strategy to achieve the minimum 6%.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Additional discussions and decisions will be made at the board retreat.

There was discussion on the Dynamic Asset Allocation strategy. How it came about, and the impact on the Fund. The current market conditions and our expectations to earn 6%. GERS will have to revisit the allocation between the assets classes in order to achieve the minimum 6% rate of return that is expected. There will be further discussions on this at the board retreat which will involve the actuary's input, and decisions will be made to revisit the asset allocations.

Budget Committee Meeting

Mid-year budget review. Systems and Havensight Mall months actual vs. budget.

Key takeaway – System – Both operations and capital are within the budget. Havensight same, however, rents are below what is expected. Aggressive collections needed. HM \$432K below budget.

Commended management and staff for spending within the budget.

Confidential matters will be discussed in executive session related to implications in the budget.

Trustee Russell asked if the report was in writing? Trustee Bowry stated that he was reading from his notes.

Treasurer's Report

The Treasurer's Report for the month of April 2022 was read into the record by Denise Jeremiah, CFO.

System

Collections – Month of April - \$97,405,995 (includes the \$89,198,738 GERS Bond Note Funding / FYTD \$ 177,874,225

Disbursements – Month of April - \$24,109,608 / FYTD \$168,809,671

Net Surplus – Month of April - \$73,296,387 / FYTD \$9,064,554

For the month of April 2022, GERS expenses of \$24,109,608 were approximately 25% of collections. Year to date collection at April 2022 was \$79.3 million more than year to date collection at April 2021. Year to date expenditure is 46% of budget. \$85,000,000 was withdrawn from the investment portfolio to meet the obligation of the Agency.

Havensight Mall

Collections – Month of April - \$514,840 / FYTD \$1,781,772

Disbursements – Month of April - \$190,139 / FYTD \$1,571,220

Net Surplus – Month of April- \$324,701 / FYTD \$210,552

For the month April 2022, Havensight Mall expenditure was 37% or \$324,701 of total collections. Year to date collections increased by 61% or \$677,658 over last fiscal year to date collections. Year to date expenditure was 48% or \$746,772 under last fiscal year to date expenditure. Fiscal Year 2022 Havensight Mall expenses were 46% of budget.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Motion made by Trustee Russell and seconded by Trustee Callwood to approve the Treasurer's Report for April 30, 2022. The motion passed 4 yes (Callwood, Dorsey, Russell, and Bowry) and 3 absent (Liger, McDonald, and Smith).

Investment Officer's Report

Total Plan Market Value at the end of April 2022 - \$421.9 million.

YTD \$41.3 million was withdrawn from the portfolio. Income - \$6.5 million, and Loss - \$15million.

Total Plan returned -1.5% for month of April. Fixed Income -2.4% and outperformed its benchmark by 1.4%. Total Alternatives returned 3.0% and outperformed its benchmark by 11.5%.

Motion made by Trustee Russell and seconded by Trustee Callwood to approve the Investment Officer's Report for April 30, 2022. The motion passed 4 yes (Callwood, Dorsey, Russell, and Bowry) and 3 absent (Liger, McDonald, and Smith).

Regular Session

Unfinished Business

The Administrator presented a summary of the due diligence of S B & Company.

The due diligence of S B & Company (SBC) was conducted on May 11, 2022, at their office in Owing Mills, Maryland. Representing SBC at the meeting was Graylin Smith, Engagement Partner. Representing the GERS were Denise Jeremiah, Chief Financial Officer, Glenville Henderson, Investment Analyst, Cathy Smith, General Counsel, and Austin Nibbs, Administrator/CEO.

The purpose of the meeting with SBC was to conduct an interview/site visit as part of the due diligence process. At the Board meeting held on April 21st, the Board authorized management to conduct the due diligence of SBC to audit the GERS for a period of five (5) years beginning with FY 2021.

At the meeting, the agenda for the meeting was circulated and an overview of the three most important areas of the audit were presented. Denise Jeremiah, CFO, outlined in detail the type of financial reporting system(s) that are in place. Also, there was discussion on the internal control weaknesses reported in the FY 2020 audited report. Glenville Henderson, Investment Analyst provided an in-depth background on the structure of the GERS portfolio, the asset allocation (Dynamic), and the challenges regarding cash flow and liquidity that GERS have experienced over the years. Cathy Smith, General Counsel gave a historical prospective of legal action by GERS against the Plan Sponsor beginning in 1984 through the U.S. Court of Appeals, and the Settlement Agreement between the GVI and the GERS. The GERS Funding Note was also discussed – disclosure for FY 2021 and thereafter. The overview of these three areas spurred discussion and questions between the GERS team and SBC.

As part of the due diligence, interview questions were asked of SBC. All of the questions were answered to our satisfaction in detail by SBC during the overview by the team. A copy of the interview questions is attached.

The most important takeaway from the meeting is the timeline for performing the audit that was discussed with SBC and suggested by SBC. SBC proposed to begin the preliminary planning process and the through of the major programs the week of the May 23rd and 30th respectively and begin preliminary testing the week of June 13th. SBC (Mr. Smith) indicated that if there are no hiccups, the audit should be

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

completed at least 8 weeks after the preliminary testing, which would be around the end of August or the middle of September 2022.

An evaluation sheet was prepared by each member of the team who attended the due diligence SBC scored 391 out of 400. The Committee received three of the four reference requests that were sent to their pension & trusts clients. Responding favorably and recommending the selection of SBC are Pennsylvania Public School Employee Retirement System, Maryland State Retirement & Pension System, and Montgomery County Employee Retirement System.

SBC would like to be invited to the Board Retreat.

Recommendation.

Based on the due diligence/site visit meeting, the due diligence committee recommended that the Board authorize the Administrator to contract with S B & Company to conduct audit services for the amounts proposed beginning with the FY 2021 audit.

Trustee Dorsey inquired what was used as the basis for the evaluation and the selection. The Administrator responded that the RFP included sections for the minimum requirements and the qualifications needed to be selected. The firm had to respond to the requirements and provide documentation of their qualifications as set forth in the RFP. The Committee developed maximum scores for each section with a total score of 100. Trustee Russell inquired if the firm adhered to international accounting standards. The Administrator response was yes. Trustee Russell also inquired about the fee. The Administrator stated that the fees are within the range of the predecessor auditor's previous fees. In response to a question from Trustee Russell related to the IG Audit, the Administrator stated that this audit is related to the financial reporting of the System and is different from the IG Audit which is operational. Trustee Dorsey requested the fees that were proposed. The Administrator read the amounts into the record. FY 2021-\$110K, FY 2022-\$115K, FY 2023-\$120K, FY 2024-\$125K, and FY 2025-\$130K.

Motion made by Trustee Russell and seconded by Trustee Dorsey to approve the Administrator's recommendation to contract with S B & Company to conduct audit services for the amounts proposed beginning with FY 2021 audit. The motion passed 4 yes (Callwood, Dorsey, Russell, and Bowry) and 3 absent (Liger, McDonald, and Smith).

New Business

The Administrator mentioned that last year the Board had directed the system to limit the term of the complex's tenants leases to one year. The reason the Board took this stance was because of the pending insolvency, and under the Dynamic Asset Allocation, the Board had made a decision to sell its assets. The Board subsequently changed its decision not to sell its assets. Since the execution of the Settlement Agreement and the GERS Bond Funding Note which took insolvency off the table, tenants have inquired, and management agrees that the tenants leases should increase from one year to five years. There will be no changes in the current terms and conditions. When those tenants who have a one-year lease and their lease expires, we can negotiate up to a five lease with them.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES REGULAR MEETING

May 19, 2022

Attorney Williams asked if this applies to only the complex tenants or does this includes the tenants in the Havensight Mall. The Administrator responded no. There was no opposition to the Administrator's response.

Trustee Bowry position is that management should be given the flexibility to determine the terms of leases based on the tenants business model and investment in the infrastructure. Trustee Russell asked if the tenants were asking for a five-year term. Mrs. Clendinen Gumbs responded yes. Before the directive, the tenants leases were for ten-year terms. Trustee Russell position is that that it would not be in the best interest of the system to enter into five-year term leases because of uncertainties ahead. Trustee Dorsey's position is when it comes for DOP and DOJ, we need to think about them paying on time before extending their leases. Trustee Bowry final position is that we give management the flexibility to negotiate leases with each tenant without any restrictions.

Motion made by Trustee Dorsey and seconded by Trustee Russell to move all lease arrangements to the Policy Committee. The motion passed 3 yes (Callwood, Dorsey, Russell), 3 absent (Liger, McDonald, and Smith, and I abstain.

The Administrator asked for clarification if the Havensight Mall leases are included in the motion made by Trustee Dorsey. The consensus was all leases.

The Administrator advised the Board the last item to be discussed in Regular Session is the request from Senator Novelle Francis for us to review the draft legislation (BR 21- 0789) which would suspend GERS benefits to persons who are incarcerated. One of the issues GERS management has wrestled with is, who will notify the GERS when a member is convicted and incarcerated, and when the member is released so that their annuity can be restored? Another issue is how would GERS be notified if the member is convicted in another jurisdiction, how would the GERS be notified? Attorney Smith did some research looking at what other pension systems have in place relative to this proposed Bill.

All of the Board members present disagree with the intent of the Bill and directed the Administrator to respond to the request that the Board cannot endorse the Bill.

Motion made by Trustee Callwood and seconded by Trustee Dorsey to go into Executive Session for matters pertaining to trade secrets/or financial or commercial information/or personal/or legal matters whose premature disclosures will frustrate the implementation of the proposed agency action. The motion passed 4 yes (Callwood, Dorsey, Russell, and Bowry) and 3 absent (Liger, McDonald, and Smith).

Executive Session

The meeting adjourned at approximately 12:59pm for lack of a quorum..



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