



GERs Announcement

Austin L. Nibbs, CPA Administrator of the Government Employees Retirement System (GERS) is pleased to announce that the Board has approved his recommendation of Evelyn Venner-Potter as the Chief Operating Officer, Grasilda H. Dobbins, CPA as the Chief Financial Officer, and Anthony J. Selkridge as the Assistant Administrator.

Did You Know?

- When you take a step, you are using up to 200 muscles.
- Stress can result in more headaches as a result of the body rerouting blood flow to other parts of the body.
- Guavas have 5 times the vitamin C of oranges, and are also rich in vitamin B1 and vitamin A.
- Honey is the only food that does not spoil.
- Laughter is the best medicine according to many doctors. In fact, a single laugh may boost your immune system's defenses for up to 3 days.
- Strawberries have more Vitamin C than oranges.
- Blackberries have the highest concentration of antioxidants of any food.

(Source: www.didyouknow.com)



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From the Desk of the Administrator



On October 27th, it will be four years that I assumed the management of the Government Employees' Retirement System. Time has gone by so quickly.

We have faced the tough challenges head on and will continue to address those challenges that sometimes seem to be insurmountable, mainly the unfunded liability and the solvency of the Pension Fund.

On Tuesday, August 23, 2011, I appeared before the Committee on Finance of the 29th Legislative to present my fourth Annual Overview. The full text of the Annual Overview for 2011 is available on our website which is www.usvigerson.com. It outlines the major reasons for the unfunded liability (see page 2 of this newsletter).

I must congratulate those members who retired on September 30th under Act Nos. 7261 and 7281 for their 30 or more years of dedicated service to their respective departments and the Government of the Virgin Islands. Special congratulations to the eighteen employees who retired from the

Department of Finance (DOF) for their years of service. They are Celina Barthlett (36), Anneliesje Benjamin (35), Karen Blyden (32), Ira Christopher (30), Doroley Dawson (30), Leonis Dinzy-Boyce (32), Linda Harrigan (34), Delores Hodge (41), Hazel Kelch (38), Carol Laban (30), Evis Lake (34), Iralyn Mackay-Raymo (31), Lydia Martin (31), Stephanie Rabsatt (30), Shelly Schneider-Smith (34), Charles Sebastien (42.5), Ruth Krigger-Thomas (33.5) and George White (33). A special thanks to all of them for their support during my eight years at the DOF.

Austin L. Nibbs, CPA



St. Thomas/St. Croix
USVI

Virgin Islands Auto Club (VIAC)

VIAC is a privately owned auto club in the Virgin Islands, offering 24 hours-a-day, 7 days a week service to its members on St. Thomas, St. John and St. Croix. They are known for their safety, reliability and easy trademark. Members can rest easy when driving on our sometimes challenging roads and know they have protection against some of life's surprises. They offer flat tire service, battery jump-start service, fuel delivery, locksmith service, and of course emergency towing.

VIAC aims to serve and protect. They have an Auto Theft Reward program which will pay you up to \$500 for information leading to the arrest and conviction of anyone who steals or vandalizes your vehicle.

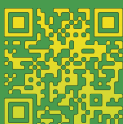
They also offer a Hit-and-Run Reward program in which they will pay up to \$500 for information leading to the arrest and conviction of a hit-and-run driver who damages your vehicle or injures you in the vehicle. They will also reimburse up to \$50 for ambulance service when you are injured in an automobile accident.

And if that were not all, VIAC also partners with some of our islands finest businesses, giving members discounts on Captain Vic Car Ferry from St. Thomas to St. John - just show your VIAC membership card and get \$5 off you fare. Other partners that include member discounts are Rodriguez Auto Parts, Cliff's Auto Body Repair, Dr. A's Auto Repair, H and H Tire and Battery (St. Croix), Reliable Mobile Auto Repair (St. John) and Al min Auto Glass. Another perk is a \$10 gas rebate when you display our decal on your car.

As you can see VIAC aims to please, give you peace of mind and serve their customers. Visit the website and see the many testimonials of satisfied drivers who depend on the SAFE, RELIABLE AND EASY way to get 24/7 ROADSIDE ASSISTANCE.

For more information about discounted group rates for GERS members, call 340-774-8455. You may also visit www.viautoclub.com.

Scan this code to go to their website using your smart phone.



Major Reasons for the Unfunded Legislative Mandates

The unfunded accrued liability at September 30, 2010 and June 30, 2011 is estimated to be \$1.5 billion.

One of the major reasons for the significant unfunded liability is the unfunded legislative mandates going back to the 15th Legislature. Presented on the bottom of page three of this newsletter is the nine (9) unfunded legislative mandates enacted by the 15th, 20th, 21st, 23rd and 24th Legislatures for which the System has distributed benefits which have negatively impacted the Fund.

A recent review conducted by the U.S. Inspector General revealed that because of the enactment of the Early Retirement Incentive, Training and Promotion Act of 1994 (Act No. 6007) which was passed by the 20th Legislature, the GERS lost \$121 million in contributions. The Legislature appropriated and GERS was paid a total of \$31 million which resulted in a loss of \$90 million in contributions. This \$90 million in loss contributions is the impact to the System that was calculated for only one of nine unfunded mandates.

In accordance with Title 3, Chapter 27, Section (j), the employer shall, in addition to any other contributions and payments to the System required by law, contribute to the System such sums as may be required to compensate the System for the costs of any special early retirement program.

In accordance with Title 3, Chapter 27, Section (k), the employer shall pay to the System the total costs of any special, early retirement program in advance of the

commencement of the early retirement program. If the employer is in default of payment for any prior special, early retirement program, the System may not distribute any special early retirement benefits from any additional special, early retirement program until full payment of the previous special early retirement program is made.

In accordance with Title 3, Chapter 27, Section (l), the System shall not pay benefits to

an employee unless his and the employee and employer's contributions adequately finance benefits and related costs provided under this chapter.

The System was ordered by the Court before to make payments, although, the employer's contributions did not adequately finance benefits and related costs.

These sections of the law were noted to point out that there are laws to protect the System; however, the laws were overlooked and circumvented to the detriment of the System.

Other unfunded measures were the crediting of excess annual and sick leave benefits credit to retiree's years of service up until December 31, 2009 and the past due administrative expenses totaling approximately \$37

million for Fiscal Years 1987 through 1998.

Since the enactment of Act No. 6223 in 1998, the GERS has financed its own operations.

The 29th legislation removed the provision that required the Government of the Virgin Islands to pay the administrative costs associated with the operations of the GERS.

For the past 3 years, I have reported that without a significant cash infusion and or increases in

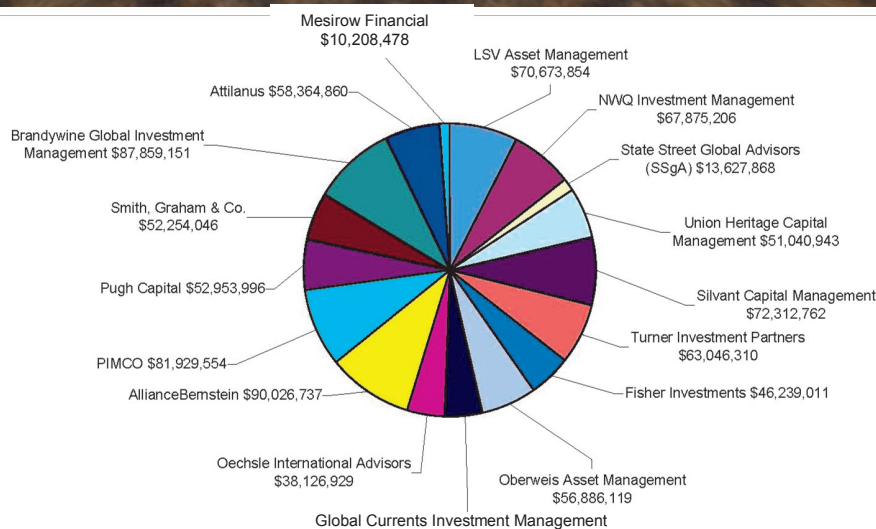
"...the laws were overlooked and circumvented to the detriment of the System."

The contribution rates, our Actuary has predicted that the System will run out of assets if nothing is done. Although, we are sensitive to the budget deficit of the Government

of the Virgin Islands, what is occurring today with the reduction in the workforce and the 8 percent reduction in wages for the next 2 years, will hurt the System's liquidity and cash needs and further increase the unfunded liability if other revenues sources are not identified to replace the loss contributions.

Investment Manager Asset Allocation

as of September 30, 2011 - \$954,709,787



Investment Manager	Investment Asset Class	September 30, 2011 Portfolio Value	June 30, 2011 Portfolio Value	Change in Portfolio Value	Percent Change
Government Employees Retirement System Fund - All Segments					
AllianceBernstein	Fixed Income Core	\$ 90,026,737	\$ 97,052,226	\$ (7,025,489)	-7.24%
The Attilanus Fund I - LP	Senior Life Settlement	58,364,860	58,364,860	-	0.00%
Brandywine Global Investment Management, LLC	Fixed Income International	87,859,151	84,319,467	3,539,684	4.20%
Global Currents Investment Management, LLC	International Value Equity	41,283,964	53,356,763	(12,072,799)	-22.63%
Fisher Investments Institutional Group	Small Cap Value Equity	46,239,011	60,309,194	(14,070,183)	-23.33%
LSV Asset Management	Large Cap Value Equity	70,673,854	96,276,199	(25,602,345)	-26.59%
Mesirow Financial	Private Equity	10,208,478	7,965,620	2,242,858	28.16%
NWQ Investment Management Company, LLC	Large Cap Growth Equity	67,875,206	83,652,222	(15,777,016)	-18.86%
Oberweis Asset Management, Inc.	Micro Cap Equity	56,886,119	75,288,829	(18,402,710)	-24.44%
Oechsle International Advisors, LLC	International Growth Equity	38,126,929	47,149,046	(9,022,117)	-19.14%
Pacific Investment Management Co., LLC (PIMCO)	Fixed Income Intermediate	81,929,554	89,855,883	(7,926,329)	-8.82%
Pugh Capital Management, Inc.	Fixed Income Core	52,953,996	51,081,774	1,872,222	3.67%
State Street Global Advisors (SSgA)	Large Cap Core Equity	13,627,868	16,152,360	(2,524,492)	-15.63%
Silvant Capital Management	Large Cap Growth Equity	72,312,762	93,824,514	(21,511,752)	-22.93%
Smith, Graham and Company	Fixed Income Core	52,254,046	50,979,204	1,274,842	2.50%
Turner Investment Partners, Inc.	Large Cap Growth Equity	63,046,310	74,946,366	(11,900,056)	-15.88%
Union Heritage Capital Management, Inc.	Large Cap Core Equity	51,040,943	59,332,739	(8,291,796)	-13.98%
Total Fund		\$ 954,709,787	\$ 1,099,907,266	\$ (145,197,479)	-13.26%

UNFUNDED MANDATES

Legislative Mandates	Act No.	Year
Omnibus Authorization Act of 1984	15 th 4877	10/25/1983
To Provide for Early Retirement of Department 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 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
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

Bonuses by Direct Deposit

Government retirees who are eligible should have received their annual bonuses from the System, as it relates to Act 7070, by direct deposit on Thursday, October 20, 2011.

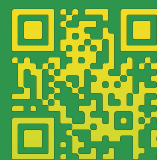
In accordance with Act 7070, to qualify for the bonus payment established in subsection (a), an annuitant or pensioner must be at least age 60, have been on the payroll for one year, and eligible to receive a cost of living adjustment by July 15 of the year in which the bonus payment is made.

Funded with money from V.I. Lottery, the bonus will be about \$183.04 gross, or \$137.28 net for each retiree. The amount of each bonus may be less than retirees have received in previous years because the amount transferred to the System from Lottery was less than required by law. GERS received \$1,143,834.66 from the V.I. Lottery for the annual bonus payment, which is \$1,126,165 less than is required by law. Under V.I. Code, the Lottery is required to transfer not less than \$2.27 million from its net income to GERS for the payment; however, they did not have the money to pay the full amount.

Nonetheless, the money received will be distributed evenly among the 6,249 eligible retirees.

For more information, call (340) 776-7703 and ask for Member Services.

What's New?



GERS will be using QR code, or Quick Response code, in upcoming publications. QR code is a type of 2D barcode that can hold more than 4,000 alphanumeric characters. To read a QR code, a user must have a barcode scanner that can read 2D barcodes, or a smart device (such as iPhone, Android, iPad, RIM Blackberry) with the appropriate app installed (such as AT&T Code Scanner, Red Laser, etc.). This code will direct you to any video, text URL, pictures or contact information provided.



GERS *Update!*

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GERS Event Calendar

• Benefit Payment Dates

All payments are due the 15th of every month.

• Board Meetings

- Thursday, October 20th (STT) ▫ Thursday, December 15th (STX)
- Thursday, November 17th (STT)

• Loan Applications

The offices on St. Thomas and St. Croix will be closed for **Loan Application intake** beginning 8:00a.m., Thursday, October 27th through 5:00p.m., Sunday, December 4th to allow the staff to conduct maintenance on the new V3 Pension and Benefits System.

During this period, all other services will remain the same. Regular business hours for **Loan Application intake** will resume at 8:00 a.m. on Monday, December 5th.

We apologize for any inconvenience this may cause our members.



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