Government of the Virgin Islands· Retirement System Board Meeting

GERS Retirement System (Board of Trustees)

July 15, 2020 · 2.4 hours · gov

Source recording	https://youtu.be/CCTwm1-WZ1E
Status	This is NOT the official transcript. 3 V.I.C. § 884 requires the agency itself to make a verbatim record of its proceedings and reduce it to a transcript within sixty days. This is a working transcript produced by machine from a recording of the proceeding, offered as a finding aid.
Transcribed by	VI Update, using OpenAI Whisper large-v3-turbo, run locally. Not reviewed by a person.
Reliability	Automatic transcription, UNVERIFIED. Verify every quotation against the recording before relying on it. Speech recognition splits spoken digits and wraps figures mid-number, so a dollar amount, a vote count or a bill number can be wrong in a way that reads as correct. Speakers are not identified: automatic speaker labelling was measured unusable and removed.
Public record	The underlying proceeding is a public record, and this body is NAMED as a governmental agency in 1 V.I.C. § 253(b), so its meetings are open to the public under § 254. 3 V.I.C. § 884 requires it to make a verbatim record of each proceeding and reduce it to a transcript within sixty days, and § 884(b) makes that transcript open to examination under § 881, which also gives every citizen the right to copy it and the news media the right to publish it. The source recording is not ours, is not hosted here, and remains with its publisher at the link above.
Rights	

0:00:00 let's get started all right good morning everyone again let's report to order the employee retirement system of the government of the virgin island regular meeting of the board of trustees for july 23rd 2020. roll call please trustee carlwood he's on mute carwood trustee carlwood absent trustee barry present trustee clendenin absent trustee cohen Trustee Liger.

0:00:55 Excuse. Trustee McDonnell. Absent. Trustee Smith. Present. Chairman Callender. Present. Four present. Three absent. One excused. one excuse I'll be not quite she here for Chessie Clendenin okay comments and suggestions retirees okay communication the correspondence is first piece of correspondence dated july 2nd 2020. it says there mr nibs in regards to rent deferment till september 2020. excuse me uh mr nibs sorry to interrupt but mr chair i mean you could always do it in whatever order but the minutes should have come through i'm sorry i'm sorry yes yes i'm sorry i'm sorry yes um sorry trustees i'd like to have um the minister secretary's minutes for the regular meeting on june 25th 2020 to be approved any suggestions any corrections deletions additions if not i'd like to hear a motion for approval i'll move to approve the minutes of the previous

0:02:46 meeting second trustee carwood yes trustee barry yes trustee cohen yes trustee liger excuse I will accept that. Trustee McDonough absent. Trustee Smith. Present.

0:03:20 Chairman Calendar. Yes. Five yes, one excuse, one absent. Attorney William, is it appropriate to mark Trustee Carwood present? You could acknowledge her presence for purposes of the vote. Thank you. Thank you. Okay. We can go back to communications and correspondences. I'm sorry. I don't mean to keep interrupting. Mr. Nipson, it'd be too absent. No, Ms. Quendana can't vote.

0:03:59 Quendana can't vote. One excuse and one absent. I got it, I got it. In the roll call, Trustee Carl was absent because her picture was not on the screen and she was not responding. I mean, I just heard you said something. What are you alluding to? That I should mask her present? Well, I'm present now. No, just put a notation at cheese.

0:04:34 letter dated july 2nd 2020 from havenside merchants association there mr nibs rent deferment till september 2020 with reference to your email as of june 26 2020 as you would be aware by now all major cruise lines have officially cancelled all sailings till the end of september 2020. with each passing month of cancellation the rent deferment scenario becomes increasingly untenable. Thank you. Your Sincerely Ramma Prairie, HMA, copy to Kathy Smith, General Counsel. Email from Tom Ballas, dated July 15, 2020. Mr. Nibbs, good afternoon and hope you and yours are well. Just wanted to touch base and check in. First, thanks again for all your support during these difficult times, but know that our position remains the same as it relates to rent and reopening due to the continued uncertainty of when cruise lines will return to our usvi waters and coupled with the delay of reopening frenchman reef we feel our proposal is fair i will continue to remain in touch and update you on any information we receive warm regards tom balls little switzerland correspondence dated july 15 2020 from the uh legislature of the virgin islands committee on finance in regards to committee on finance considers building a bill on tuesday august 4th 2020. then mr nips the committee quarterly invites you to appear and testify on tuesday august 4th 2020 in the earl b hartley legislative halls and thomas usdi at 10 a.m to consider the following bill bill number 33.0315 And I commend the three BIC chapters 27 and 28A, adding a new section to each chapter relating to annuity payments to provide for a procedure for a government employee's retirement system for auditing a retiree's annuity proposed by Senator Kurt Aveli and Janelle K. Sero. the committee will meet to receive testimony as we discuss the purpose of the above reference bill your testimony should include all pertinent data an expert opinion that pertains to the subject matter please provide written testimony no later than friday july 31 2020. in addition please include applicable information regarding the following support or in opposition of the proposed legislation advantages and or disadvantages to passing the bill economic impasse economic analysis of the proposed legislation recommendations to the bill thank you in advance for your time and cooperation in this matter please contact a cr preventer at three four zero seven one two twenty two oh two or senator veille at legvi.org to confirm your attendance. Submit testimonies, address concerns, questions, or concerns.

0:07:41 Sincerely, Craig Ville Chairman, Committee on Finance, 33rd Legislature of the Virgin Islands, copy to Kuala Nye, Chief of Staff, Office of Department. That ends the reading of the correspondences. Thank you Mr. Libs. their person's report one and again one it continues to amaze me how certain members of the 33rd legislature can find the time to promote legislation that has the primary purpose of precluding the board from carrying out its fiduciary duties first they attempted to change the education requirements for board members by passing bill number 33-0132 that bill was vetoed by the governor then there was bill number 330338 which indicated that the board must get legislative approval before implementing any policies that would have an impact on existing members now there is bill number 33.0315 which dictates the procedure for the system to implement regarding the auditing of the retirees annuity the bill that i would like to see is one of the appropriate 1.7 billion dollars or some major portion of that amount to the gis in order to avert its impending insolvency

0:09:41 and the possible collapse of the territories economy i would like to remind the members of this system that in 2018 all and that's with the capital letters 15 senators run on the promise of fixing the gis to my knowledge during the past 19 months the system has received an additional three million dollars into its coffers and mr nizza i'd like you to confirm or correct me on that an election here is here again and you will hear slogans such as your choice for solutions members please ask all of the present senators what solutions have they provided or plan to provide to eradicate the myriad of problems that plague this territory while they continue to wrangle of a mundane issues ger as the elephant in the territory gets in a movement this is intended to admonish the members to seriously evaluate who you want to represent you in the 34th legislature as one of the present senators recently said it is time to move in a different direction your continued well-being may well depend on your vote i want to come in trusty barbie and his letter to the editor if i had not done so and to also acknowledge the great editorial in the july 11th edition of daily news but most importantly i want to thank the retiring groups for their support

0:11:31 in our case before the u.s third century court of appeals See you all next month. That's the end of my report. Mr. Debs, was I correct? Have you received more than $3 million? I didn't understand the context. You didn't. What additional monies have we received we receive uh from the plan sponsor i know that we received five million dollars that was ordered by the court i don't know whether three million okay all right some of two million okay do we see receive any uh money message from lottery mr nips lottery yes we've been receiving the funds uh i i would think that we received the last uh two quarters that's not new money right i mean that's money that's already expected that comes to us every year for the uh bonus right okay okay all right i must say the government is submitting the monies um you don't have any issue with receiving monies from the central government right now something would be uh donald revenue fund matching fund that i need to send a letter to them with regards to anyway um there were no major meetings or presentation during the last room because i was away and leave um as far as the applications for retirement application

0:13:33 before you proceed mr mr names have a a question and if if it's out of place let me know and we'll discuss it tell me when it's a good time to discuss it but in terms of the the legislation um is it is it a case where you need whether you respond or you you respond on your behalf respond on behalf of the board or would you is it an expectation that the board gives you some sense of what what the board's response is going to be how does that work i'm assuming that you're talking about it the uh the one that i read where i was invited on august 4th well any legislation but but in general i mean there are two pieces of legislation that came out recently um the one that says and i don't know where that is there's one that says um um that they need to be notified if we need to get their permission before we do anything um i don't know we'll wait that up that was special order so we didn't have an opportunity to respond waiting for the governor to ask us for a response okay that was zero three three uh i didn't didn't invite us to that um i guess we will wait until the governor has has access to respond we didn't know special order do we do we know do we know where it's at now what's the status of it no i don't is that something we need to be tracking i mean yeah we need to send a letter to the governor opposing well we can send a letter to the governor indicating um i don't know what the board what

0:15:34 is the board position that we have now we don't oppose it okay uh gentlemen hello i'm i'm here okay now we may need to go do deal with that after because we are out of order as far as agenda we need to finish committee reports and then go back to that or add it to the agenda it can be added to the agenda well it could be part of unfinished business because it was a conversation part of your um the communicate the community the communication so but we were in the reports so in order to keep the flow of the minutes and the notes we need to finish committee reports well then i think then somebody needs to make a motion we add to the agenda under regular unfinished business or we could address it on the legal matters or it can be addressed on the legal matters okay just as long as we have a discussion i'd like us to be sure i'm no problem okay we're in committee reports uh the chair did his report i mean we're not we're not actually we're the administrators report i know i corrected myself we had an administrator's report sorry i have corrected myself as far as retirement applications as you can see we have 107 still outstanding um as of uh today um refunds just about the same we know that there were 362 cases completed through July 31st which is you know that those would have been completed through July 31st

0:17:33 for 5.6 million dollars out of 5.9 million dollars that benefits uh being actively worked on there's been some movement uh we completed 46 from october through july and we have 83 cases still pending what's what's missing what's the story on those that there's some stemming back to 2015 that's five years ago what's what what's this what's the story there's a lot of things i mean some of a couple about one or two at one a week hospital uh they're missing contributions they're missing no purse um i'm going to be submitting a report um at the end of the month for my um parents before the legislature in regards to that so okay okay okay life certificates about the same still holding suspended nine annuities because of non-receipt of the life certificate and eight are still pending annuity payments number of an annuitants as of july 15 8 697 this is being reduced it's going down cumulative dollar pay note from october 2019 to july 15 202 million 785 thousand 940 dollars and 54 cents number of retirees added from october to july 15 275 number of retirees deleted from

0:19:29 the payroll from october to july 15 263. the retiree gross payroll was 10.7 million dollars for the 7 15 20 88. excuse me mr news on that point um i i see that the number of retirees um july as of july went down from 87 i think it was 8700 something um but yet i'm seeing that the number of retirees added to the payroll was more than the number of retirees that have been needed yeah but you know if you net out if you net out what what was all in and what deceased it's not how much you know it's going down oh okay and you must remember also yeah so it's like a kind of a one-to-one but we're not saying yeah we're not seeing applications coming in like they used to the um retirees are being added to the payroll are getting less and less i guess people are realizing that maybe they need to stay stay longer as an active employee that's my interpretation uh the portfolio loans are going down rapidly uh these loans should be all of these loans should have should actually be expired by 2024 2025.

0:21:04 we do have 91 mortgages left those probably go through the 2030s the total of the loans in the portfolio as of june 2020 is 39.5 billion dollars this is rapidly being reduced as far as operations in the St. Croix office a fire drill was conducted by Pleasant this is something very important and all went well with that fire drill building the roof repairs are tentative scheduled to be completed during the third week of july on the executive complex which should be completed this week utilities complex continue to experience regular power alter rates i want to thank god that the emergency generator continues to function security guard building renovation is approximately 35 complete um the glass door replacement for security purposes regards to active shooter protection which we have had training within the agencies awaiting uh codes from uh two two vendors this employee building i'm happy to report that the exterior work has been completed in the St. Thomas headquarters building. The work has been completed outside. Building looks very well. It's nicely painted. The work was satisfactory and there were some minor corrections which have been corrected. We did sign a contract for the AC unit as you know we replace an entire air conditioner within the entire building

0:23:05 the slab for the placement of the chillers is complete we make sure that our generator is in service and then go to order because we are now into the hurricane season we didn't have some issues with our generator last week or we were able to to get it fixed there was a loose cable in the valley or something like that also we want to set to that the build out of the living site mall office is complete we are waiting for the computer equipment to be installed however did a site visit yesterday and it's complete and a couple pieces of furniture is actually also installed as far as the rental and electricity in june we collected 74 657.90 between rental and electricity fiscal year to date we've collected 999 653.07 of that 430 865 44 cents should be reimbursable It would be impossible from the tenants. One second on the White House, where does it stand with that whole, the elevator situation?

0:24:40 I can understand you, sir. um the on the white house uh in st thomas near the pier um we were talking about putting in an elevator the elevator is there sir i mean um i think otis what i understand the shaft that is it was built for that that i don't consider it it's an elevator but it's more of a lift otis cannot put an elevator in that space because they don't have that size type elevator um the only thing we can do is continue to maintain the elevator and use only for um for uh disabled maybe one or two people to go up in the elevator but it must be maintained on a monthly basis right but that situation has been dealt with and pretty much settled out well it was not it was not the man it was not the contractor's fault he built based on the uh drawings from the architect and i guess we accepted it because it was a historic building because it was a historic building you couldn't really do too much we got to fit you know you couldn't do anything outside the building let's say we when we thought about putting the elevator outside of the building and we couldn't do that so and what we're left with is maintaining try to maintain the elevator and make sure it's in working condition if someone is needs to go up or down okay thank you you're welcome um as you can see our rarities are increasing because when you say rarities because it includes rental deferment which i can't say our rarages but um so our rental rarage is about a hundred thousand dollars and it's mostly between uh department of justice and electrical and

0:26:39 rarage the same thing the department of justice it's about 119 000 80 000 for department of justice 38 000 for department of personnel so um we are constantly you know discussing with the with the tenant justice did not ask for deferment so i'm not sure where they are or what they plan to do but but we will follow up with them in regards to their rental or rarities because it's $74,000. Okay? That's all I have to report. Any questions? Any questions, trustees?

0:27:31 I have one. In regards to justice, you said there is no communication in regards to related payments. Have you reached out to her recently again, to justice? We send updates every month to them, and in the letter we let them know that they're in default and they need to satisfy the payments. I have not had any personal discussion, but I'm sure that uh they do receive our letter and uh she has not responded okay perhaps we need to set up a meeting with her in a one-on-one to get this matter so yeah um very challenging that's all i'm gonna say what about the correspondence from the other the more vendors have you responded to them every now and then they send emails you know you know saying that they're not open and thank you for the deferment however you know we need to consider other options and those type of things i plan to have a meeting with them sometime early next month um but no just every now and then you may get an email yesterday i had an email because we had some issues with some flooding and back up a sewage up until last night 11 o'clock we were dealing with that so i was talking about the two piece of cards plants you you have in your report yeah i know the haven side tenants yes we do we don't receive we leaves calls so we receive an email every now and then just saying you know you know they're not open and they don't think they're going to be open for maybe till december

0:29:31 and thank you for deferring but however we need to consider other options those type of things not anything formal i we go over there they see us some are open it's not a much activity i know some um down in main street some of the stores are open and there's a store same story in Havenside taxis do come up and drop them off you know to look around but um I was there yesterday for for two three hours at Havenside mall and um walking around and with the architect and other people and um there's no activity for say i know that tap and sales they have an issue now they had put up some barriers because of covid and we had to legally tell them to take it down which they did um but there's no activity going on but they do inquire not inform just you know mr nips we're not open it's very hard you know thank you for the performance like i said but you know i don't think ships gonna come in until next year you know they're moving it up from september to december you know that type of thing other than that no um okay so you're not expecting i mean they're not expecting a formal response or anything is that what you're saying no no no no no i like i said we plan to have a meeting we didn't have a meeting this month in july but plan to have another meeting with them very shortly okay some did respond and says you know i received the ppp things like that some have received a ppp we have a listing now from that which has been circulated publicly so we know exactly who has received ppp some receive ppp they have corresponding but corresponding with us but they didn't receive for rent

0:31:28 that type of thing we have met with a couple kathy and myself met with a couple uh a couple tenants who are concerned and say they may have to they want to know if we can um forgive the lease or whatever you know that type of thing um because they may want to leave you know that type of thing you know something that um is constantly constantly looked at we don't meet with them like i said they ask questions they're asking about their leases and could certain things be forgiven maybe they can get out of the lease after a period of time so all of those things under discussions with them Mr. Nez, when you meet with them next month, maybe perhaps because of the uncertainty in the world now, maybe they need to start catering to locals, you know, a long way, because I know it's a cruise ship-based thing. I think they probably need to change their product and catered are also to local. Maybe something you could mention to them. Well, I know one thing they request is to meet with the board. They always ask me to want to meet with the board and I try not to have the board intervene at this time until we can, but they want to meet directly with the board.

0:32:55 I said the board is willing. I can set up a meeting with them. I can set up an investment committee meeting and let them do Zoom. But they always ask, telling me they want to meet directly with the board. Excuse me, Mr. Nibs. With the governor are extending this emergency situation till September 9th. After we see what's going to happen September 9th in the cruise ship industry and so on, it might be a good idea at that point for the rest of the, towards the end of the year, the last couple months, to meet with them before those last couple months to at least settle out some of this. Like I said, I plan to meet with them next month you know it's the same thing i mean we know what the statistics are but they're just singing the same they're looking for another option and it's a bad word to some of us okay to me i think to me too but um you know that's that's this that that's the they come across that's what they discuss all the time they're looking for another option so what what what is the other option i mean that i mean that it to me it's either or i mean the only other option i've heard from them is uh is forgiveness uh what's the word they use not instead of the format abatement um i mean i i'm i'm not going home on on board getting involved in this thing but but if we ever consider meeting the board they have it has to be with uh with a proposal. I mean, they never say, I don't, I have never gotten any, any, any indication

0:34:57 that how, how an abatement put them in a better place from a business standpoint than a deferment. And I think I have a personal feeling that once they get an abatement and that comes off, that means they are forgiven for that. I don't see how that improves their position from a business standpoint. If they could convince me that an abatement would put them in a better position to stay in business than a deforming, that may be something I'd be willing to talk about, but I just see them trying to get that off the books and then they close the business anyway that is this is one bill that they don't have to worry about paying once they close now that's yeah or um continue with the deferment and we'll put it at the end of the lease and then at that time we would you know that type of thing they're looking for something i understand i i know what they're looking for because they have said it to me in certain words they said that they have you know kids on their home the personal line this you know all of that and um and they're looking for that that option of an abatement so like i said um and this is only the merchants because the business the other businesses are not looking for that they never discussed that with us um we did receive obviously the last time the board last board meeting board made some

0:36:54 decisions and those people stepped up to the plate but it's only a certain segment of the tenants that are looking for that type of treatment okay but i'll report back i i'll i'll i'll have a meeting with them and report back just to express my my personal position um you know if if if if they want to if all they want to talk about is abatement i'm telling you that's what it is right i mean they have to come with you know okay the conversation that conversation has to come with with okay some part of a plan that shows how an abatement put them in a better place than the default right all right listen if you continue to meet with them and when you think it's appropriate for the board to meet with them let us know okay okay all right let's continue can we get the uh committee reports anyone's prepared with a committee report i can go first um policy committee uh on the agenda is the adoption of the governance manual today so we'll be doing that today in on a new business i thank everybody for the work they put in over the past few months trying to finish up the document all right anyone else there was no budget committee meeting i think anyone else

0:38:48 the medical review committee had some schedule of hearings uh hopefully we will those hearings will be held sometime in the next 60 days anyone else all right we have the treasurer's report Good morning, board chair, other board members. This is the government employee's retirement system. Schedule of receipts and disbursements for the month ending June 3, 2020. Receipts from collection, loan repayment 1,343,913, year to date 14,507,212, rent from tenant slash utilities 95,578 year to date 1,007,717 rent from Haven site tenant 79,866 sorry 79,866 year-to-date $3,201,553. Employer Retirement Contribution $8,138,504. Year-to-date $69,748,049. Employee retirement contributions, $4,181,636. Year-to-date, $37,385,960. Parking facility, 720. Year to date, 6,410. Miscellaneous, 44,512. Year to date, 11,492,846. For total collections of $13,884,724, year to date $137,349,748, disbursement, annuity Payment, 21,618,680. Year to date, 197,393,281. Administrative expenses, 1,297,702. Year to date, 11,864,210 personal loans 7,848 year to date 206,012 mortgage loans 14,572 Year-to-date, $177,329.

0:42:16 Retiree loan, $1,044. Year-to-date, $21,840. There was nothing for utter loan and land loan. Year-to-date, utter loans, $12. Refund of contributions, $851,353. Year-to-date, $7,253,266. There was no allotment to WICO for the month. But year-to-date, $1,378,925. For total disbursement of $23,791,199. Year-to-date, $218,294,877. for a net cash deficit of $9,906,471 year-to-date, $18,900,900 net cash deficit.

0:43:19 Hello, somebody. Hello. This is Amaya. Can you hold on? Yes. Whoever else is not speaking, you're going to probably turn off Larry. Yeah. Mute their phones because it's a speaker. okay okay net cash deficit year to date eighty million nine hundred and forty five thousand 129. that ends the reading of the receipt and dispersement for the mountain oh chair i have a question why is that so much feed you know who is feeding back right now it's him who's him miss hill but who's feeling who's the feedback it was her it's her but my thing was muted so i just unmuted it just to tell you all that's it it was with miss jeremiah when mr jeremiah was speaking it started it didn't happen before okay I got it it's gone now yeah I have a couple questions go ahead trust about you go ahead first one the 197 million dollars for annuity payments is that net of the loan payment or is it included in that you're talking about the 21 million the year today the year-to-date is the total annuity payment the year-to-date the 197 million is whatever we paid out to them and that's that's that's the growth what i what i read i don't know if you're zeroing in on that mine is fiscal year and this is year to date calendar year today correct this is fiscal year today also miss jeremiah yes yes i think why then is a difference between what was given to me by payroll 202 is that because of the pensioners

0:46:15 or something there's a difference i don't know okay i will have to look at what is given to you and what's on the primary show okay i think if you add if you add the 197 today loan repayments up above 14 million you'll probably get that close to your number i mean looks like i don't know but my question had to do with um so when we make when we make if when we make the payment the monthly payment the 10 million dollars what if if i have a loan you you give me the what you give me will be the net of my loan repayment right correct so that is what would show up in my account would be let take out your repayment for us and the net all deductions are taken out and you will see the net in your account so so the 197 is before those rid of those deductions? It's the gross. Okay.

0:47:45 So okay so you're sure it says okay so the loan repayments are shown up above as collections? Correct. i'm not sure if you heard but yes that's correct that's our collection um your collection so the loan repayment that's a combination of um all the loans that personal loans retiree loans mortgage loans that's what's above okay i have one more question so the under the disbursement section the mortgage mortgage loan and retiree loan are we still paying out those i thought we had i thought we had put a halt on loans man what are we paying out there there's a schedule of that mr barry there's a schedule on stage four of the it has to do with refunds it has to do with refunds well it seems like she's having some problems but it's reported on page four of the uh treasurer's report of supplemental information personal loans refunds of seven point eight seven thousand eight forty seven sixty five mortgage loans that insurance and property taxes for the mortgages and the retiree loans at a credit life and refunds of any overpayment.

0:49:38 oh okay all right okay all right chelsea any other question for treasurer i guess i have one uh dr calendar What I'm questioning is, the allotments for WICO are non-existent at this point, and what I'm not seeing is an increase in the administrative expenses. Absolutely.

0:50:10 Mr. Cohen, we're having a real problem in the transmission of your voice. I don't know what's wrong. Maybe you need to speak a little closer to them, maybe the mic, I'm not sure. Okay. you make uh trustee cohen i can respond to you we have two books sir haven side has its own general ledger so that's the reason why you would not see that you would see that in a separate report in which we plan to do for the boys they have their own operating account they have their own general ledger and any of you you're saying that you're not seeing the administrative expenses for haven side mall you will not see them showing up on this tragedy report anymore because they have their own general ledger they have their own bank account there will be separate reporting separate financial statements okay thank you welcome any other question trustees yeah that was similar to the question i had okay okay no other question if no other question i'd like to get the motion to approve acceptance mr chair i move to accept the see the report from mr jeremiah second trusty carlwood yes trusty barry trusty barry not voting thank you trusty cohen yes trusty liger excuse

0:51:59 trustee mcdonald absent trustee smith yes chairman calendar yes four years one not voting one excused one absent thank you sir treasury report has been accepted Mr. Chairman, in regards to the investment report, I don't know if you know that Mr.

0:52:39 Henderson is out sick and I'm not sure when he's going to be back. However, I've asked Mikita to submit a report to us. I know that Mikita and Gustavo and Leo are on the Zoom. What I would request is that we go into the regular session, and then they would make a presentation in new business. What was the recommendation that you do?

0:53:20 just go ahead into regular session and they would make that presentation for the second quarter on a new business regular session next in the agenda anyway oh so just forgo the investment officers report correct okay all right so we move into regular session and good morning the star book you know it's always good yes good morning everyone I hope I hope everyone is holding well given the recurrent circumstances and we hope that speedy recovery for mr. Henderson of course happy to be at least virtually seeing you all we are hopefully not going to spend a lot of your time and this meeting we just wanted to give you some updates a little bit on the macro and then uh the the numbers uh for the second quarter for the for the system um we uh sent a report that hopefully everyone has in in front of you in front of your in your computers um we're going to be um only going through a couple of pages through that report if if you want to please move to page 6 of 58 of that report page 6 has the market returns for you for each of the different indexes as of June 30th from there you see the second column I would say that the third which started

0:55:13 with indexes the second quarter and year-to-date second quarter was a big uptick from the first quarter with the S&P up more than 20 percent that put it as of June 30th the S&P or the equity the US equity market to only minus three percent as of yesterday in fact we continue with this trend and as of yesterday the US equities or the S&P 500 were in fact up 2.5 percent so really much recovered all the losses that occurred in the first quarter and in in fact it's up around 2% as of this minute, to be honest with you, because the markets are a little bit down. So a big recovery from the February-March numbers, without a doubt.

0:56:16 Page 7 actually is a graphical illustration of what I just mentioned. so a huge rebound of the of the US equities international equities and the market market is still lagging for the year however all this injection of money from from Treasury and the measures coming also from the Federal Reserve have been a big help on putting the market something at the other levels that they are today I will ask you if you can jump into page number we're going here to page 14 140 of the report so we touched on this on prior meetings these are the different policy responses around the world having the US having the the biggest amount of money deployed in different policy responses however i wanted to touch here because it was during this week and it was a major milestone for uh european the european market which uh they in fact on on the on the uh right hand column on the monitor under the monetary column it says that announced a 700 billion euro pandemic emergency uh purchase program which actually was signed this weekend uh this is basically the european central bank buying bonds from countries within the european union that are struggling so basically in all the countries were in better position buying bonds from sonic which injected money into the market this you can argue has been in the world for like more than seven years and finally and this will give most probably a bit of momentum to the uh european uh market but more so it's good news for for the whole world in time to stabilize and inject liquidity in the

0:58:27 market um with that i will ask you to move into page 23 please two three twenty three these charts represent the u.s the eurozone and in particular china the purchase manager index or the pmis this has been another another driver of the equities markets at this point you know from from a big drop in the month of march all the you know production indexes have been um coming back uh the you can argue that uh these improvements in these percentages going back are uh as a consequence of the economy's uh reopening but also you know this is this is a major contributor to uh the projection on equities markets and in fact on manufacturing companies services industries actually moving forward. So with the reopening, we start seeing some aspects of the economy, of course, coming back. The next page, page 24, it's the unemployment, which has been more favorable. However, all the biggest economies are predicting that we will continue to see between 10 and 12% unemployment rate from now to the end of the year with a very slow recovery. So that will definitely, for all the good news that is out there, this will be one of the major arms to the increased growth in the economy, or the restoration, actually, to put it in that way. I will ask you to jump into page 26, which is you know another important another important aspect of the concerns moving forward which is

1:00:35 you know the consumer spending and the savings which consumer spending going down people are still not spending money not feeling comfortable and all that is pain in consumer spending and the ones that still have the luxury of having a paycheck every couple of weeks you know we are definitely spending more just in case you know uh we it's very difficult to project what they but the medium to long term is going to look uh it's going to look so uh page 27 is actually a reflection of that which is conflict sean You know, in here, we don't do anything.

1:01:38 That's what I heard, but that's nonsense. Asia sent me over. She sent me, too. I told her I should be punished as nonsense. Yeah, you should have just said he's on leave. Hey. Because he don't, I mean, you saying telling people he's sick. That's sick. Hippo's really... Welcome to Zoom. Please press pound. Then enter your meeting ID, followed by the pound sign again. It's just, Hippo's very strict about the same thing. So, I said he's not sick.

1:02:06 You should just say he's only. Well, fine. I wasn't going to say anything else. 940 You shouldn't even... 495 it's real one please enter the meeting password followed by the I said medical I said it I know it's too late now but I'm just saying the meeting passcode please re-enter your passcode I knew a text right away send it to you i told her nonsense let me sign you telling me that type of nonsense okay so what happened invalid passcode i don't know this is weird this is never he still hasn't the meeting passcode is invalid please re-enter your passcode but if he says that it's one thing you can't say the meeting passcode is invalid re-enter your passcode followed by the pound sign You will see now in the numbers that Leo is going to send you, but the message is that this is definitely a statement that the measures that we're taking, the risk in the portfolio starting in 2016 were the right measure. If regardless of the 20% recovery in equities, with all the drawdowns that were in the first quarter, the system is even doing better than

1:04:21 the equities per se. We're having the majority of the assets invested in bonds. So definitely, if that gives us something is confidence that measures that we've taken position in the system in a way that would be able to avoid a major drawdown of exactly the circumstances that we are living was without a doubt the right decision and the numbers are a statement to that broad okay I suspect that that uh mr nibs is gonna get some questions about that when whenever he shows up before the legislature um i don't know if you guys are probably aware that um that that's that's an area that the politicians usually zero zero in on that um part of our problem is bad investment so i think it's going to be important for us to have a um have that history and the performance in in context as a response to that so um i'm glad to hear that um so i guess we'll talk a little bit more about that as we talk about our specific numbers but I think that's an important takeaway yes I know that I know that and I've whenever I engage politicians about the problems with the system the first question the first finger the point to is our investment history about investments according to by their definition i think it's important that we we we have um mr nibs and the chair both have a solid uh fact-based

1:06:37 uh narrative to to to to respond to that and we have done that many times it's clearly um away to in my view we have done that many times i don't think the attention away from the things that they need to do and try to focus the blame on on the board and and and you'll notice i mean i those two pieces of nuisance legislation that i recently saw that we talked about that's that's all part of the narrative narrative. So, I would like for us to have a well-structured story to tell to counter that narrative. As we all sit here today, I guarantee you that that's a question Mr.

1:07:37 is going to have to answer so i think it'd be helpful for us for you to um you know what even a little um powerpoint talking point presentation that that speak to the they speak to that issue. The history of our investments and the returns and how they match up with whatever relevant metrics you have for comparison. That would be very helpful.

1:08:22 Yeah, and I think that the numbers that we're going to show in the next session that Diego is going to cover are a statement to that based on the performance of the system actually this quarter and yet to date. and in fact history yeah and and i just i i saw that when i was looking through the numbers last night i started but however um the the the the audience that we have to be that we're going to be presenting to um we can throw those numbers up on the board and say look at that i mean we need to have me to have it more as a story than as a presentation justy barry so what so when we i think like to make it a little more because apparently how we've done it in the past we've given them all the documentation and the numbers it didn't resound it or didn't wrap around in their brains so i guess if you do it that way it may be more comprehensible to them yeah i could i could tell you from for many years of doing presentations before that body that throwing up a bunch of technical graphs and charts on a board is going to go past everybody we need we need to construct a story just tell a story here's the story of our investment and the performance so of course you have some numbers but and some grass but you don't not more than two and that's and I'm for me mr. Barry understand cuz like but I feel like for me for the past few years I could not understand why these people could not

1:10:16 grasp this because even as a teacher of my student with the way we broke it down to them it was understandable to youngsters because in one of my classes i did a presentation from grs standpoint in my high school my high school class and they were like okay i see but then for these adult educated policy makers not to understand it i was totally confused i couldn't than how we couldn't reach them all right you know they they they call me the preconceived belief and you're asking them to abandon that and leave them so you have to give them something to the place that way so um i mean right you know these these these charts and stuff good and i guess if if you're into that you understand them and when i when i went from here to the actual numbers i was making the connections that you you're making that if you look at the some of the the the metrics is we're doing fine but that's because i could read those and you know so you're gonna have to translate this a little bit more into I don't know how to do that, but that's something for you guys to think about.

1:11:53 Yeah, we, historically, I think that, and I believe that we share that with you, and from what we saw in the newspaper, you did a very good job of showing some of the numbers last time that we shared an information with you in the library. It is, I think historically we made many different attempts and I think that we shared it with you as well on showing results and what was the decision-making process towards that. You know, happy to go back to that information and put it back again in a way that is a little bit more, you know, incorporating the new results, which the moment that we are living right now with these barriers and this going on the market, actually, it's a great justification of all the measures that the system have taken. uh so happy to go back review those numbers and see back again i think we we have always been putting our best effort on on trying to deliver the message in the best approaches that we can come to uh there's always a certain level of technicality in in whatever the message we're putting together because uh you know at the end of the day it's numbers driven but um you know happy to update some of that those presentations and share then back to the board and see what you believe might be you know a good couple of slides to uh take to um legislation and and and kind of put together a sword okay thank you good morning everyone this is uh leo uh glad to be here and great to see many of you i will walk you over the report as of june 30th and i will try to incorporate some of the latest comments in terms of sharing this story so let's start on page 33 there we look

1:14:07 at cash flows and that's a very critical item that can highlight the story of girls so So the next few pages, pages 33 through 34, 35, 36, look at the imbalance between what money comes in and what money goes out and what is made with the investments. So if you look at the very bottom, at the beginning of the quarter, we had a cash flow, I'm sorry, a market value of $486 million and change. And if you look at the difference between the contributions and withdrawals, that's about a little over 20 million in dollars that left it was a strong quarter however so we made about the same amount in investment gain so we maintain more or less the market value that we had on april one at the end of june you look to the right and you'll see the return for the fund you know roughly four percent now if you skip over to the next two pages you'll see it for the year to date and then for the fiscal year today you'll see that at some point in time it is unlikely to make such high levels of returns on your investments to cover the shortfall in your cash flow so if you look at year-to-date on page 35 the withdrawal minus contributions that's about you know 45 million dollars in deficit. Investments appreciated by about fifteen so you had a decline in value in your fund of about thirty million dollars year to date alone. If you look at fiscal year to date on page thirty six the story gets worse and as you take more and more time it gets worse. Why? Because that deficit compounds over time and so in this case you'll see you have withdrawals of about 137 million contributions of about 56 so roughly 80 million dollars left the fund regardless of what

1:16:17 your investments can make you made 25 million so you'll see that you had a deficit cash flow of over 50 million dollars that went out including the gains on your investments when you had you know So far, in a partial year, over 5% in gains. When we started working with GERS back in 2012, I recall something along the lines that the system had to make somewhere in the low teams to maintain the assets that the fund had at the time. Why? Because there were enough cash flows being taken up. that was enough just to replace and meet those withdrawals in excess of any contributions coming in that was a total order to make something like 12 or 14 percent each year and every year so some years were made and you can see that in the return history but some years were not there was there has been no time in history anywhere over the last couple hundred years when you can make you know consistent double digit gains year after year in a mix of a stock and bonds portfolio it just never happened it never will it is one reason why after realizing that no additional money no additional money would come into the system through the means of a pension obligation bond through additional funding from the government through increases in the contribution rates of employees or employers or through changes to the benefit which is the largest share of the withdrawal account when we realized that that wasn't going to happen we saw well this there is no way we're on a path to insolvency and so we need to be able to moderate the volatility of the fund to try to arrive at soft landing as opposed to a heart crash so that's very important to realize and as time went by that percentage gain to maintain the value of

1:18:18 the fund increase and increase and increase to the point that at some point not that long ago you need to make something like 25 to 30 percent to maintain the value of the fund now where the story goes is that that is very different than than for the average peer or the average public pension fund in the states so in our country we have a deficit of about i think i look at some stats from nasra or one of those other big and zippers one of those big gathering data, websites comprised of peers, public pension funds, it was about 2.9% the difference between withdrawals and contributions.

1:19:03 You were many times that order of magnitude in 2012 and that has continued to increase. There is no pension fund that can sustain a long term ongoing approach when you're taking out so much money. So GORUS has had an imbalance for years, and eventually it's going to be unsustainable. The returns, on the other hand, for GORUS have been outstanding. So we showed at the last meeting that the returns ranked at the top of a broad basket of peer funds with similar assets to you.

1:19:43 Bar none, the performance is very, very strong. So the reason the fund is in so much stress is not because of poor investments. And yes, you may make mistakes along the way because everybody makes and every single fund has losses, every single fund at different times, chose the wrong manager or rebalance at the wrong time. And you know what? It's very easy to judge after the actions took place, but maybe those were the right decisions to be made. And for some reason, it didn't work. So that's why you have different assets, stock bonds, knowing that something is not going to work, but the rest will hopefully pick up the slack. So let me show you some of the numbers for the system on the next session. If you scroll over to page 40, here we have performance for the period that ends June 30th over different trailing periods. as you've seen in some of the prior charts quarter to date the fund gained four percent over the next periods if you look at uh calendar year 3.1 fiscal year 5.1 and as you go over you know it goes from six to eventually eight to eventually almost nine so when you compound and you annualize on average you have made very strong performance eight percent net of all fees over the last 10 years and 8.8 net of fees since july 1981 so that's very very strong performance if you scroll over for example to page 43 here we look at each fiscal year again for example here we showed the last 10 but you know certainly

1:21:32 you can show more we have that data from you know from from you and from the custodian but if you look at 2012 when we started working with you and look through 2019 you know 2012 2013 14 16 17 18 so in most of these periods even with your issues you are able to still meet your annual assumed rate of return now you're not expected to meet that every year you are expected to be that over rolling annual periods when you compound over multiple periods and you're able to since you average by the years with good years so that on average you make at least 7% and you've been able to do that very very well so overall for us it's it's very clear the story is quite simple you have an imbalance between what money comes in what money goes out the performance has been strong and we can or you can show in any presentation to any to anybody whether it's members or legislative parties etc you know performance compared to peers and then cash flow situation compared to peers and it's very clear in those two charts where the issue lies um the last thing i will show is your positioning if you scroll down to page 38. before you move on i have a question yes sir and i don't want to forget it what we we we are getting ready i think um i think it's in july we we mr nips you're getting ready to do our 2019 financials yeah mr nips i think yeah they're being worked on they're being completed right now hello okay i mean we are let me just talk to you then are we are we going to have an issue

1:23:41 is it going to be an issue in term what we're going to see now in terms of returns and investment is there is that going to have any impact on the discount rate we're going to use for for the present value of the of the um for unfunded liability next financial statement ordinarily the actuary i don't know that's a question mostly for your actuary i know that um you you know if you use like a seven percent rate of return assumption that assumes you know you're investing in a broad basket of securities, including stocks, bonds, maybe real estate, private equity, et cetera, as we highlighted multiple times from 2016 on when we began a de-risking dynamic asset allocation approach, making that target in the long term is going to become more challenging because the portfolio gets more conservative, invest in bonds. We've had some positive tailwind because of the dramatic declining rates that made the value of our bonds go up but that's not sustainable in the long term so i would expect unless we go into negative territories for bonds as has been the case in europe that the returns in your portfolio moderate into lower yet positive performance and so making seven percent will become more challenging i think in the next couple of years for everybody but also for girls because it's it's invested primarily in bonds and the yield on the bonds has come down dramatically so unless bonds continue to decline and unless interest rates levels continue to decline making seven

1:25:28 percent or anywhere close to that will be challenging with your with your assets that that's i mean i mean however however no i would say adding to that is the fact that that is a pure issue of math in the long term but on investment returns right but if you look into the cash in cash out of fiscal year today you know if we continue this trend we're talking two and a half three more years uh so that's that's not even um to be honest with you um a question of long term that that what the the the issue in the cash flow that we showed and the video show at the beginning of the presentation is the real issue more than hitting the seven percent or not uh or or making those projections down to five percent uh which will definitely turn the actuarial valuation of the funding in the long term however at this path of of cash outflows um you know that that comes kind of i would say almost irrelevant uh because you're talking you know 110 120 million dollars of outflows or not on a fund that is uh 500 million dollars so you're talking three more years so that is clear that the issue here is outflows it's not an investment return sorry mr bong you were going to talk in other words you're saying um thinking about the unfunded like the the going out those number is maybe an irrelevant issue you don't mean solving before you get there i mean if we don't if we don't change the path right and it's clear

1:27:33 that with the investment returns it's abs it's an almost absolutely impossible task if we don't change the path uh it's it's simple math if we have a hundred what we have uh 400 and almost 490 million dollars and we are depleting 120 a year just that's that got you so that again that means like a 25 return just to maintain the market value of the fund but on every given year still your liability increases so to to for it for your liability not increasing to make more than 25 something like in the 30s 32 percent okay okay if you know an investment that makes 32 percent let me know i want to invest yeah yeah for sure so to wrap up my comments on page um 39 it's the um allocation of the fund. And so the blue represents equities in the States. The green that disappeared circa beginning of 2018 represented stocks overseas. And the reddish type of color that has increased from about 20% to now over 70% represents core bonds. So that's the lion's share of what you own. You have a sliver of alternative assets within you, which is essentially the private equity funds. And then you have cash. So when you add your cash and fixed income, that comprises 88% of the fund. So it's very, very conservatively invested. It's not going to be subject to a lot of volatility. So we have a good visibility as to when, you know, if nothing changes, you're likely going to run out of money. And

1:29:22 as Gustavo mentioned, is not that far out front today. The last two comments I have are towards the back of this book. On page 44 is how much it costs for the public markets and stock and bonds in your portfolio, and it's extremely competitive. So you have great performance at very low cost you're paying seven basis points all in for substantially all of your you know assets which is comprised by stock and bonds and then the last observation is on page 56 you have two private equity funds that were with the system when we began to work with you again in 2012 knowing the liquidity condition of the fund in 2012 our recommendations was not to invest in any illiquid vehicles such as private equity real estate or anything like that because the capital would be needed quite shortly within the next couple of years maybe decade to meet benefit payments and expenses because of you know the imbalance between money coming in money going out so that's why this these investments were stopped not because they were bad in fact they made very strong performance they made gains in the teens so fund four with mesero private equity fund of funds made 12.6 percent through june 30 and fund five made 18.6 percent since then so you need to also understand that the liquidity considerations of the fund prevented you from investing in certain areas that have in fact been quite positive contributors to a fund's performance so the average pension fund has a much greater allocation to private equity and if they were able to obtain the returns of the median private equity fund or the returns of this measure of funds it would have been tremendous contributors to growing the capital of those funds you on the other hand because of your liquidity issues you were not able to partake in some of these investments which of course are not guaranteed in advance

1:31:48 but if executed properly they have the possibility of generating you know strong returns for the fund so again this is a small piece but it has worked out well so with that i conclude my my presentation again summarizing the fund's performance continues to be very very strong and there's been no change to the liquidity and cash flow dynamics of the fund which means we're still going in a path that is very difficult ahead and the time is narrowing for the time when you know we may just run out of money on this fund happy to take any questions please any question for mr festino none lee i told you in argentina me i was born in argentina but uh no i'm i'm in i'm in san Diego I've been here for for a while you cannot travel to Argentina that many places that are have closed their borders because of COVID I got an email from you recently I guess suggesting you in Argentina oh no I was planning on going but I was not able to go that would have been on spring break for a vacation but I was not able to go because of coronavirus situation okay yeah he have you have a US passport you're not welcome yeah yeah in fact I am the same boat I had bought my flights to go down to visit family down in Argentina and I have until the end of the year to actually use those credits if not I'm going to lose them and I'm guessing at this point I'm going to lose all those

1:33:36 tickets thank you they may extend it it's a possibility yeah hopefully because there are a couple of thousand dollars you know how expensive is to fly down there thank you gentlemen thank you very much thank you thank you for your great presentation and thank you for being here for us thank you mr. chair one of the things i must say i think i said it many times when you listen to these presentations and they've made the same presentations to several of our elected officials and stress about how well our our plan has done and then you still hear them entertain the conversation entertain the conversation about our bad investments and so every and it annoys me to no extent because i keep stressing and i haven't done it in recent history that when you look at how much money is expended for annuity payments compared to the monies that are being collected for contributions for employee and employer that shortfall comes from our investment income and if we did not have strong investments we could not have maintained these annuity payments for all these years because even right now this month we have a shortage of 9 million 9.2 or almost 9.3 million dollars that has to be paid out of our investment income because that's how that's the difference between the contributions and the annuity payments of course you know you're preaching to the choir

1:35:27 right well i'm saying it for whoever might be listening in addition because sometimes you're our elected leaders would have somebody listening in so they can report back to them but they don't perform no they act like they have never heard it before you would never believe that they have sat in multiple meetings with us our in the uh makita even um uh what's his name uh you know what i mean they've sat in all those meetings with rocky and they still act like they've never heard information before all right but time is running out okay next item is the insolvency contingency plan whose idea was that um that was mine and just give just given um just to elaborate a little bit um if if um in the in in the interest of being reactive and prudent everything everything we see says that we're going to be insolvent in a couple of years and everything we we see says that it's unlikely that legislature will do anything to prevent it I think it behooves us to start to think about a structured process for winding down the operations. I don't think we need to, we should wait until the day come that Mr. Neves tells us there's not enough money in the thing to meet the monthly payment to try to figure out what to do next. i think we need to have like a contact almost like a playbook of of how how we deal with that when that time comes how we deal with it as a board how what instructions you give to the staff um you know that's that when we get the call from mr that that's not the time for us to start thinking about what do we do now no so are you suggesting we develop some type of a group

1:38:17 we develop something yes on some kind of well i ain't too big on groups well i don't mean a 12 person group now well i mean i i think we have i mean it's almost like a table top a tabletop exercise kind of thing that the idea mr chairman yes um Mr. Burry did bring this to me and last week we had a senior management meeting and we touched on a lot of good ideas I mean we start we start with a budget plus we're looking at employee listing as far as who has how many years so we start looking at that but I went through a scenario with them up through insolvency as what we would have to do my recommendation would be that within the board there be some type of a committee can do it without a whole lot of people some type of committee we we in operations have started already we can give you a lot of ideas and recommendations and then but we have to look at it from a financial perspective we have to look at it from a financially we have started that looking at the budget where we can cut we're looking that personnel you know who has how many more left who's leaving next year who's leaving you know that type and true attrition not to bring people back on we'll have to do that you know train people to to do different jobs and all of that stuff we have to deal with the unions because that becomes a problem because when you start to retrain people and it's not in their job spec and all of that so we were talking about all of this but my recommendation would be that let's start this at the board retreat we start to start to start thinking now we can you know like i said staff senior staff can bring some recommendations because we live with it every day and at the board retreat or before then we develop a working group a committee within the board

1:40:22 we can give you information and then you start you tell us how you're thinking about it but i think at a board retreat it should start there that's my recommendation you have some proposed date for the retreat right well you said last meeting you said let's try to look at october i haven't looked at any dates yet in october but at least we can do some preliminary work we started with a budget like i said we have to present budget for you for 2021 we have to start with the budget because come 2023 or 24 when there's no more money that mean where the employee is going to go who's going to pay them you know all of this this we have to look at all of this you know so um i like i said we can be doing some preliminary work but we need to develop a committee and um and let's start full force through the board retreat we can dedicate that entire board retreat to this because it's a lot of different things we have to look at you know so we have a i'm sure the budget is going on i haven't seen it yet this thing is to be sending it to me but the last budget was 19 million you can't survive on a 90 million budget we have to bring that budget down that means eliminating positions because there's no other way we can get that budget down if we don't eliminate positions we don't have no vacancies anymore so it has to be through attrition but when it comes to that where we don't have any more money who's going to absorb these employees we still have to we still would have to administer the services to the to the members if it's a pay as you go where are going to be operating out of

1:42:19 are we still going to have this building where are we going is a content going to be integrated with finances it going to be integrated with finance you know these are the things we have to to look at you know are employees that are existing going to be working from home since you don't have no place to them to you know these are the things that have to be looked at so we have started kind of like you know uh throwing things off of each other to to bring to the board okay i'm fine i'm personally finding it um as part of the retreat i just want to make sure that um that we have some process that we start thinking through that and don't find ourselves six months out and say, what the hell are we going to do? At some point, we have to start advising employees. I suspect we're going to start losing some of them, and I guess it would be, it probably would be unfair, to put it mildly, for us to be recruiting professional people into our staff if we know that the system isn't going to be in two years.

1:43:53 we're not we have discontinued recruiting i i we're not going to bring anybody else on uh okay but the thing is what i'm scared of you know we have discussed it in general staff meeting many times just letting employees know what could happen and what i'm seeing is that a lot of those individuals or members young employees who are not vested obviously they don't want to go they're going to take their monies out i'm seeing it here within the system and i'm seeing it also in the central government over the last weeks couple weeks i see three teachers sending their resignation and they're not vested so they want to get that money out so i like you say i don't want to scare no employees and i i sometimes i i try to give them the facts and i'm letting them know i'm not scaring you we're not getting rid of you anything like that but um this is the reality where we are but um you know we have to really like i said we started the discussion and um we'll make our recommendations okay oh yeah okay um something else i had uh what what about um the board members ourselves. I mean, are we fully protected? I mean, when people start schooling, they're going to sue everybody. Well, you have the insurance, Kathy can speak more about that. I know that we're having it hard to get insurance right now. Very hard because, you know, the insurance companies are hearing about insolvency and they're looking at the financials and right now we had it hard trying to get it because we don't have the 2019 financials um so kathy can speak more about that but the dno we were trying to increase it and we couldn't um but we have any at all yes we do we just got it renewed at the same limits as last year but i can't guarantee we had to go to a different market because the the prior underwriter wouldn't rewrite it but i can't guarantee next year that you'll get it at the same limits so mr nibs and i have been discussing possibly starting to look at creating a self-insurance fund

1:46:17 okay so i mean okay keep that on your agenda I think our walking assumption ought to be that, I mean, at least for me, let me speak for me, as I sit here and I think about the options, to me the most likely option is insolvency. Right now, yes. unless something happens unless something happens so correct right now yes and what happens after that that's the question with this system you know so i think we need to plan for the worst i say hope for the best and plan for the worst right we need to have a plan in place the self-insurance fund is something the committee can address too the committee that the board we can put that into the plan mr barbie you will be in that that committee since you're going to let groups right that's right you you have volunteered to be in that committee sure all right i mean what i can recommend to it can be a combination of the board and senior management we can meet and then um then we we report back to the full board something like that but we will start in it and i think we need to devote a lot of that board retreat time to this type of uh conversation right okay and have it documented and everything like that as a contingency plan so can you get some dates for us by next meeting for the uh for the retreatment the nibs uh yes sir okay thank you any other any other discussion on this

1:48:22 matter well not i don't have any more on that but is this a good at some point we're going to talk about the depending legislation those bills that mr is going through yeah yeah uh we will finish up this and uh i think approval of the board governance policy trustee carlwood there you go all right so everyone should have we received the cleanup copy from I forwarded from Attorney Williams with all the corrections that we suggested and made and then Miss Coley cleaned up some to do some alignment so you have in in front of you the copy or that has been revised and we need to adopt it uh but before we got to a vote do we have any other questions or concerns I can guess because okay sharing no questions can Mr. Chair is it appropriate now to request a motion to adopt? I don't see.

1:50:10 I'm sure I saw something that I want a question, but I didn't make a note of it. Okay. Yes, it will be time for a motion. Chairman, I move to accept the new governance policy document that has been compiled. The motion should be to approve it.

1:50:49 To approve it? Okay. To approve the new GERS governance policy. board board governance policy board governance second trustee carlwood yes trustee barry yes trustee cohen yes trustee liger excused trustee mcdonald absent trustee smith yes chairman calendar yes chair five years one excused one absent motion to add to the agenda okay we need a motion to add item to the agenda under regular mr williams you dropped off

1:52:34 i was suggesting that the motion should be to amend the agenda to add a discussion on pending legislation so i move second yes trustee barry yes trustee cohen yes trustee leiger excused trustee mcdonald absent trustee yes chairman calendar yes five yes one excuse one absent Okay, who wants to lead the discussion?

1:53:34 I'll start with an overall question, I guess talking to Pedro and Cathy. at some i read these these pieces of legislation right the first one talked about says that any i don't know the exact words but any policy that um affects any policy that affects the benefit of the retiree as to go before the legislature for approval. Then we have a second one that drives even deeper into the population, even spelling out a detailed procedure for what to measure administrative function. And so the overall question I have, Cathy, is there a point at which we as a board could argue that that is infringing upon the authority given to us by the code as a board to manage?

1:54:59 or is it a situation where the legislature gives unless the legislation could take away i mean they have they give and they could take away but you could still argue especially on the bill 3303-15 but let's deal with the first one which was 330338 basically that bill um wanted to amend the code to require the grs trustees to get legislative approval before implementing any policies that would affect the employees um and while it's clear from the bill that what the legislature was attempting to do was restrict the board from making any changes to active or retired members benefits without legislative approval i don't think the bill accomplishes that goal because the the way it's drafted it limits the it to only section 715 b2 and 715 b2 says that um for me well the v says for making effective the provisions of this chapter the board shall adopt rules and regulations to govern its internal organization and functioning and shall approve and cause to be promulgated from time to time such other regulations as the administrate administrator may require for the proper and efficient administration of the system according to law and then section two specifically says the board shall have an addition to the duties arising out of this chapter the following powers and duties namely to consider and adopt resolutions on matters referred to it by the administrator in connection with changes and policies and revisions so it appears to me from the way the legislation reads that this only affects any matters that the administrator refers to the board in connection with changes and policies because there are other sections where the board can make the decisions on its own and it doesn't affect that so as i said i don't think the legislation accomplishes what it want wanted to do because it wasn't drafted the way it should have been drafted so so okay there's two issues i don't

1:57:12 i don't know how how we responded i mean that's that's that's the technicality yeah and in theory they'll just go back and fix it once you point that out what we know so but to get to the fundamental issue of at one point at what point does the board cease to be in a fiduciary fighting for the words here. I mean, let me just tell you, when I put that along with this, the second one, I'm asking myself, well, what do you need a board for?

1:58:08 If you get a policy, if you get a policy request from the administrator that comes to the board, and then the board now has to go to get approval from the legislature, what's the purpose of the board? Why not just go straight to the legislature? I mean, what's the purpose of the board? i agree and also if it's if it's a rule change or something a policy that's needed and the legislature denies it then that affects the board's ability to effectively run the system that they're charged with running and it affects their fiduciary responsibility to the membership because the legislature has inhibited them from performing their duties to the best of their ability that's my point so we're being left as a board with this responsibility but we've been gradually robbed of the tools we have to for us to carry out the responsibility i i don't see as a board member what purpose i serve i mean every every every management theory that i think of says that the board is primarily policy making the administrator runs the administration if the board if if the administrator is going to come to the board and the board has to go to the the legislature what's the purpose of the board and if and if you're not going to have the part if we don't have final say in policy how could we have final blame for for the the impact of the policy. I mean you know I don't know how you guys think but I'm I mean I'm not even getting to the issue of

2:00:01 I suspect what they want what well my first suspicion was that they're saying that they don't want us to reduce any payments to the retirees without the approval. I didn't pay it any particular mind because I am a minority position on this, but I personally wasn't convinced that we had that authority. So for me personally, it was not an issue. But then on top of this, you get this other piece and then it's saying that, it's also now saying that um i mean it seems to me that we have this this encroachment on on on on our responsibility as a board and i'm beginning to ask myself the question what purpose am i solving on this board every major decision every major policy issue has to be submitted to legislature for approval because i mean that's what the legislation says it says any i mean i didn't i didn't make the connection about the specific reference to the code but the plain language says any any policy issue that affects benefits everything we do that out any serious policy issue affects benefits i mean that's that's what we're here to do to manage the benefit so i'm not i'm asking myself what what is my purpose as a board member i i agree and it could become cumbersome depending on if they do fix the legislation you would have to anytime you need to make a rule change or any effect you would have to run to the legislature and try to get their approval and it would affect

2:01:53 your ability to do your job in a responsible manner and could cause delays in taking action that have a detrimental effect on the system yeah i go further than that you said it really affect mobility to do the job i'm saying that you're taking away your job that's what i'm saying i'm saying what job do i have to do that the administrator can't do instead of sending that to us he says straight to the legislature all right i'd like to jump in here for a minute um the like i think this was a new jerk reaction to our resolution that we sent forward about you know requesting um the 40 uh 45 reduction that they got nervous to the point thinking that we're going to do something on our own and they wanted to intervene um and i think this is the result discussion. Our resolution clearly says that it's a recommendation. Our resolution clearly points to the section of the code that requires us to make a recommendation.

2:03:08 And we're very specific to say it's a recommendation. so um you know but but but what the language says is any policy that affects the benefit i mean i theory that could be an even an improvement in benefit you know so and and and and then and then we and then we see this other piece which goes even deeper it goes beyond policy goes into an actual administrative issues how you handle um um you know, appeals. You don't have any policies. I mean, they're not going into administrative things. So if all this says that they have no confidence in the board's ability to nice the system why do we need a board so I mean when I look at all this thing just to be clear I'm I'm seriously asking myself the question what purpose how much am i serving that that's that's that's my soul so i guess the question is um i take it as a legal issue they have the authority to do that and we have no pushback do we have any any any point any basis for resisting

2:05:02 well on bill um 0338 we can go to the governor and ask him to veto it because they special ordered that to the floor without our knowledge and so we would have to go to the governor and i suggest we get to him soon and write a letter to him asking him to veto it as an infringement on the board's ability to to make decisions and to to properly run the organization as it's originally intended to do and then um and then and then they override the veto which is what's gonna happen at least we have record then um the board would have to make decisions as to how they want to deal with that each individual board member would have to personally decide how they want to deal with it and as a group and then the next bill we before before before you go to the next bill if i can just weigh in uh and trusty because ultimately that is going to be the million dollar question or position we're going to assume that the bill is going to pass and even if the governor vetoes it that the legislature is going to override it so this will become law and you're you're dealing with two issues that are contrary to each other where the legislature is saying you got to get all approval basically there's no real role for the board you're you're still on the board and you have a fiduciary duty to the members and to the system, and maybe similar to what happened when they passed the bill about reinstating the loan program, the board has to make a decision as to whether or not you're going to comply with the law or whether you're going to comply with your fiduciary duty when the two things are at odds, and then leave it to

2:07:02 see whether somebody challenges let's say the board passes some sort of policy of resolution and um that affects the members of the system and then the question becomes whether somebody challenges that as contrary to what the legislature passes and takes it to court and the court would have to decide between those two principles as to which prevails. And at some point, this issue would have to be tested and waged in the courts. And as the board decides, well, we don't want to get into that fight. We're just simply not going to pass any kind of policies that affect the members, which means there's nothing or very little for you to do. So I'm suggesting that ultimately you're gonna have to face that test and decide which side of the world you want to be on is there is there a legal principle on which the board could resist or ignore it man but what what would what would be our uh basis i i think we would need to do some additional research in that area but in the back of my mind i'm thinking there's got to be at least the a decent argument we can make relative to when you have two conflicting principles your fiduciary duty obligations as a member of the board versus what the legislature is saying which you consider construed as an infringement on that and and you know you got to make a decision and then the court has to decide whether you're right or wrong but like i said i would certainly want to do some more research because i'm sure we could find some sort of legal principle that at least give you a fighting chance and some legal position to stand on that would be an easy answer for me

2:09:07 I know you don't want to know yeah you already know what my answer would be at what point do we start to draw the line to wait for it to become law and then do it then oh is that something that in mr. Nibs is what if I understand correctly at least until thirty three zero three three eight if that is already passed I've gone to the governor then as Kathy suggested we want to put our position or the board wants put his position on the record and send a letter to the governor etc so you do want to follow through the process as it makes the other bill you put your comments for them for them to consider they consider in the bill i mean so you do want to you want to have a record of where the board stands on those issues and bring whatever your concerns are to the policy makers to the legislature And so ultimately, whatever the ultimate decision is, that at least there'll be a track record that you've always been opposed to this and hear the reasons why, and you brought those concerns to their attention and they basically ignored them.

2:10:33 Okay. Okay, any more discussion on this? Okay, I'd like to chime in on the 0315. Excuse me. now i i can appreciate the what the legislature is probably getting inundated with people um of some cloud that you know all of a sudden their entire their entire um annuities uh benefit have been stopped okay with no notice no um warning no nothing and they have all these the question we have is um what kind of lead up um what kind of warning what kind of um table presently is going on when we realize that there's something not right in um what the then uh the retirees getting in benefits um i'm getting ready yeah before you you respond i mean i may be going out on a limb here but i don't think we need to be really coy about what's really happening here um 0 315 in my view is basically some sort of special legislation by senator soro because her father has an issue he filed an appeal of the administrator's decision and that is is currently an appeal before the board um trustee bory is the hearing officer in that matter and i basically just see this as i'm trying to do an end run or to address that issue in the legislature as opposed to in the administrative process that has been set up to address these types of issues but that's just my view so dealings

2:12:46 go ahead mr now i you know i'm getting ready to respond it's going to be very short obviously we're in opposition however title 3 section 716 b7 best the board of trustees the ability to prescribe the policies for the proper operations of the system and carry on any other reasonable activities which are deemed necessary to effectuate the intent and purpose of the system in accordance for the provision of this chapter so therefore we're in opposition to this legislation further 3 BIC section 715 b4 authorizes the board of trustees to investigate and decide on appeal at the request of any member decisions of the administrator except those related to classification or allocation of positions provided under section 496 of this chapter or related to discrimination on the section 523 and 531 of this chapter or related to dismissals the motions suspension on a section 530 of this chapter in accordance with this provision the board and see to take rules and regulations for such appeals that has been utilizing for years so we are definitely in opposition opposition to to the to the bill I don't want to give out everything publicly as to but it's a very short response I will I will attend I hope to have because I know there's gonna be significant amount of questions and I'm gonna have the legal counsel there with me and also the director of member services but to me this is watering or seems like having to

2:14:53 do without return to work issues because we have never had to recalculate any pension before in my 13 years here or miss Sasso's 28 years and we only recalculate if there's an error so if somebody comes back to work and they have not advised us in accordance with the code the personal directors have not advised us and we find out then we stop the annuities so and we we stopped the annuities and they are advised that it is stopped because of such and such you cannot receive an annuity and also be an active member only in certain exceptions and we collected an annuity and our um salary at the same time there are exceptions to the rule and we know what they are so this this relates to the um the number of months ago before the virus uh we were talking about that double dipping and how many people and then we had to investigate and so on is that what all this relates to well like attorney williams said there's an appeal okay um if we are to do this we would have eight thousand members probably frivolously charging that we need to audit their annuity how are we going to do that if this legislation is passed we have eight thousand retirees i'm sure some retirees feel they're not getting enough maybe we made an error something like that if i may um also there's a situation with the empty nopas where at the time a person retires they get a retirement NOPA at a higher salary because it was negotiated at that salary but they never received the money and GRS never received the contributions so we calculate the

2:17:06 annuity on what they actually receive and we have not recalculated the annuity if five ten years from now the government pays the retroactive we don't recalculate the annuity the money goes to the member and so if this were to pass that would require us years later to come back and recalculate those annuities for people who retired under an empty NOPA so it has a lot of consequences and also it may require us if the annuity is higher to go back and pay a lump sum money and with the possibility that the government will not put in their portion because that's what the holdup was for many of the people who went out on the early retirement bills one for there okay but but if i may to go back i think to the original um inquiry of concern i believe by trustee boring in terms of how the board deals with um proposed appending legislation the process that the board has established for retirement is that when these bills are presented that the board would have an opportunity to discuss it um the administrator or whoever prepare testimonies for presentation to the legislature those presentations will be circulated to the board for the board's review and unless there's substantial issues or question that you know they could go down and give the presentation if the board needed to you know discuss some aspect of the testimony then they could do so and basically say well you know this is going to want to take this out or have some input into the presentation that will be made at the legislature

2:19:10 and i think that's been done in the last couple of bills that were sent down yeah that came before the body that is correct any other comments on this with you you got your answer uh well yeah i guess it will i'll finally get it that um a part of it was a rhetorical question you know the part about what what what's my purpose on the board i mean that's a question i have to answer for myself i guess yeah yeah we've been there before and you know if it happens you you you know what your answer is you know what to do i mean so just to clarify so we're going we're going to put our position at the one that was already before the governor we're going to um we're going to submit our position on that one and and and try to intervene uh i guess mr nips you you you have enough discussion to get a sense of what the board position um i don't have it in front of me so then can we we still have time to write the governor. So we got to do an ASAP. Then we send it to the board, Pedro, or something.

2:20:54 Okay. Okay. Pedro, I will draft on 0338 and try to send it to you by tomorrow, the letter to the governor to veto. And then you can put your touches in it and then we can send to the board so just just just from my thing here so in the letter to the governor you're gonna i'm soon from me is this okay for me to are we in executive session or something kind of kind of late for me to ask this one we're regular session are we going to argue on the basis of the technicality or we also want to raise the fundamental we can argue both you want to do everything okay we also um just to play it safe um send a quick email or whatever a correspondence to the governor immediately like today um notifying that we have a problem with this and we're going to get something formal to him soon like within the next couple days i'm just worried about how to be expediting this to the point where we can intercept a problem he's asking if you could send an email or something to the governor letting him know that we're sending a formal letter we could send it to born i think born right you can ask them what we can send something to born and copy the governor yeah and ask them where they are with this and then let them know that we're sending

2:22:42 something in opposition okay dr calendar mr nibs is going to send an email to his legal counsel copying the governor telling him that we're going to be submitting an opposition and request for a veto okay that would be appropriate okay all right this portion of the meeting will be closed to the public for matters pertaining to trade secrets or financial or commercial information or personal or legal matter or matters whose premature disclosure will frustrate the agency action. Need a motion to go into executive session.

2:23:28 So moved. Second? Need a second? I'll second it. yes trustee barry yes trustee cohen yes see liger excuse trustee mcdonald absent trustee smith yes chairman canada yes five yes one excuse one absent Thank you. Do we need a break? Do we need to continue?

2:24:16 If executive session is going to be long, I would need a 10-minute break. If not, I can keep going. The only thing I had was to update you on the mediation with VI Finest. I don't know if anybody had anything else. It shouldn't take long. Yes, let me answer.

People named in this transcript

SUSPECTED, and a finding aid only. Names were matched by machine against the spellings used across all 426 of our transcripts, and the title is the one used in the room. Being named here is NOT evidence that a person attended or spoke · only that the name was said. Speech recognition mishears names, so a spelling may be wrong even where no alternative is offered.

3x **Trustee Leona E. Smith**
heard in this transcript as: Smith

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

Bills and acts referred to

Matched by number against our own acts corpus. The number is what the recognition heard, so it may be wrong; where it resolved, the title is the one the Legislature gave the act.

Referred to but not found in our acts corpus: Bill 33-0132, Bill 33-0338