GERS BOT's Monthly Board Meeting 4/24/25

GERS Retirement System (Board of Trustees)

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0:00:00 Thank you. good morning everyone good morning good morning good morning it is um government employees good morning regular meeting of the board of trustees for thursday april 24th 2025 is that by call to order however we'll call please mr rossin yes mr chairman uh trustee tom and clark present let's see part present trustee andrea dorsey Present.

0:01:14 Present. Trustee Gorsi present, Trustee Vincent Liger. Trustee Liger absent. Ex-officio member Cindy Richardson. Present. Ex-officio member Richardson present. Trustee Ronald Russell. trustee russell absent trustee leona smith present trustee smith present trustee dwayne colwood present trustee colwood present uh mr chairman or present two absent thank you do we have any comments and suggestions from your diaries do we have any comments and suggestions from active managers okay um at this time trustees i'd like to have a motion to be ordered today's agenda we have makita our investment advisor advisors joining us to do a partial presentation of the the investment report however they're working with some time constraints so i'd like to have a motion to move the investment officer's report up to um up to number five ahead of secretary's so moved second yes the trustee clark yes let's see dark yeah dorsey yes let's see dorsey yes trustee leiger absent trustee russell absent trustee smith yes president yes trustee powell yes let's see how would yes mr chairman four yes two uh two absent thank you the motion is adopted so at this time we'll move to the

0:03:34 investment officers report and I will invite our representatives from Akita to make their presentation. good morning i think leo may have dropped for a second and does mr henderson actually have Yes. Go ahead, Leo. The floor is yours. All right. Good morning. Sorry. I was having issues. I had to disconnect and connect back again, and now I can hear everybody very clearly. Can you hear me well? Yes.

0:04:27 Great. All right. So I don't know what you said, but I'm assuming you want us to go over the materials we have sent you for this meeting. Is that correct? That's correct. Yes, that's correct. If we need to pull something on the screen, Sean, are you able to do that? If not, I will point to page numbers. I can pull it up if requested. Okay. I'll start making some brief commentaries about the first quarter. Our materials have information as of March 31st.

0:05:01 Obviously, a lot has happened since in the three weeks that followed, and we'll provide a verbal update where possible. So contrary to what happened much of the last few years, U.S. stocks were down for the first quarter, with a broad stock market losing just south of 5%. The areas within the U.S. stock market that fared better in the past few years, the larger, growthier companies, suffer the worst losses. Those were about 10 to 12% down. On the other hand, areas that had had weaker performance in the last year or two, such as stocks overseas, did better. For example, stocks in other developed economies, as in Europe, Japan, etc., combined, earned about 7%, and in emerging markets, about 3%. An important driver of that performance, which we measure in US dollars, has been a weakening of the dollar. So in local terms, European Japanese stocks were up about 3%, but there was a 4% gain when you translate foreign currency into the U.S. In emerging markets, the performance gain was not driven necessarily by changes in currency, but by a rally in Chinese stocks, which in the past year has been pretty strong. Also, during the quarter, there was no activity at the Fed.

0:06:38 In other words, no changes in the level of interest rates. Given some of the uncertainties in the economy and concerns with growth, bonds did quite well as interest rates came down. So the broad measure of bonds gained about 3% for the quarter. Longer duration bonds gained about 5%. percent and credit related bonds such as high yield again about one percent so overall a strong quarter for most asset classes except u.s equities and you can see that on the second page of our materials most are to the right um except for u.s stocks which had losses and most of those losses happen in march and that trend continued through april although there's been wild swings in the markets with some days showing the strong gains and other days pretty meaningful losses half a second but sean are you supposed to be projecting the presentation i i can if asked i i no one asked me let me let me add it apologies good great so i was referring to this space so on the left you'll see the first quarter most asset class from bonds commodities stocks overseas had gains u.s stocks had losses this is normal usually there is an area of weakness uh seven years is going to be commodities other years is going to be bonds sometimes going to be stocks in one geography or one type of stock um so this is not unheard of and the level of gains and losses is still within reason uh what it hasn't been

0:08:31 within reason and it has been a bit of an outlier has been the wild swings that we have experienced the last few weeks um those have been more along the lines of the swings that we have experienced during the depression time during the crash of 1987 during the global financial crisis during covid during during real times of stress we're not seeing that in the results because one day in the market goes up the other day goes down it moves less when you compound over a number of weeks whereas in those environments it was either moving up or down consistently so we're seeing uh increased volatility um and some losses but i would say the losses have not been broad have been concentrated in a few areas if you move over one piece we'll dig in a little deeper into the u.s equity returns uh as you can see march was a difficult month uh no matter where you look uh during the quarter you'll see russell 1000 growth essentially this the segment that russell indices um consider this to be growthier so the largest 1 000 companies a carve out of that uh the more growth rate the companies lost about 10 percent and in the 2000 space essentially the next 2000 companies that are categorized as being growth here lost about 11.1 percent on the other hand large value companies financials energy utilities and such gain about two percent so So it hasn't been losses everywhere, but it's been losses mostly where stocks have done well in the past year or two.

0:10:18 And you can see that reflected on the next page when we look at sectors. So technology, consumer, those were hit pretty hard, losses in excess of 10% for the quarter. On the other hand, you look at utilities, telecommunications, energy, those that have been more defensive sector, financials, etc. that had posted gains for the quarter. Overseas, if you look at the third row on the next page, you'll see EFI local currency.

0:10:48 During the quarter, you see again of 2.9. I mentioned that earlier. So that is what the local economies need, but then you have to adjust for us to bring those back into US dollars so we measure everything in the same currency. And when you do that and the dollar depreciates, the return of those assets overseas is worth more because it buys more dollars. And so the gain for the quota was 7% overseas, and that's why it helps a system like GERS to have a diversified exposure of the stocks globally. Because usually some will not work, but the rest will, and those will offset the losses for those that are not working during a given time. At the bottom you see China at 15%, and that has been the source of the returns for emerging markets, as the rates have been mostly flat.

0:11:36 on the next page we'll look at valuation and not much has changed if you you know look broadly you see pretty rich valuation for us stocks uh that's the top line the average is the flat line of the same color so we're above it so quite meaningfully so stocks have uh done very well uh the last couple years following 2022 and reach pretty strong valuations and overseas less so is either at or slightly below historical averages so usually valuation is very insignificant predictor of performance in the short term but in the long term it has some merit and so this tells us that there is likely over a very long time horizon better likelihood of strong performance coming from overseas as you expect some reversion to the mean in terms of valuation especially in the u.s on the next page we look at fixed income and there you see a very strong quarter as interest rates came down that has somewhat changed during the first few weeks in april as interest rates have risen and so we have seen bonds pass some level of losses depending on where you look but the broadest measure is the barclays or now called bloomberg aggregate index that gains a side of three percent for the quarter strong performance had been um tips which are treasury securities that are adjusted for inflation and those gain anywhere between three and four percent depending on on the length of those bonds some bonds have one year to maturity others have 20 or 30 so it really depends on where you're looking for but in general that has performed quite well and continuing in bonds we look at interest rates this is for treasuries and if you look at the left

0:13:39 side of the yield curve on the next page the green is how it looked at the beginning of september of last year and we picked that month because that was the month that the fed increased uh sorry uh decreased interest rates and began to capped and we now end on march 31st 2025 and you see that drop on the left side of these uh charts it dropped from over five percent to just somewhere over four percent four and a quarter to four and a half and so those brought down essentially the cash rates and that's what the federal reserve can manage and influence directly as you look to the right of this chart it's mostly reflective of market dynamics and what you see is not a lot has changed during these um seven or so months and in fact if we were to look today as interest rates went up what you see is a more normal shape of the curve where long longer maturities have a higher yield than shorter ones the green one is called an inverted yield curve and that is usually during of distressed or negative expected economic environments as the yield curve has often, but not always been a predictive source of a recessionary environment that we're about to face. On the next page, as we build on that thought of, are we in a recession, are we going that way? We'll look at the consumer as it represents two-thirds of the economic force and what we notice is an uptick in delinquency not to the

0:15:36 point suffered during the past recessions if you look for example at the global financial crisis in 2007 8 and 9 you'll see big spikes on the chart of the left even if we go to the 2020s and we look at kovid we're doing better it's just at the last couple of weeks sorry of of uh marks it has been going up on the chart on the right we also see that over the last few years the delinquency on credit cards by age is going up primarily over those that are younger in age just under 40. we're still not at a level that would suggest we're in deep trouble but it is increasing and it's something worth monitoring unfortunately a lot of metrics are backward looking and so once we can realize and see where we are it's usually late and that means we may be already in a recession so some of these are lagging indicators but nonetheless we try to monitor and see uh where we are on a variety of metrics uh just about to wrap up this section but the next couple of the sides look more at the economy uh before we go there on the next page we look at the spreads so we were looking at treasuries now we look at other fixed income securities so if you look at for example um high yield which is credit of companies rated double b or below essentially companies with uh they have to pay quite a bit more than than the government to entice investors to buy their paper um in that case during the quarter you'll see spike in yields from 2.9 to 3.5 so you see that red line take up a little bit um still below historical averages so in other words you don't get paid as much as during average time to hold this kind of paper uh during times of this race you'll see those spikes so if you go back through 2008 you see it go to almost 20 so you need to offer a lot in terms of yield and

0:17:45 returns for any investor to take your paper during times of financial stress and distress we're not there but we've seen an uptake and it's normal to have you know movements up and down it is when they are consistent and of large magnitude as we've seen in 2008 for example or 2020 when we can tell that hey this is a time of uh that market participants feel uh they need to be very conservative and so there is a shortage of buyers of these securities and so the price needs to go uh down to entice a better uh participation by uh investors uh on the next page we look at market volatility what i can tell you is that yes it has increased both on the equity and fixed income markets during the last quarter and that trade has continued um during april uh the next couple places look at inflation and unemployment which are big areas that the federal reserve bank locks inflation has continued to come down recall it's a 12-month moving average and so each time you add an observation you drop one the one from 12 months ago and so it takes a while for any changes to be noticeable so in this case as it is the cases in the US and most rest of the world. Inflation is coming down from a period of stress after the onset of COVID where supply chains hit some issues and inflation peaked in most of the world's economies a couple of years ago and it has been since coming down. So you see that on page 15 and 16 of our materials.

0:19:27 Japan is the only exception where inflation has actually moved up. They have been moving somewhat contrary to most other economies. Unemployment remains pretty good by historical context at about 4.2 percent. Not much to tell from this picture. We also show a different measure of unemployment. It's a broader measure of EU6 that includes those that you know may have jobs that are not the ones that they are qualified for um and so that one shows at about 7.9 so if you look at those lines compared to historical averages you know doing pretty well and pretty stable over the past few years i have two more pages to go um we're looking at policy rates by the major central banks around the world most have been cutting rates for the past year or so the u.s has hit the pause in the last quarter and it's remained flat at four and a quarter to four and a half percent others have continued to cut during the the past few weeks and the japanese has been the one continue to increase so recently i think they increased it one more time to another 25 basis points lastly the dollar has shown weakness the past couple of months that has continued through yesterday and so we are seeing the dollar measure against a basket of broad currencies roughly 10 of those are coming down uh from a little over 110 um at its peak around 2022 uh right now it's about 100 so um that has been a factor in other

0:21:21 developed economies doing well when you translate those into us as i mentioned earlier in this presentation um let me pause there see if there's any questions on the on the markets the rest of the presentation you know looks at your specific uh performance and it has a bit of history as to the changes made and how that has impacted uh girls but overall um the fun is is holding up quite well given its diversified exposure um and so we can go into that in a few moments if you have no questions on the broad markets are there any questions with respect to the broad market we'll continue and then if some questions come up we'll uh we'll address those then so if we move to the next section uh you'll see that you're very close to your policy recall a number of months ago we changed that policy collectively to uh pay our back the equity exposure by 10 moved that into fixed income so that was done uh towards the end of last year and uh it was uh a right call obviously it wasn't done because we were able to time the market or see deterioration in performance but it was done primarily as we looked at your specific situation looking at cash flows coming in looking at uh the amount of money needed to pay benefits and expenses and looking at projections from the funding node putting all of those things into the uh into consideration lightest to you know take a slightly more conservative stance and so far it has been a good move as equities particularly in the us where we took that money from

0:23:07 had been the weakest performer we take advantage to rebalance the portfolio typically every month or every other month at most usually you need to draw money to pay benefits so we usually sell those positions that have done the best and that usually it's enough to get you back to to par and so as we have to do the next one we'll be doing the same right now foreign stocks and bonds have done best u.s stocks have done weakest so we're likely going to be taking money from those positions that are slightly overweight what you can see is your largest as exposure is to the U.S. stock market at about 35%. Then you have another 20% or so to stocks overseas, 15 of those in developed markets and about 5% target into emerging markets. Then you have about 20% in high-quality bonds, including a mix of treasuries, high-quality credits, mortgages. That's the lion's share of that 20%. Then you have another 10% in treasury inflation protected securities called tips 10 in high yield bonds which are credits rated double b and below so those are somewhere in between stock and bonds in terms of expected return and then you have a very very small position in two private equity fund funds under the alternative assets under 5 million those are on their way out they are in liquidation mode they've been coming done they've done well but they essentially are insignificant compared to your portfolio about one percent and again as a reminder this does not include valuation or any metrics for your local assets let's move into the next page sean please here we have a historical snapshot at your

0:24:59 performance so as you recall when we met at the retreat in july um of 2022 can you go back one page thank you um at that time the fund had been uh being depleted of assets to pay benefits and we had been selling stocks and bonds and at the time we had a small amount of bonds and cash on the account to pay benefits for just a couple more years as the fund was projected to hit insolvency sometime around now 2025. the funding note came into effect and provided three years of contributions that were supposed to be 158 million approximately and so with that money coming in plus the promise of additional contribution at different levels over the next 30 some odd years uh caused us to revisit the whole asset allocation exercise and move to a more traditional asset mix for a pension fund that at the time was moved from essentially cash and high quality bonds 50 50 to 65 stocks and 35 bonds and so you'll see that big change um where we we put money into equities, and you'll see that on the blue line, developed markets equity, that's green, et cetera.

0:26:31 And then if you go all the way to the right and you look at the year end of December, 2024, that's when we took 10% from stocks in the US, the blue line went down and the orange went up, which is investment grade bonds. So right now, again, you're at a 55, 45 allocation in terms of stocks versus bonds. So can I jump in, Leo, and ask a quick question here? So based on the asset allocation history, you know, we're a little bit underweight U.S. equities from where we first started. And as you eloquently stated, we had made that decision back in November. So, you know, I think that there's a good basis for not timing the market, but making prudent decisions relative to risk. What do you see as, you know, potential asset allocation shifts in the future, given just the state of the market volatility? Do you think these levels are good from a U.S. equity perspective? Or, you know, should we be looking at potentially even lowering our U.S. equity allocation in the future, since it was prescient to do so back in November?

0:27:42 Good question. The primary considerations back then were not necessarily market conditions, although they were a factor. Recall that I had stated that valuations were pretty rich. And so if you really look back at performance in the past few years, even the last decade, And yes, stocks did very well, in some case, pushing 20% gains per year, every year, during the past 10 years. And that is not sustainable.

0:28:12 So either we made up from underperformance in the past or we borrowed performance from the future. So that was one small aspect. The other one was more unique to the system. recall that we had only three years of large infusions from the funding note at about 158 million each and after that we have about 12 years or so of more muted contribution of roughly 80 million so we knew quite well that the first three years were the strongest where we needed to try to capture the most returns um and then from that point on we need to be uh on a very watchful mode as the contribution that is coming in the 80 million is insufficient to meet the deficit between the money coming in and the money going out to pay benefits so we know we're going to be drawing from the fund so if we take wild swings in the market that's going to be negative to the valley of the fund because if the markets go down and we need to sell to pay benefits then we just can't recover so percentage returns don't matter too much when you have a lot of money coming in or money going out is the actual dollar return that matters and so from that perspective we felt that it was prudent to uh to pay our back equity and because u.s equities have done so well that was the primary or i guess the only source a few months ago when we we cut that back if i look at your exposure to u.s equities versus peers you are within range um so we're comfortable where it is today i don't think we need to increase it anytime soon we'll continue to monitor the situation and if at some point in time they became attractive from evaluation perspective

0:30:03 we have better views on uh contributions from the funding node etc then we will reassess it i think when we meet again in person at the july we'll spend some time looking to get an asset allocation i don't know if we'll lead to any changes but it's something we will review at least on a yearly basis and tariffs are a big issue uh at that point do you think that we'll have clarity on what tariffs look like so that we can make a educated decision because if there's a lot of uncertainty it would promote a lot of volatility in the u.s equity market so So if we have more certainty, will that help us make a better decision for our asset allocation? It's hard to tell how much more clarity or not is going to be out there in three months. We're not typically setting portfolios for the next three months or four years of the next administration. We usually set it for a multi-decade period. And there's a lot of things that can change during a time like that.

0:31:00 So from that perspective, I don't think visibility in tariffs or clarity will be a determinant factor. It may cause the market to move in a certain direction, but beyond that, I don't think it's going to be the primary determinant for us to consider making any changes to the way GERSI's portfolio is allocated today. Thank you.

0:31:30 Okay, let's move to the next page, Sean. So here we look at performance. And for the quarter to date, we had a small markup in the portfolio of about 50 basis points, or one half of 1%. Recall U.S. equities lost about 5%. Everything else was up, but U.S. equities is a big portion of your portfolio. um and so overall a decent quarter given all that was happening in the market for the fiscal year today we were flat essentially as the fourth quarter of 2024 the first quarter of the fiscal year was negative this one was positive so not a lot of market gains uh do recall that the prior two fiscal years were very strong uh with one generating returns for 20 percent the other one about eight percent so overall uh if you compound the returns during since the time you changed the from essentially a cash account to uh a more uh standard pension fund type of investing you know you have done quite well and significantly in excess of your actuarial return of six percent the fund remains invested in in passive um very low cost index funds that allows for daily liquidity ease of movement exposure to the broad markets at essentially a fraction of of the cost so very very efficient from that perspective the exposures essentially match the asset allocations that we went over two pages ago

0:33:17 if you go over to the right one more page we look at the actual holdings thank you Sean so you'll see you know roughly 35 percent in stocks a combination of large and small and then you see one index for developed markets at 15.4 percent another one for emerging and and so forth and you'll see the performance of those uh we can skip uh the next page yeah go ahead as if everybody froze there must be an hour okay are you okay now yeah all right uh let's continue sean uh one more page uh so this is what i meant earlier so if you look at fiscal year 2024 the fund made 24.3 that's about four times over the actuarial return so essentially those gains you know are amortized in future years and that's good it improves your funding and financial status fiscal 2023 was also good more moderate 8.6 the goal is to compound returns above your actual rate of return on average over a full cycle or you know as long a history as you can so we know there's going to be tough years for example 2022 was a year where you couldn't hide stocks went down roughly 20 percent bonds went down roughly 10 percent you were pretty conservative positions so you did better than most of your peers but you still lost 10 percent plus you didn't make the six percent you were going to make so that was a tough year with that you know

0:35:04 it cost roughly 16 percentage points if you continue looking to the past you'll see pretty stable performance in most years ahead of that six percent and if you were to look back since inception uh as going as far back as we can you're you're well ahead of that six percent metric so on an investment uh measuring point you know the file has done what it was supposed to be doing for many many years on average and that's what we want to see we can skip let's see where we are we can go to page 32 looking at fees so you had 437 million as of the end of march just for additional perspective that figure as of yesterday was about 430 million so a bit of a decline a couple days prior it was much worse but we had two good days that we know performance recover um and so how much you pay for all of this it's about a hundred thousand dollars or about three percent of one percent three basis points so overall uh it's a very very small um amount that is being paid to um to get this portfolio invested the way we wanted to that's very efficient two pages four we look at your private markets you had two funds these are from 2006 and 2009 this is something that had become quite common for pension funds to do to invest in private equity the stocks that trade in the NASDAQ, in the New York Stock Exchange, are a fraction of all of the companies out there. Most do not trade in the public market. Most are privately owned. And when interest rates went down and expect the returns for a lot of assets went down, this was one area that a lot of investors felt could produce the returns needed to get those actuarial return that were needed by them.

0:37:14 And so over the past 20, 30, 40 years, private equity went from a very small asset class to a very material one, an important one for most pension funds. So GERS had some exposure early on, those investments did quite well, but for cashflow reasons, for liquidity reasons, as the fund was trending towards an apparent insolvency, which were not able to invest in these type of assets just because they had a very long life and there was not enough visibility that that liquidity that that money invested to these funds would not be needed sooner to to make benefit payments you do not have any control as you do with your stock and bond investments that you can place a redemption here you can the manager retains that control and so for that reason we stopped making these investments but if you look at your experience has been positive you've compounded gains at about 11 on your first investment and 15.7 on your second one uh you uh put toward 14.7 million in 2006 and that vintage year uh you already received 26.7 uh back so that means your recovery of 14.7 and added about another 12 million top on gains and you have about 1.5 million left uh of value that eventually will be returned uh to you and then on fund five you put to work 9.5 million that the manager called to invest you receive uh that plus another 10 million for a total of 19.5 and you have 3.1 million uh worth of value so combined 4.6 million little over one percent of the assets of the fund

0:39:15 excluding uh the local assets overall a good experience uh at some point in time even when financial situation for girls improve this would be something we would look back to uh to consider making investments but for the time being it's not something we can do leo yes sir thank you for the presentation and of course we've also seen a lot of this in our investment committee we thought it would be good to have you and sean here today in our board meeting since we have a wider audience and we felt that it would be good to share this information more broadly so that being the case we do have various levels of interest and experience in this meeting if you were to sum up our performance presently because folks are hearing about a lot of volatility in the market so it would be natural that there be uh concern but i think one of the things that you said is that we're seeing wild swings that are sort of canceling each other out over the course of the last month how would you uh for the sake of lay people that may be present in this meeting characterize our portfolio at present yes i would say that the fund has performed relatively well we're very happy with the way that fund has performed the fund is not invested to profit from daily movements in the markets instead we position the fund to succeed in a variety of environments

0:41:11 with a long-term horizon in mind the objective of the fund is to make over six percent per year on average over a period in excess of 10 or 20 years we have been doing that by and large um despite the difficult times that we face for example there was a number of years we were permanently invested in bonds and cash and it's not that easy to do it when interest rates are zero we had headwinds during kobe we have headwinds in 2022 if you go back to 2008 so despite difficult environments the fund has been able to do that if i look back at the longest data point since july of 1981 the fund made 8.4 percent um reassured by seeing that uh we had you know spent a lot of time thinking about this fund and what to do given the unique circumstances affecting it and we made some changes in 2022 additional changes in 2024 those have worked out well and uh obviously we don't have a crystal ball but we were fortunate that uh the market you know helped us so we spent collectively a lot of time trying to position girls in the best possible way for the future and we were the recipient of some good alignment with the way the market has functioning the way we were positioned so from that perspective we put money into the equity market and it was pretty close to the right time to do that in 20 at the end of 2022 and then we took some of that out at the end of 2024 and that was before you know in somewhat of a correction in the u.s equity market so from that perspective things are working out uh well we cannot be moved by any daily changes in the markets but you know we use that as an

0:43:09 opportunity to rebalance and so each time the market gives opportunities we take advantage with rebalance and we continue to position the portfolio for the future success of girls over a multi-decade period and so from that perspective i would say we're very uh comfortable with the positioning of the fund and happy with the result we have seen over the past number of years excellent thank you so much and to pick up on a question that was that trustee clark began to ask if you were to quantify uh on a high level uh what the impact of the prescient or timely uh changes in the portfolio allocation uh has been in 2022 and 2024 uh particularly uh what would you say that quantification represented in terms of yeah sean sean calculated that yesterday i don't have it memorized it but sean i think you had some estimates can you share those with the group please yes so we we looked at two scenarios so when we initially moved in october 2022 late october 22 from the bonds and cash portfolio to a more traditional asset allocation redeploying into equities for that period the system has gained so from november 1st 2022 to march 31st 2025 about 3.1 percent net of fees annualized and if the system had remained 50 50 bonds in cash we estimate the return would have been significantly less at about 5.2 percent

0:44:58 annualized so that was a um strategic decision that has benefited the system then the other one that we talked about at the end of 20 november 24 we reduced the equity exposure by 10 percent and added it to high quality bonds that was about a 50 million dollar transfer And as Leo had mentioned, after that implementation, the U.S. equity stock market lost about seven and a half percent, while investment-grade bonds gained about one percent in that period ending March 31st, 2025. So that has provided some downside protection as well. So two positive moves by the trustees. thank you um anybody have any questions for makita about the presentation as far all right thank you gentlemen for the presentation thank you everybody thank you thank you for seeing you soon all right bye yes mr chairman okay so i believe you have um uh a presentation to make i guess that would include the local last stop of sale of the um investment portfolio uh yeah um since mikita primarily covered um most of the performance for the quarter just a second I would add, if you recall, Mikita did mention that they do not report performance on our local assets. So if you take our local assets into consideration, our fiscal year returns so far would be 1.3

0:47:10 percent. And that's primarily based on the performance of the HavenSight Mall, the recent appraisal and also the cash flow activity from beginning of the fiscal year to present, or at least until March 31st, 2025. So as you know, the Havenside Mall has pretty much no correlation to the overall stock market performance. So that has been a very good performing asset for us so far for the year. Other than that, I would speak to the cash flow for the month, just to tie it all together. So we ended at approximately $505 million at the end of March.

0:48:05 We had a beginning market value of about $345 million. We had a net cash flow of about $20 million to pay benefits. We had income of about 189,000. We had an unrealized depreciation in the portfolio of about 9.5 million. That brought us an ending market value of about 505 million. If you look at the fiscal year to date activity, we began the fiscal year to date at around 497 million. Fiscal year to date, we have a net cash flow of about 1.5 million, income of about 1.2 million.

0:48:51 We have an unrealized appreciation in the portfolio of about 5.6 million that brings us back to the market value of 505 million and again this 505 million includes what Makita are just reported on plus our haven site operations and also our local lands. In the month of March, we did raise 19.5 million to replenish the cash to be able to pay it benefits. We took 8.5 million from the MSCI EFA index. We took 6 million from the U.S.

0:49:38 aggregate bond index and we took 5 million for the U.S. tips. So as Leo stated, we've been using those indexes that have been performing well to rebalance the portfolio. As it pertains to investment management and consulting fees, we didn't pay any fees month to date. So far, year to date, we've paid about $125,000, fiscal year to date, we've paid about $224,000 in fees. And as Mikita has also mentioned, we continue to have great performance and as minimal cost as possible as this is a very very low cost portfolio at about three basis points um mr chair trustees that's stuff about it thank you uh mr henderson any questions for mr henderson okay can i have a motion to accept the investment report so moved yes mr chairman trustee clark yes yes trustee dorsey yes let's see dorsey yes trustee leiger yes trustee leiger yes trustee russell let's see russell absence trustee smith yes trustee smith yes trustee callwood yes trustee callwood yes mr chairman five year one absent thank you and next up we have the secretary's minutes from the regular meeting the march 21st

0:51:43 2025 meeting are there any edits or corrections to be made for those minutes hearing none can have a motion to accept the minutes from the march 21st 2025 meeting moved second by trustee clark seconded by the trustee trustee clark yes let's see clark yes trustee dorsey yes see dorsey yes trustee liger yes trustee liger yes trustee russell see russell absent trustee smith yes does he smith yes trust me call wood yes let's see call wood yes mr chairman five thank you not any communications conference conferences no sir so the chairman's report okay so let's take a two-minute recess Thank you. Thank you. Thank you. Thank you.

0:54:53 okay all right go back on the record um next up we have the administrators report uh yes mr chairman As usual, I begin with abridged meetings, presentations, and appearances.

0:55:30 March 25th, I attended a meeting with the Office of Electives bargaining regarding an ongoing matter. march 25th through 28th we continue our efforts with vitac and linnea with regards to our migration from version 8 of the b3 system to velocity uh that's quite an undertaking uh march 31st we have the transfer day holiday april 1st through 4th i was on personal leave april 7th through 10th in my capacity as head of gurs and even slightly small specifically oversight responsibility attended the c trade global convention to introduce our uh property manager mr jim at mills to the conference given our ownership of the haven site mall uh and our involvement in the cruise tourism industry in that regard attended a number of very insightful meetings at the conference which i have listed here i will name them all uh and have now turned that endeavor over to mr mills who will represent the haven site more going forward at the seat right you seem kind of happy yes april 9th um we were in the midst of uh the throws of the tariff uh announcements and makita facilitated a webinar which we were invited to and attended the name of it was markets in motion i think it was the day after liberation day when everything was going haywire and to some extent continues to do so

0:57:41 uh april 15th um participated in a velocity migration executive uh community meeting actually chair the meeting is my group and uh april 16th participated in a business process improvement session uh with linnea in that we're not only migrating our pension benefit system but we're also taking the opportunity to review all of our business processes and to improve our business processes wherever possible um continuing on with my reports member services retirement applications in 2025 or for 2025 rather we have 72 applications remaining 156 all together when you include fire years that are being processed contributions processing refunds and death benefits thus far for the year we have refunded actually this is for one of them as our services through march uh we have uh paid out 149 833 dollars um in refunds um most of which represents uh regular um refunds uh that's 168 units all together uh death benefits we have have 65 cases pending uh and we've completed two cases uh totaling some fifty three thousand dollars

0:59:46 uh annuity payments uh miss jeremiah will cover this uh in her report but uh we have paid out some 146 million 937 thousand six hundred dollars six hundred seven dollars and twenty six cents in annuity payments um as of the april 15th payroll we have 8776 uh retirees uh the number of retirees added to the payroll in october 12 october uh first through april 15th for the fiscal year has been 164. uh for the pay period ending for the pay period of april 15th 30 were added we expect at another 17 on the payroll of april 30th we have deleted 159 retirees from the payroll of course sadly that's due to death and once again we're almost deleting as many as we added through natural attrition the semi-monthly retiree payroll has arrived at 11.3 million dollars we have on a monthly basis 9143 disbursements of which once again the vast majority are in the virgin islands 7725 versus 1718 outside virgin islands which once again shows the importance of the gvrs as an economic pillar in this community uh the loan portfolio the loan unit we have

1:01:49 We have, in terms of personal loans, 2,261 active, excuse me, personal loans in our portfolio. We have our legacy mortgages. So between loans and mortgages, we have 2,328 loans outstanding. I would take this opportunity to share that we continue to make progress in preparing for the limited restart of the retiree loan program we're in testing right now of the loans module so that we can accommodate the retirees there'll be a press release going out with regards to the timeline but that definitely will be an early summer starts we're looking at starting the first appointment somewhere in june but in the month of may which is almost next week we'll be sending out a press release with the information for retirees uh as we spoke about our investment performance uh mr henderson did speak about our local assets and it's not only the haven site mall but we also have our loan portfolio that is giving us a guaranteed eight percent return and well secured also assisting our active members and the community at large as we support the economy i imagine that we'll have a similar outcome for the retiree loan program and at this time of volatility in the financial markets

1:03:46 guaranteed a percent return or essentially a fully collateralized collateralized loan is quite attractive so we have some self-interest in doing these loans as well as it does very well for our portfolio as well as for the community continuing on we as far as operations are concerned we have no major of operational issues we have have a basic upkeep of our complexes both on st thomas and st croix of course it's exciting to see the uh hampton and hilton at havens hampton by hilton at haven site um try saying that quickly uh coming to fruition uh everyone has seen the exterior but i'm happy to report that the work on the interior is progressing quite nicely. We have some photos showing the progress with the interiors, with the interior. And once again, getting back to our investment performance, Mr. Henderson did indicate that we have received return um is short of our return frankly at the haven site mall um in these very volatile economic times uh we because of the work that we've done at haven site as well as the imminent opening of the of the hotel are looking at a value of about 58 million dollars of trades

1:05:40 for haven site which is an increase of some 17 million dollars over 20 uh 2017 i mean it was the well maybe it was 20 21 was the last uh 2017 i had it correct was a prior appraisal uh so that's like a 47 percent uh 43 percent increase in value over a relatively short period of time so that continues to be a very sound investment and uh it falls under the caption of alternative investments and we see the value of alternative investments when we have the volatility in the financial markets that we're seeing uh presently uh so mr chairman and that would conclude my oh of course we have our usual update on on rentals and utilities nothing really new to report here we have the department of justice that owes us some 222 000 for rent and utilities i must say kudos to the division of personnel director richardson are you on there still yes i'm here we thank you for being current you're welcome utilities thank you so much we have some very minor uh delinquencies in our uh with our one or two of our well one of our private tenants on saint roy uh the bulk of our marriage is in fact the department of justice uh we continue to work with them to get them current hopefully with

1:07:37 the government's cash flow hopefully having improved with uh tax day last week here we might see some action to the department of finance so with that mr chairman i think this might be any questions for the administrator okay so let's move on to the committee reports the investment committee met on tuesday April 22nd, we got an update from Akita, our investment advisors. A compressed portion of that presentation was made by Akita in this meeting. Actually, today is spelled longer. Yeah, yeah.

1:08:22 That's true. I believe that's it with regard to the community reports. We'll move to the treasurer's report, Mr. Amaya. good morning board chair of the trustees this is the government employee's retirement system schedule of receipts and disbursements for the month ending march 31st 2020 Receipts from collections, loan repayment, 610,000, year-to-date, 3,948,960 pounds.

1:09:06 Rent from tenants, 47,000, year-to-date, 500,000. Employer retirement contributions, 8.3 million, year-to-date, 46.5. 5. Employee retirement contributions 4.2 for the month of March, year to date 23.7 million. We have a total collection of 13.1 million, year to date 178 million. Our disbursements, we have annuity payments of 22.9 million for march year to date 139 million 769 000 our administrative expenses for the month of march was 1.8 million year to date 9.4 So, our refunds of contributions for the month of March is $299,088.5.3, for a total disbursement in March of $24.6 million, year-to-date $134,670,000. next cash deficit for march was never qualified union we have a surplus of 23.4 million major leads we have um used um 42 percent of the budget thus far for administrative expenses excellent so you want to give inside more We see some collections we have rents from the tenants of $609,000, year-to-date $3 million. We have a miscellaneous collection of $39,000, year-to-date $226 million. For total collection for the month of March of $629,000, year-to-date $3.2 million.

1:11:18 We have disbursement totaling $484,000, year-to-date $2.3 million, for a net cash surplus of $164,000 in March, and year-to-date $829,000. That's all. And that's it for the Havenside Mall. I think they used like 29% of their budget. That's fine. So that's it. We run a tight shift.

1:11:56 Mr. Mills? I'm listening. We do run a tight shift, sir. That was very good at expense control. We did have an incident this week where we discovered a sizable leak in a WAPA mine. Unfortunately, unfortunately, it occurred after our meter and that's ahead of it. So we have to discuss. We're in the process of having that repaired.

1:12:34 Bill, since you're on here, maybe you can give us a quick update on that. Absolutely. We had WAPA come in and they repaired the pipe. So the property is now back on full pressure. We were noticing low pressure coming into the property, which kind of hinted to us that there was something that we needed to fix. And we got the assistance from WAPA to come in and help assess that situation by putting ground mics and locating where the leak was. So they were very instrumental in assisting us yesterday and patched the pipe up, put new pipes in, and now we're fully operational again.

1:13:18 Thank you, Mr. Mills. And just one final note. I mean, the great financial report that Mr. RMI just gave uh is before we started to collect the new rent from the uh grown lease for the hotel uh which as we know entails uh a portion of their revenue so um we're looking forward to even greater performance uh from pavement site so once that cash stream uh comes online any questions for ms jeremiah have a motion to adopt the process of the treasurer's report moved is there a second second moved by trustee clark seconded by trustee smith yes mr chairman trustee clark yes yes trustee clark yes trustee dorsey yes trustee dorsey yes trustee leiter yes trustee leiter yes trustee russell absent trustee smith yes trustee colwood yes trustee colwood yes mr chairman five va one absent thank you um i have a motion to go to the executive session so moved second

1:15:09 come on that scenario yes another motion to a great executive session this portion of the meeting will be closed for the public for matters pertaining to trade secrets or financial or commercial information or personal or legal matters or matters whose premature disclosure to frustrate implementation post agency action i mean i'm moving on a second so moved all right so we'll recess for two minutes you want to roll call oh can i have a roll call sorry trustee clark yes see clark yes trustee dorsey yes let's see dorsey yes trustee biker yes yes yes yes trustee russell absent trustee smith yes yes trustee powert yes Mr. Howard, yes. Mr. Chairman for APA, one, absolutely.

People named in this transcript

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3x **Trustee Vincent Liger**
heard in this transcript as: Liger

2x **Trustee Ronald Russell**