The Virgin Islands Consortium

Mapp: GERS 'Throws Away' Tens of Millions While Failing To Pay Retirees

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Governor Kenneth Mapp will be replacing the current board members of the Government Employee Retirement System (GERS) in an effort to "take control" of the entity, after revealing at a press conference Thursday the board's rampant wasteful spending and bad investment of tax payers' money.

The governor went into detail about some of what his administration found in its ongoing assessment of the government's agencies and programs, giving two examples of careless and wasteful spending by the GERS board.

"We had GERS at Government House talking about this issue of our retirees who have retired and have waited more than a year to receive their annuities," Mapp began. "In several instances, the amount of monies owed to retirees, some who have waited more than a year, we've seen on this list here $1,400 owed by the government, $2,400, $3,300, and their retirement annuity benefits were withheld from them."

He continued, "But while this has been going on, the retirement system has been literally throwing away their retirees' money, the monies of Government Employees Retirement System, in droves."

Mapp also highlighted an "investment scheme" gone bad.

"The retirement system entered into an investment scheme, claiming to use an actuary to determine a group of individuals, who are not members of the GERS, for which the retirement system would purchase term life insurance on these individuals. The amount that the retirement system released for this investment scheme was $50 million. On the maturity of this investment, or when these people die, the retirement system would recover $120 million," the governor explained.

"During the ongoing process of this investment," Mapp continued, "the GERS received back on the $50 million, $8.8 million, and then found itself with an investment entity that was going bankrupt. So then, the GERS made available to the entity to try and keep it afloat, another $10 million.

"The GERS board has written off already, 20 percent of the original $50 million as not going to ever see anything on that. For those of you who may be having difficulty with that 20 percent, that's $10 million. And now, trying to sell the remaining part of the portfolio for $7.7 million and call it a wash. So in effect, they gave up $60 million, and expect, at best, to receive $15 million at the end of the scheme," Mapp said.

In detailing GERS relationship with the Carambola Beach Resort on St. Croix, the governor again revealed troubling decisions he said were made by the board, where funds were poured into an investment with no assurances that GERS would recoup its investment, far less make a profit on it.

"We know that the GERS loaned monies to the principals out at Carambola -- $15 million on a property that was worth $4.5 million," Mapp said. "We know that the principals of Carambola paid on that $15 million loan, two payments totaling $125 million."

(*VI Consortium* believes the governor made an error here, as it makes no business sense to make a payment of $125 million on a loan totaling $15 million. We've concluded that the payments made by Carambola as either being two payments of $125,000, or two payments of $1.25 million. We've reached out to Government House for clarification).

Mapp continued to expose the faulty investments made by GERS in relation to Carambola Resort, and also revealed a $20 million purchase offer from Marriott -- something GERS has not yet respond to.

"As of December 31st, 2014, the GERS has dumped another $11 million in the Carambola property, [totaling] $26 million on a property valued at $4.5 million," Mapp said. "And it is their plan, according to their executive director, to dump several more millions on the guise of constructing a casino so that the property can at least attain a $7 million value."

He continued, "We received a copy of a proposal that was sent to the GERS with an offer to purchase the property by one of the Marriott entities for $20 million, and those parties -- they sent the full file -- have not yet received a reasonable reply from the Government Employees Retirement System."

Mapp said he will be naming "new members of the board of directors of the GERS, and taking control of that entity, because while, in just those two instances, they laid $86 million down on the table, they have staved off their membership from having access to their benefits on the claim that the government has not put in $2.1 million in government contributions. And so those retirees remain out on the street, waiting for their benefits, some with payments as small as $1,300."

"You will make the judgement call on the soundness of those decisions," Mapp concluded.