



Presentation to

GERS MEMBERSHIP

TOWN HALL MEETINGS

UVI Great Hall – St. Croix

Windward Passage Hotel – St. Thomas

Tuesday, November 27, 2012

Tuesday, December 4, 2012

Austin L. Nibbs, CPA
Administrator

Government Employees' Retirement System of the Virgin Islands

OVERVIEW

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UPDATE – VARIOUS ISSUES

GERP PENSION REFORM TASKFORCE AND ADVISORY COMMITTEE

- Created by Executive Order No. 458-2012.
- Composed of seven (7) members.
- Advisory Committee composed of seven (7) members.
- **Officers**
Chairman – Avery Lewis, President – Central Labor Council.
Vice Chairman – Raymond T. James, Esq., Chairman – GERS Board of Trustees.
Secretary – Debra Gottlieb, Director – Office of Management and Budget.



Recovery

20 - 23

UPDATE – VARIOUS ISSUES

REPEALED AND AMENDED ACTS

On November 20, 2012, on the Governor's recommendation, the 29th Legislature repealed/amended the following:

- **Section 21 – Act No. 7394 (repealed).**
- **Section 8 – Act No. 7414 (repealed).**
- **Section 7 – Act No. 7261 (Bill No. 29-0123) (amended)** to provide for excess loan payments from the Trustee of the \$13 Million 2011 Property Tax Revenue Anticipation Note to be utilized to pay the employer's prior missing contributions for those employees who will retire on or before January 1, 2013 and who the GERS has determined require employer contributions before such employees can receive retirement. The GERS shall submit invoices to the Government for those employees for whom such funds will be applied. Thereafter, the Government shall certify the amounts to be paid to the GERS and approve the payment by the Trustee.



UPDATE – VARIOUS ISSUES

29th LEGISLATIVE INITIATIVES

- **Bill No. 29-0099**

Submitted initially to the Committee on Rules & Judiciary in 2011 and to the 29th Legislature on August 31, 2012.

Currently tabled indefinitely in the Committee on Rules & Judiciary.

- **Measures passed on November 20, 2012 by Committee on Whole**

- ✓ The rezoning of Estate Hoffman/Nullyberg (east end St. Thomas) was passed on November 20, 2012.
- ✓ Renaissance Carambola Resorts & Spa ability to operate a casino.



UPDATE – VARIOUS ISSUES

Estate Coakley Bay – St. Croix

Public hearing for rezoning to develop a Planned Area Development consisting of independent-living-for-the-elderly units, single family residential lots, and commercial space.

Date: December 11, 2012

Place: Florence Williams Public Library

Time: 6:00 p.m.



UPDATE – VARIOUS ISSUES

Mortgage Interest Rates

On April 19, 2012, the Board approved the following:

30 year

From 8.0% to 5.75%

15 year

From 8.0% to 5.0%

Land Purchase

From 8.0% to 5.0%

As part of Bill No. 29-0099, recommended mortgage loan limits to increase from \$250,000.00 to \$350,000.00.

Mortgage loans are presently covered for insurance purposes up to \$105,000.00. Underwriter has approved the higher limit with conditions which are currently under review by GERS.



UPDATE – VARIOUS ISSUES

Increase in Retiree Personal Loan limit from \$10,000.00 to \$50,000.00 in compliance with the VI Code.

Due diligence has been completed and recommendations will be submitted to the Board for approval in December 2012.

Issues were mainly:

- ✓ Insurance Coverage
- ✓ Collateral
- ✓ Age



MEMBERSHIP

AT SEPTEMBER 30, 2012

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	10,713	7,720	1.39 to 1	18,451
2012	Unaudited	9,916	8,160	1.22 to 1	18,076

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	204.8	(87.7)
2012	(Unaudited)	105.4	238.2	(132.8)

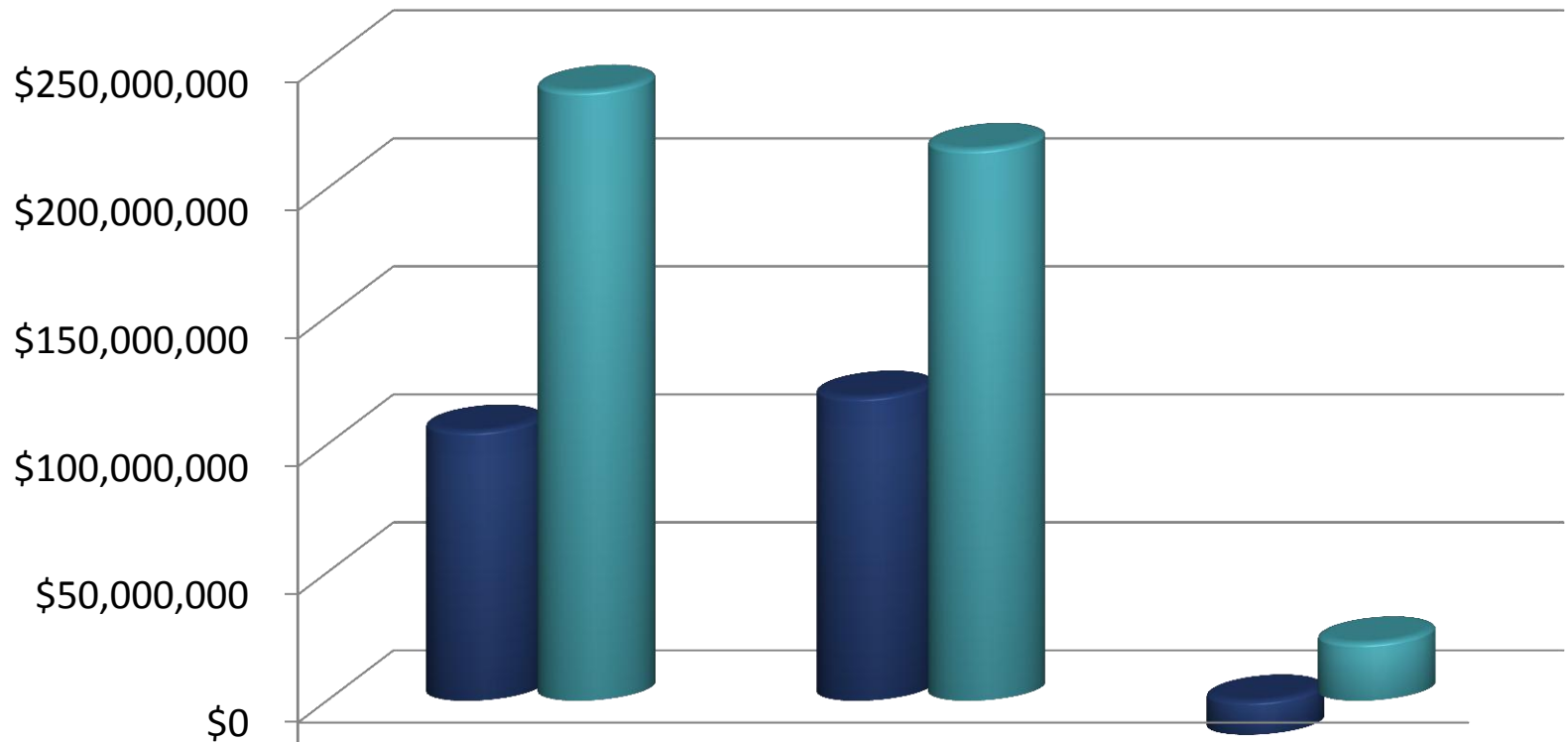


UNFUNDED LIABILITY

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		1,255,210,822	518,608,964	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	2,840,843,515	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%
2011	(Unaudited)	1,400,000,000	1,700,000,000	3,100,000,000	45.20%

Impact on GERS Due to VIESA

YTD September 30, 2012 / September 30, 2011



(\$50,000,000)

■ Total Contributions	YTD Fiscal 2012	YTD Fiscal 2011	Variance
	\$105,415,964	\$118,679,699	\$(13,263,735)
■ Annuity/Expense Payments	\$238,182,810	\$215,489,430	\$22,693,380

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM OF THE VIRGIN ISLANDS

INVESTMENT MANAGER ASSET ALLOCATION

AS OF OCTOBER 31, 2012

\$970,725,112

DOMESTIC EQUITY	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
Large Cap Core Equity			
UNION HERITAGE CAPITAL MGMT.	\$ 63,080,495	19.7%	6.5%
STATE STREET GLOBAL ADVISORS (S&P 500)	10,742,199	3.4%	1.1%
Large Cap Value Equity			
LSV ASSET MANAGEMENT	67,530,068	21.1%	7.0%
NWQ INVESTMENT MANAGEMENT CO.	58,563,149	18.3%	6.0%
Large Cap Growth Equity			
TURNER INVESTMENT PARTNERS, INC.	59,878,823	18.7%	6.2%
SILVANT CAPITAL MANAGEMENT	60,691,101	18.9%	6.3%
TOTAL LARGE CAP EQUITY	\$ 320,485,834	76.1%	33.0%
Small Cap Value Equity			
FISHER INVESTMENTS INSTITUTIONAL	49,744,488	100.0%	5.1%
TOTAL SMALL CAP EQUITY	\$ 49,744,488	11.8%	5.1%
Micro Cap Equity			
OBERWEIS ASSET MANAGEMENT, INC.	50,667,961	100.0%	5.2%
TOTAL MICRO CAP EQUITY	\$ 50,667,961	12.0%	5.2%
TOTAL DOMESTIC EQUITY	\$ 420,898,283	100.0%	43.4%

INTERNATIONAL EQUITY	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
GLOBAL CURRENTS INVESTMENT MGMT.	\$ 49,831,744	52.7%	5.1%
STATE STREET GLOBAL ADVISORS (EAFE)	44,764,449	47.3%	4.6%
TOTAL INTERNATIONAL EQUITY	\$ 94,596,193	100.0%	9.7%

DOMESTIC FIXED INCOME	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
ALLIANCEBERNSTEIN	\$ 78,252,446	26.8%	8.1%
PUGH CAPITAL MANAGEMENT, INC.	56,146,575	19.3%	5.8%
PIMCO	77,382,535	26.5%	8.0%
SMITH, GRAHAM AND COMPANY	55,692,921	19.1%	5.7%
GERS LIQUIDITY RESERVES	24,188,625	8.3%	2.5%
TOTAL DOMESTIC FIXED INCOME	\$ 291,663,101	100.0%	30.0%

INTERNATIONAL FIXED INCOME	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
BRANDYWINE GLOBAL INVESTMENT MGMT	\$ 96,691,965	100.0%	10.0%
TOTAL INTERNATIONAL FIXED INCOME	\$ 96,691,965	100.0%	10.0%

ALTERNATIVE INVESTMENTS	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
THE ATILANUS FUND I - LP	\$ 53,693,950	80.3%	5.5%
MESIROW FINANCIAL FUND IV	9,836,491	14.7%	1.0%
MESIROW FINANCIAL FUND V	3,345,128	5.0%	0.3%
TOTAL ALTERNATIVE INVESTMENTS	\$ 66,875,569	100.0%	6.9%

ASSET CLASS	TARGET	ACTUAL
DOMESTIC EQUITY	45.0%	43.4%
INTERNATIONAL EQUITY	10.0%	9.7%
DOMESTIC FIXED INCOME	30.0%	30.0%
INTERNATIONAL FIXED INCOME	10.0%	10.0%
ALTERNATIVE INVESTMENTS	5.0%	6.9%



PORTFOLIO INVESTMENTS

(COMPARATIVE ANALYSIS)

October 31, 2012 - \$970.7M

(\$25M decrease from 9/30/12)

September 30, 2012* - \$995.7M

(\$14.1M increase from 6/30/12)

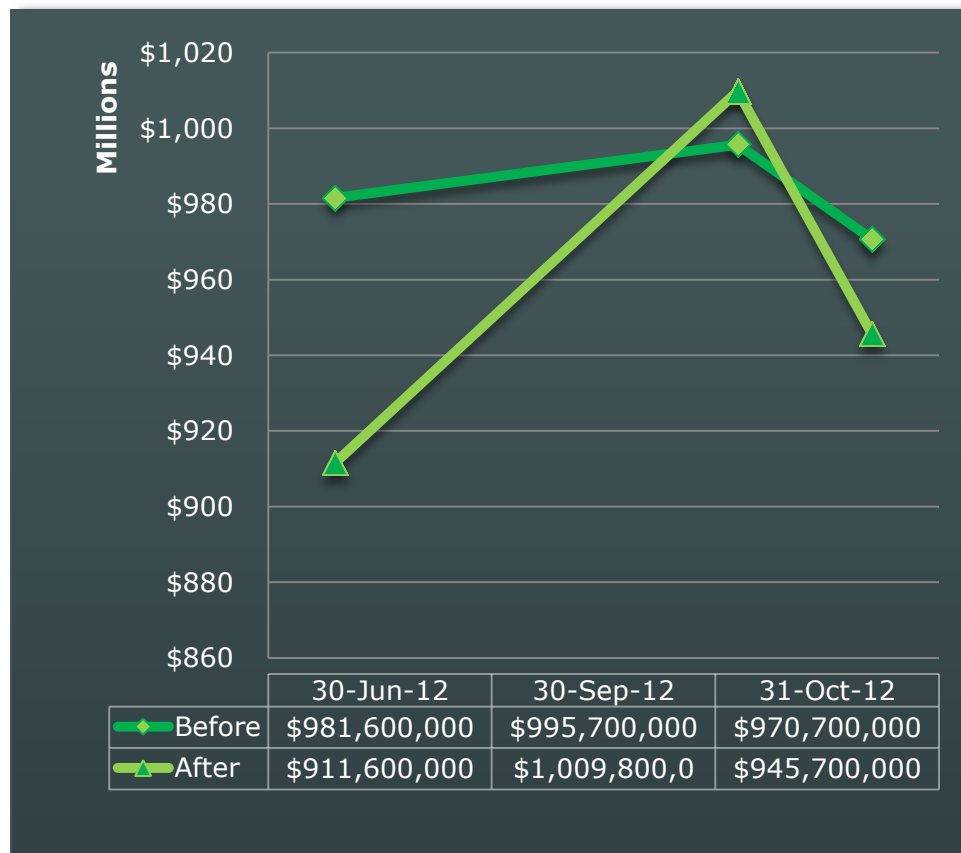
June 30, 2012 - \$981.6M

(\$70.0M decrease from 3/31/12)

March 31, 2012 - \$1.1B

*YTD 10.3% return which exceeds our actuarial assumed rate of 8%.

1.8% return for the month of September 2012.



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

SEABORNE VIRGIN ISLANDS, INC.

On November 2, 2012 an amendment/modification to Loan Agreement and Term Note and modification of the Convertible Note.

- **Term Note**

Amended and restated from \$1.3 million to \$2.3 million. Interest rate reduced from 8.25% per annum to 6.25% per annum until December 9, 2014.

- **Convertible Note**

Amended and restated from \$2.0 million to \$1.0 million. Interest rate reduced from 14.25% to 8.25% per annum until December 9, 2014.



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

SEABORNE VIRGIN ISLANDS, INC. (CONT'D)

- **Promissory Note**

- Principal**

- \$1.5 million as part of modification agreement.

- **Interest Rate**

- 6.25% per annum.

- **Term**

- 5 years until December 15, 2017.



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

CARAMBOLA NORTHWEST, LLC (RENAISSANCE CARAMBOLA RESORTS & SPA) FINAL DISPOSITION AGREEMENT (DA)

- Executed on November 2, 2012
- Purpose of Agreement
 - ✓ Provided for settlement of obligations of the Borrower and Guarantor under the Loan.
 - ✓ Conveyed the assets of the Borrower to the Lender.
 - ✓ Resolved the obligations of the Borrower and Guarantor to the Lender.



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

CARAMBOLA NORTHWEST, LLC (RENAISSANCE CARAMBOLA RESORTS & SPA)

- **Obligations of Borrower (Carambola)**

- ✓ Entire principal sum of \$15.0 million.
- ✓ Accrued interest of \$1.5 million.
- ✓ Default interest of \$77.5K .
All due without notice and the lender seeks payment satisfaction for all other liabilities.

- **Due Diligence**

- ✓ Required financial and legal due diligence continue.



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

CARAMBOLA NORTHWEST, LLC (RENAISSANCE CARAMBOLA RESORTS & SPA)

- **Renovation of Rooms and Infrastructure**

Rooms Expected Completion Date – January 15, 2013

Total Rooms (Exclude Timeshares and House Staff) – 138

Total Rooms Completed to Date – 108

Total Rooms to Complete - 30

Tennis Court Renovations Completed .

- **Total Disbursed Since Preliminary DA of May 11, 2012**

\$2.8 million.

(Past Due Vendor Payments, Insurance, Construction Costs, Legal Fees, Consultant Fees, etc.)



UPDATE – LOCAL ALTERNATIVE INVESTMENTS

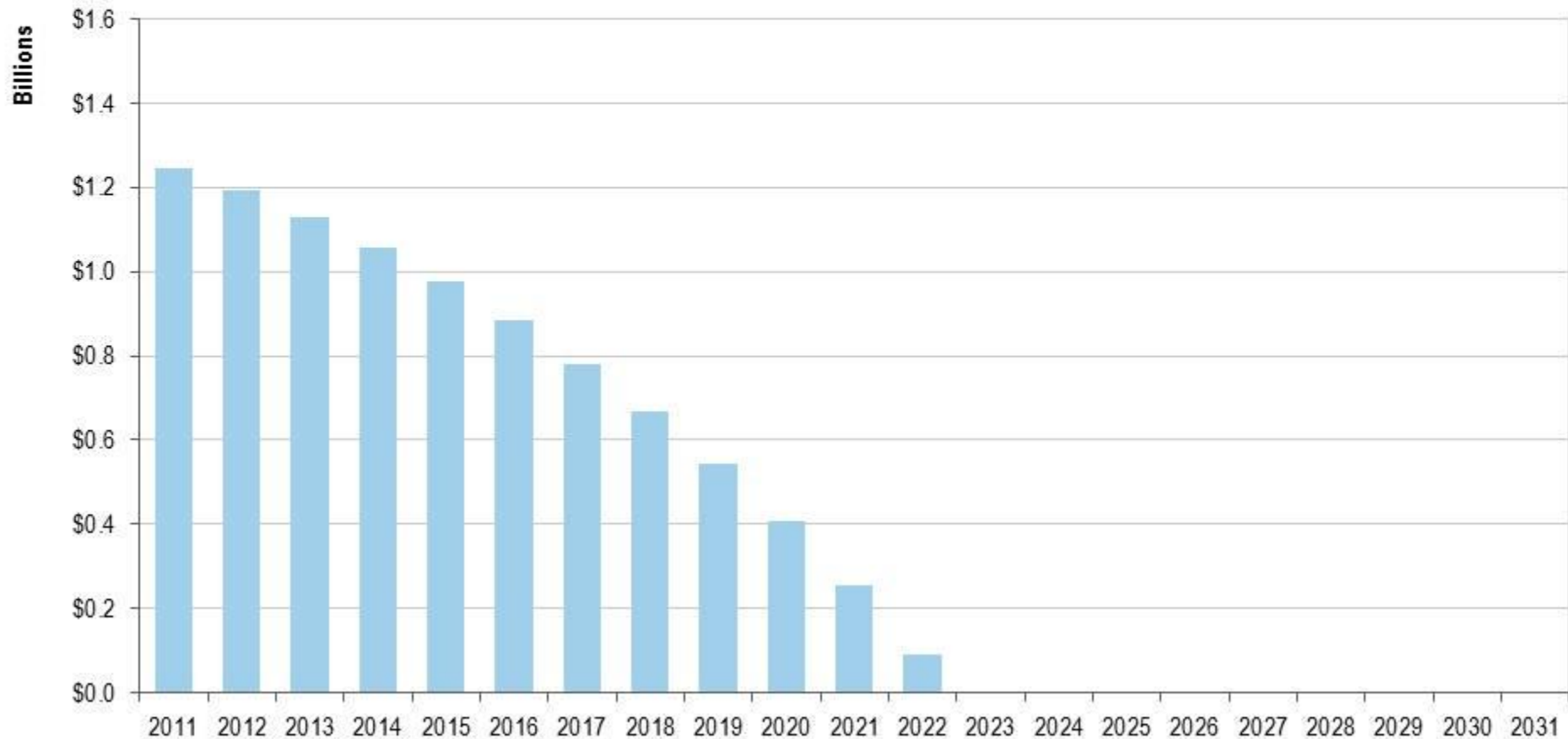
CARAMBOLA NORTHWEST, LLC (RENAISSANCE CARAMBOLA RESORTS & SPA)

- **Where Do We Go from Here?**
 - ✓ Marriott International Flagship still in place.
 - ✓ Proposal on the table for new Franchise Agreement between GERS and Marriott International.
 - ✓ GERS requested from Marriott recommendation of at least three (3) management companies.
 - ✓ Appraisal of the property after rooms completed.
 - ✓ Decision by the Board regarding ownership/management arrangements with Marriott (Similar to Havensight Mall/WICO) or sell.



Projection of Market Value of Assets - Baseline

Annual Net Investment Return: 7.5%
Employer Contribution Rate: 17.5% of payroll
Employee Contribution Rate: 8.5% of payroll



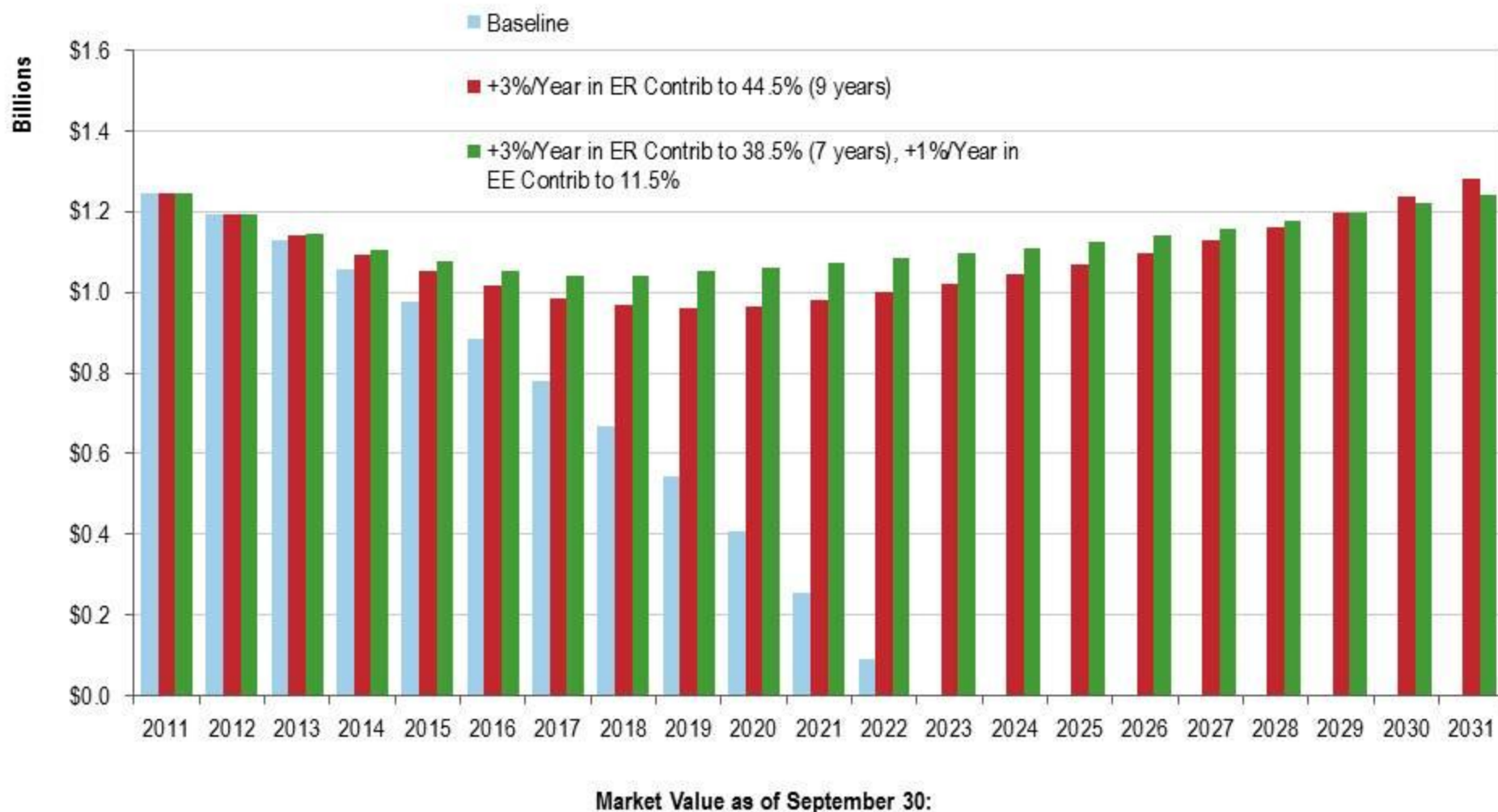
Market Value as of September 30:

Projection of Market Value of Assets (In Millions)

Annual Net Investment Return: 7.5%
Employer Contribution Rate: 17.5% of payroll
Employee Contribution Rate: 8.5% of payroll

Year ending Sept. 30:	Contributions			Disbursements		Return on Assets	Market Value of Assets	Funded Percentage (AVA/AAL)
	Employee	Employer	Additional Government	Benefit Payments	Expenses			
2011							\$1,246.0	46%
2012	\$30.8	\$63.5	-	\$222.4	\$14.9	\$88.1	1,191.2	40%
2013	31.6	65.1	-	228.1	15.3	83.8	1,128.3	36%
2014	32.4	66.7	-	234.0	15.8	79.0	1,056.6	33%
2015	33.2	68.4	-	240.0	16.3	73.4	975.3	29%
2016	34.0	70.1	-	246.2	16.7	67.2	883.7	26%
2017	34.9	71.8	-	252.6	17.2	60.2	780.8	22%
2018	35.8	73.6	-	256.4	17.8	52.4	668.4	19%
2019	36.7	75.5	-	261.4	18.3	43.8	544.7	15%
2020	37.6	77.4	-	268.4	18.8	34.4	406.8	11%
2021	38.5	79.3	-	273.3	19.4	23.9	255.8	7%
2022	39.5	81.3	-	279.2	20.0	12.5	89.9	2%
2023	40.5	83.3	\$91.4	284.5	20.6	-	-	0%
2024	41.5	85.4	183.1	288.7	21.2	-	-	0%
2025	42.5	87.5	186.2	294.3	21.8	-	-	0%
2026	43.6	89.7	187.7	298.5	22.5	-	-	0%
2027	44.7	91.9	191.1	304.5	23.2	-	-	0%
2028	45.8	94.2	194.4	310.6	23.9	-	-	0%
2029	46.9	96.6	197.9	316.8	24.6	-	-	0%
2030	48.1	99.0	201.3	323.1	25.3	-	-	0%
2031	49.3	101.5	204.9	329.6	26.1	-	-	0%

Projection of Market Value of Assets



Projection of Market Value of Assets (In Millions)

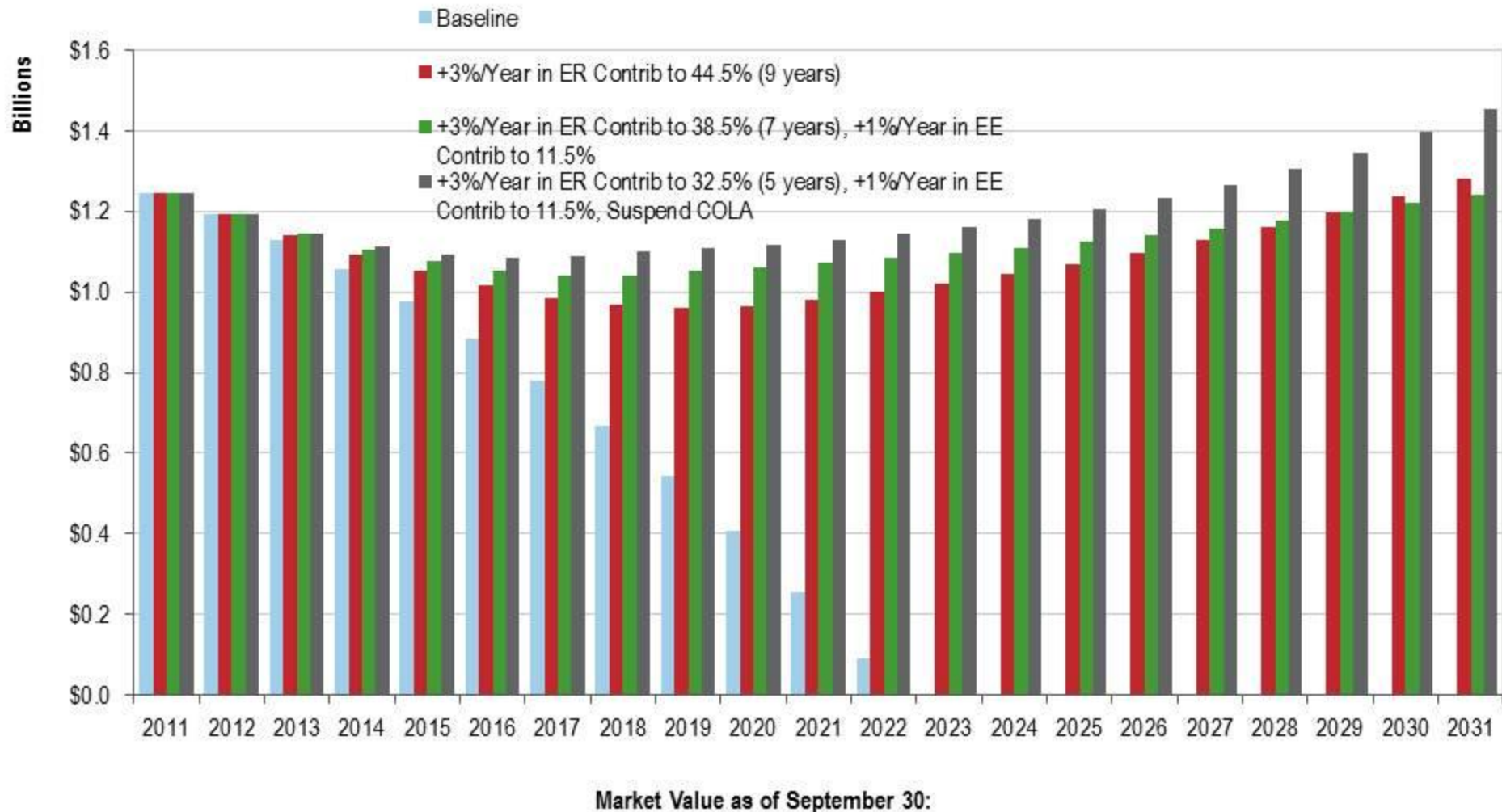
Annual Net Investment Return: 7.5%

Employer Contribution Rate: 17.5% of payroll, increasing 3% per year to 38.5% after 7 years

Employee Contribution Rate: 8.5% of payroll, increasing 1% per year to 11.5% after 3 years

Year ending Sept. 30:	Contributions			Disbursements		Return on Assets	Market Value of Assets	Funded Percentage (AVA/AAL)
	Employee	Employer	Additional Government	Benefit Payments	Expenses			
2011							\$1,246.0	46%
2012	\$30.8	\$63.5	-	\$222.4	\$14.9	\$88.1	1,191.2	40%
2013	35.3	76.2	-	228.1	15.3	84.4	1,143.7	37%
2014	40.0	89.6	-	234.0	15.8	81.3	1,104.8	34%
2015	44.9	103.5	-	240.0	16.3	78.8	1,075.8	32%
2016	46.1	118.1	-	246.2	16.7	77.0	1,054.0	31%
2017	47.2	133.4	-	252.6	17.2	75.7	1,040.5	30%
2018	48.4	149.4	-	256.4	17.8	75.2	1,039.3	29%
2019	49.6	166.0	-	261.4	18.3	75.5	1,050.8	29%
2020	50.8	170.2	-	268.4	18.8	76.3	1,060.9	29%
2021	52.1	174.4	-	273.3	19.4	77.1	1,071.8	29%
2022	53.4	178.8	-	279.2	20.0	77.9	1,082.7	29%
2023	54.7	183.3	-	284.5	20.6	78.7	1,094.3	29%
2024	56.1	187.8	-	288.7	21.2	79.6	1,108.0	29%
2025	57.5	192.5	-	294.3	21.8	80.6	1,122.5	29%
2026	58.9	197.4	-	298.5	22.5	81.8	1,139.5	30%
2027	60.4	202.3	-	304.5	23.2	83.0	1,157.6	30%
2028	61.9	207.3	-	310.6	23.9	84.4	1,176.8	30%
2029	63.5	212.5	-	316.8	24.6	85.8	1,197.2	30%
2030	65.1	217.8	-	323.1	25.3	87.3	1,219.0	31%
2031	66.7	223.3	-	329.6	26.1	89.0	1,242.2	31%

Projection of Market Value of Assets



Projection of Market Value of Assets (In Millions)

Annual Net Investment Return: 7.5%

Employer Contribution Rate: 17.5% of payroll, increasing 3% per year to 32.5% after 5 years

Employee Contribution Rate: 8.5% of payroll, increasing 1% per year to 11.5% after 3 years

Suspend COLA

Year ending Sept. 30:	Contributions			Disbursements		Return on Assets	Market Value of Assets	Funded Percentage (AVA/AAL)
	Employee	Employer	Additional Government	Benefit Payments	Expenses			
2011							\$1,246.0	46%
2012	\$30.8	\$63.5	-	\$222.4	\$14.9	\$88.1	1,191.2	44%
2013	35.3	76.2	-	227.6	15.3	84.4	1,144.2	41%
2014	40.0	89.6	-	228.2	15.8	81.5	1,111.4	39%
2015	44.9	103.5	-	231.4	16.3	79.6	1,091.8	37%
2016	46.1	118.1	-	234.2	16.7	78.6	1,083.7	36%
2017	47.2	133.4	-	235.7	17.2	78.6	1,090.0	36%
2018	48.4	136.7	-	237.9	17.8	79.1	1,098.6	35%
2019	49.6	140.2	-	241.3	18.3	79.8	1,108.5	35%
2020	50.8	143.7	-	246.5	18.8	80.5	1,118.1	35%
2021	52.1	147.2	-	249.4	19.4	81.3	1,130.0	35%
2022	53.4	150.9	-	253.0	20.0	82.2	1,143.5	35%
2023	54.7	154.7	-	256.0	20.6	83.2	1,159.6	35%
2024	56.1	158.6	-	257.8	21.2	84.6	1,179.8	36%
2025	57.5	162.5	-	261.0	21.8	86.1	1,203.2	36%
2026	58.9	166.6	-	262.7	22.5	88.0	1,231.5	36%
2027	60.4	170.8	-	265.3	23.2	90.2	1,264.5	37%
2028	61.9	175.0	-	268.0	23.9	92.8	1,302.4	38%
2029	63.5	179.4	-	270.6	24.6	95.7	1,345.8	38%
2030	65.1	183.9	-	273.3	25.3	99.1	1,395.2	39%
2031	66.7	188.5	-	276.1	26.1	102.9	1,451.1	40%



3438 Kronprindsens Gade
GERS Complex, 3rd Floor
St. Thomas, VI 00802-5750
Bus.: 340.776.7703 Fax: 340.776.4499

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