Government of the Virgin Islands· Retirement System Board Meeting

GERS Retirement System (Board of Trustees)

October 1, 2020 · 1.2 hours · gov

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0:00:00 running into internet connections being worked yeah oh mr poens i can't understand you at all you might maybe try signing off and coming back in yeah that's what i'll do all right somebody's gonna give him a minute and the coin hopefully i'm back yeah no you're not back you're here for the first time no okay okay all right this is you back in the record yes all right thank you all right we can continue uh communications and correspondences okay uh i'm going to summarize this uh email um i got from joel tranum as you know he's the president of porto ceiling received it on monday august 17th basically he's thanking us for you know to be for the uh deferments that have been given to him for the first three months and but the the gist of his email is he wanted to know he was writing to inquire whether for the sale can anticipate any modifications or relief given changed in circumstances and the governor most recent stay at home so the government's the governor's stay at home was for probably two weeks it ends in the 31st um so he was uh he's a ground lease this is a wrong lease and he was just you know seeing if we uh would give him some type of relief i guess for the two weeks of uh august i would think that's pretty insane now i passed by his portfolio yesterday he has about maybe eight or nine tenants uh there were only three tenants that i saw that were closed uh winners circle tobacco discounters and rum hut uh first bank

0:02:27 was open whopper has a lot of offices that complex delegate to congress open payless was open so i know that rum hut is a bar that's closed uh winner's circle is a bar and uh I responded to him just letting him know that I would read a letter into the record or summarize it into the record. However, I can't guarantee anything until we know after August what the governor is going to do or what the situation will be. would be so uh that's he's just concerned about getting some deferments i guess for the last two weeks of august because we don't know what's going to happen in september the governor's open back up in september then it's back to business but only three businesses were closed in port of sale yesterday okay the other correspondence have to do with uh memorandum from our uh auditors before you go on mr nims just so my understanding was that he was asking it because he was contemplating giving those tenants break themselves right yeah that's your understanding yeah right well that's what he's saying okay that's what he's saying okay uh another piece of correspondence is i mean if we want to discuss this further in executive session we can do that but i just wanted to put that on the record since he sent me the email the other piece of correspondence is from um berksmith and company our auditor it has to do with deferring tax obligation executive order over issues by the president uh to um defer withholding employees

0:04:24 social security contributions and wages up to 104 000 per year starting October 1, 2020 and in December 31, 2020. This is something I'm not sure if it needs congressional legislation. It's an executive order by him. It's something that is, to me, a political ploy to put some type of monies into the employee's hand. However, it has a downside to this because who's going to, if the employees' monies, the deduction for employees' social security is not deducted from the wages, employees would have more to take home. and the auditor had some some concerns if the employee changes jobs and who's going to pay when they defer taxes becomes due will the employer be responsible for the full amount and things like that I further do think that some employees are inquired already it can be a voluntary thing but for me I would say no don't just continue to pay my my my deductions uh some employees may need the extra monies in their in their um in their pay however miss jeremiah and myself we are looking at it and um we next week we'll have to make a determination employees if they are willing to they would want to take that that uh extra pain with the understanding that it must be paid after the three months or when when the deferment is called responsible when the

0:06:22 deferment is supposed to be paid so there's some tax implications so we have to look at this very carefully it's the employee side not the employer side we will continue to play the employer side but the employees you're trying to give I guess the employee some type of relief the problem is deferred taxes becomes due and will be the employee be responsible to make those payments or the employee would have to be make those payments themselves but for me I think it should be a voluntary employee want that we do it for them with the understanding that when those taxes become due they will have to make payment on those taxes okay to get clarifications on some of the questions that he raised well well let me read them into the record the following matter should be considered who will be responsible for the payment of the deferred taxes should an employee change jobs when will the deferred taxes become due and will employer be responsible for the full amount will congress go along with the president's wishes for the forgiveness of the taxes will the irs seek to recover taxes from the employees on the forgiven taxes considering such as income we this is something that um bern smith might be able to help us with since they are bringing this to our attention um but to me if the if the employee signed up for something like this it means that employee would be responsible i mean yeah i understand them i'm saying what what we have is

0:08:13 about is a list of five questions i'm saying um is there a way we could get answers to those questions okay but what we can do is probably do some research on irs.gov to see what they say in regards to this because it's a it's a tax issue right yeah i mean there's some valid questions and as you said they could have important ramifications for the employees and even if you want to make it voluntary i think you have a responsibility to advise them of the pitfalls before they enter into it so that's correct i think so So, I, to the extent we could get Dr. Smith or somebody, or lobbies in one, find somebody to get some answers to questions.

0:09:19 Yeah. Okay. If we're not a reason to be able to advise employees when we approach them. Yes. Mr. Neitz, is this a benefit to the system or we don't know yet until we do ... this is a this is a deduction it's an employees it's coming out of the employee's side not outside not the employer's right but what is it is that i don't want to say is that benefited employees so what's the benefit does it have any impact on us no not to the system because you know we we deduct the employees contributions and then we send them up to the uh to the uh to the government so it's benefit the um the employees benefit employees because they'll have more they'll have more pay home take home monies and their checks okay thanks okay yeah we will we'll do some more research and determine um so that we can advise them by september one but i'm going to tell you right now if they come and they ask me i'll see exactly what impact is to them how much money to take home are you going to be you know maybe do some type of analysis to see how much they deduct the to see how much they will be taking home more and the question is will they try to recover that money later on well my recommendation to them i'll have to look at how much take home they're going to be taking home the difference and my recommendation would be don't do it because if they seek the money later on you're going to owe a lump sum and it's going to cost you in the long run or like mr um bert well like bert smith says what happens if you change jobs who's going to be responsible for paying it so it doesn't there's a lot of unanswered questions but the problem with this is that it's an executive order and we don't have we're not going to get the answer to the questions that's the problem if if Congress goes ahead and goes along with it and codifies it, then we'll have answers. But since it's an executive order, we can't answer some of these questions. Well, that's what I said.

0:11:33 We probably can do a little research, preliminary stuff on irs.gov and see what they're saying about it. And then, you know, speak with Bart Smith to see if they can assist us in staring us exactly where we can get these answers from. And maybe ask some other pension systems, how will they handle it? Yeah. okay all right i'm finished uh chairman's report i don't have an official report but i'd like to make one comment i i started to do a report following the it's a nibs presentation of the budget hearing which by the way mr nibbleson was an excellent presentation it's certainly clear to me that many of our legislators still don't understand what is happening with the system and since I would have had nothing good to say about them might be kind to give a report okay so we move on to the administrator's report on august 4th i was supposed to attend the committee and finance hearing on bill number 33.0315 that was cancelled until further notice on august 5th i attended administrative hearing as a witness on august 10th i met with governor bryan on the bond refinancing proposal that he put forth to the legislature on august 11th i presented at the committee on finance hearing on august 13th yes could i enter could i interrupt here yes could you elaborate a little

0:13:29 bit on that meeting on the legislation well that was uh the evening before he sent it down and it was uh it uh uh chairman calendar was there because he asked for the chairman and myself to meet with him by zoom and it was just very brief i think it was 10 or 15 minutes he just said that he was he wanted to let us know he was sending on a proposal to refinance the bond and uh we'll net out uh good savings about 255 million dollars and with about 85 million annually going to the grs basically that's what it was we didn't have a copy in front of us so i asked him if he can send me a copy said no he wanted he wanted um he wanted to send it to the legislature and then i'll get a copy after that so that's basically what it was okay all right thanks on august 13 had a haven site oversight committee met we met on mous with um with waiko the 17 i did a site visit at a mall with an architect and also we met a committee met regarding the rfp for a power generator on august 19 met with a retiree trustee election committee members and observers that same day i met with geo representatives on august 20th i I attended an administrative hearing as a witness.

0:14:59 And on August 26th, yesterday, I met with the appraiser for the Estate Hoffman-Noliburg and Estate Coakley Bay. I may want to discuss something further with you later, probably in the executive session. As of today, we have about 100 members, Retiree applications pending. It includes semi-autonomous agencies and central government as of the April 15 retiree payroll. Refunds, as you can see, still those members that are not vested are receiving refunds. The 382 cases were completed, 44 pending to a tune of $5.9 million, $6 million roughly going out. And it's time in every month. Debt benefits, we have 48 completed from October to July. we have 84 cases to be completed we have paid out 1.7 million dollars life certificates remain the same we suspended benefits for those individuals who are not responding to our letters also non-duty disability without 58 receipt of life certificates are still pending 58 individuals who are non-duty disability are still pending in regards to act 72 61 and 72 71 28 there's been no movement per se um act 72 61 has to do with vayessa um where the

0:17:01 they were signed into law by governor on july 5th 2011 to pay for ten thousand dollars to any members of GRS who were attained 30 years ago and as you know that those funds came from GRS as a loan 13 million dollars that loan was paid off in 2018. So we have fewer and 40 applications pending completion where we have missing NOPERS and we have communicated with the The director personnel is seeking to get the NOPUS for us and those are coming in, not coming in as we should, of the 340, there are 286 affected employees that have problems with NOPUS. 7128 that has to do with employee and employer contributions for hours of annual and sick leave that would be converted to credited service those members retire between January 1 2010 and December 31 2010 there are about 25 cases depending completions we may have to go back and request additional monies we're trying to do a reconciliation three million dollars was appropriated we may have to get us go back and check and see exactly how much i did that have been liquidated the last time i checked i think we were 500 000 something like that um balance left with five or two hundred dollars annuities um as of august 15th payroll 8 718 annuitants from october through august 15th we have paid out 224.3 million dollars from october to august 15 we added 313 retirees to the payroll and

0:19:05 at the same time we deleted 280 from the payroll member loans are still content you may see an increase in the mortgage um that is a it's not 91 it's 93 we did a reconciliation and we found that we uh we had an issue with two mortgages that were not reflected on the records because they were um they were dissolved in error but uh we were able to get a reason why that happened but we are those two mortgages are back on the record there's no way that the person would have gotten way without paying is just that they were not reflected properly on the record so we are 93 instead of 91 mortgages just want to clarify that for those that look at numbers our loan portfolio stands about 80 i mean 38.5 million as of july at the end of july As you can see our St. Khoi building work has been done. Basically projects that are still outstanding, the security guard building approximately 70% complete. The landscaping, annual landscaping and gardening that is presently reviewing for selection of the service provider.

0:20:36 the glass replacement though for security purposes we're also looking at the respondents to the rfp the st thomas hello and the st thomas building glad to see that the exterior building of the building has uh was completed and we've been getting uh a lot of rain so far we we have not gotten any reports of any penetration of water since it was completed thank god for that the lease agreements as you can see most of the leases are current division of personnel is still pending with it's with property and procurement department of justice is renewal is pending casino commission final draft was given to them with edits that's still pending rest care which is job core in st thomas building they need to renew the lease however they're paying on the old lease but the renewal is still pending we've been going through a hassle with them through the puerto rico office and we still can't put our arms around it but uh we are being paid the lease is being paid i mean the rent is being paid lesson in st cloy all current the i was in authority current and um first bank is current i did get an inquiry by um by the former commissioner what's his name yeah yeah he's now the senior vice president of first bank he was concerned about the atm machine that we have he felt that they were not making any profit on it um he's supposed to communicate with me that the lease ends in the

0:22:43 the end of September. So I don't know if he was talking during the COVID period, they don't have a lot of usage. So he's going to look at it again. They pay about $300, $367 a month. But I thought it was being used. I mean, when you go downstairs, you see the people using it. But since the COVID, since February, I guess things have slacked off. So he was concerned about not making a profit so if he leaves then we'll have to submit it maybe um first first credit federal credit union and see or there's um oriental bank yeah yeah some other some other atm carrier to um to work with us as i said the exterior stain is completed the air conditioner project the pack was built the chillers are in order fabrication and the ductwork has proceeded and not on roof project we did select a contractor to do the roof the contract has been drafted and waiting for signatures we got signatures already i don't remember sign that's correct we did sign yes mr nims yes i'm sorry thank you i guess i had a senior moment so i had to have signed it okay uh thailand will be placing carpet in the on most of the floors and as you know after the Hurricane Hugo, we, our carpet had to be, uh, Irma Maria.

0:24:21 Hurricane, uh, Irma and Maria. I wasn't here for you. Irma and Maria. We had to change just about all the carpeting in this, in the, uh, in our, uh, in our offices. It created a lot of problems, relocation problems, mold problems. so we're now turning to tiling we're right now doing the uh the room here where we are sitting half of it has already work has already started and it looks very nice so hopefully that will work we have tinted the building glass around the building for energy efficient measures um we're going to be putting up a fence at the state huffman nollyburg we're waiting reports on that security camera we're doing that also and a transformer this is a problem for us we have consulted with whopper and this have been um needing repairs a lot of times one day when the surge comes in it just knocks everything out and the transformer goes and we're doing some lighting with energy efficient lighting in the building to reduce our utilities uh the rent collections um for july we collected 97 224.12 the majority of that was rental of 96 404 000. fiscal year to date we have collected rentals 665 261.64 cents electric we have collected these are reimbursements now 431 six hundred fifteen and sixty three cents for a total of one million ninety six thousand eight

0:26:07 seventy seven twenty seven cents a rare age is two hundred and eighty six thousand four hundred and sixteen dollars and seventy four cents a rare age rental hundred and thirty eight thousand hundred and thirty four sixteen electric one hundred and forty eight thousand two hundred eighty two dollars and 58 cents um we do have an exhibit a you have a schedule of the allocation of the of the arraiges human resources yes sir the 148 average yeah we have paid for that we have paid wapa yes that's what i said reimbursement they when you see the reimbursement to us yes but we are calling to the welcome yes sir yes okay all right okay um human resources we have 84 employees the two offices the two districts in st thomas and havenside has 22 employees so a total of 106 employees so far 84 for the system as far as the pension operations we did get appraisals from mccloskey uh the estate huffman nulliberg appraisal came in the same as it did three years ago at five million and my concern is the estate coffee date sinkhole we had an extra meeting with the appraiser yesterday he was telling us some of the reasons why if that property is the value of the property is not what i think it should be it was valued at 1.9 he purchased that property for 5 million and he's saying that there's no market the market

0:28:12 in St. Croix there's no demand and the market is not as good as it should be like St. Thomas. So that's the reason why it's brought it to that way and what he did said to us which was very I didn't know about it it was it was a zone for a plant area development which is a pad and that plan area development zoning was only good for two years so it has expired years ago so if we may have to go back to uh dpnr to uh rezone that property to what it should be so he sent us the vi code citation we're looking at it attorney smith is working on that so but i'm just concerned about the about the value of that property it's a very good piece of it's a very nice a nice piece of property it slopes very topography is good it slopes from the bottom comes right up the hill over looking buck island but somehow the value is not what we think it should be okay would the change in in designation increase or reduce the value no no it probably be the same but just that there was a part area development that's what it was zoned for for mixed use and it was going to be like a little village within itself i understand i understand my question is whether the change in in zoning will what will that how will that affect we asked him that question he said it wouldn't affect it in any way okay all right thank you

0:29:58 just uh um and he said because they're large tracts of land on st croix that's one of the reasons why whereas on st thomas there's not a lot of large tracts of land available so i i think the board is have to make and i'll come up with some recommendations what we we you know we had a lot of hopes for these two pieces of properties um going back even before i came on board uh for the st thomas property was supposed to be a hotel and a convention center office complex we're supposed to do 105 assisted living homes for retirees and and it just didn't pan out the way it was supposed to in st quoy there was a developer i wanted to to do a grand lease and and and and do some type of a development that fell through also so i know that the board had indicated that we should um sell the properties um and if we do maybe i would probably look at vi housing finance authority and st thomas did do they do about our property in st thomas and i know that they by statute they can only purchase the property up to the appraisal value so i think maybe i'll approach them again maybe we can approach them to see if we can do some type of partnership i don't know but we need to revisit it i'm just very very disappointed in this thing quite properly i just thought it would have excuse me um one thing i'd like to um put in here is um i i would wait until the refinery opens again and it's up and running yeah and i think you're going to see a noticeable improvement in land prices once they're back up and running because i think this thing has more potential and st thomas

0:32:02 st thomas is more haley st croix slopes right down from the bottom and comes right gradually comes right up the hill but um we'll see what happens carabola llc i was uh requesting that we have a board meeting um i did get a consensus so we will have that board meeting on september 17th via zoom we need to wrap up uh winding up of the carabola affairs um so i've gotten a firm date of september 17 at 10 a.m any member i guess could be invited i guess if they want to mr data calendar would you know Dr. Callen is the board chair, Leona Smith is the vice chair, I am the secretary and we have Paul Powell as another member and we have Pamela Samuel but she hasn't been participating. So we do have that meeting on September 17th. It's a very important meeting, we have to wind up and make some decisions. The board retreat, I recommend October 28th, 21st and the 22nd. I know that the actuaries and the investment people, I haven't told them the dates as yet, but these are the dates that I came up with.

0:33:29 the chair asked me to come up with some dates please look at those dates and let me know as soon as possible these those dates are okay we can vote on them today and or maybe you want me to check with the service providers to see if they're available because usually the first and second day we have we go through scenarios with the actuaries and talk to the investment people and then we we have to look at his insolvency we were talking about coming up with some type of insolvency study commission we have to look maybe look at a strategic plan to see how we can start downsizing and downsizing and and getting our budget under control in some way um so there's a lot to um to discuss so please let me know either by the end of this meeting within a few days that these dates are okay can you repeat the dates again 20 21st and 22nd okay and is it possible you're going to do it in the conference room there if anyone want to come like a trustee want to come maybe if i want to do it there is it i love with social distance yes just like we are yes okay no problem okay all right yes you can set up some more tables in in here yeah i think like um miss uh trustee i would say she keep it forward to be like a little personal so in person so yeah i was just thinking on meeting there you know don't have any problem okay thanks if we don't have stay at home we don't know what what's okay okay yeah uh the 2021 budgets it's on my desk hope to have it to mr barry by the 31st it's on my desk significant reductions thank god close to four million dollars so um that we are on the on the downward part and the retiree trustee election schedule is attached as activity B we're gonna start off on September 8th with a blast with ads in

0:35:42 the two periodicals in newspapers St. Thomas St. Croix and website email flyers and they have from September 8th to October 23rd to get their pick up packages as you know it's a it's a pandemic so we're trying to see if they would if the retiree some of them may be you know able to use the computer they can download it we would have some package in the lobbies in st thomas and st croida they can pick them up and just pick them up sign for them and and and leave so however we would have them available also on our website so they can download the information if they have access to a computer but we will also have some packets available you can't come upstairs so they have to pick them up from the guard in the lobbies but um we're going forward with our our trustee election and hopefully it will be successful we will have um good competition um at least three or four from each district to compete As you know, if one individual is from a district, it's only one individual from a district, that person automatically, as long as they're eligible and have the experience and qualify, it becomes automatically trusted.

0:37:07 Hopefully, we have more than one candidate, so you can have some type of competition. Okay? That ends my report. Any questions? comments i do i actually um this is planned and i just want to speak a little towards when we talk about the nobles that are outstanding from the vigilant personnel oh i thought you were not there okay i do want you to know that we have reached out to your team when we reached the correspondence asking for our assistance we reached out to your team um so we are working with them i hope to have more by the time we report i get you report i get next month we will have more solid information and those numbers no but the person just for the record has reached out to grs about your request so we more information so we got the response today so we are going to um begin that process so i wanted to put that on as well as i will be reaching out to um commissioner thomas about the lease because you understand this has been quite some time i think back to 2005 if not before so i will be reaching out to him to get that matter and rectified in okay thank you very much all right thank you one last any update on the audit yeah i did speak with him about a week ago um i pegged it at the end of september because as you know when he gives us the draft he's going to give us a draft first it has to go

0:39:02 to the actuary because the actuary cannot do their evaluation until they receive that draft so i would think by september 15 i asked him for an issuance date by the end of september okay so he's got that that's the latest commitment and that's the latest yes issuance meaning formal but i i want him to issue at least by the end of this month today so we can have a a temp uh what we could say are uh preliminary so that the actuary can see the numbers um because in october the auditor usually presents at a retreat so he'll be presenting the report he'll be presenting any weaknesses and internal control and all of that stuff to the board so he's usually a presenter and that's that's for 2019 that's when that's 2019 okay and as you know the coronavirus situation hampered it because they couldn't travel and to do their field work so we had to copy a lot of information to send to them i understand i understand yeah yeah all right i was surprised i mean in the hearing some days ago the government isn't having i don't know if they really 50 percent were there about it and it's because he said he said calwood said because of the coronavirus and the field work and i understand we understand all of that but it's much bigger than ours so yeah right because they need they need hours to put to consolidate into this and you know city all of that not just hours all the other component units correct correct all right all right any other questions comments committee uh just these okay uh committee reports I'll be for it for policy committee

0:41:21 no report from the budget committee all right not for medical review committee anyone else it's just a smart but I went I got mr. they've started to speak about down our nolliburg and cookie bay I guess that's why coming with development but I don't have anything are okay then we move on to the treasurer's report good morning board chair other trustees this is the government employees retirement system schedule of receipts and disbursement for the month ending july 31st 2020. receipts from collections Loan repayment, $1,615,383. Year to date, $16,122,595. Rents from tenants slash utilities, $105,385. Year-to-date, $1,113,101. Ranks from Havenside tenants, $166,942.

0:42:49 Year-to-date, $3,368,495. Employer Retirement Contributions, $10,768,255. Year-to-date, $80,516,304. Employee Retirement Contributions, $5,561,866. Year-to-date, $42,947,826. Parking facility, $210. Year-to-date, $6,620. Miscellaneous, $244,313.

0:43:41 Year-to-date, $11,737,159. Total collections, $18,462,354. Year-to-date collections, $155,812,101. Disbursement, annuity payments, $21,841,481. Year-to-date, $219,234,762.

0:44:18 Administrative expenses, $2,455,362. Year-to-date, $14,319,573. Personal loans, $5,053. Year-to-date, $211,065. Mortgage loans, $8,526. Year-to-date, $185,855. Retiree loans, $1,434. Year-to-date, $23,275. There is nothing for auto loans and land loans for the month.

0:45:06 Year-to-date auto loans, $12. Refund of contributions, $53,011. Year-to-date, $7,306,277. No allotments to WICA, but year-to-date, $1,378,925. For a total disbursements of $24,364,867. year to date $242,659,744 for a net cash deficit of $5,902,513, year to date $86,847,642 net cash deficit. That ends the reading of the Chedera's report. So Steve, any questions, Treasurer, any comments? Yeah, I was trying to look back at last month because I noticed that the disparity is not as high. We collected more this month. Was that an additional funding or that's going to be the new norm?

0:46:33 it's just the timing of collections um don't get excited huh not at all okay wait for the 85 000 yeah no because i noticed this time we're only short we're short less than six million i was like maybe there's a little light coming but i guess not No, I understand that. Just in case you had any other questions. No? Mr. Boyer, you're muted. You have to unmute yourself.

0:47:22 no no other questions all right thank you joseph clendenin any questions no thank you for asking mr cohen no no problem justice smith we all okay okay then i need a move you need a motion for acceptance and i'll second it trustee callwood yes barry not voting okay trustee cohen yes trustee liger yeah trustee mcdonnell absent trustee smith yes chairman calendar yes five yes one not voting one absent the chairman i am in the absence of mr henderson i asked mikita to do a short presentation for us for the month of july and from what i see leo festino is on the is on the call so okay mr henderson doing well is he okay i don't know i i don't get any support from um no comment i had no comments okay that's what my legal told me no comments i'm following my legal i heard that all right go ahead good morning uh mr nemes mr chairman trustees yes sir hope everybody is doing well pleased to join you today we wish our best to henderson and his family

0:49:27 does it make sense for me to pull up and share my screen with respect to the information that i will be talking about be helpful okay i will do that let me know if you can see it yes we can great so this is a brief a presentation that looks at the performance of the retirement system as of july 31st we look first at the cash flows and then at the market values and performance starting with cash flows during the month of july 15 million one five was drawn from the cash account to meet benefit and another cash expenses from the system there was a gain of about 8.8 million dollars during the month of july which obsessed offset some of these withdrawal as a result the assets declined from about 484 million dollars to 477.6 this of course as always excludes any local assets that we don't track it does include however the two legacy private equity fund of funds which have a smaller allocation of about 11 to 12 million dollars of net asset value the next few slides look at this same analysis over different time periods so the next one is the calendar year to date and in that one there was a gain of despite all that happened this year with coronavirus your position with a lot of allocation into bonds protected very well so you had gains of

0:51:19 24 million dollars in the first seven months of this calendar year you did have however withdrawals of over 90 million dollars so um there were some contributions as well so the net amount is about 35 million dollars in um in withdrawals from the system so from the beginning of the 2020 year january 1 through july 31st the assets declined on 513 million to 477 million despite a five percent gain on your assets next we look at fiscal year to date and you get the picture in this case uh roughly a hundred million in withdrawals the net investment change was 34 million during this period so that means that the assets from october 1 valued at 540 million dollars declined for about 477 during 10 months the investment gained during the time seven percent 7.02 to be presents and i will highlight that given your heavy allocation to bonds and cash of high quality we don't expect a lot of volatility of fluctuation in these results so there may be maybe a percent or two that may be added or subtracted so i think with a fairly high degree of confidence you should expect uh gains these years in your fund you know from anywhere from five percent to maybe eight percent or so um so overall that uh is pretty good given the environment and it puts the fun among one of the best in the nation. Looking at the last chart, we look at the one year. In this case, withdrawals were again about $100 million. The net investment gained $40 million. So it stands to reason that about $60 million was the reduction in the value of the fund, driven again by the excess withdrawals, net off, contributions, and investment gains. The investment gain during this period was in excess of 8.2%. And the portfolio over the last year has become simpler as it holds fewer and fewer assets, which are concentrated into core holdings, primarily passively managed at a very low fee. Next, I will move into the retirement system. I will pause to see if anybody has any question about the cash flows as we showed here and not I will proceed on this slide we address the asset allocation as I mentioned heavily weighted towards fixing and cash the result of a long thought process several years ago that analyzed the situation of the system also consider the market environment but primarily the the unique aspects of the system and the realities

0:54:33 of the heavy drains on on on the sketch pool essentially needed to meet benefit payments primarily so now with that and with the information from the actuary it was pretty much impossible to generate enough returns to maintain the fund uh as an ongoing entity and so um remaining heavily invested into equities would have caused the risk that if there was a correction as it was in the case of uh february and march that the system could run out of money even sooner and so essentially we sought to have a soft landing plan which has worked very very well for the system so as of july 31st only 11 percent of the assets were invested in equities this is a stark contrast with the average pension plan that holds somewhere between 40 50 percent in list stocks at least and then other significant allocations into credit and alternative assets which you have very very little you have two percent in private equity and the balance 75 percent in very high quality bonds and cash holding 11 of the fund on the next slide you'll see the trajectory so fixed income was a much smaller portion so if we go just about three years ago fixed income was the which is now the very large reddish kind of color if you look all the way to the left of this chart you know it comprise about 20 so it's increased in size cash again went up from just a few percentage points to about the 10 and what you see, equities comprise over 50%, comprise primarily of the blue in the U.S. and some non-U.S. exposure on green, and that went from over 50, 55% to about 10, 11% that we

0:56:27 have today. We also liquidated bonds held overseas, and the allocation to alternative assets has been reduced as those mature funds have been distributing capital back to the fund. Again, this is consistent with the plan implemented several years ago. Performance for the fund, quarter to date, so for the month of July, a gain of 1.8%, for the calendar year 5, for the fiscal year to date, so that covers 10 out of the 12 months of fiscal year, 7%, trailing one year starting August 1, 2019, through July 31, 2020, a gain of 8.2%. If you go back three years, on average, each of these years compounding at 7%, over five years, 6.7, 10 years, 7.8, since inception, 8.9. This is very strong performance.

0:57:23 We don't have metrics to compare to your peers as of July 31, but if we look at June 30th which because this information comes available quarterly i can tell you that over the last one and three years uh the fund performance ranks very solidly in the top decile i think we've shown in the past quarter with march 31 data that the fund run very very strong in many periods at the top of the universe so that strong performance continues as you go farther out 10 years and beyond it becomes more average or median light so near the 50th percentile which is still very good and as you can see you know it's clearly above any actuarial return projections domestic equity had strong showing this month of july and also in the second quarter but recall that they had very heavy losses in the first quarter so when you look at the calendar year today equities uh gain just 1.8 but your fixed income assets gain 8 so as always if you lose money you need to make a lot more to recover if you lose 50 you need to make a hundred to recover so when equities fell down 33 you need to make more than 33 uh to get back to par so it's very important investments to not have material losses and it didn't during that first quarter the next page breaks down the two main allocation stock and bonds into your holdings and as you can see it is a very simple portfolio you just have one equity index fund comprised of the essentially the largest 1 000 companies in the u.s and three bond funds two are passively managed one is a broad fixed income index fund which is the blackrock us debt fund and then you have the tips which invest in treasuries that are that are adjusted for inflation your only actively managed

0:59:28 strategy is pew which has managed to outperform slightly its its benchmark over multiple time periods and since inception nearly a decade ago next we have the calendar year performance and fiscal year performance if you look at fiscal year performance I note that during the last decade in seven of the ten the system outperform or met its actuarial rate of return assumption as best as I can tell just looking at the top row and lastly please to share that this is very very efficiently run your space seven basis points so 7% of 1% which is about you know probably 10 to 15% of what the average fund pays out there so very very efficiently managed this does not include again any of the local assets the alternative assets those fees are a lot more complex they share on the gains a very small piece of the portfolio so you shouldn't change the math material but it would increase it to some degree but not not meaningfully i would say i think with this i'll just conclude my remarks and i'll stand by to answer any questions any members of the staff or trustees might have thank you trustees any questions leo any comments i had a question um some time ago you had shared with us um a chat that that compared um our rate of return again some similarly similarly size and

1:01:23 um portfolios you recall that yes and i address that verbally i can pull out a chart that you know essentially is three months updated if you'd like me to yeah yeah i mean if you're gonna send that to me and i'm afraid yeah let me um give me one second are you able to see this chart yeah yeah that's one the last one I share was as of March so the main change took place in the very short end so at the quarter or month basis and you have a much lower equity weight so if you look at the last quarter the fund trailed because it has a much much lower equity exposure so it ranks at the bottom and that's why you see that bottom way below the range of your peers which is 79 holdings if you look just one to the right here today then you have a very negative quarter a very positive quarter and you compounded ahead of most you rank third out of dogs and you're way ahead and if you go to the right you'll see that you are at you know way at the top or you know median or better so a very strong performance despite the lagging in the last quarter which is expected and we're comfortable understanding that in a very strong rally we will lag but we know that in a in a done market we will protect and possibly have gains as we need it first i i need some technical sorry um i'm trying to figure out how i how i could copy this oh i can email it to

1:03:16 nips and nipsky forward to everybody okay thank you i appreciate that please you're welcome so overall the performance is very very strong both on risk-adjusted and absolute levels and compared to peers it's very very strong i'm i'm i'm good barry is that a question no i'm good i'm good okay all right leah i want to thank you very much and if you've come have you concluded it sorry mr calendar have you concluded your presentation i have mr chairman okay no other questions then we want to thank you very much as usual it was my pleasure thank you for having me thank you have a good day all right let me move on to new business Seagull, so that was done. Administrators recommended dates for virtual board retreat. He already mentioned that. Do you want to comment some more on that, Mr. Nibs? Just, you know, whether the board accepts those dates so that I can have them set in stone. What I can do is I can send an email out to the service providers to see if they are available on those dates.

1:05:08 and then by today we should have at least a response that they're available on those dates i'm not sure about the legal part of it i will send out an email but it may take a day or two to get a yes because we usually have a governance the legal part of it but i we would like to have at least the investment advisors and um and uh this the actuary and the auditors so i'll send out that today and i'll let i'll update the board and if they're available on those dates is as far as i know those dates work for me subject to whether whether the providers have them yeah because they've been asking me you know if we having one sir you can sign me up too and as you know we wouldn't have a board meeting that month we usually don't have a board meeting in the month of the board retreat as usual yes anyone seems to have a problem with that those dates so mr do you need you need a confirmation from the trustee by when no what i'll do is i'll follow up with the service providers and can't keep it legal i would think by i would say give me until monday or so and um to see what to get a response from them and then i'll let you know that um if they're okay with the days if they're okay for the days there are no problems with the trustees or the staff so i haven't heard any problems or conflict with trustees as yet okay okay nice sir anything will be close 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 question i make a mo i make a motion of going to executive session

1:07:51 second trustee callwood yes trustee barry Yes. Trustee Cohen? Yes. Trustee Liger? Yes. Trustee McDonnell? Absent. Trustee Smith? Yes. Chairman Callender?

1:08:21 Yes. Chair Six? Yes. One absent. So, we can take a five-minute break. I'm getting Ms. Walker to zoom in now. okay mr hodge is still in his board meeting but his assistant is okay we just discussed it yes number two in charge is going to zoom in so hey dr calendar we're waiting for wapa to zoom in the um the um director of the division is not available he's in the wapa board meeting so he's having his um second in charge zoom in so it's going to be a minute or two we can continue on the record i'm just going to ask are we taking a break or are we still going what do you need miss authority okay we can take the five minutes please thank you yes ma'am just see mr we needs a five minute break so court reporter is the boss absolutely Thank you. Five minutes.

People named in this transcript

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2x **Trustee Leona E. Smith**
heard in this transcript as: Smith

2x **Trustee Vincent Liger**
heard in this transcript as: Liger