



OPEN FORUMS 2012

ST. THOMAS
Wednesday, January 18, 2012
Charlotte Amalie High School
Ruth E. Thomas Auditorium
6:00 – 9:00 p.m.

Presented by:
Austin L. Nibbs, CPA
Administrator

Government Employees' Retirement System of the Virgin Islands

ST. CROIX
Wednesday, January 25, 2012
University of the Virgin Islands
Great Hall
6:00 – 9:00 p.m.

Overview

- Mission
- Board of Trustees
- Investment Fund Portfolio
- Alternative Investments
- Membership
- Unfunded Liability
- Unfunded Legislative Mandates
- Contributions vs. Benefit Payments and Expenses
- Layoff Impact on GERS
- GERS' Recommended Amendments
- GERS' Amendments Being Considered
- Questions and Answers



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MISSION

To administer the retirement benefit plan for the government employees, elected officials and retirees as mandated by law in a professional and prudent manner; to manage the Retirement Fund's assets; and to maximize investment public returns.



Board of Trustees

TITLE 3, CHAPTER 27

- Comprises of seven (7) trustees
 - **5** appointed: (2 STX, 2 STT and 1 STJ)
 - **2** elected: (1 STX and 1 STT)
- Holds regular and special meetings that are opened to the public
- Prescribes the policies, rules and regulations for proper operation of the System
- Adopts resolutions in connections with changes in policy and legislation
- Authorizes the purchase and sale of investments



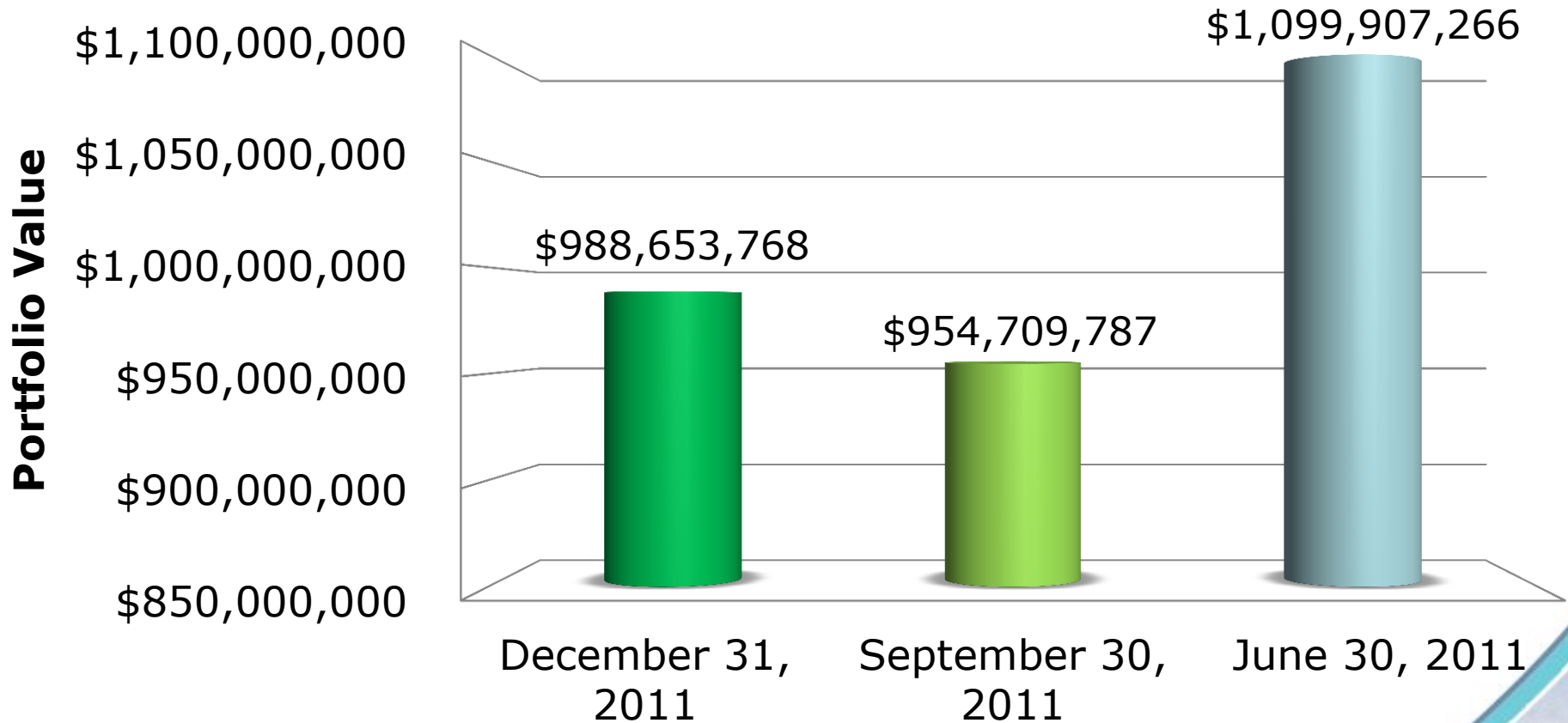
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INVESTMENT FUND PORTFOLIO

Investment Manager	Investment Asset Class	December 31, 2011 Portfolio Value	September 30, 2011 Portfolio Value	June 30, 2011 Portfolio Value
Government Employees' Retirement System Fund – All Segments				
AllianceBernstein	Fixed Income Core	\$ 90,854,619	\$ 90,026,737	\$ 97,052,226
The Attilanus Fund I - LP	Senior Life Settlement	53,693,950	58,364,860	58,364,860
Brandywine Global Investment Management, LLC	Fixed Income International	87,869,644	87,859,151	84,319,467
Global Currents Investment Management, LLC	International Value Equity	42,558,864	41,283,964	53,356,763
Fisher Investments Institutional Group	Small Cap Value Equity	53,972,614	46,239,011	60,309,194
LSV Asset Management	Large Cap Value Equity	76,933,744	70,673,854	96,276,199
Mesirow Financial	Private Equity	10,881,818	10,208,478	7,965,620
NWQ Investment Management Company, LLC	Large Cap Value Equity	71,581,470	67,875,206	83,652,222
Oberweis Asset Management, Inc.	Micro Cap Equity	65,775,446	56,886,119	75,288,829
Oechsle International Advisors, LLC	International Growth Equity	39,645,267	38,126,929	47,149,046
Pacific Investment Management Co., LLC (PIMCO)	Fixed Income Intermediate	82,676,484	81,929,554	89,855,883
Pugh Capital Management, Inc.	Fixed Income Core	53,389,161	52,953,996	51,081,774
State Street Global Advisors (SSgA)	Large Cap Core Equity	9,559,006	13,627,868	16,152,360
Silvant Capital Management	Large Cap Growth Equity	76,182,096	72,312,762	93,824,514
Smith, Graham and Company	Fixed Income Core	52,885,103	52,254,046	50,979,204
Turner Investment Partners, Inc.	Large Cap Growth Equity	63,954,251	63,046,310	74,946,366
Union Heritage Capital Management, Inc.	Large Cap Core Equity	56,240,232	51,040,943	59,332,739
Total		\$ 988,653,768	\$ 954,709,787	\$ 1,099,907,266

INVESTMENT FUND PORTFOLIO BY QUARTER



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Alternative Investments

Havensight Mall – St. Thomas (Appraised Value - \$66 Million)	\$ 33.0 Million	1993
Attilanus (Atticus Fund) (Life Settlements) - Estimated Value - \$53 Million	\$ 50.0 Million	2004
Estate Hoffman/Nullyberg – St. Thomas (120 Acres - Appraised Value - \$4.6 Million)	\$ 4.5 Million	2005
Geonet – St. Croix (Ethanol Production)	\$ 8.0 Million	2008
Mesirow Financial (Funds IV & V) (Private Equity – Commitment of \$25 Million)	\$ 10.4 Million	2008
Carambola Resort Hotel – St. Croix (Marriot Renaissance Flag)	\$ 15.0 Million	2009
Seaborne Airlines – St. Croix	\$ 3.3 Million	2009
Estate Coakley Bay – St. Croix (170 Acres - Appraised Value - \$5.9 Million)	\$ 5.0 Million	2010

The overall membership in the System from fiscal year 1982 through present is shown in the chart below:

Fiscal Year		Active Members	Retirees & Beneficiaries	Ratio of Actives to Retirees	Total Members
1982		8,914	1,360	6.55 to 1	10,174
1987		10,466	2,338	4.47 to 1	12,804
1991		11,766	2,901	4.05 to 1	14,677
1993		11,642	3,473	3.35 to 1	15,115
1994		12,116	3,751	3.23 to 1	15,867
1995		11,493	4,438	2.58 to 1	15,931
1997		11,572	4,682	2.47 to 1	16,254
1999		10,763	6,212	1.73 to 1	16,975
2001		9,303	5,581	1.66 to 1	14,884
2002		11,352	5,938	1.91 to 1	17,290
2003		10,555	6,052	1.74 to 1	16,607
2004		9,362	6,258	1.49 to 1	15,620
2005		9,967	6,484	1.54 to 1	16,451
2006		9,841	6,731	1.46 to 1	16,572
2007		11,207	6,811	1.65 to 1	18,018
2008		11,122	7,050	1.58 to 1	18,172
2009		11,085	7,134	1.55 to 1	18,219
2010		11,117	7,497	1.48 to 1	18,614
2011	Unaudited	10,731	7,720	1.39 to 1	18,451
2012	(4 months)	10,380	8,071	1.29 to 1	18,451

UNFUNDED LIABILITY

Year	(a) Actuarial value of assets	(b) Unfunded actuarial accrued liability (UAAL)	Actuarial accrued liability (a) + (b)	Funded Ratio (a)/(c)
1998	1,078,291,775	307,300,371	1,385,592,146	77.82%
1999	1,255,210,585	518,608,040	1,773,291,625	70.78%
2000	1,330,089,822	525,608,964	1,855,698,786	71.68%
2001	1,342,894,336	731,727,064	2,074,621,400	64.73%
2002	1,337,676,064	815,884,419	2,153,560,483	62.11%
2003	1,346,906,862	921,669,858	2,268,576,720	59.37%
2004	1,360,288,336,	977,502,024	2,337,790,360	58.19%
2005	1,366,982,183	1,088,574,553	2,455,556,736	55.67%
2006	1,421,093,035	1,236,571,529	2,657,664,564	53.47%
2007	1,509,244,380	1,241,138,878	2,750,383,258	54.87%
2008	1,530,604,789	1,310,218,726	2,840,823,515	53.88%
2009	1,534,899,736	1,397,261,661	2,932,161,397	52.35%
2010	1,505,970,212	1,513,059,673	3,019,029,885	49.88%

UNFUNDED LEGISLATIVE MANDATES

UNFUNDED MANDATES		ACT NO.	YEAR
Legislative Mandates			
Omnibus Authorization Act of 1984	15 th	4877	10/25/1983
To Provide for Early Retirement of Dept. of Education Personnel	15 th	4896	2/21/1984
Early Retirement Incentive Training & Promotion Act of 1994	20 th	6007	8/16/1994
To Extend Act 6007	21 st	6088	12/5/1995
To Provide Early Retirement Benefits Options & To Reduce Expenditures	23 rd	6361	10/19/2000
To Increase Retirement Benefits for Superior Court Judges	23 rd	6391	2/1/2001
To Fund Salary Increases for Retirees & Eligible Employees	24 th	6415	6/18/2001
To Place Employees on Step	24 th	6427	6/19/2001
Expansion of Eligible Members of Early Retirement Program	24 th	6429	9/24/2001

CONTRIBUTIONS VS. BENEFIT PAYMENTS & EXPENSES

Fiscal Year		Total Contributions	Benefits Payments & Expenses	Surplus/Deficit
1994		61.7	46.7	15.0
1995		74.9	64.6	10.3
1996		71.7	73.3	(1.6)
1997		74.3	80.0	(5.7)
1998		71.9	91.6	(19.7)
1999		71.7	95.4	(23.7)
2000		70.2	103.7	(33.5)
2001		69.1	121.2	(52.1)
2002		80.1	133.0	(52.9)
2003		82.1	138.0	(55.9)
2004		84.9	142.6	(57.7)
2005		81.9	153.0	(71.1)
2006		99.3	161.0	(61.7)
2007		96.6	170.5	(73.9)
2008		112.8	184.7	(71.9)
2009		120.3	193.9	(73.6)
2010		117.1	208.3	(91.2)
2011	(Unaudited)	119.6	214.2	(94.6)

Layoffs Impact on GERS

Average GVI Employee Salary	\$36,000 x 350	\$36,000 x 1000	\$36,000 x 2600
	<hr/> \$12,600,000	<hr/> \$36,000,000	<hr/> \$93,600,000
Average Contribution Rate	x 25.5%	x 25.5%	x 25.5%
	<hr/>	<hr/>	<hr/>
Annual Lost Contributions	<u><u>\$3,213,000</u></u>	<u><u>\$9,180,000</u></u>	<u><u>\$23,868,000</u></u>
Additional Monthly Deficit	<u><u>\$267,750</u></u>	<u><u>\$765,000</u></u>	<u><u>\$1,989,000</u></u>



GERS AMENDMENTS RECOMMENDED

Amendments recommended to the Legislature in 2010 and endorsed by the Actuary:

- Include per diem basis and contractual employees who work at least 40 hours per week as a member and receive service credits by paying the required contributions.
- Exclude the cost of living annuity, bonuses or adjustments for the specific purpose of the compensation ceiling of \$65,000.
- Increase the contribution rate from 11 percent to 15 percent for members of the Judiciary and the Legislature.
- Increase mortgage loans to \$350K.
- Increase new automobile loans to \$40K.
- Ability for retirees to refinance existing personal loans.
- Allow members to purchase additional service credits (air time).



GERs AMENDMENTS BEING CONSIDERED

✓ **Establishing a retirement age.**

- a) Regular employee: Age 62 with 10 years of service, eliminating the any age with 30 years of service.
- b) Class 3 employee: Age 50 with 25 years of service or age 55 with 10 years of service, eliminating the any age with 20 years of service.

✓ **Increasing employee contribution rates.**

- a) Tier I Regular from 8 percent to 11 percent
- b) Tier I Hazardous (Class 3) from 10 percent to 13 percent
- c) Tier II Regular from 8.5 percent to 11.5 percent
- d) Tier II Hazardous (Class 3) from 10.625 percent to 13.625 percent

✓ **Increasing employer contribution rate from 17.5 percent to 20.5 percent.**

✓ **Add TIER III.**

Use career average earnings instead of final 5–year average salary for non-vested members to determine the base salary to calculate the annuity.

GERS AMENDMENTS BEING CONSIDERED

- ✓ Reduce annuity payment based on social security benefits.
- ✓ Reducing the percentage or delaying the COLA.
- ✓ In lieu of a Pension Obligation Bond, reduce the unfunded liability by:
 - a) 60% annual allocation to GERS of all Diageo's payments to the GVI.
 - b) 60% annual allocation to GERS from all future St. Thomas Casino operations payments to GVI.
- ✓ Refund of contributions to non-vested members only.



THANK YOU



MEMBERS FOR ATTENDING
MR. ADDIE OTTLEY
FORMER SENATOR HOLLAND REDFIELD
PUBLIC ACCESS CHANNELS 10 AND 6
WSTA AM 1340 AND WSTX AM 970

Questions and Answers





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