Government Employees Retirement System of the Virgin Islands

Annual Overview of Operations

FISCAL YEARS

2026/2027

"Contributing today for a better tomorrow"

Presented to the
Committee on Budget, Appropriations and Finance

36th Legislature of the Virgin Islands of the United States

Earl B. Ottley Legislative Hall
Friday, August 14, 2026
St. Thomas, U.S. Virgin Islands

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
OVERVIEW OF OPERATIONS

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INTRODUCTION

Good afternoon Honorable Senator Novelle E. Francis, Jr., Chairman, Committee on Budget, Appropriations and Finance, distinguished Committee members, other senators present, and to all in the listening and viewing audience. I am Angel E. Dawson, Jr., Administrator/CEO of the Government Employees' Retirement System of the Virgin Islands (GERS). I am pleased to appear before this Committee to present the System's Annual Overview of Operations.
I am accompanied here in the well today by:

- Ms. Asiah Clendinen Gumbs, Sr. Deputy Administrator/Chief Operating Officer
- Ms. Michele Nico, Deputy Administrator, St. Croix/Territorial Loans Director
- Ms. Denise Jeremiah, Chief Financial Officer
- Ms. Shoran Sasso, Chief Benefits Officer
- Mr. Ishmael Meyers, General Counsel; and
- Mr. Jahmed Mills, Property Manager and Director of Retail, Dining and Entertainment, Havensight Mall

OVERVIEW OF OPERATIONS

As is known, the GERS is not required to submit a budget to the Legislature for approval. Its Board of Trustees is responsible for the approval of the annual budget. Therefore, our presentation is an overview of GERS' operations. We will, however, respond to any questions posed by the committee relating to budgetary information submitted to the Post Audit Division.

With a headcount of less than 80, between two districts, (excluding Havensight) the Government Employees' Retirement System is actually seven operating companies rolled into one.

- **GERS is an Investment Company**

At almost $500 Million, GERS likely has the largest investment portfolio in the U.S. Virgin Islands.

At present, our Investment Policy has the following targets:

U.S. Equity	35%
International Developed Market Equity	15%
Emerging Markets Equity	05%
High Yield Bonds	10%
Treasury Inflation-Protected Securities (TIPS)	10%
Investment Grade Bonds	20%
Cash	05%

As of June 30, 2026, our portfolio was comprised as follows:

Domestic Equity Assets -	$150.5 Million
International Developed Equity Assets -	$65 Million
Emerging market Equity -	$21 Million
Domestic Fixed Income Assets -	$170.2 Million
Private Equity-Limited Partnership -	$3.1 Million
Other alternative investments -	$79.25 Million

The total retirement system aggregate securities portfolio performance for the 1-year period was 15.9% and Fiscal YTD was 9.9%.

As can be seen in **Exhibit A**, GERS posted its first year of positive cash flow since 1995, in Fiscal Year Ended September 30, 2023 - some 29 years later.

However:

- Due to a $34 Million shortfall in the 2024 Funding Note payment, we achieved a Contributions-to-Payments ratio of .97:1.00 in 2024;
- Due to a $56.4 Million shortfall in the 2025 Funding Note payment, the Contributions-to-Payments ratio fell even further to .87:1.00; and
- Due to a $21.7 Million shortfall in the 2026 Funding Note payment, the Contributions-to-Payments ratio is expected to fall even further.

Despite these Funding note shortfalls, based upon a stellar market return of 24.3% in FY 2024, the market value of assets increased from $455 Million on September 30, 2023, to $552 Million as of September 30, 2024 – as can be seen in **Exhibit B**. This was followed by a more modest return of 12.0% in FY 2025 that further increased the market value of assets to $575 Million as of September 30, 2025 – also seen in **Exhibit B**. The Fiscal Year-to-Date 2026 return through June 30 was 9.9%. It should be noted that returns over the past four fiscal years have all exceeded the 6% actuarily assumed rate of return.

After hitting a low point of $400.3 Million in FY 2022, it's encouraging to see that the value of assets (including receivables) increased by $175 Million over the last 3 years. But, it must be pointed out that the rate of increase is flattening. It is also noteworthy that the amount of increase would have been at least $112 Million higher, were it not for three consecutive years of Funding Note shortfalls, as just outlined. And it would have likely been even higher, given the investment performance we were able to achieve over those three years.

- **<u>GERS is a Commercial Real Estate Company</u>**

GERS has been proud owner of the Havensight Mall since its acquisition in 1993, around the 75th anniversary of Transfer Day. The 18.9-acre site is comprised of 8 "Shop" Buildings, and various other structures with 156,142 square feet of rentable space. There are also 123,619 square feet of Land-Lease Tenant Buildings, for a total of 279,761 square feet of rentable area.

In Fiscal Year 2023, Havensight realized operating profits of approximately $1.2 Million. With an improved occupancy rate and leases set at market rates upon initiation and renewal, Havensight is on course to realize an operating profit almost triple what it was just three years ago. And this is before accounting for a contractually required percentage of gross revenue from the new Hampton by Hilton that occupies GERS property at Havensight, pursuant to a 50 - year ground lease. It was almost a year ago, exactly, that we all left these chambers to rush over for the Grand Opening of this first new-build hotel in the territory in more than thirty years.

In addition to Havensight, we also have office rental spaces at our complexes on St. Croix and St. Thomas. We must bring to this committee's attention the persistent arrearages in rental and utility payments for the Department of Justice's sizable space in our St. Thomas headquarters. Please ensure that its budget is adequately funded to cover these obligations to the GERS. We will be unable to continue carrying that Executive Branch Department as a delinquent tenant in Fiscal Year 2027.

- **<u>GERS is a Security Company</u>**

For better quality assurance, better control, and to maximize internal financial resources, effective December 2025, the Havensight Security Force was retained to provide security services to the GERS headquarters building here on St. Thomas.

Via deployment of new and highly visible security vehicles at the Havensight property, a visible Security Officer presence, and ongoing enhancement of our electronic surveillance, Havensight is seen as being a safe space for retail, dining, entertainment, and accommodations here on St. Thomas. This is valuable to existing tenants and highly desirable to prospective tenants.

Also adding to that sense of security was the commissioning of Havensight's new 2 Megawatt electrical power generator in the last quarter of 2025, in combination with its legacy generator. As a result, tenants, residents and visitors, alike, have seen Havensight as a beacon of light and hope during the many electrical service interruptions experienced in this district over these past two years.

- **GERS is a Tourism Company**

Having mentioned GERS' landlord/tenant relationship with Hampton by Hilton and its owner, Haven Development, GERS is most certainly involved in the tourism industry through this relationship and its ownership of the Havensight Mall. This is the welcome mat for hundreds of thousands of passengers who alight from their cruise ships in the beautiful Charlotte Amalie Harbor.

GERS is in the process of rebranding its Havensight property by updating signage and wayfinding, improving restroom facilities, updating infrastructure, and repainting its eight "Shop" Buildings. With each building being painted in colors from the official Virgin Islands madras. These colors have also been incorporated into Havensight's new logo (pictured here in **Exhibit C**) that has been submitted to the United States Patent and Trademark Office for all the necessary protections.

Adjacent to the Hampton by Hilton a new visitor center (replacing the old one removed to accommodate construction of the hotel) has been constructed. GERS is in the process of developing a greenspace in conjunction with the Visitor Center, along with a statue honoring the "coal women" of our past who fueled steamships in Charlotte Amalie Harbor at the turn of the twentieth century. To monetize the Visitor Center and Coal Workers' Park greenspace, GERS will be retailing commemorative souvenirs, while promoting Havensight as the experiential destination that our visitors increasingly demand.

- **GERS is a Bank**

To diversify its portfolio, ensure at least an 8% return, assist our members, qualifying retirees and the Virgin Islands economy, the GERS initiated limited personal loan programs. First, in 2024, we offered a Limited Personal Loans Program for active members. The funding allocation for Fiscal Year 2024 was $20 Million, with $10 Million available per district.

In May of last year, GERS announced the initiation of a Limited Retiree Loans Program with an allocation of $15 Million: $7.5 Million per district.

Most recently, in April of 2026, GERS announced that its Board of Trustees had approved a second tranche of its Active Loans Program in the amount of $20 Million. This trance ended last month

As of July 31, 2026, the member loans portfolio consisted of 3,202 Personal Loans (Active Employee Loans - 2,574/Retiree Loans - 628), for a total of - $24.5 Million. We also have in our loans portfolio some 29 legacy mortgages totaling $2.2 Million; and 10 legacy land loans totaling $145 Thousand. The overall loan portfolio as of July 31, 2026, amounted to $26.8 Million.

- **GERS is a Residential Housing Developer**

Recognizing the need for middle income housing in the territory, GERS is in the process of finalizing designs for one-, two-, and three-bedroom homes. The next step would be for models to be built on its properties at Estates Hoffman and Nullyberg on St. Thomas (120 acres), and Coakley Bay on St. Croix (170 acres). Depending upon the level of interest, homes would be built in phases, utilizing a "planned community" model. This would represent a prudent way for the GERS to partially liquidate its holdings of nonperforming real estate assets in both districts, while achieving the "highest and best uses" for their respective communities.

And, finally, of course:

- **GERS is a Retirement System**

In Fiscal Year 2026, we continued the migration of our Pension Administration System from Version 8 of our current V3 System to the newest V3locity. The latest offering of our software vendor, Majesco, V3locity will provide a significantly improved user experience for GERS through its Core Administrative Capabilities, in addition to Digital Self-Service for our participating employers, active members, and retirees.

This has been an all-encompassing, whole organization undertaking, in which we have brought Change Management and Business Process Improvement disciplines to bear. Upon completion in the first quarter of next year, GERS will have experienced a generational transformation.

I would also indicate that we expect issuance of the GERS Fiscal Year 2025 Audited Financial Statements with an Unmodified (Clean) External Auditor's Opinion by the end of this month.

For the latest retiree payroll (July 31, 2026), GERS paid benefits to 8,773 retirees and beneficiaries. From October 1, 2025, to July 31, 2026, 251 retirees were added to the payroll, and during that same period, 242 retirees were deleted from the payroll.

The total amount paid in benefits from October 1, 2025 – July 31, 2026, was $228,882,977.71. The average monthly amount paid in benefits to the retirees and beneficiaries is almost $23 Million.

As of August 11, 2026, the active membership is 9,373 (Central Government 6,297, and semi-autonomous agencies 3,076). The ratio of active employees to retirees presently stands at 1.07:1.00.

As of July 31, 2026, a total of $72,454,069.39 is due from semi-autonomous agencies, as follows:

	Employee	Employer	Loans	Fees	Fees Total
VIWAPA	304,021.55	16,491,121.22	69,819.12	11,579,212.49	28,444,174.38
SRMC	3,397,029.91	17,466,411.85	5,403.44	6,111,584.14	26,980,429.34
JFL	4,071,903.00	8,425,743.04	255,640.86	1,526,121.00	14,279,407.90
VIWMA	643,951.55	1,786,411.01	6,664.88	313,030.33	2,750,057.77
Grand Total	**8,416,906.01**	**44,169,687.12**	**337,528.30**	**19,529,947.96**	**72,454,069.39**

Every year an actuarial valuation is conducted by the System's Actuary to determine the contribution rate necessary to meet the cost of benefits being accrued and a corresponding amount to pay down a portion of the unfunded liabilities. An actuarial valuation is performed to calculate the Actuarially Determined Contribution (or ADEC). For many years, the actual amounts contributed by the plan sponsors have not been based on the required ADEC amounts. The amounts that were contributed by the Plan Sponsor have been significantly less than the required ADEC, as seen in **Exhibit D**.

	September 30, 2024	September 30, 2025
Actuarial Accrued Liability (AAL)	$3.91B	$3.88B
Actuarial Value of Assets	$0.56B	$0.57B
Unfunded Actuarial Accrued Liability	$3.35B	$3.31B
Funded Percentage	14.3%	14.8%
Total Actuarially Determined Employer Contribution (ADEC)	$293.7M	$291.8M
ADEC as a Percentage of Pay	64.5%	64.9%

The information that is presented above and in **Exhibit E** represent the results of the Actuarial Valuation as of September 30, 2025. For this period, GERS had a Total Actuarial Accrued Liability of $3.88 Billion. Plan Assets totaled $575 Million, and the Unfunded Liability was $3.31 Billion. This resulted in a funded percentage of 14.8% on an ongoing actuarial basis. The ADEC as a percentage of payroll is 64.9%. We note that 23.5 percentage points of this amount is, presently, the plan sponsor's contribution.

Which brings me to last year's presentation to this committee. At that time, I reminded all concerned that the GERS Board of Trustees, utilizing the statutory power vested in it, had resolved that the Employer Contribution Rate be increased from 23.5% to 26.5%. The purpose of this increase was to beef up the GERS' reserves and, in light of continuing Funding Note shortfalls, to push back or even eliminate the projected period of a temporary GERS insolvency between the years 2033 and 2039. Instead, the GERS Board of Trustees had its statutory power to increase the Employer Contribution Rate summarily and unceremoniously eliminated.

That unexpected action, however, has <u>not</u> eliminated the continuing Funding Note shortfalls outlined earlier, due to lower-than-expected cover-over revenue because of reduced consumption of Virgin Islands produced rum on the U.S. mainland. It also has done nothing to eliminate the $3.31 Billion Unfunded Actuarial Accrued Liability outlined above.

Exhibit F illustrates the impact of a continuing $25 Million Funding Note shortfall under three different scenarios: A 4%, 6%, and 7% rate of return, per year. (Summary of Solvency Projections in **Exhibit G**.) They all project that the GERS would be temporarily insolvent from 2033 through 2039 and would require as much as $360 Million from GVI General Fund revenues to pay full benefits. This is the scenario that the GERS and its Board of Trustees has been warning about and trying to avert for the last several years.

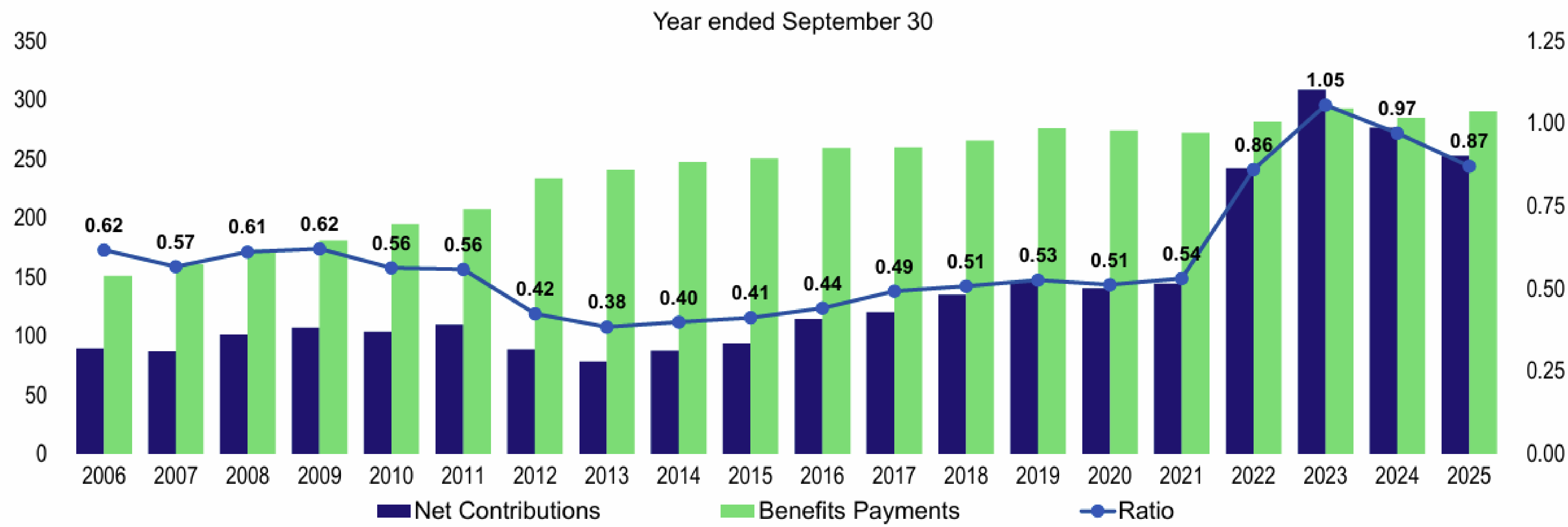
In our Annual Overview last year, I characterized the GERS as being a 65-year-old patient that has faced life-threatening conditions over the years. Utilizing the American Hospital Association's one-word conditions, I assessed the GERS' condition as having improved from "Critical" to "Serious". Today I submit to you that, despite some improvements, GERS' medium term financial condition remains

"Serious". Let us work together to ensure that it doesn't become "Critical", once again. 8,773 retirees and their beneficiaries and 9,373 Active Members are counting on us.

Exhibit A

Financial Information

Net Contributions and Benefit Payments (in $Millions)



Due to the GERS Funding Note beginning in 2022, the System's cash flow has significantly improved. Over the past four plan years, the System has had near or positive cash flow.

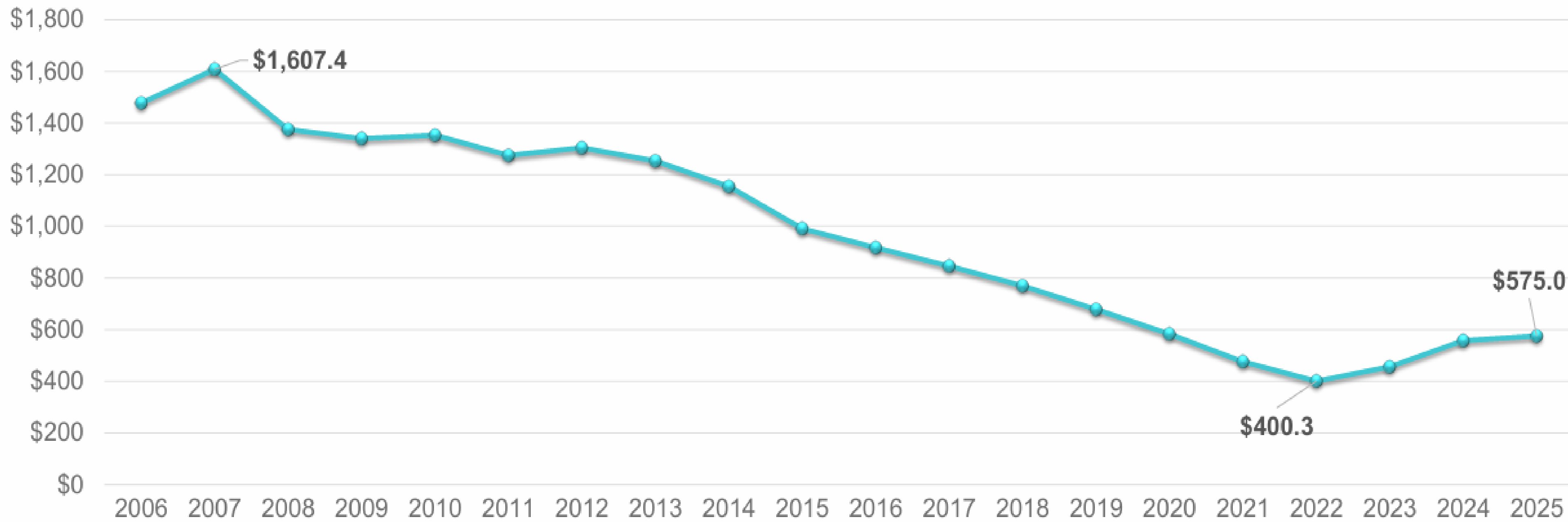
Note: Contributions are net of administrative expenses for each of the years shown. For the years ended September 30, 2022 and later, net contributions include the GERS Funding Note revenues.

Segal

Exhibit B

Financial Information

Market Value of Assets as of September 30, (in $Millions)



The market value of assets has declined by 64% since its peak in 2007 due mostly to the System's significant negative cash flow over that period. However, during the past three plan years, with positive cash flow due to the GERS Funding Note and favorable investment performance, assets have increased.

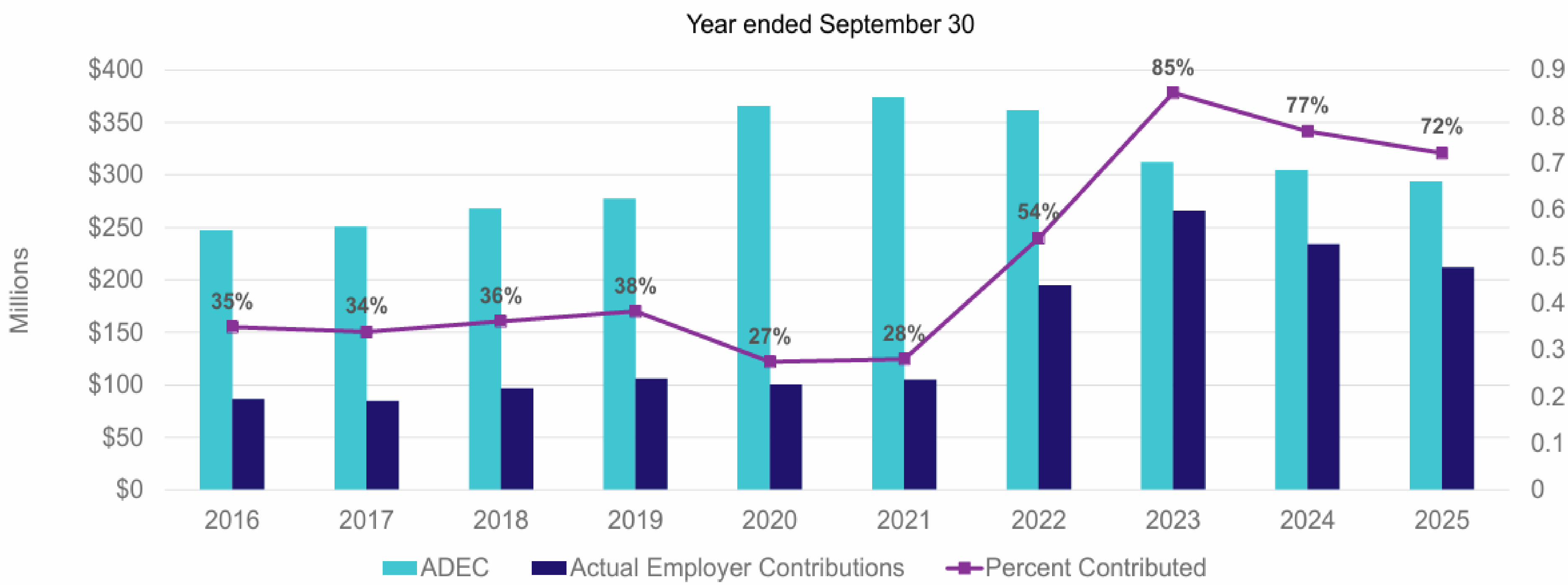
Segal

Exhibit C

Exhibit D

Preliminary Valuation Results

ADEC and Contribution History



The GERS Funding Note has significantly increased the percentage of ADEC contributed since 2021

Segal

Exhibit E

Preliminary Valuation Results

Funded Percentage and Actuarially Determined Contribution

Description	As of September 30, 2024	As of September 30, 2025
Actuarial Accrued Liability (AAL)	$3.91 Billion	$3.88 Billion
Market Value of Assets	$0.56 Billion	$0.57 Billion
Unfunded Actuarial Accrued Liability	$3.35 Billion	$3.31 Billion
Funded Percentage	14.3%	14.8%
	FY October 1, 2024 to September 30, 2025	**FY October 1, 2025 to September 30, 2026**
Total Actuarially Determined Employer Contribution (ADEC)	$293.7 Million	$291.8 Million
ADEC as a % of Pay	64.5%	64.9%

The unfunded liability and ADEC decreased from the prior year primarily due to the investment gain during the prior plan year and the continued phase-in of lower cost Tier 2 members.

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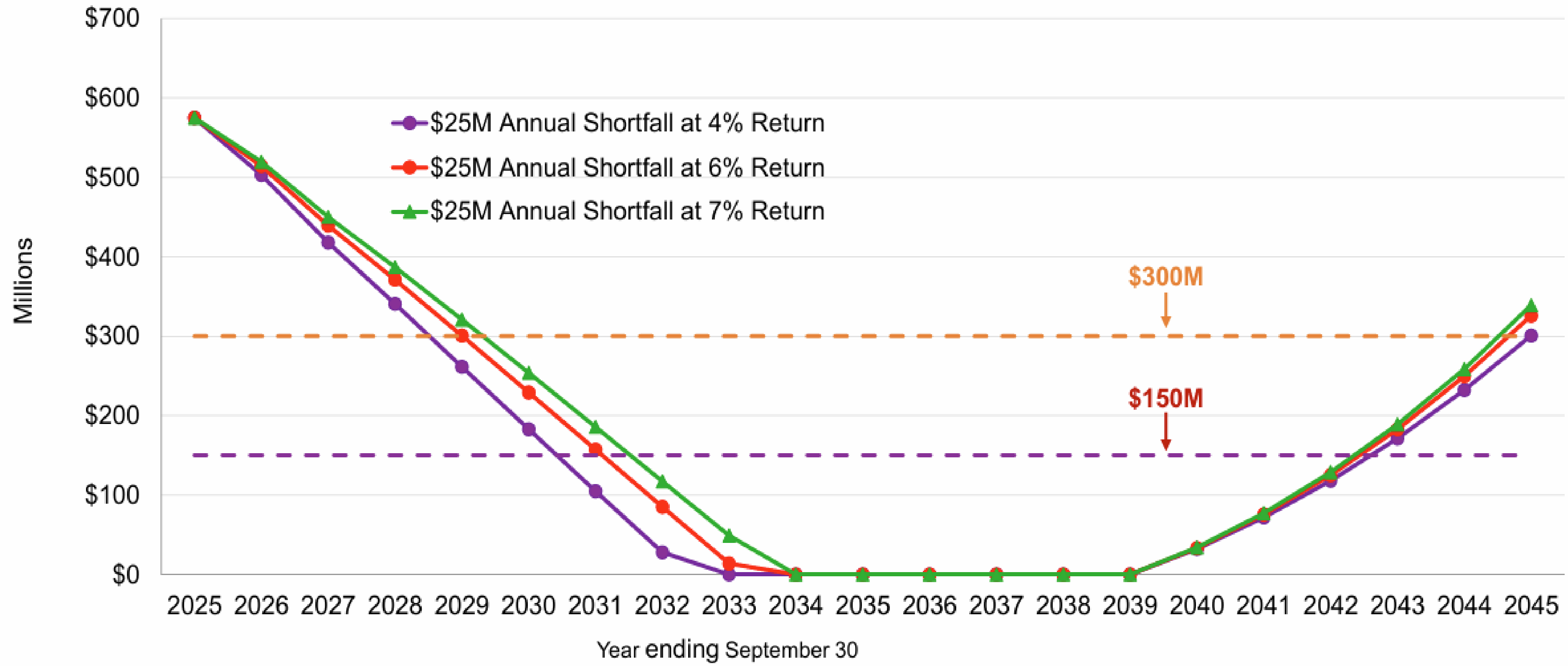
Exhibit F

Preliminary Market Value of Asset Projections

Impact of $25M Funding Note Shortfall per year & Sensitivity to Investment Return



With $25M shortfall per year and 4% return per year, GERS is projected to be temporarily insolvent from 2033-2039 and would need at least $360M from General GVI revenues to pay full benefits

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Exhibit G

Summary of Solvency Projections

Impact of $25M Funding Note Shortfall per year & Sensitivity to Investment Return

	No Funding Note Shortfall			$25 Million Per Year Funding Note Shortfall		
	4% Investment Return	6% Investment Return	7% Investment Return	4% Investment Return	6% Investment Return	7% Investment Return
Projected Lowest Point of Assets	$11M in 2038	$129M in 2038	$203M in 2038	$0	$0	$0
Projected Years of Insolvency	N/A	N/A	N/A	2033-2039	2034-2039	2034-2039
Projected Year to emerge out of Insolvency	N/A	N/A	N/A	2040	2040	2040
Projected Additional Contributions from General Revenues	N/A	N/A	N/A	$360M	$299M	$261M

Projected Additional Contributions from General Revenues are the amounts required during the Temporary Insolvency Period in order to pay retirees with full benefits

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