GERS Special General Board Meeting 11/18/2024

GERS Retirement System (Board of Trustees)

November 18, 2024 · 1.9 hours · gov

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0:00:00 I'm just waiting on the go signal from IOT. oh you have to go ahead okay good evening uh ladies and gentlemen this special meeting of the government employees retirement system board of trustees for november 18 2024 is here by car to order can i roll call please mr administrator uh yes good evening mr chairman to all uh trustee nellen l barry trustee nellen l barry trustee barry absent trustee andre t dorsey president trustee dorsey present trustee vincent g liger he's excused trustee liger excused ex-officio member cindy richardson member richardson absent trustee ronald e russell trustee russell absent trustee leona e smith present c smith present trustee dwayne a colwood trustee dwayne a colwood oh present present trustee colwood present mr chairman three present uh two absent one excuse okay i'm seeing uh mr bowery his devices online um give me one second let me try to call him

0:02:34 Okay, Mr. Dasan, I see Mr. Bowery now. uh trustee barry trustee barry are you present that's a message on his device saying connecting to audio or shall we record him as present uh since he appears to be on the on the uh conference yeah mr trustee barry give us that i might check It sounds in connecting radio, let's give me a minute, but I want to start it, and let's and not for showy, Coral Lisa.

0:04:31 okay let's see him a minute he's having some technical difficulties he can't hear us to be connected uh on two devices i see him on one Thank you. okay uh bowie i'll mute my concede yeah yeah we got you now okay okay mr darcy you could go ahead and record him as president yes sir trustee barry present four present uh two absent one excused all right um we have a very short agenda today the first item is a recommendation coming out of the investment committee meeting a recommendation from our investment advisor that we make a slight tweak to the allocation um asset allocation within our portfolio the underlying purpose being that uh we had a good year in the market last year and the recommendation is that we take some of our profits or winnings if you're a gambler take some at half of the table which were which were not we're not we're not we're not okay i'm just just

0:06:27 the people who said everybody could relate um so we would not want to miss we would not want to misquote take some of our earnings um out of the riskier part of our portfolio and move them over into um a less risky uh portion of the portfolio who we have from um from makita sean mr bowen hey yes sean from makita leo should join in a little bit but i can i can start all right do you want me to share my screen or do i have that ability yes i think you should i think you can all right point information chair yes what was the recommend recommendations as to where we would park their money he's still fun hello i'm sure he's going to get into that now so you're moving up more over to the barn side oh okay all of the stats i'm okay i'm i'm good with that for sure so explain to me what the rationale is then so the back can everyone see the screen that i'm sharing yes okay so to take a step back our recommendation is to move 10 percent from equities and put 10 into bonds um a lot of that is because of two reasons one with the lower funding note contributions you've gotten also with this equity market rally that has happened the last 18 months it's a in our view a good time to take some some winnings and rebalance them into bonds so that's on the surface what the recommendation would be there's also a tweak within international developed and emerging to just shift those one percent each more so just to align yourselves better with the broader market um no changes to policy ranges that are obviously very wide as you can see here uh and we provide some thoughts as to why this should be the case so um the last two years you've had these really good returns especially the last year for the so for the

0:09:04 the fiscal year and those who weren't on the other investment committee call, 24.3% for the fiscal year return for 2024. That's following a good year of almost 9% from 2023. So we're considering the main thing for your portfolio is reducing the volatility because you really can't have a big downturn with the lower amounts of the funding note coming in because as you all recall not only are the the amounts are going to get cut down coming up combined with you didn't get as much as you should have the last three years or the first year it was made up but And so in conjunction, that's kind of the thesis of why we think it's a good time to rebalance more into bonds. So I think that would be one aspect. We do have another recommendation to tweak your U.S. equity portfolio, which I can either do now or wait to take any questions specifically revolved around broader asset allocation. Okay, Mr. Chair, I have one question. Go ahead.

0:10:26 Okay, Mr. Boren, in regards to, you're saying 10% of the bond, what dollar figure are you talking about? Do you have like a dollar amount to put into bonds? Yeah, it's on one of these pages. You're saying 10%, but do you have a dollar amount? Yeah, so if you go to, let me get to that page. i don't see it here um so it would be 10 of the portfolio yeah it would be 10 of the portfolio moving so as of october i have your october performance numbers here so you'd be moving about 50 million get 50 million and then the follow-up question is then you will have to then the board um will have to go out and do due diligence and selecting a bond uh manager no so you have already um i can go right to your portfolio here you have an investment-grade bond manager already, SSGA.

0:11:49 A lot of most of your- Yeah, that's right. Yeah, State Street. So we would simply be moving to this fund. We'd add another 50 million. Okay. But it's not that we're adding a manager or anything like that. I'm just going to just remain with State Street. Correct. All right. Okay, thanks. Mr. Chair, Ronald Russell present. All right, Mr. Dawson. I'm going to record. I'm trusting Russell as being present. it's newly noted marked as present so so some summarize that again for me make sure i understand um we're moving 10 of the portfolio from one asset class asset allocation which is the higher is the higher earning but also the more risky correct so u.s equities are potentially higher returning asset class but comes with a lot more risk profile or standard deviation volatility yeah we'd move into bonds to lower that and you know i think if you look here your volatility moves down by one and a half percent but over the longer term period you're not giving up i mean you're giving up some return but not really as much um you'd still have a probability of that six percent um you know well over 50 so it it's looking longer term but it's also kind of a tactical move to take advantage of the gains that you've had over the last two years i think it's when we talked at one of the retreats in july we always would show a sequence of return analysis where you could you this portfolio could not afford to have bad returns at the start and

0:13:47 really the one of the best things that could have happened is having these really good returns at the start so it's it's really just to lock in some of those gains you're still going to have you know 50 percent or you know uh 55 percent of the portfolio in equities um it's just taking some of that risk off the table okay so we're still staying with an equity classification or we're moving from u.s equity to so that's the piece i'm not clear we left 35 remaining yeah so you would be moving right now you have 45 in u.s equity you move that to 35 u.s equity and take the 10 and move 10 from ingressment grade up to 20 percent oh okay okay okay Okay. And the rational is that we're trying to lock in the gains. I guess the assumption is that we can. How much are we earning over the last 12 months or so on U.S. equities?

0:15:05 On U.S. equities, I can go back here. For the fiscal year, you gained 35% return in U.S. equities. And your justification is that the assumption is that that can't be expected to continue. We don't have a crystal ball.

0:15:33 Yeah, I understand. yeah so you're moving it into a less risky but we're still we're still in in equities but a less risky paddle is that what it is we're reducing the amount we have in the risky asset class okay so we're moving from equities to bonds yes okay okay yeah the trustees have questions for mr bowen before he moves on okay so so he's going to want to add it okay from the board to do that or is that exactly is now the time to do that are we going to wait till the end of his uh presentation i think we should wait until the presentation okay all right go ahead um thank Thank you. So that was part one. Part two of our recommendation is to tweak your U.S. equity exposure. So within that bucket that is now going from 45% to 35%, we're strictly just talking about that portion of your portfolio. So as I had mentioned, this is all as of 930, but you have a hundred percent of your u.s equity exposure in the russell 3000 index managed by state street and our thought is the russell 3000 index is very heavily skewed to large cap stocks you can think of the magnificent seven uh apple microsoft facebook it's very heavily weighted to those so you have a lot of exposure there so your biggest portion of your portfolio is also highly concentrated in these companies our thought is to you can deconstruct this part portion of the market into large cap stocks and small cap stocks so our recommendation and i have some other pages here is to break out your russell 3000 exposure into dedicated large cap and small cap that way

0:18:04 your can take a better advantage of different opportunities within the market recall you take roughly 15 to 20 million out of the fund every couple months this would give us another lever to pull strategically from a certain part of the market so say small cap stocks did well recently let's just say that was the case we may want to pull specifically from that part of the market to lock in some of your gains and and take them out into cash for benefit payments this just is giving us another avenue to do that so um i guess this is how this is a good way to explain it so your russell 3000 which is the current one index fund you have has about 80 to the large cap stocks as i mentioned you don't have a lot of exposure to the smaller part of the market and the mid-cap part of the market what we're proposing is to break it out so you now have a russell 1000 fund and a russell 2000 fund so you would have more exposure to the smaller part of the market uh also the russell three or excuse me the russell two is less correlated to the other so it gives you a little bit of a correlation benefit as well um here we kind of show some reasons why you know i think this breaks out where you can show the russell 3000 is pretty correlated to the russell 1000 the returns are pretty similar russell 2 is different so it gives you the core uh the benefits of diversification there

0:19:59 um we talked about this at the other investment committee meeting but But, you know, from a looking at it from a P.E. ratio, large cap is very expensive right now. Small cap is not as cheaper. So that's it's could be a good time to get into this part of the market as well. so here this shows kind of our proposal would be to go from the left side of the screen which is 100 russell 3000 to 85 russell 1000 15 russell 2000 so in those dedicated index funds within ssga dollar value is on the next page again these are as of 9 30 so we would just adjust these as of when we got into the funds, but you'd basically have about $210 million with the large cap fund, Russell $1,000, and 35% in the $2,000. So again, it's just being able to take advantage of the different opportunities within the market, especially because you need to pull the benefit payments every other month or so. Any questions? uh chair i have a question go ahead um so just for clarification when you were saying that the larger tops are more expensive than what you said i didn't touch that so the large cap stocks are more expensive part of the market right now they've been really bought up the price to uh price to earnings value numbers are high compared

0:21:46 to small cap which have been depressed as of the last three years or so and they're perceivingly a better entry point into that part of the market okay so the large cap you're referring to i think that's what you pulled out sometime back maybe earlier in the year um i think it was maybe i i think our reporter is probably gonna have trouble recording trustee dorsey because i can't hear him i don't know if she can hello i'm having i'm not hearing him either hello i am not hearing okay so what i was asking in reference to the um the large cap being more expensive were these the stocks that you pulled out maybe early in the year i think i had made a request of those that were our top performers is are we talking about the same stocks where these are mostly um i think they were trying to remember i think they were like facebook um you had pulled out maybe about seven or ten you had a sheet one of the pages in the presentation earlier in the is that you is those are the ones you're referring to as expensive correct so what i believe you're referring to is earlier in the year we showed um a breakout of what your holdings were what companies you actually owned and the concentration of those are in facebook apple microsoft those funds or excuse me those companies and yeah those are the ones that have the higher price price earnings okay but those companies are doing really well right now i mean they're really going well so just trying to get your thinking on going into the smaller camps are you looking for those to start to pick up as well is that is that the thinking is that the strategy i think it's twofold i think we we're starting to see hopefully some signs of the u.s equity market

0:23:58 broadening so small caps uh coming back on returns and having better returns you're not going to be getting out of facebook and all of those completely you're still going to have 210 million in the Russell 1000, of which all of those companies I just mentioned are the biggest fund, the biggest companies in that fund. Okay. Okay. I got you. So we'll still be on that ride. So I had another quick question, though. With the change in other regards in terms of our presidents, what are you guys projecting? Because the market is still moving in a forward position at this point. What are your projections on that with the new president taking over in a few months? What's your strategy? What are you guys discussing that you can share? What else, I guess? I think that there's going to be some disruptions. I think, you know, this is me personally speaking, not necessarily Makita, but I think there's a lot of unknowns. Right. And I think the best position to be in is a diversified portfolio that you have across all the various asset classes in the public markets to take advantage of any type of dislocations.

0:25:13 So you don't have all your eggs in one basket of the market. And because there's all these unknowns, I think six months into his term, we can kind of get some insight of where his policies are going. And then we might have a better predictor to make some judgment calls. But as of right now, I would strongly lean on diversifying and taking risk off the table. And I think both of these moves would do that, moving the 10 percent into bonds and broadening out your equity exposure to include more dedicated small caps.

0:25:52 So you realize that the president elect has indicated that he will be reducing corporate tax across the board, which where I sit, that's a built in income. Profit for those, those corporations that are. So, that's why. What do you feel out again? Hello? Hello? Yes, we can hear you now. Yeah, I was saying that. To the president elect has indicated that he is going to reduce when he started when he was in before reducing the corporate tax. So that would be a profit, a built-in profit for those companies. So I was wondering if you were looking at his policies, what he was proposing, that's really where I was coming from. If you had any comments on what he was proposing. Along those lines, Sean, Makita sent out today a pretty good policy communication that I think, I'm not sure who's under circulation, but I certainly got it.

0:27:02 so i'll share that then give some insights oh i'm not i'm not on that what's he referring to what's he referring to it's an email that was sent out by makita one of their periodic emails the title is new administration potential policy impacts uh so that would be along the lines of what you are inquiring about uh ceo is that something that normally comes out on a quarterly basis uh semi-annual yearly basis it's periodic yeah this was a this came out because of you know what happened with the election okay did you get a copy no i didn't hear you no no okay i like i need to get a copy here don't you i will make it up i will make it a point to uh circle to forward it to the trustees okay thank you at the end of the day at the end of the day time i'm on that situation let me think a lot of things no no this wasn't uh no no i'm not talking about i'm just saying in terms of talking about policies that man said a whole lot of things so that's a big i think makita wisely did not address the eating of cats and dogs all right yeah i had one more question for makita the the slide you had where you were talking about the percentages can you put that slide back up a minute um the russell three thousand one thousand this one yeah i had a question on this one and then you had one with show the different percentages where i guess we're recommending across tosy-dossy uh-huh i don't know i don't know if you move in like close on back from your device but you you'll be good good and then you'll fade out and you'll come back so okay so the slide is up noun um are you suggesting that we go with these percentages that you have on this slide from where we're at in the in the three thousand to the thousand in the two thousand is that is that what

0:29:24 you're recommending no so this page is just showing you which uh market caps the in the all these indexes are in so this is market cap exposure of these funds so it's basically just trying to show you that the russell 1000 is very correlated to the russell three i got you i got you okay then you had a next slide that had percentages maybe before this one um um this one yeah um so were you recommending that this is where we move to or this is where we're at now so your current is on the left and we are proposing or recommending that you move to the percentage on the right okay i got you okay so when we do that um what what percentage will be left on the current so we i guess it's not on here that's a good question um we would be terminating the russell 3000 i got you deploying into the russell 1000 and 2000 at these i see i see what the percentage is that up to 100 but i was just curious about that okay all right thank you thank you and uh trusty bowery you have a question yeah it slipped my mind is this full agent working good so just just to summarize what what the recommendation is um you know if we have to write it out in one sentence we

0:31:20 we're moving moving out of one asset category into another, moving 10% into another asset category, investment category, that potentially offers a low return but also low risk. so it could be characterized as a as a conservative move to low risk and then within the new category we're also doing pretty much the same thing the move from worse of 3000 to breaking that up into the other two that's also a move in the same direction right I wouldn't say the second one is a more conservative move. I would say it's a diversification move.

0:32:30 It gives you, like I had mentioned, another way to pull money from the marketplace when you need to raise cash for benefit funds or benefit payments. Oh, okay, okay, okay, okay, okay, okay. now earlier you you you there's something you said that you answer into a question and you said that's not my key disposition but that's yours um and i'm a little bit concerned about that um because okay let me as a board member when we make this decision, I feel very comfortable making those decisions if I know that it was based on the advice of our investment advisors. So this recommendation that's up on the screen and the one before that, that's a Makita recommendation, right?

0:33:49 Correct. So these recommendations in print in front of you are Makita recommendations. I was just talking about forward-looking, what no one really knows because no one has a crystal ball. Oh, okay. I'll see. Okay. I just want to clarify that. I think I feel comfortable that I've fulfilled my fiduciary responsibility as a board member when I make decisions based on the advice of whether it's an advice of council, advice of investment advisors.

0:34:29 So, just wanted to clarify that. With age's wisdom, trustee Bari. Sean, would you also say that there's more upside potential in terms of price earnings ratio and dynamic with the small caps and more downside potential with the large caps in that regard? You know, I think if we always say some sort of reversion to the mean and where the large caps are so expensive right now, they have a potential to revert back down to the mean. I mean, I think everything we try to look at things over a long period of time, 20 years, and those averages are even longer than that.

0:35:20 So I think I can go back to that pitch, but, you know, I think the lines are the averages, and you can just see, I think, where with your cash flow situation, it would be a good idea to kind of bring some of the cash into the small cap portfolio. Was that a long yes? That was a long yes. Okay. thank you any other questions for mr bowen yes uh chair i had another question um so you're saying you're saying that um those caps are expensive those stocks are very expensive in that index can't hear can't hear those you're muted hello can you hear me now yes hello yeah i want to go back to that because it seemed like something i was triggered in my head with the last conversation uh i have another question in reference to you keep saying that the stocks are expensive which is i guess to be expected because they're kind of like moving the market right now um but also in between that time they've had stock splits um so do you account for that when you talk about that they're expensive because

0:37:09 they come down to sometime less than half of where they're trading at in that index so do you account for that and then i was trying to equate that to you keep going back to uh moving into the other uh russells because of our cash flow is that really the justification the cash flow portion of it so we can have easier access to the cash the answer the second part first um no the cash it either fund you get its same daily liquidity you can get the cash within one or two days i was more so trying to drill home the point that if you you're in a situation where you need to raise 20 million if small cap has done really well in the last month or two versus large cap you're able to strategically pull it from small cap where it's had a good run in the last you know month or two um that's the the diversification benefit i was talking about okay okay uh into your first point uh the pe ratios aren't they're more so looking at you know price to earnings in the sense that versus large and small cap like i let me go back to the chart you know i i don't think this is going to be able to go up forever like i had said to kind of revert reversion to the mean at some point um but yeah we we are taking into account all the um stock splits that you mentioned okay so are you i don't know if you're if that's your responsibility but do you track the the stocks in these particular funds like these particulars in the in the larger caps they've been also buying up

0:39:06 uh industries or other companies that enhance their uh position in the marketplace which is also helping to push up their prices or are you guys tracking along with that as well i mean these are index funds so they're we're really not tracking that per se it's it's the index is the index i mean i think we're looking at you know bigger bigger term things okay that was just a question okay i appreciate that chair thank you yes i'm here hey have any questions no not right now okay i think he explained it well okay cool just make yourself thank you very much for the consideration all right um any trustees have any more questions for mr bowen i had a i had a question to the ceo what the ceo's position was on this as well um what's his feelings on this i'm sure he's had a chance to go through it as well um but overall what is what is your look at this when you look at it what's chair of the union i thank you trustee dorsey um as i indicated in the investment committee meeting i certainly concur with the recommendations of makita with regards to the uh shift from of 10 percent from 10 percentage points um from equities to bonds uh capturing some of our winnings so to speak uh going forward and then furthermore with the redistribution from the russell 3000 to uh the 1000 and the 2000 which i think gives us some more granularity in our holdings and

0:41:14 some more flexibility as well as possibly as i indicated a short while ago in my question to sean giving us more upside potential with the small caps and minimizing some of the downside potential with the larger caps given the reversion to mean that that he outlined i really appreciate that thank you thank you chair all right mr bourne um are you at the end of your um presentation yep that was the that was the two recommendations we had for you okay so we need um we need a motion to authorize makita to redistribute um 10 of our domestic equity holdings towards um the bonds the band portfolio is that correct correct so more information chair all right why don't you do it as one one one uh one motion yeah well let him finish and then i i would just say uh say move i thought we're doing a one by one are you doing it in a package well okay okay so i i just did one by one in case somebody more comfortable so i said so so i'll move on the first one by move by charlie smith is there a second secondly by trusty dorsey can i have a roll call please uh yes uh trustee barry yes trustee barry yes trustee dorsey yes trustee dorsey yes trustee liger absent trustee russell yes trustee russell yes trustee smith yes trustee smith yes trustee callwood yes trustee callwood yes mr chairman five yes one absent

0:43:21 all right thank you and then the next motion will be a motion to um otherwise makita to redistribute the holiness from the russell 3000 index fund into both the russell 1000 and the russell 2000. still move move by dorsey trusty dorsey is there a second second seconded by chelsea smith can have a roll call please yes that's how the 85 15 split right it's understood yes it's implicit okay okay confirmed uh trustee barry yes trustee barry yes trustee dorsey yes trustee dorsey yes trustee Liger absent. Trustee Russell? Yes. Trustee Russell, yes. Trustee Smith?

0:44:23 Trustee Smith? Yes. Trustee Smith, yes. Trustee Colwood? Yes. Trustee Colwood, yes. Mr. Chairman five year one absent you have muted mr chairman oh sorry about that okay the motion carries the next item on the agenda is a letter received from the governor of the virgin islands i'm going to ask um the board secretary to read a letter into the record uh yes mr chairman letter dated november 8 2024 mr to mr duane colwood chairman government employees retirement system board of trustees dear chairman colwood i'm writing to formally request that the board reconsider and rescind the recent resolution to raise the employer contribution by three percent at this time this adjustment would place an additional 14 million dollar burden on the government of the virgin islands which is simply unsustainable under the current financial circumstances as you are aware we're still awaiting congress's consideration of the rum cover of a tax extender which is expected to reimburse the government employees retirement system with 90 million this potential reimbursement is significant and will alleviate some of the financial strain on our retirement system raising the employee contribution at this juncture before congress has made a determination would be premature. The Virgin Islands have already committed nearly $3 billion to address the retirement mandate, demonstrating our firm commitment to resolving this critical issue. However, we are at a point where additional financial

0:46:14 pressure would be counterproductive to the progress we have made. We kindly request that the Board reconsider this measure at a later time. By then, we We hope to have clarity regarding the renewal of the rum cover-over tax extender and the reimbursement of $90 million. Should Congress not act by that time, we will reassess the situation and explore what can be done. Thank you for your attention to this matter, and I look forward to continuing our collaboration in securing a sustainable future for our government employees' retirement system. Respectfully, Albert Bryan Jr., Governor.

0:46:55 All right. Thank you, Mr. Dawson. Welcome. I just want to put a few items on the record before we open up discussion. Okay. Item number one. At the time of the special purpose vehicle documents were executed, the GRS to a real determine unfunded liability was north or exceeding exceeding $4.6 billion. So even if the GRS had received an immediate infusion of $3.6 billion cash on the one of the SPV, the system's unfunded liability would have been in the neighborhood of $1 billion. Item number two, contrary to what has been reported in the media, the board's decision to increase the employer contribution rate by three percentage points was not a result of any shortfall in the rum cover over funds due to the system item number three in 2022 the former grs administrator mr arson nibs as part of grs's annual operations overview presentation to the vi legislature requested that the 34th legislature fund the three percentage point employer contribution rate increase as part of the gvi fiscal year budget of 2023 even though by statute the board had the authority to implement the increase effective january 2025 and mr nips made acclaim his presentation to the legislature in 2023 the current grs administrator mr darson made, as part of the GRS Annual Operations Overview presentation to the VI Legislature,

0:48:50 he made a request of the 35th Legislature to include an employer contribution rate increase in the GVI fiscal year 2024 budget. He also reminded the body that the board had the statutory authority to implement the increase effective January 2025. Five, during this year's budget season, the GRS's scheduled annual operations overview presentation to the VI legislature was canceled by the legislature. Subsequently, a new date of September 3rd was given. I must know that that is late in the budgetary process.

0:49:29 Nonetheless, Mr. Dawson advised the legislature at that time that the board had indicated its intent to implement the employer contribution rate increase effective January 1, 2025 as allowed by statute. Sixth, despite the multiple requests to have the employer contribution rate increase funded in fiscal years 2023 and 2024 GBI budgets and the indications that it would be coming in January 2025, the employer contribution rate increase not included in the fiscal year 2025 budget seven during the board's september 26 2024 meeting the board performed its fiduciary responsibility and passed a resolution to increase the employer contribution rate by three percentage points eight as a matter of full transparency by the september 26 date when the board formally adopted the resolution to increase the employer contribution rate the gvi fiscal year 2025 budget had already been completed nine the governor requested a meeting to discuss the employer contribution rate increase myself along with the administrator and the actuary met with the governor and members of his financial team we went over the actuarial projections so that it was clear to the administration what the outlook for the grs is 10. The creation of the SPV by the plan sponsor pulled the GRS back from the brink of imminent insolvency. Had it not been for the efforts of the 34th legislature and the Brian Roach administration in creating a special purpose vehicle, we may have very well been meeting

0:51:16 this evening to eulogize the GRS. 11. I believe the efforts of the plan sponsor in creating SPB has earned them some quote-unquote goodwill and I say that for lack of a better term with the GRS and finally I am not in favor of resending a resolution that we pass to increase employer contribution rate by three percentage points however I am in favor of a compromise and the compromise that I'm recommending to the board of trustees is that we modify the resolution to change the effective date of the employer contribution rate increase from January 1, 2025 to October 1, 2025. The new recommended date of October 1, 2025 gives a plan sponsor nine months, nine months of relief, the opportunity to walk the increase into next year's fiscal budget, and the change of the date also aligns the start of the increase with the new fiscal year. um our actuary ran the projections around the proposed october one implementation date implementation date and in the grand scheme of things the change from the january 1 2025 date to the october 1 2025 date does not result in a significant moving of the needle having said all of that um trustees um let's start the discussion i just wanted those those points to be on the record um because this issue has been reported uh in in a way the media way it kind of misrepresents the situation and and you know what what triggered the increase

0:53:05 Chelsea Bowery that's former OMB director your first a couple a couple of things um I'm concerned by I'm concerned that uh I'm concerned that there's a scene to the narrative out there that, you know, the founding note sound no problem and you should be satisfied and go and go away and you know so i'm very very concerned about that um and that that was the gist of our presentation to the governor when we met with him um that's what we had the actuary there to show that you know yes the spv did pull us from the edge of the cliff but it didn't solve the insolvency problem you know um and that's why i went through the labor of putting those points on the record you know like like i i made it my statement even if we have gotten all that money on day one we still would have had an unfunded liability of a billion dollars yeah i i you know um i mean the liability doesn't have to be totally funded to be to be sustainable but but but you know the so i'm concerned about that i mean

0:55:05 all the analysis that was done on our side in terms of of the impact of the funding note assumed that three percent increase we built that into all the analysis that we did that that you know in risk in respect to the impact of of the um of the note um and so that's one thing the other thing is that the note isn't providing what was anticipated because of the the issue with the cover over rate you know the whole analysis and how and what was was done not just for all side of the thing but also for the other things that were involved i mean people forget people forget that the the that whole issue that it gave us gave us the the funding funding 3.8 billion dollar funding was part of a bigger package that included bonds and and two different bond issues So, and the fact is that, so now we're not getting the funding, the full amount of the funding, no, that we expected, and the developments, the political developments on the main language doesn't give any hope or any comfort i should say maybe there's some hope but not it's not

0:57:00 comfortable that we that we get the 1325 i mean i mean just to be realistic realistic about it um 1325 requires um the congress it requires a go it requires a vote of congress and to some extent it requires it the assistance of the president and i don't know we all know the role that our delegate paid couple years back in terms of the incoming president so i don't think i mean there again i don't have any comfort i mean so i'm concerned that that but we may not let that thing go back to 1325 and so that's a double whammy the double whammy is to a low rate from below cash from the note plus the the three percent that we also built in on all analysis so that's as two there's two sets of two setback as far as as far as the the the long-term sustainability of the system that that we were looking at so um and then we you know we've also as you know we also asked um asked for the legislation to to to fund the administrative expenses of the system given the fact that they weren't getting what we expected to get from the note and that was turned down so I also know I think we ought to admit that the government is a tight fiscal condition I myself have been writing about that for a long time so I'm aware of the fiscal condition of the government

0:59:07 itself but my primary but as a board member my primary responsibility and is to is to the system mental membership policy that's where my financial responsibility is so i'd like to say that um i mean i'm not i'm definitely not prepared to to listen to increase i mean i think In the interest of the government's own fiscal condition, I'm willing to support your position that we delayed until October 1 as opposed to beginning of the next fiscal year.

1:00:01 So I'm prepared to that, I'm definitely not prepared to withdraw it totally. i would support you i'd support a resolution or a vote to delay the implementation until october 1. and i needed to get on record that i mean that you know the combination of the law um um the lower payout from the from the note and not being able to implement the three percent is is that's a compounding combination there that should be very concerning to us as board members so i mean I don't know. I think that's kind of some of my situation. I mean, I'm concerned about the sentiment that's going on that, you know, we're getting $3.8 billion and don't come back. You know, so I'm happy that you made the case that the $3.8 billion, I mean, we've said that before, we've shown for the legislature, even 3.8 billion dollars, not only did it fund fully, but 12 years out, there are some years when the annual amount drops below, put us below a situation where we have a problem, you know, even though the 3.8 billion dollars in total is a substantial amount of money no question about that but the

1:01:55 the way it's handed out you meet it out is problematic and you know so we know that so um I think we need to be my position would be that the best best case is to go from it would be to are we prepared to support a delay until october one but absolutely don't support that we we send it all together and we need we need we need to have it system needs it you know i mean i mentioned are we going to see the presentation from um at least to show the the the impact from uh from seagull uh with alderman um i defer to the chairman i imagine so but to your point trustee barry i think we should also note that 3.8 billion dollars pledged over 30 years is not 3.8 billion dollars in present value dollars right i mean that that's embodied in i think that's embodied in the initial point that that was his name, Ed, that you wouldn't be able to then, you know, didn't fully fund the unfunded liability. But, you know, the analysis that that showed, that was done, the graphs that was done by Seagull, show dipping below the margin, below the zero point, 10, 12 years from now, and coming back up. And by the way, I don't understand the concept of coming back up after insolvency. How do you get back up after insolvency?

1:04:00 you dip below the line and you become insolvent three years from now you're back up i don't you're out of business there so i'm not sure i understand that that the message that that's sending you send a message that will dip below will dip into the negative in 2037 and come back up resurrection after you've crashed i see aldwin is well seat belted he's preparing for I don't know hopefully not a crash I mean once we dip below the negative point I become insolvent anything after that is I don't know what to say about that Mr. Chairman shall Alvin proceed with his presentation yes he seems to be frozen But when you look for that, I think it's important that we show that, to make the case for why it's important for us to stick with the three percent. And I had a question for the legal because i'm not sure if it's appropriate to ask it in this session but um question is what what would happen if the legislature doesn't appropriate the additional 13 million dollars alderman is back sorry about that um i'm crossing the george washington bridge so um i think the connection here is not not that great um so do you want me to uh bring up the um um the presentation point information here we'll hold up all of those okay um aldwin you driving uh no my wife is driving oh sorry no i'm good don't see what's the point of information i didn't hear the answer from council to the trustees he didn't see the answer yeah but i'm looking for an answer from the council the board council i'm looking for an answer before we start

1:06:35 remember when we did the spv we had a pending case over um contribution i mean i just wanted it on record here not from you but from the council that's okay Okay. You're muted, Pedro. Attorney William, your device muted. Yeah, I'm sorry. I was trying to find the right button.

1:07:04 What happens if the legislature does not appropriate the monies, the obligation remains. the law provides that um it's a continuing obligation of the government and on the section 734 and on the section 736 um the law provides that no the employer can refuse or fail to pay the contribution but subsection b provides that if they do then interest accrues so the obligation the 14 million dollars that presented the governor's letter would remain a country obligation of the government and if they don't pay it at some point the system may have to consider litigation i remember um we went to litigation well before but a couple of years back when i first joined the board we had some extended litigation against the government If I recall, they went as far as the Third Circuit, do you recall that, those litigations? Yes. Yes, sir. I recall that the Third Circuit, at least one of the judges in the Third Circuit had had a rule and that um the the court even if the court ruled in no favor and felt that that the government had the government the government had an obligation that the court had no authority to to to force the legislature before the court cannot force let's listen to to make an appropriation you have your call that well i think the court cannot force the legislature to make an appropriation but what the court didn't indicate is that they expect that all the parties would operate in good faith and certainly comply with the court's order and subject to correction i i want to believe that um the government did pay the 40 something or whatever the amount was million dollars that the court did order but i'll defer to either um counsel for the system of the ceo that has been my understanding that the government did comply and pay those

1:09:26 amounts that the court ordered okay i don't recall that but that's that's correct the government did uh didn't pay okay yeah but but but so that that's kind of where it's coming from in terms of um of the um looking down the road i mean if if even if even if the board sticks to his position and says more than three percent two percentage point the legislature still have the authority whether what would happen if the legislature just said we're not appropriating the money for it anyway let's just let's wonder i guess we could move up we could move forward mr mr chairman well i was asking i wanted to ask council now um i'm asking a reference to the same point so this is a lot less money so this is like 13 14 million you were talking about 40 plus million that the government ended up paying over what time would they pay that money maybe attorney myers can answer that for the system attorney myers and the money that you trusty dorsey are you referring to the 13 to 14 million dollars that the three percentage points would uh would represent no no no no no i was asking attorney myers over what period of time was it paid

1:11:13 uh i do not remember i'll have to check i honestly don't remember right now but it was paid uh trusty dorsey i can't hear you you're muted you're muted you're mute dorsey can you hear me now yes sir yeah i i heard you attorney myers um um so if trusty bori is it is it that the opposition is we need to move forward um with this uh three percent in the court or just go back to october no we're not getting to no i'm not running the court no okay okay so uh we won't get it any sooner if you got the code than not than october 30th so yeah sorry sorry that's i didn't need to it's becoming a distraction to the topic so yeah okay thank you um chair okay um alwyn uh if you to proceed yeah before before i start with the uh the presentation that was requested i i was just going to uh respond to trustee bowery earlier when when you trustee barry when you mentioned you know how come like you know we go insolvent and we go back up the the projections basically presume that when we get into those uh insolvency period um the government is going to have to step in to pay the shortfall in order to make sure that members are going to continue uh receiving the full benefits and so that's that's really why you know basically at that point in time you know the the system is going to be on a pay-as-you-go basis until we get to the point where the funding note starts uh contributing uh enough so that we have a positive cash flow

1:13:13 so that's really what's what's happening there okay does that make sense yeah yeah the question is if you don't want to pay the three percent the campus three percent increase hold it on 300 percent that's all i'm going to say the same thing they can't put a three percent okay right i mean yeah that's i mean it ends up being you know whether you pay it now or you pay now or pay later exactly so uh you know so the very first chart that i want to show you is basically starting off from uh where we left off from the board retreat so that blue line that you see over here that's the projection that we last saw from the board retreat assuming that we were actually going to get the 1325 and no shortfall uh starting in 2024 and 2025 um and this still assumes a 23.5 uh contribution rate without the 26 without the 3 increase as you can see here you know we're still remaining uh solvent over the period but uh over that period of time up to 2038 it goes below 200 million before it starts to go up again um the latest projection what we did uh is you know we after the board retreat we had a few other tweaks in the data but the most important update since the board retreat is the receipt of the october 2024 uh funding note which was 56 million dollars short of what was projected or what was anticipated and so that's really what this purple line is showing and that purple line showing while it's it's showing that you know you're you're still solvent uh over the period of time it is really dangerously close to uh to the bottom there in 2038 it's basically 15.7 million um now when we're looking at these assets these are basically your all of your assets which include some of the assets that may not be fully liquid so even though this projection looks like you know you are still remaining to be solvent in reality once we're getting close to 2035 2036 uh you may not have enough available assets to actually pay out the benefits uh but you know so that's just uh for illustration showing that we're we're pretty much

1:15:36 that at the you know at the bottom of the projection here so this is assuming that we're getting the 1325 uh and it's just you know in showing the impact of of the 56 million dollars shortfall now what happens question is like what happens if we don't yes sir excuse me excuse me this this shows the 30 and 25 and the three percentage no this doesn't have the three percent okay okay all right so let me if sorry there's a little bit of a lag and moving the slides here i really can't i really can't i hear hey alwyn can you hear me now leona yes a little bit okay i'm trying to move okay so all right so what we did um we looked at what if the uh funding note never goes back up to 1325 and all we get is the 1050. um now it's just a big caveat to this even if at the 1050 we don't exactly know exactly what's going to be the shortfall um in in a couple of years ago when we were working with the governor's financial team um when we found out about the 1050 we were given some projections of the shortfall and the shortfall was going to be somewhere between 20 to 29 million dollars over that 30-year period um as as we saw the last two years if the shortfall has actually been uh uh pretty uh pretty much um actually bigger than that that and so um when we're doing this projection just keep that in mind that when we're looking

1:17:29 at the 1050 uh yeah yeah he's free for a few thoughts yeah it's frozen uh chair hello yeah but um you might have to call him and have him just pull over to do his uh presentation when he gets in a location that he can communicate i don't have his number um i can see you uh yes i'll reach out but i'm sure he's trying to get back in now mr chair in in any um interim i agree with your uh bullet points um not to rescind but to push it back until uh october one um the request from um governor brian all right thank you anybody else on the way in on that specifically i also chair uh agree with the bullet points and i also agree uh pushing it back to the october date as well i'll see russell i have a different view

1:19:24 all right share it with us that i don't think our delegate and the governor has aggressively pursued the increase. After the election, you know the Republicans ain't going to give us nothing. So you got to go really hard if you're a Democrat with a Democratic administration and a Democratic Congress. So I will delay making the decision until they show us that they're aggressively trying to get the $13 and then delay our decision till next year. And I agree with postponing it, I mean, delaying it, but not just like so, because the legislature and the governor, to me, didn't pay attention to some of our concerns when you went before them, when Nibs went before them. And so, you know, we are independent body and we want government, but we could apply some pressure here to get them to aggressively go to the president, the administration, while they're Democrats and see if they can pass in a lame duck session what we need for the special purpose vehicle.

1:21:03 So that's my view. Okay, I have a car. Mr. Chairman, Aldwin is back. Okay, okay. Russell, we pick up after Aldwin finish. Yes. I'm sorry, everyone. Hopefully, I'm going to turn off my camera, so hopefully that will help. So I'm not exactly sure where I dropped off. um so what we're looking at here now is two sets of projections um this projection is basically assuming that we're never going to get back to 1325 we're only going to get 1050. as i started indicating uh earlier i'm not sure if i was cut off um in a couple of years ago when we were working with the governor's financial team uh and we found out about the issue of the 1050.

1:21:53 they gave us some projections on how much the shortfall could possibly be over the next 30 years. And that's what we're using here. And in those projections, they were telling us that the shortfall is going to be somewhere between $20 to $29 million per year over the next 30 years. However, as we saw in the last two years, the shortfall has actually been more than that, especially this last one in 2024. So I just want to caveat all these projections here to the extent that the amount of shortfall is larger, especially in the earlier years, there's the impact on the insolvency period or when the insolvency can first occur could be significantly different. But looking at this chart, the blue line here is assuming that we don't have the extra 3%. We're still getting only 23% of payroll. As you can see, the insolvency period starts in 2032, and during that period basically will become a pay-as-you-go system until sometime in 2040 when it goes back up. And 2040 is really the year where the amount that we're getting from the funding note goes back up to somewhere between 120 or 158 million dollars and that's that's why you know that's when we really see the um the assets to go back up because at that point in time um we're going to be cash flow positive the same way that we're cash flow positive in in the past two years and also for the the upcoming year uh where we still have um you know 100 or we were supposed to get 150 million but we only got 101 million um so as you can see here even with the

1:23:48 with the three percent um increase um we're still projected to have um an insolvency period from 2033 to 2039 it has an impact of delaying that insolvency by about a year instead of 2032 will be around 2033 but again as i said earlier when we're doing this market value of assets we're taking into account everything including your your real real real assets that may not um you know really be liquidated in time so once we get to uh in this case like somewhere around 2028 2029 where we're below 200 million uh you know that's dangerously close to where we would possibly need some additional uh contributions from uh from the government in order to make sure that we continue to pay 100 of the benefits because you know we may be at that point in time uh that um amount of assets is really just um you know the haven site mall and and other um real assets that we cannot really just liquidate like stocks and bonds um so so i ran so in terms of running out of cash we're looking at 2030 2031 that we're looking at yeah we're looking at uh yeah probably around well i'd say probably 2030. okay and so that gets to that gets to some i know it the point i was making earlier about how do you let let's say we we sell up even if we sell everything you're talking about from from um 2033 we're on we're underwater at that point right uh there's somebody gonna have to hold in the breath for a long time to come back up in 10 years from 10 years after that

1:25:57 so in that in that case then the the government for the government to keep it afloat they would have to be looking at 150 million dollars a year instead of the 14 talking about yeah so in the next slide here i've just summarized all the scenarios that we did right so um The chart that we were just looking at is basically the right side. So the middle one where it says 23.5% of payroll, we have that projected insolvency period between 2032 to 2039. The silver lining is at some point, right, if we're payers to go during that period and we actually get some cash from the government to pay the benefits 100%, But at some point, you know, we'll be cash flow positive.

1:26:53 And if we project all the way out to 2052, we actually can go back all the way to a billion dollars. Because at that point in time, you know, the program is going to have a lot more of the tier two retirees. So our benefit payouts are going to be actually much less compared to what we have now. The problem is, in order to get there, the additional contributions we're going to need from the government from the general revenues is going to be about $486 million during that period from 2032 to 2039. And that's probably understated because, as I said, you know, like in terms of like losing liquidity, you're probably losing liquidity two years earlier, not really 2032, probably are going to need some cash because you're not going to be able to liquidate everything by 2032.

1:27:49 Yeah. So that's the point I was trying to make. So when you get some free time, if you could do an analysis, I'd like to say to some, whoever would listen, how much more the government will have to be paying in if the system gets to this point per year pay as you go you're referring to huh pay as you go during that yeah yeah yeah i mean you know squawking squawking about an additional 14 million dollars now um think about what we have to call it if if the system is allowed to to um to dip below the line whatever year that is is either that or the system we don't know i mean actually if we didn't go into a lot of that analysis i mean if we look at it it's probably going to be even more expensive for them because you know if you're paying later you know it's a much bigger problem whereas if you're paying it now uh you know additional uh 14 million or in this case i think we're going to need more than 14 million if we're actually not gonna get the um the 1050 back to 1325. um you know if you pay now if you get the money now you also have the ability to invest that money and and and in essence make it um you know make it cheaper in in funding the benefits as opposed to a pay-as-you-go pay-as-you-go is always going to be more expensive okay but i think one of the exercises that we were trying

1:29:40 to do here was just what's the difference between january 1st 2025 and delaying it to october 1st 2025 uh there's really not much a difference right so we uh the projected insolvency period is basically going to be about the same uh if we talk about that nine months it's really uh 10 million dollars of contributions that were forgoing in addition um so as you can see you know because we have the same period that we're going to be pay as you go and same year in which you are going to uh come back uh out outside of insolvency um you know the projected assets by 2052 is essentially the same between you know between uh you know the two scenarios uh but in In terms of the additional contributions from general revenues, there's a little bit of more that the governor is going to have to pay if they delay it by nine months because we're going to be projected to become insolvent a little bit earlier, probably a few months earlier.

1:30:47 So that's the last row that you see there, the $253 million versus $266 million. okay thank you for that um any tosses have any additional questions for dr erie uh okay i have a question um so basically this this is based on the the 10 to 10 50 um but if we were at the 13 if we were at the 1325 then i guess you're saying we would be all right then if we were there all in getting the revenues that we haven't received up to this point along with the returns on our investment that we currently are receiving yeah we will be in a much better position yeah we still get dangerously close i mean 15.7 million is the low it's really you know like i said in in this in in in here we probably you you're probably gonna have a temporary insolvency two years before uh because you know that 15.7 million really represent you know some assets that you can't liquidate right right um okay well but that's so that's this is where like so the first two here this is kind of where I think from the board retreat what we were saying if if we can just get that three percent and have the government pay the administrative expenses we're actually in a pretty good spot

1:32:34 right right um all right well i don't have much more to say i wasn't part of that meeting so i guess you guys supposedly cover what you needed to cover in the meeting with the governor so so piggybacking on trustee dorsey's concern and i'm sorry to be the skunk at the party about while we're focused on the cover over rate we do need to remember that the cover over revenue is a function of the rate and rum production, and I suspect that there may be a trending downward of, if not rum production, then certainly rum exports to the United States, because like anything else, it's a matter of taste, and rum may not be predominant at this point compared to what people are drinking. So I have asked for some information regarding volumes so that we can get under the hood and see that as well. But I think that we need not lose sight of the fact that maybe rum production in and of itself is becoming a problem as well. The other thing to consider is the fact that in the floor funds from the node, the GRS is like in the bottom bucket. Right. So if you reduce it from the top on the waterfall, based either on the rate, the cover over rate or on production, then if you're last man on the totem pool that tells you you're getting even less right yeah the top of the total pool is is bonds some government bonds and those get taken care of first at the full amount so yeah they have um i don't know if i recall there's a government bonds and then there's a one one company's bonds and there's some um other incentives incentives the home incentive package

1:34:37 all those are legally binding um responsibility that that they get taken care of in in total first we got regardless of what they think and the reason i interject that is not to be alarmist but so that we can be clear clear right with what we're looking at yeah well i i would say this um when we were at the retreat um i can't remember the gentleman's name brian gardner he indicated he represented the government and at one point in his mind he thought he represented us as well as a system until there was clarification made in a room and i can't remember who made that point but at the end of that segment he indicated that we're an independent group as was said earlier tonight and we need to have our own representation going to dc he made that point clear as everybody knows we did attempt to do that we voted on it we got the okay but we never went true for i don't know if it was the uh the covet i don't know i can't remember all the other details why we didn't move forward but i i see the situation as half full i don't see this as um i'm not even harping on the 10 50. i still think that when the next administration gets in unlike our former trustee indicated i still think we need to confront uh with our own representation as a board of our situation because just to say no and not make an attempt because someone else is in office i i just don't see it that way i i would like to be able to uh at least go and have that conversation face to face um not necessarily to our representative um as was indicated we know

1:36:45 what that history is with this particular new president coming in but i'm just saying from um the system standpoint as trustees we we represent the memberships the actives and the retirees so my position is i think we should go back to what we did vote on previously and speak with the president directly to let him know what our situation is because we have we have issues here but you know this is this is a very critical function of what we do as a government and what we do you know as a territory this is a very critical issue so i think we need to go back there i definitely see it half full i don't have no problem uh sitting across the table from the new president i think um that we might get some leverage we might be surprised and get more than what we were asking for but to do nothing we're definitely going to get nothing because we didn't do anything but i wouldn't just say not to try when we had in our retreat the individual that came in i guess as the ceo said mr gardner that we need to go do our due diligence and represent ourselves because no one's been representing us. So I think from that standpoint, that's the leverage I would go with. If it was up to me on a vote, I think it should be a board position to do that. And I think it should be the board to go. I don't feel it should just be the CEO on the chair to go. I think in this case, because we are speaking to the president, we have our own delegation which would be all of us as trustees speaking in that forum so that's my position on that um that's for some clarification when you say we're independent what do you mean well when we were at the retreat um you said you said in your presentation that we are independent what does that mean we're semi-autonomous agency within the government

1:38:44 structure so the individual who was speaking we were speaking about cover over um he represented the government he said no no i'm explaining i'm explaining my position as being independent he indicated that we need to have our own independent representative or representatives sorry because the guy said so is that what you're saying no no no no i'm not i'm not sure if you were online or not at that point uh uh trustee bory but the individual said to us in the room that he does not represent us or represent our interests in the cover over program that's what he indicated to us because he was first saying that he represented us because he was saying he represented the government of the virgin islands but what we found out he's hired by government house through maybe um the public finance authority to do whatever work he's doing on behalf of the government but not necessarily on behalf of the gers we had mentioned before that we had a vote where we voted to go to dc to speak on our behalf to try to get the not just the cover over monies to help the territory and our constituents from that standpoint we never followed through for whatever reason i can't remember what the reasons was so from that standpoint is what i mean by an independent independent meaning that we would go from a grs standpoint as a board to speak to the president we voted on it but we never did it with this uh current president for whatever reason that didn't happen and i i just don't remember why maybe somebody else remembers why it didn't happen but it didn't happen but we did vote in favor of going to speak to the president now we have a new president coming in some people might feel it would be a waste of time to do it but i don't feel that way because i see the glass is half full until we get in front of the president the opportunity to get in front of the president and he says no or he might say yes and what else do you need so we're not there yet but i'm just saying if we're going to move forward i think we need to go back down that road we need to leave all our options

1:41:21 open so that's one of the main things i got out of the retreat we just had a few months ago several months ago as well as the uh the three percent increase um that our our plan was doing well if the market keeps up as it is right now we were doing well with that even though we're at the 1050 level um with the cover over i've always said that um we've never at least i haven't gotten access to all the documents so i'm still at a disadvantage when it comes to the special purpose vehicle yeah i've seen a bond note but that's not what i want to look at i want to look at the entire package to have a face-to-face uh with the government in this case the plan sponsor and have those kind of discussions that's that's where i sit so i haven't changed from that position because i'm still at a disadvantage maybe other people on the board have seen those documents but i have not seen those documents and the notice itself is not what i'm looking at i want to look at the entire package of the special purpose vehicle and then have a different discussion because things are written uh in those documents it doesn't mean they can't be changed for different reasons locally especially starting with the two rum companies but we just haven't gotten to that point at least i haven't gotten the documents to review and that was another discussion i would have liked us to have as a board to speak to the two rum companies to see if there's any uh communications we could at least start to have to give them our position from a uh a retirement system standpoint as to where we're at so and that would be in conjunction with um the edd edc program mr biggs program um when we have that conversation so that would be like a group approach which was recently well not recently but maybe over two years ago or a year ago recommended um by one of our other um people we're doing business with that's all i'll say

1:43:32 i wouldn't put the name on record at this point but that was recommended so i still think we have opportunity to change the course of the direction even though we're pushing back we're looking to push back the the three percent i still think we have some opportunities i know we still have the two pieces of land in each district that are undeveloped been undeveloped and i know we were trying to push that to a next level and then that i'm not sure where that is i know it came to a stop maybe uh the ceo can speak about it maybe there's something else going on that hasn't gotten to the trustees yet um but we were we were making a valid effort to make those two properties uh to develop those two properties um to create additional income for the system so right now they're sitting on the books and they're sitting as just vacant line um so i'm still saying we have options i'm not sure um other than uh pushing back to three percent propose what else we're looking to do um but like i said the investments are doing well so So we've been blessed with that part at least, but we got that right. So I didn't have anything else on that chair. All right.

1:44:58 Anything else we got in the what's the agenda item we're discussing, which is the implementation of the 3% employer contribution rate increase? Trustee Russell. yes okay so in in when you were giving your position you mentioned something about delaying until next year like i wanted to respond and i wasn't really clear what he was saying okay um i i support what trustee darcy said and i was to the retreat when the guy Basically said, the government and the GRS represent two different interests regarding the realm come over. Different in terms of we rely on it for solvency and the government relies on it to pay debts. So, you know, it's fine. It's a good arrangement. So, I am on board with Dorsey, where we make an attempt to advocate and promote the increase in the rum cover over while we still have a democratic administration in power. take one last attempt and maybe we could include our delegate and she could sponsor us you know meeting with and in the lame duck session they could do something for us that was where i was okay so let me let me let me point this out because through a lot of the discussion i think we saw a little mix of apples and oranges what is the force is a three percent increase right which

1:47:12 is not that would have nothing to do with the cover over and and and this is why we went through making those points because even when we passed the resolution originally and it was we we reported in the media it was reported that we passed this increase because of our shortage of rum cover over money, where we know that because the SPV did not totally solve the insolvency issue, we had already built in that, okay, come January, January 2025, and every five years thereafter, we will increase the employer contribution rate by 3%. So it's not, the resolution wasn't a result of the shortage of the rum cover over money. So I don't want that we're talking about what we first know is a proposal to push back the implementation date and all we talking about is the rom cover over money because then i gave it the impression that they both are connected like like one was a consequence of the other and that's not the case so i'm not i'm not disputing what you're saying i'm just saying that it's two separate issues and i don't want to i I don't want to convolute them.

1:48:25 Okay. Just let me say this. To me, they convoluted, Mr. Chairman, because our responsibility is to the system. When we made a decision to help the system along, the legislature and the governor ain't support us. When we went to the legislature for 15 million or contributions to however we were trying to get money from the legislature, we didn't get support on that.

1:49:03 And I believe that we got to take that into account. We got to take the politics into account because it is directly affecting our responsibility as fiduciaries. Okay. So I am not willing to rescind not now unless we get the same page with the wrong cover over, we get the same page as what the system might need and we get on the same page in how both government and GRS could move forward.

1:49:52 I don't feel that's how we're going. Okay, so your point is on record and I'm going to counter with this point. So you can't penalize the legislature because they didn't support us with our requests for the $15 million to fund the administrative costs of the system. If you don't penalize them for that, then you have to reward them for the SPV. the the spv didn't come from the legislature oh wait who come from now wait the spv idea and the we could go back there but listen to me it is not it's not combative and i don't want to make it okay i i think it's politics so so okay okay and if they play politics with the very serious request that was put forth by Mr. Nibs and then again by Mr. Dawson then then play the politics all the way well and that's what I'm saying so we're penalizing them for that no I'm penalizing them we're just getting them to you're holding against them the fact that they not did not cover the administrative car so i'm saying if you're gonna say one you got to say two so to do the spdb you got to get a credit for that well the the spdb one yeah but i'm talking about this i'm talking about this fiscal year and and my view is my view i would delay can move in it until we could get some kind of consorted effort between government and GRS to really try to get that $13 figure out of Congress. And if we make a gallant effort, I could support the delay. but I don't feel we're making a gallant effort and I don't feel that with one team going for that I don't feel that way so your position is noted alright so can I have a motion to to modify the resolution concerning the employer contribution rate to delay the implementation date

1:52:16 to change the implementation date from January 1 2025 to october 2025 october 1 2025. don't move a move by dorsey is there a second second second by smith cover roll call please yes mr chairman trustee barry yes trustee barry yes trustee dorsey yes trusty dorsey yes trustee leiger absent trustee russell no trustee russell no trustee smith yes trustee smith yes trustee callwood yes let's see coward yes mr chairman fourier one no one absent all right the motion carries i have a motion to adjourn so move Moved by Trustee Dorsey. Is there a second? Second. Second by Trustee Russell.

1:53:17 Have a roll call, please. Trustee Bari? Yes. Trustee Bari, yes. Trustee Dorsey? Yes. Trustee Dorsey, yes. Trustee Liger, absent. Trustee Russell? Yes. Trustee Russell, yes. Trustee Smith? yes trustee smith yes trustee carwood yes trustee carwood yes mr chairman five ba one absent all right this meeting is here by the john um thank you very much ladies and gentlemen thank you happy thanksgiving thank you happy thanksgiving

People named in this transcript

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7x **Trustee Ronald Russell**
heard in this transcript as: Russell

5x **Trustee Leona E. Smith**
heard in this transcript as: Smith

4x **Trustee Andre Dorsey**
heard in this transcript as: Dorsey

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