



GERs Updates

New Mortgage Interest Rates

The GERS Board of Trustees recently passed a resolution changing the mortgage rates. The new rates become effective October 1, 2012 as follow:

- 30 year Mortgage rate – 5.75%
- 15 year Mortgage rate – 5.00%
- Land Purchase rate – 5.00%

Semi-Annual Investment Meetings

The GERS Semi-Annual Investment meetings will be held August 29, 30, 31, 2012 at the Westin Resort in St. John.

Email Request



As part of our communications outreach effort, we would like to gather members' email addresses. This would allow us to make direct contact regarding important notices or publications that the System may issue.

If you would like to receive such notices, please send us your email address to: tliburd@usvigiers.com. with the word "subscribe" in the subject line and your first and last name.



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GERs Supplemental Contribution Program



The Reform Act of 2005 authorized the GERS to implement a Supplemental Retirement Program. The objective for which, is to

provide members with another tool in which to invest additional funds for their retirement. It is an opportunity for those members who may not be investment savvy, to get into the market with one major advantage being, it allows for members to pool their resources with other members whereby the investment costs would be shared amongst everyone. This being the case, members would now be able to enter into certain investment vehicles that they may not have otherwise been able to because of the cost.

It would consist solely of employee contributions and the member's payout would be based on the monies they paid in over time and the market conditions at the time and earnings on the selected investment(s).

GERs has begun the process to implement the program. An RFP (Request for Proposal) was sent out in January of this year for which there were three respondents, AsPire Financial, Banco Popular and TIAA-CREF. At the June 11th special meeting, the Board moved to invite the respondents to make presentations. The necessary due diligence will be done for each respondent and the firm selected will serve as the third party administrator for the supplemental program.

The Program was established to be a defined contribution plan pursuant to Title 26, Section 414, subsection (i) United States Code. This program shall operate solely at the option of the participants and shall in no way obligate employers for lifetime annuity payments to participating employees or their beneficiaries. What this means is that there is no employer contribution match for this special program.



Update on Carambola

On May 11, 2012, Administrator Austin L. Nibbs exercised GERS' rights under the Loan Agreement and executed a Disposition Agreement with Carambola Northwest, LLC which immediately turned over the Carambola property to the GERS. This action was taken as a result of Carambola's defaulting on its principal and interest payments. The required due diligence is ongoing. When completed, we will advise our members of the details. The Marriott Flagship and Franchise Agreement will continue.

Caribbean Actuary Association/ International Pension and Employee Benefit Lawyers Association

Administrator, Austin L. Nibbs and General Counsel Cathy L. Smith made a presentation at the Caribbean Actuary Association/International Pension and Employee Benefit Lawyers Association's Conference held in Montego Bay, Jamaica this past April.

The presentation and panelist discussion was entitled "Challenges in Meeting Fiduciary and Administrative Compliance Obligations." Delegates in attendance came from Trinidad, Jamaica, United States, Argentina, Canada, South Africa, United Kingdom, Ireland, Australia, Haiti, Barbados, St. Kitts & Nevis, the Netherlands, Bahamas, Bermuda, Swaziland, Surinam, Uganda and Guyana.

V3 and MAS 500 "Go Live" Implementation

The Employees' Retirement System of the Government of the Virgin Islands embarked on a 48 month project to improve operations in order to better serve its member. The project took the form of enhancing the benefits and loans integrated software system so that there would be a one stop shop environment for its members. The GERS also improved its Financial Reporting capabilities with a complete upgrade to allow for real-time reporting of financial transactions.

On March 12, 2012, the GERS rolled out the first phase of its new benefits and loans integrated software system. The first phase of the project includes improved efficiency and effectiveness of all benefits requests made by members. This is a newer more robust application that stores all member related information. The information currently being viewed is the result of an ongoing data cleansing and information gathering project which allows GERS to provide members with accurate up-to-date information that is maintained as part of each member's profile. The new software also reduces the processing time a member must wait while applying for a loan because the data needed to process a loan is already in the database since the database allows the sharing of such information by both the loans and benefits systems.

The GERS also launched its new Financial Reporting System (MAS 500) on May 2, 2012. This system expands the ability of GERS to record transactions on a real-time basis along with the ability to electronically accept transactions created within the new benefits and loans integrated software system for processing. The system has improved the processing time of the business and accounting operations of the agency. This option allowed the GERS to bring its administrative payroll process in-house.

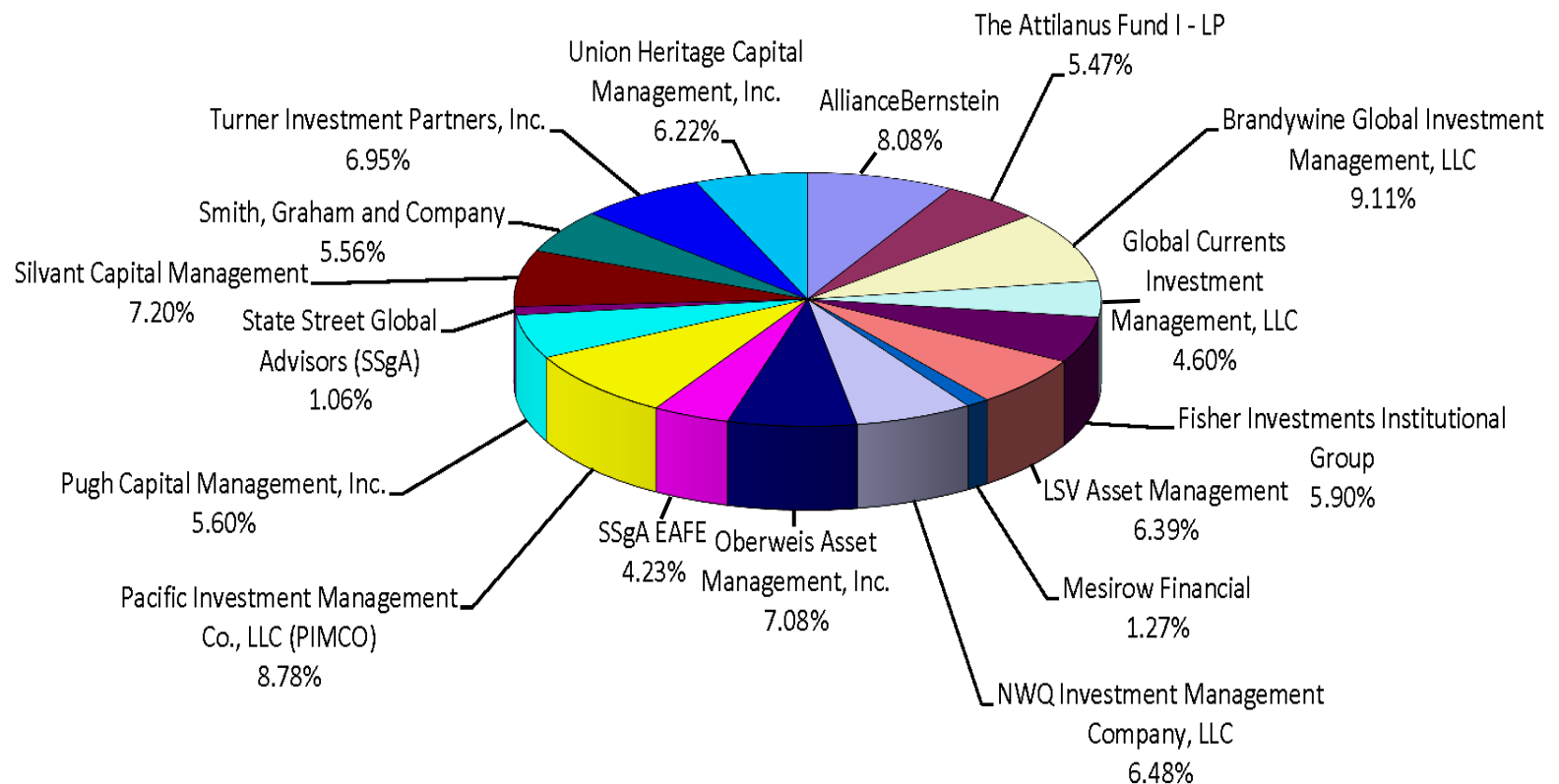
During the summer and fall, the GERS will launch the third phase of its new benefits and loans integrated software. This phase will include providing members with the ability to access the self-service portion of the software. Members will be able to apply for loans directly via an online feature that will be implemented, review benefits and loans related transactions, as well as estimate annuity payments based on the member's information contained within the integrated database. The processing time for requesting retirement benefits will improve once the required documentation is submitted to GERS. This phase will most importantly allow the members the option to receive electronic payments. In addition, we will bring the processing of the annuity payroll in-house in August which will reduce the payroll processing cost and provide, on an annual basis, a benefits statement for all active members.

Once GERS has overcome the many challenges of launching a new system, the new integrated benefits and loans software system will allow members access to their retirement information and see and obtain real-time information about their retirement benefits. The GERS is poised on improving all aspects of services it provides to its members. The improvements undertaken so far will afford the System the ability to provide timely services and accurate information to its members.

Investment Manager Asset Allocation (unaudited)

As of June 30, 2012

Investment Manager	Investment Asset Class	June 30, 2012 Portfolio Value	March 31, 2012 Portfolio Value	Change in Portfolio Value	Percent Change
Government Employees Retirement System Fund - All Segments					
AllianceBernstein	Fixed Income Core	\$ 79,323,701	\$ 88,742,915	\$ (9,419,214)	-10.61%
The Attilanus Fund I - LP	Senior Life Settlement	53,693,950	53,693,950	-	0.00%
Brandywine Global Investment Management, LLC	Fixed Income International	89,461,626	91,648,799	(2,187,173)	-2.39%
Global Currents Investment Management, LLC	International Value Equity	45,146,959	47,926,823	(2,779,864)	-5.80%
Fisher Investments Institutional Group	Small Cap Value Equity	57,959,812	62,665,830	(4,706,018)	-7.51%
LSV Asset Management	Large Cap Value Equity	62,685,569	87,929,277	(25,243,708)	-28.71%
Mesirow Financial	Private Equity	12,466,239	11,202,298	1,263,941	11.28%
NWQ Investment Management Company, LLC	Large Cap Value Equity	63,577,133	79,970,616	(16,393,483)	-20.50%
Oberweis Asset Management, Inc.	Micro Cap Equity	69,528,083	73,986,591	(4,458,509)	-6.03%
SSgA EAFE	Core International	41,516,636	44,607,852	(3,091,216)	-6.93%
Pacific Investment Management Co., LLC (PIMCO)	Fixed Income Intermediate	86,210,494	83,979,588	2,230,906	2.66%
Pugh Capital Management, Inc.	Fixed Income Core	54,988,222	53,913,426	1,074,796	1.99%
State Street Global Advisors (SSgA)	Large Cap Core Equity	10,389,008	10,683,236	(294,228)	-2.75%
Silvant Capital Management	Large Cap Growth Equity	70,710,839	74,747,230	(4,036,391)	-5.40%
Smith, Graham and Company	Fixed Income Core	54,609,181	53,439,200	1,169,980	2.19%
Turner Investment Partners, Inc.	Large Cap Growth Equity	68,232,083	74,450,894	(6,218,811)	-8.35%
Union Heritage Capital Management, Inc.	Large Cap Core Equity	61,053,462	63,879,097	(2,825,635)	-4.42%
Total Fund		\$ 981,552,995	\$ 1,057,467,624	\$ (75,914,629)	-7.18%





GERS Board Hosts Retreat: Addresses Tough Issues Facing System



The Government Employees' Retirement System Board, management and staff met, June 28 – 30, 2012 at the Westin Resort on St. John, to discuss strategies to address the unfunded liability and other problems facing the GERS. Also attending the 2½ days of meetings were our actuary, Segal Company and Meketa Investment Group, our new Investment Advisors. Joining the discussions on June 28th and 30th were members of the Governor's Financial Team, David Paul, Financial Advisor, Debra Gottlieb, OMB Director and Anise Hodge, Policy Advisor. Senator Louis Patrick Hill was the only senator to join in the discussions on June 30th.

During the first day of discussions, Segal presented the current actuarial results for the System and created models to show how the proposed board actions and proposed legislative changes would help to correct the situation facing GERS in the short term as well as the long-term. Also, Meketa presented an update on the current market performance as of May 31, 2012 and future assumptions/predictions based on market trends.

Some of the major topics discussed and action taken, in addition to that of "missing contributions", were "increasing contribution rates", "changing retirement eligibility", "career average earnings instead of final 5 years" and "no salary cap for contributions".

Before full details are provided to our members on these and other discussion topics, Administrator Austin L. Nibbs and Board Chairman Raymond T. James will first present the Board's recommendations and the proposed legislative changes to the Government

Employees' Retirement System Pension Joint Task Force which was recently established by Governor John P. de Jongh, Jr. The Administrator and Chairman have been appointed to serve on the Task Force which is scheduled to meet sometime in July.

In addition, Dr. Haldane Davies of the University of the Virgin Islands presented a strategic plan overview for the System, as GERS has been collaborating with the University to determine a realistic long term plan for the organization in defining and achieving its goals.

It was the consensus of meeting participants that it will take a shared sacrifice on the part of all stakeholders (retirees and beneficiaries, active members, plan sponsor) to save the retirement system. After the presentation to the task force, GERS will communicate in detail the Board actions and proposed legislative changes to the members and the general public.

Open Letter to Members

Dear Member:

Title 3, Chapter 27, Section 704 (m) of the Virgin Islands Code (VIC) states that **“employee or employer* contributions for service credit on which benefits are to be calculated must be paid prior to the date of issuance of the first retirement benefits payment.”** This issue has been discussed on a number of occasions and in various forums (i.e.: GERS Town Hall Meetings, Legislative Committee Sessions and Overviews before the Legislature’s Finance Committee) over the past few years with passage and subsequent implementation of the Reform Act of 2005. However, the issue has become more controversial, in part, since the March 2012 implementation of our new benefits administration system (V3), which has automated the benefits and retirement process in accordance with the law.

We believe it is important for the members to understand the various circumstances that have resulted in the recent reports about **“missing prior period contributions”**. This phrase simply means that certain contributions have not been made to GERS either by the employee, the employer or both. Some of the circumstances that have resulted in “missing prior period contributions” follow:

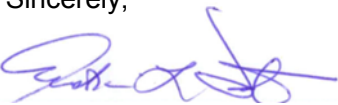
a.)	Waiting period when employee entered service. Employee wants credited service for that period of time. <i>Title 3, Chapter 27, Section 703 (b) and 704 (j)</i>
b.)	Employee had short checks due to leave without pay (LWOP) and wants to make up short contributions to get credited service. <i>Title 3, Chapter 27, Section 704(f)</i>
c.)	Employee wants credited service for military service, if eligible under the VIC. <i>Title 3, Chapter 27, Section 704(d)</i>
d.)	Employee wants credited service for prior military service, sick leave, LWOP, federal service in the VI, study leave, if eligible under the VIC. <i>Title 3, Chapter 27, Section 704(f)(i)</i>
e.)	Employee wants credited service for excess annual leave. <i>Title 3, Chapter 25, Section 581 (e), 587</i>

To address each of the above mentioned scenarios, pursuant to law, the GERS will bill the employee and employer for any “missing prior period contributions”. In other words, the employee will have to pay his or her contributions and the employer will have to pay its contributions for the requested credited service. Nonetheless, Section 704 (l) of the Virgin Islands Code further states that **“If the employer fails or refuses to remit contributions on behalf of any employee for any period wherein service credit is being or has been sought, the employee may remit to the system a sum that equals the employer's and the employee's contributions for the period of credited service he has elected to obtain.”** Thus the law requires that if the member pays his or her contributions but does not have the ability to remit the employer’s contributions and decides to retire, the member will only receive an annuity based on actual contributions paid to the GERS.

Notwithstanding the above, all retirement applications will be accepted and processed as expeditiously as possible in accordance with the law.

We appreciate your patience and understanding as we work to resolve this issue.

Sincerely,



Austin L. Nibbs, CPA
Administrator

***Central Government, Semi-Autonomous Agencies and Instrumentalities.**



St. Thomas/St. Croix
USVI



GERS Update!

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GERS Upcoming Events

BOARD MEETINGS

St. Croix

Wednesday, July 18, 2012
6:00 P.M.

Employees' Retirement System

St. Thomas

Thursday, September 20, 2012
9:30 A.M.

Employees' Retirement System

PERSONNEL OFFICERS MEETING

St. Thomas

Tuesday, September 11, 2012
9:00 A.M. - 4:00 P.M.

Employees' Retirement System

St. Croix

Tuesday, September 18, 2012
9:00 A.M. - 4:00 P.M.

Employees' Retirement System

PRE-RETIREMENT WORKSHOPS

St. Thomas

Tuesday, August 14, 2012
8:30 A.M. - 4:00 P.M.

Employees' Retirement System

St. Thomas

Wednesday, August 22, 2012
8:30 A.M. - 4:30 P.M.

Employees' Retirement System

To pre-register or arrange for an on-site workshop call 776-7703 ext. 4202 on St. Thomas and 718-5480 ext. 5406 on St. Croix.



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