



GERs Updates

Direct Deposit



In a move to further reduce costs associated with issuing annuity paper checks, the GERS would like to encourage those retirees still receiving a check, to switch to an electronic payment option. It is important to note that effective March 1, 2013 all Federal benefit payments will be electronic. Paper checks will no longer be issued. Learn more, call Member Services at 340-776-7703 or 340-718-5480.

Member Connection



As of today, we have 163 subscribers and counting. The GERS Member Connection email service is your trusted source for personal and direct communications affecting your retirement as-it-happens. Emails include notifications with links to important, time sensitive information, electronic publications, meeting notices, and legislative updates.

Send us your email address to: tliburd@usvigers.com, with the word "subscribe" in the subject line and your first and last name. When subscribing, please indicate whether or not you are a GERS member. Thank you.

Happy New Year

2013

Message from the Administrator

Best Wishes to all of our members and their families for the New Year 2013!

The year 2012 was extremely challenging for the System. We endured massive layoffs and early retirements due to the enactment of Bill No. 29-0123 (Act No. 7261 - The Virgin Islands Economic Stability Act). This legislation not only placed a severe burden on the productivity of the staff because of the simultaneous implementation of new technologies, but also on the cash flow of the Fund, because of the reduction in the collection of contributions and the increase in annuity payments.

Recommendations were made to the Board and were approved in the Board's Retreat in June. These sweeping legislative initiatives (Bill No. 29-0099) were submitted to the 29th Legislature on August 31, 2012, which included major reforms to the plan's benefits structure and contribution rates (*view under Legislation link at www.usvigers.com*) and are critical to the very survival of the System. Based on the recent actuarial valuation projections, if there are no changes made to the Plan, the System will run out of assets by the year 2022. That means that in the next 9 years, the System will become insolvent and it will not have the ability to pay annuities to retirees and beneficiaries unless the central government finds other revenue streams to continue payments.

In addition to having the legislative initiatives become law, our major goals for the year 2013 are:

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- To develop a comprehensive long range Strategic Plan for the System with the assistance of the University of the Virgin Islands;
- To complete all backlogged prior service requests;
- To promote direct deposit participation for international retirees and continue to encourage retirees who receive a check to convert to direct deposit by March 13, 2013;
- To continue to provide system-wide customer service training in order to decrease the number of complaints reported by the members;
- To increase in-house oversight of the investment portfolio and the investment manager's performance;
- To begin the Financial Planning Workshops which will provide the necessary education to assist our members with planning for retirement and managing their retirement funds;
- To implement the in-house processing of the annuity payroll, and
- To provide members with an annual statement.

We welcome our new Labor Union Trustee Carol Callwood to the GERS and wish former Trustee Carver Farrow well and thank him for his many years of dedicated service to the System.



Member Self-Service

Many members are familiar with our website as a convenient way to obtain GERS publications, forms, and information. But, did you know that our website now provides a secure environment to perform a variety of transactions related to your GERS account? With just a few clicks you would soon be able to:

- View/Update your Personal information
- View Your Account Contributions
- View your Employment History
- View Your Pension History
- and much more...

More good things are coming to GERS' website. Visit us regularly to ensure that you do not miss anything.

GERS' Rezoning of Estate Coakley Bay Property



The goal of the GERS is to use this parcel in a way that allows St. Croix to grow economically while preserving the environmental and cultural assets that are the backbone of its identity.

The DPNR rezoning public hearing for the Estate Coakley Bay Property was held in St. Croix at the Florence Williams Library on Tuesday, December 11, 2012. There was no major opposition to the project.

GERS Now on 1-855-VI Services APP



GERS members can now use their smart phones and other smart tablet devices to get up to the minute information about the System, thanks to 1-855-VI Services, a website provider advertising U.S. Virgin Islands products, services and businesses.

The App will allow members to:

- Have direct access to GERS from your smart device (iPhone, iPad, iPod, Android phone, tablet, etc.)
- Call our offices directly from the app
- Email any concerns/questions directly to GERS from the app
- Add GERS contact information to your contact list directly from the app
- Email our contact information to your friends directly from the app
- Receive push notifications from GERS
- View our website from the app
- Bookmark GERS to your list
- View our location on the map through your mobile location services

Download the free 1-855-VI Services app today to begin enjoying the many benefits of having technology at your fingertips. Remember that you can only receive updates and special notifications if you accept "push notifications."

New Retiree Personal Loan Requirements

In the Regular Board of Trustees meeting on December 20, 2012, the Board approved the Administrator's recommendations to increase the retiree personal loan limit from \$10,000.00 to \$50,000.00 in accordance with Title 3, Chapter 27, Section 717(b) (14). The Board previously set a limit of \$10,000.00 for the retiree personal loan because the insurance companies would not underwrite policies for amounts over \$10,000.00.

GERS has recently secured the additional insurance coverage for the increase. The conditions are as follows:

- No Power of Attorney will be allowed for loans over \$10,000.00,
- Term of the loan will not exceed 5 years,
- Loans for amounts over \$10,000.00 must be repaid by age 85,
- The new insurance policy excludes coverage for pre-existing conditions. If the retiree has a preexisting condition, additional collateral in the form of an insurance policy, naming GERS as the beneficiary, must be prepaid for 6 months and cannot be cancelled during the 6 months period,
- All other existing loan policy requirements (i.e. credit check, debt to income ratio, etc.) remain in force.

The GERS is in the process of making the required changes to the system to accommodate the new requirements. We expect these changes to be completed by January 18, 2013 and begin the processing of retiree personal loans under the new requirements in February 2013.

Investment Manager Asset Allocation

As of December 31, 2012 - \$970,005,013 (unaudited)

DOMESTIC EQUITY	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
Large Cap Core Equity			
UNION HERITAGE CAPITAL MGMT.	\$ 63,295,838	19.4%	6.5%
STATE STREET GLOBAL ADVISORS (S&P 500)	10,758,076	3.3%	1.1%
Large Cap Value Equity			
LSV ASSET MANAGEMENT	69,953,512	21.4%	7.2%
NWQ INVESTMENT MANAGEMENT CO.	59,065,287	18.1%	6.1%
Large Cap Growth Equity			
TURNER INVESTMENT PARTNERS, INC.	61,804,564	18.9%	6.4%
SILVANT CAPITAL MANAGEMENT	61,484,931	18.8%	6.3%
TOTAL LARGE CAP EQUITY	\$ 326,362,208	76.2%	33.6%
Small Cap Value Equity			
FISHER INVESTMENTS INSTITUTIONAL	51,573,392	100.0%	5.3%
TOTAL SMALL CAP EQUITY	\$ 51,573,392	12.0%	5.3%
Micro Cap Equity			
OBERWEIS ASSET MANAGEMENT, INC.	50,255,582	100.0%	5.2%
TOTAL MICRO CAP EQUITY	\$ 50,255,582	11.7%	5.2%
TOTAL DOMESTIC EQUITY	\$ 428,191,182	100.0%	44.1%

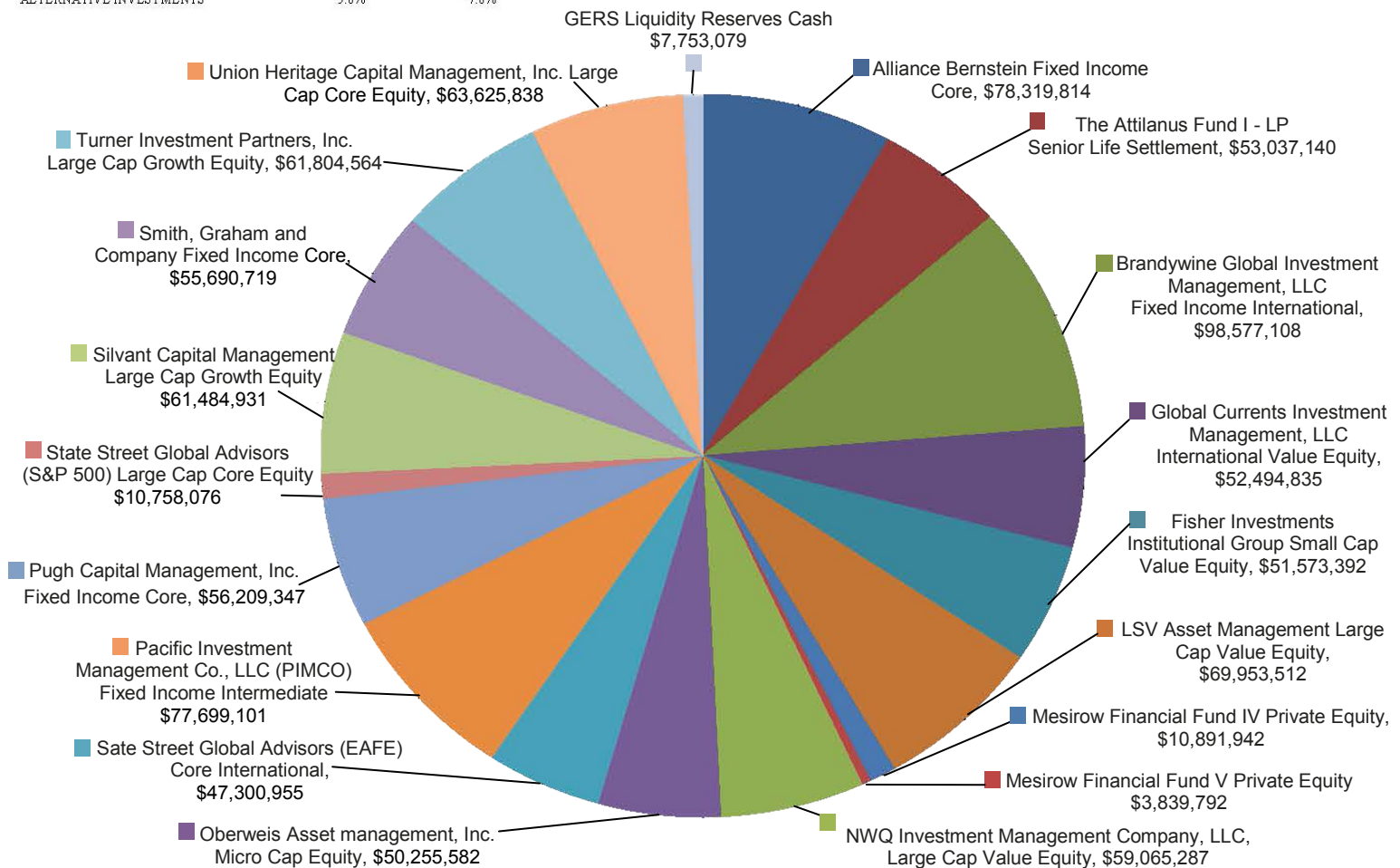
INTERNATIONAL EQUITY	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
GLOBAL CURRENTS INVESTMENT MGMT.	\$ 52,494,835	52.6%	5.4%
STATE STREET GLOBAL ADVISORS (EAFE)	47,300,955	47.4%	4.9%
TOTAL INTERNATIONAL EQUITY	\$ 99,795,790	100.0%	10.3%

DOMESTIC FIXED INCOME	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
ALLIANCEBERNSTEIN	\$ 78,319,814	28.4%	8.1%
PUGH CAPITAL MANAGEMENT, INC.	56,209,347	20.4%	5.8%
PIMCO	77,699,101	28.2%	8.0%
SMITH, GRAHAM AND COMPANY	55,690,719	20.2%	5.7%
TERS LIQUIDITY RESERVES	7,753,079	2.8%	0.8%
TOTAL DOMESTIC FIXED INCOME	\$ 275,672,060	100.0%	28.4%

INTERNATIONAL FIXED INCOME	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
BRANDYWINE GLOBAL INVESTMENT MGMT.	\$ 98,577,108	100.0%	10.2%
TOTAL INTERNATIONAL FIXED INCOME	\$ 98,577,108	100.0%	10.2%

ALTERNATIVE INVESTMENTS	AMOUNT	PERCENT OF ASSET CLASS	PERCENT OF TOTAL FUND
THE ATTILANUS FUND I - LP	\$ 53,037,140	78.3%	5.5%
MESIROW FINANCIAL FUND IV	10,891,942	16.1%	1.1%
MESIROW FINANCIAL FUND V	3,839,792	5.7%	0.4%
TOTAL ALTERNATIVE INVESTMENTS	\$ 67,768,874	100.0%	7.0%

ASSET CLASS	TARGET	ACTUAL
DOMESTIC EQUITY	45.0%	44.1%
INTERNATIONAL EQUITY	10.0%	10.3%
DOMESTIC FIXED INCOME	30.0%	28.4%
INTERNATIONAL FIXED INCOME	10.0%	10.2%
ALTERNATIVE INVESTMENTS	5.0%	7.0%



Support our Investment, Support the Havensight Mall Merchants!



Sample of New Retiree Annuity Paycheck

A new tri-fold retiree annuity check will be issued when GERS begins the in-house processing of the annuity payroll. The sample presented here includes a key to the various types of earnings and deductions that may apply to you. Retirees who receive their annuity checks by direct deposit will no longer receive check stubs. They will be able to view their stub details on the new Member Self-Service via GERS' Web Site. This feature will be accessible in the very near future and a press release will be sent to all media to advise you when the feature becomes available.

Earnings		Rate	Hours	This Period	Year to date
Regular Lifetime Annuity					
Gross Pay				\$ 2,225.90	\$ 42,008.74

Deduction		Statutory	This period	Year to date	This period	Year to date
Federal Tax Withholding			\$ 186.00	\$ 3,534.00		
Other						
Basic Life Insurance			\$ 18.23	\$ 346.37		
Health Insurance			\$ 69.52	\$ 1,320.88		
Net Pay				\$ 273.75	\$ 5,201.25	
				\$ 1,952.15	\$ 36,807.49	

Your federal taxable wages this period are \$2,225.90

Payroll check 000001
Pay date: 1/15/2013

Pay to the order of: Jane A. Doe

This Amount: ONE THOUSAND NINE HUNDRED FIFTY-TWO AND 15/100 DOLLARS \$ 1,952.15

BANCO POPULAR DE PUERTO RICO
MAIN OFFICE
ST. THOMAS, VI 00801

IF NOT CASHED WITHIN THREE (3) MONTHS,
THIS CHECK MUST BE RETURNED TO
GOVERNMENT EMPLOYEE RETIREMENT
SYSTEM (GERS) FOR VALIDATION OR REISSUE.

Signature

Signature

⑩

See Reverse Side For Easy Opening Instructions



Jane A. Doe
2020 South Street
Sunshine, CA 90000

1. ACCOUNT HOLDER DEMOGRAPHIC

Identifies company name, address and contact number.

2. GROSS PAY

Represents your total earned income before any statutory or other payroll deductions.

3. YEAR-TO-DATE

Shows your year-to-date totals for the calendar year.

4. DEDUCTIONS

Statutory deductions are required by law and include federal income tax.

5. DEMOGRAPHIC INFORMATION

Shows your name and mailing address.

6. OTHER

Represents non-statutory deductions, such as health insurance, Credit Union, etc.

7. NET PAY

Also known as "take home pay" is income after statutory and other deductions have been withheld.

8. CHECK INFORMATION

The date of the paycheck and check number.

9. SIGNATURE LINES

Bears the account holder signature(s) to authorize its use.

10. MICR LINE

Includes check, routing, and account numbers.

Local Alternative Investments



Seaborne Airlines' Saab 340B

Seaborne Airlines

In December 2009, the System executed an agreement with Seaborne Airlines to provide them with an interest-bearing term loan of \$1,300,000 and a convertible coupon interest-bearing note of \$2,000,000, both with terms of five years. All of Seaborne property is pledged as collateral.

Subsequently, on September 20, 2012, the GERS and Seaborne agreed to an amendment modification to the loan agreement and term note which provided for the modification of the convertible note as follows:

- The original principal indebtedness of the term note was amended and restated to be \$2,300,000.
 - The unpaid principal of the term note shall bear interest at the rate of 6.25% per annum until the maturity date of December 9, 2014.
- The original principal indebtedness of the convertible note was amended and restated to be \$1,000,000.
 - The interest is accrued at the rate of 8.25% per annum payable quarterly in arrears until the maturity date of December 9, 2014.
 - The note may be prepaid in whole or in part with a prepayment penalty of \$300,000.
- On November 2, 2012, a loan agreement secured by a promissory note in the amount of \$1,500,000 was made to Seaborne Airlines as part of the modification agreement.
 - The unpaid principal balance of this loan shall bear interest, computed on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, but not more than 30 days in a month, at a rate of interest of 6.25% per annum.
 - The term is 5 years, bearing interest on the principal sum outstanding at the rate of 6.25% per annum, payable in 20 quarterly installments of principal in the amount of \$75,000 each, plus interest, with the entire balance due and payable in full with the 20th payment on December 15, 2017.



Carambola Beach Resort and Spa

On December 8, 2009, the System executed an agreement with Carambola Northwest, LLC for a \$15 million, five-year interest bearing term loan. The collateral for the loan consist of all land and buildings of Carambola Beach Resort and Spa .

On May 11, 2012, GERS exercised its rights under the loan agreement and executed a preliminary disposition agreement with Carambola Northwest, LLC which provided that the GERS would assume control of the management of Carambola Beach Resort and Spa;

Carambola would indemnify the GERS for any undisclosed liabilities; and the due diligence would be completed within 30 days of the original disposition agreement.

On November 2, 2012, the final disposition agreement was executed with Carambola Northwest, LLC. The agreement was entered to provide for the settlement of the obligations of the Carambola and guarantor under the loan and conveyance of the assets of Carambola to the GERS; and the resolution of the obligations of Carambola and guarantor to the GERS.

The GERS is renovating a total of 138 rooms to meet Marriott Internationals' standards. The rooms are expected to be completed in early January 2013. Approximately, \$4 million has been budgeted to cover the cost of renovating the rooms and improvements to the infrastructure. An appraisal will be conducted when the work is completed.



St. Thomas/St. John & St. Croix
USVI



GERS Update!

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**BHSH Director Accepts Donations
from GERS Representative**



**PIO and Member Services Staff at
December 1st Friday Business**

GERS' Staff Gives to Homeless Shelter During Holidays

On Thursday, December 20, 2012, GERS' staff donated items such as bedding and toiletries to Bethlehem House Shelter for the Homeless as a means to help in furthering their mission of *"protecting struggling families from the perils of homelessness."*

GERS' Events

- Town Hall meetings were held on November 27, 2012 on St. Croix and December 4, 2012 on St. Thomas. We had tremendous member participation.
- GERS participated in our first, *1st Friday Business Expo & Fundraiser* on December 7, 2012 hosted by 1-855-VI Services.

- GERS will be at the February 2013 Business Expo at Coral World. Proceeds derived from this event benefit local non-profit organizations.

To keep abreast of the latest events and activities, visit our website at www.usvigiers.com.



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VISIT www.usvigiers.com
24 hours a day

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Mon. - Thurs. 8 A.M. - 3 P.M.
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Member Services
Mon. - Fri. 8 A.M. - 5 P.M.