

logo not found or type unknown

# G.E.R.S., Pushing Back Against Bill Calling for Financial Experts to Be on Board, Says System's Only Problem is Lack of Funding

Government / **Published On February 21, 2020 07:37 AM /**

Ernice Gilbert **February 21, 2020**

Image not found or type unknown



**From left: Cathy Smith, GERS general counsel, Wilbur Callender, GERS chairman, and Pedro Williams, GERS board counsel** By. VI LEGISLATURE

The chairman of the Government Employees' Retirement System's board, Dr. Wilbert Callender, was pressed by senators on Thursday on how the pension system was managed, its lack of investments in the stock market that had burgeoned for years, and for opposition to a measure that seeks to strengthen the board relative to selecting members with background in finance.

"I don't understand why there would be any hesitation on the board's part — G.E.R.S.'s part — for wanting to add people with a certain level of expertise or experience to the board," said Senator

Allison DeGazon.

Mr. Callender countered by stating that the board currently has four members whose terms have expired, so the government could appoint members with requisite background. "But it doesn't matter what qualifications of members you put on the board, if you don't have adequate funding, it still will not make a difference to the system," Mr. Callender said.

Senator Alicia Barnes, who chairs the Committee on Gov't Operations, Consumer Affairs, Energy, Environment and Planning in which the hearing was held, pressed Mr. Callender on his claim that G.E.R.S.'s only problem was the lack of funds. "So you really and truly believe that the only issue confronting G.E.R.S. is a matter of lack of funding by the system's plan sponsor, the government of the Virgin Islands? You don't feel that you have capacity issues within the board as well as G.E.R.S.?" Asked Ms. Barnes.

Mr. Callender continued to defend the system and its board, stating that G.E.R.S. investments had performed better than its "hurdle rate" of 7.5 percent, averaging instead 8.7 percent.

Mr. Callender and other G.E.R.S. officials were present at the hearing for testimony on [Bill No. 33-0132](#), which seeks to strengthen the G.E.R.S. board "by requiring greater expertise among board members." The measure calls for "three members to be appointed by the governor and have at least five years of experience in their respective field, at a minimum a bachelor's degree in any of the following fields: investment banking, economics, finance, insurance, law, accounting, actuarial science, taxation, real estate appraisal or brokerage, or securities trading."

Senators Kurt Violet and Janelle Sarauw are the chief sponsors of the measure.

Senator Javan James inquired about the board's latest audit report. These reports are usually accompanied by recommendations G.E.R.S. should take to improve its standing. G.E.R.S. officials said while the latest audit report was of 2018 and needed information from the government to be completed, they could not say whether the board had implemented changes recommended by the 2018 or 2017 audit, for that matter. Mr. James said such lack of information made it hard to take serious concerns Mr. Callender placed on the record about the bill while giving testimony.

Ms. Sarauw highlighted a report from Fidelity, a multinational financial services corporation based in Boston, Massachusetts, which provided information on the high level of return on investments being realized during the Trump economy. Asked whether he knew of those high returns per the Fidelity report, Mr. Callender said he did not.

"Since [the 2016 U.S. election], do you know what percentage the market is up by?" Ms. Sarauw asked. Mr. Callender guessed 20 percent. He was off by 50 percent; the market is up 70 percent "or 110,000 points," Ms. Sarauw said. Even so, G.E.R.S. had not invested to take advantage of the stock market boom, with Mr. Callender contending that it had no additional funds to invest. Ms. Sarauw pointed out that the board had not requested any from the Senate.

"The point I am making is that we have lost investment opportunities," Ms. Sarauw said. She did acknowledge that previous Legislatures had passed unfunded mandates and that the government in many instances had failed the system. "But this cannot be the story and the narrative that you're going to tell for the next 20 to 30 years," she said.

Ms. Sarauw said the mere fact that Mr. Callender did not know how well the stock market had performed over the last three years and counting, along with no action being made by the board to

seek funding from the Senate to take advantage of the market's exponential growth, solidifies the need for the bill even more.

During a point of inquiry, Mr. Violet said to Mr. Callender that G.E.R.S. knows how much money from its roughly \$700 million portfolio it has to liquidate annually to make up the difference between what it collects from current government employees to pay retirees. Therefore, he said, some of the funds from the portfolio could have been used to participate in the stock market's rise over the years. "But the solution has been the plan support has to give money," Mr. Violet said.

G.E.R.S.'s plan sponsor is the government of the Virgin Islands, and the senator agreed that the government needed to do its part. However G.E.R.S., he contended, could find creative ways to make money as well. "And that is where I have issues, colleagues," he said.

Separately, senators were perturbed with the sale of the Carambola Resort, [which was sold for \\$10.4 million](#) during a time it was at capacity with federal workers in the territory performing hurricane recovery work. G.E.R.S. Board Counsel Pedro Williams stated that the hotel was sold because it was losing money, but lawmakers disagreed. The sale was described by Senator Myron Jackson as a steal of a deal, and as an embarrassment by Ms. Barnes.

The lawmakers requested that G.E.R.S. provide more details about the sale of the resort, and they voted unanimously to move Bill No. 33-0132 to the Committee on Rules and Judiciary for further vetting.