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ANNUAL INVESTMENT MANAGERS' MEETING

The annual Investment Managers' Review was held on St. Croix at the Carambola Beach Resort from Wednesday, March 1 through Thursday, March 2. During the two days of meetings, the Board of Trustees met with 10 investment managers who manage assets on behalf of the System. Each manager reviewed their portfolios for the period ending December 31, 2016 and provided updates for year-to-date 2017. Additionally, the Board met with the System's custodian, and the investment consultant who offered updates and feedback as to the state of the System's portfolio, current trends in the market and possible future trends.

It was noted that for the period ending December 31, 2016, the U.S. stock market was up 12.7%. The foreign equity markets were also up, 4.5% during the same period. Further, in a move that was largely anticipated by the markets, the Federal Reserve made their only rate increase (0.50% to 0.75%) in December 2016.

After the presidential election, expectations for the pace of tightening increased, given the pro-growth policies of the new administration. The pace and timing of fiscal and monetary stimulus will be key considerations in the U.S. as inflation expectations continue to trend upward in light of wage pressures and potential fiscal policies.

The International Monetary Fund's (IMF*) 2017 forecast for global growth is 3.4%, up from the 3.1% projection for 2016. In advanced economies, the IMF projections for 2017 and 2018 growth are 1.9% and 2.0%, respectively, up from the 1.6% estimate for 2016. The near term increases in growth are driven partly by anticipated U.S. fiscal stimulus. Despite the

subdued market reaction to the "Brexit" vote, risks to growth and investment remain; particularly for the U.K.

Though there is some uncertainty in the market because of having a new administration, it is safe to say that there are still great expectations for positive growth.

*An international organization of 189 member countries working to stabilize the global economy by fostering global monetary cooperation, securing financial stability, facilitating international trade, promoting high employment and sustainable economic growth, and reducing poverty around the world. (Source: Wikipedia)

WHAT DOES IT MEAN TO THE GERS WHEN BI-WEEKLY CONTRIBUTIONS ARE NOT RECEIVED?

The non-receipt of bi-weekly contributions, approximately \$3 million per payroll, impacts the GERS fund significantly. As of the time of printing, the central government plan sponsor was five pay periods behind – that amounts to an arrearage of approximately \$15 million. When these monies are not received, GERS is forced to draw from its portfolio in order to meet its obligations and expenses.

(continued on pg. 2)



FACTS & STATS

- Did you know** that a refund of your contributions is not guaranteed?
- Only non-vested members are eligible to receive a refund. (A vested member is a member with 10 years or; 9 years, 9 months; or 9 years, 8 months, 15 days)
 - If a non-vested member resigns or separates from the VI Government or its instrumentalities, they may apply for a refund of their contributions by completing a refund application.
 - A member shall receive a refund of his/her contributions, plus 2% interest. GERS Loans and Credit Union Loans are deducted from refunds.

THE BOTTOM LINE

GERS MEMBER LOANS PROGRAM	
As of March 31, 2017	
Units: 7,312	
Balance: \$110.2 M	
TOTAL RETIREES	
As of March 31, 2017	
8,530	
TOTAL RETIREE PAYROLL	
As of March 31, 2017	
\$10.2 M	
TOTAL PORTFOLIO ASSETS	
As of March 31, 2017	
\$850 M	
Assets include stocks, bonds, alternatives.	
TOTAL RETURN FOR QUARTER ENDING	
March 31, 2017	
3.66%	
AVERAGE RETURN	
Since 1981	
8.86%	

Note: Return numbers exclude member loans and GERS office buildings. They are however included in the total portfolio assets.

How does this all connect? During the twelve-month period ending January 31, 2017, GERS’ investment returns recouped 95% of the assets that were needed to supplement benefits and expense payments. In other words, the System through time, in having to draw on its assets, have been able to make up the difference between contributions from the plan sponsor and its benefits and expense payments. Fortunately for us, the investment return was able to cover the shortfall. However, should the practice of untimely, irregular, employer contributions to GERS continue, it can and will further erode the Fund as there would be less monies to meet obligations and less monies to invest.

It is important to note that despite the rumor mill, GERS’ investments has done well. During our Investment Manager’s meeting held in February, one manager during their presentation,

indicated that when they became a manager for the System in 1998, they received an initial investment of \$81 million from GERS and that the fund value as of December 31, 2016 was \$58 million. However particularly interesting, was the fact that draw-downs over the years was approximately \$193 million – a little more than twice the amount of GERS’ initial investment. Just imagine what our current return value would have been had the System been properly funded and those draw-downs were few and far between, or had never been made.

Ultimately what this all means is that the System could run out of monies even sooner than projected by our Actuary. That is, instead of the System becoming insolvent in 2023, it could become insolvent as early as 2021.



ATTENTION ALL RETIREES UNDER THE AGE OF 65 AND COVERED BY CIGNA AS THE PRIMARY INSURED

IT’S HEALTH RISK ASSESSMENT (HRA) TIME AGAIN!!!

The HRA is an easy to use online questionnaire about your health and well-being that produces a personal health report. This report is filled with suggestions for health screenings and information about wellness and other health programs that may help you improve your health. Your Annual HRA for the 2017 fiscal year must be completed online at www.MyCigna.com by Saturday, September 30, 2017.

Please be aware that although you may have completed the HRA last year, it is an annual requirement and must be done every year between October 1st and September 30th. As required by the GESC Health Insurance Board, failure to complete the HRA by the established deadline will result in a penalty of \$500.00.

If you have trouble registering or completing the HRA online, please call Cigna at 1-800-853-2713.

Use the chart below when obtaining your biometric numbers from a medical professional, then use the chart to complete your Health Risk Assessment online at www.mycigna.com.

Cholesterol	Blood Pressure	Height	Weight	Waist Circumference
____ Total	____ Systolic	____ Feet	____ Pounds	____ Inches
Cholesterol	____ Diastolic	____ Inches		
____ HDL				

GERS Retirees: Thinking about returning to work?

Here are a few things that should be considered before you make your decision.

GERS must be notified when retired members return to work. Retired members contemplating returning to work should contact the GERS before they start to work in order to determine their eligibility.

If a retired Tier I member leaves the annuity payroll and works at least three years, his/her annuity will be recalculated according to the retirement provisions in effect on the date of his/her latest retirement. After a retired Tier I member returns to work and subsequently retires again, their service history is re-evaluated to determine whether there are unpaid employee or employer contributions from prior periods. The member may be required to pay additional contributions. The member and/or the employer will be billed if missing contributions are identified and the member will not be able to return to the annuity payroll until all missing contributions are paid in full.

Certain positions are exempt from the provisions of 3 VIC § 706 (c). Anyone returning to work in one of these positions may receive both their annuity and their salary indefinitely.

Only the Governor can rehire a retired member. Autonomous and Semi-Autonomous departments/agencies cannot rehire retired members.

Only Tier I retirees can return to work. It is illegal for a retired Tier II member to return to work under any circumstances.

Any Tier I retiree who remains on both payrolls or anyone who enables a Tier I retiree to remain on both payrolls beyond the statutory limitations may be subject to criminal prosecution. (3 VIC § 724)

A retired Tier I member may return to work and continue to receive his/her annuity for 600 hours in any one-year period not to exceed two years. If the retired member continues to work beyond 600 hours, his/her annuity will be canceled and he/she will become an active member again and resume paying contributions to the System. (3 VIC § 706 (c) All overpayment monies received must be returned to the GERS.

Subsequent retirement annuities will never be less than the member's original annuity.

A note from the Group Health Insurance Office

All Medicare covered Virgin Islands Government Retirees are reminded that the 2017 Medical Supplemental Rate changes have become effective April 1, 2017. The average increase is around 3% and the increase results in a monetary value of approximately \$2.00 (two dollars), depending upon plan choice. Members should have received a letter from United Healthcare earlier in the year advising of this change.

For more details, contact the Group Health Insurance Office at (340) 714-5000.

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Upcoming Events

MAY

3RD
10TH
15TH
17TH
18TH
24TH
31ST

St. Croix Financial Planning Workshop
St. Thomas Post-Retirement Workshop
--- RETIREE PAY DAY
St. Thomas Transitioning Workshop
St. Thomas Board Meeting
St. Croix Countdown Workshop
--- RETIREE PAY DAY

JUNE

7TH
14TH
15TH
21ST
22ND
28TH
30TH

St. Croix Post-Retirement Workshop
St. Croix Transitioning Workshop
--- RETIREE PAY DAY
St. Thomas Pre-Retirement Workshop
St. Croix Board Meeting
St. Thomas Financial Planning Workshop
--- RETIREE PAY DAY

SAVE THE TREES...RECEIVE YOUR NEWSLETTER ELECTRONICALLY

Send an email to kcallendar@usvigiers.com...type **SIGN ME UP** in the subject line. Please include your name in the email.

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UPDATE



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