

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

**St. Thomas/St. Croix
Monday, November 18, 2024
6:00 PM**

**** AGENDA ****

- I. Call to Order
- II. Roll Call
- III. REGULAR SESSION
 - A. New Business
 - (i). Portfolio Asset Allocation
 - (ii). Governor's Request to Rescind Resolution to Increase the Employer Contribution Rate
- IV. Privileges of the Floor
- V. Adjournment

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM MINUTES BOARD OF TRUSTEES SPECIAL MEETING

November 18, 2024

The Special Meeting of the Board of Trustees was called to order at 6:07 p.m. At roll call, Trustees present were Nellon Bowry, Andre' T. Dorsey, Leona E. Smith, and Dwane Callwood. The meeting was held in person and via Zoom. Trustees not present during the roll call were Vincent E. Liger (excused), Ex-Officio Cindy L. Richardson, and Ronald E. Russell. A quorum was established with four (4) voting Trustees present. Trustee Russell joined the meeting during the Portfolio Asset Allocation presentation.

Staff in attendance: Angel E. Dawson, Administrator/CEO, Ishmael A. Meyers Jr., General Counsel, Asiah Clendinen Gumbs, Senior Deputy Administrator, Michele Nico, Deputy Administrator, Glenville Henderson, Investment Analysts, Jahmed Mills, Director of Retail, Dining, and Entertainment/Property Manager – Havensight, Roy Moorehead, Assistant Property Manager / Chief of Security – Havensight, Dannica Thomas, Director, Communications, Engagement & Organizational Effectiveness, Ucilla Austrie, Co-Director of Accounting and Finance Division/Accounting Coordinator, Ms. Jerain Fleming, Executive Assistant to the Administrator, LeSean Moses, Computer and Benefits Systems Technician, IT

Also, present at the meeting were Pedro K. Williams, Board Counsel, Kelsha Williams from Law Offices of Williams and Williams, Ms. Desiree Hill, Stenographer, Shawn Bowen, Senior Vice President /Consultant, Maketa Investment Group, Alwin Frias, Senior Vice President and Actuary, Segal, Suzanne Carlson of the Daily News.

A. New Business

(i). Portfolio Asset Allocation

The purpose of this discussion is to evaluate Meketa, the Systems' Investment Advisor's recommendation, to allocate a portion of the agency's profits and earnings to a less risky segment of the portfolio and consider adjusting the agency's exposure in the international market.

Shawn Bowen presented the Investment Report to the board. Meketa recommends reallocating 10% from US Equity, reducing it to 35%, and moving it into Investment Grade Bonds, increasing that allocation to 20% to reduce portfolio volatility.

Meketa would like the System to consider adjusting the International Developed Market portfolio by splitting the Russell 3000 fund into a Russell 1000 Index and a Russell 2000 Index.

A motion was made by Trustee Smith and seconded by Trustee Dorsey to authorize Meketa to redistribute 10% of GERS' Domestic Equities holdings towards the Investment Grade Bonds portfolio. The motion passed with 5 Yes (Bowry, Dorsey, Russell, Smith, and Callwood) and 1 Absent (Liger).

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A motion was made by Trustee Dorsey and seconded by Trustee Smith to authorize Meketa to redistribute the GERS' holdings in the Russell 3000 fund into the Russell 1000 and 2000 funds. The motion passed with 5 Yes (Bowry, Dorsey, Russell, Smith, and Callwood) and 1 Absent (Liger).

(ii). Governor's Request to Rescind Resolution to Increase the Employer Contribution Rate

Administrator Dawson read into the record letter dated November 8, 2024, from the Office of the Governor.

Chairman Callwood recommends modifying the resolution to change the effective date from January 1, 2025, to October 1, 2025, giving the plan sponsor nine months to budget for the increase and aligning with the new fiscal year. Chairman Callwood disagrees with rescinding the Resolution to increase the employer contribution rate for the reasons listed below.

1. At the time the SPV was created, the actuary calculated the unfunded liability of \$4.6 billion for GERS, indicating significant financial challenges ahead, even if the plan was fully funded.
2. The increase in the employer contribution rate is not attributed to a shortfall of the Rum Cover Over funds.
3. Former Administrator Austin L. Nibbs presented the insolvency issue to the 34th Legislature, requesting funding for a three-percentage point employer contribution rate increase in the FY 2023 Budget.
4. In 2023, Administrator Dawson also requested funding for the same employer contribution rate increase as part of the FY 2024 Budget during the Annual Operations Overview to the 35th Legislature.
5. The GERS Annual Operations Overview to the 35th Legislature was canceled and later rescheduled, and the importance of the funding was reiterated by GERS.
6. Despite earlier requests, the employer contribution increase was not included in the FY 2025 budget, even though it was anticipated to be implemented by January 1, 2025.
7. The GERS board passed a resolution on September 26, 2024, to increase the employer contribution rate by three percentage points.
8. By the time the resolution was adopted, the GVI FY 2025 budget was already completed.
9. On October 2, 2024, Chairman Callwood and Administrator Dawson discussed the contribution increase with Governor Bryan and presented concerns about potential system insolvency.
10. The Special Purpose vehicle created by the plan sponsor played a crucial role in preventing GERS from becoming insolvent and fostering goodwill.

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Trustee Bowry expressed concerns that political developments may complicate increasing the rum cover-over. He also inquired about the implications if the employer contribution increase was activated but not paid by the GVI. Board Counsel Williams clarified that the plan sponsor must still meet its pension obligations, accruing interest.

Trustee Russell suggested delaying the employer contribution increase slated for January 1, 2025, until the Governor's lobbying team can consult with the new administration.

Aldwin Frias, Senior Vice President and Actuary from Segal Group, presented to the Board the impact if the Rum Cover-Over rate remains at \$10.50 assuming a 6% investment return. The takeaway is that delaying the 3% increase would only shift potential insolvency by three months.

A motion was made by Trustee Dorsey and seconded by Trustee Smith to modify the employer contribution increase Resolution and change the implementation date from January 1, 2025, to October 1, 2025. The motion passed with 4 Yes (Bowry, Dorsey, Smith, and Callwood) 1 No (Russell), and 1 Absent (Liger).

Adjournment

A motion was made by Trustee Dorsey and seconded by Trustee Russell to adjourn. The motion passed with 5 Yes (Bowry, Dorsey, Russell, Smith and Callwood) and 1 Absent (Liger).

The meeting ended at approximately 8:10p.m.

The minutes for the Special session were transcribed from the zoom recording by Zaida Castro, Legal Secretary to the General Counsel and reviewed and edit by Chairman Dwane Callwood, Angel E. Dawson Jr. Administrator and CEO and Ishmael Meyers, General Counsel.

Angel E. Dawson Jr.
Administrator/CEO
Secretary, GERS Board of Trustees