The Virgin Islands Consortium

# Attorney General Walker Issues Subpoena To GERS Board Chairman To Release Investment Information

Government / **Published On October 13, 2015 09:55 AM /**

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ST. CROIX -- The Virgin Islands Acting Attorney General Claude E. Walker has issued a subpoena to the Government Employees' Retirement System's Board Chairman Wilbur Callender, and the board's Counsel, Judge Edgar Ross, to release information the AG requested concerning the pension system's investment records, The Consortium has learned.

Walker previously made a request in writing to the GERS board, stating that the governor wanted the Department of Justice's assistance in reforming the retirement system. But Mr. Callender bucked at the request, and stated in a board meeting held in late September that the only reason the request was made was because Governor Kenneth

Mapp, through the AG's office, wanted to takeover GERS.

The Subpoena, according to people with direction knowledge of the action, who requested anonymity to speak freely on the matter, will finally allow the AG to examine the investments of GERS, many which have been openly criticized by Governor Kenneth Mapp.

At a press conference in February, the governor said GERS was throwing away tens of millions of dollars in bad investments, all while failing to pay retirees. He said he was acting to, in effect, "take control" of the government-owned entity to get it back on course.

The governor detailed some of what his administration found during an assessment it conducted of GERS and its programs, giving two examples of what he deemed as careless and wasteful spending by the 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 retirees' money, who are part 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 explained.

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 funds invested, 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 $1.25 million.”

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 — an offer GERS has yet to 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 would 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.

At the meeting in September, GERS board members said the letter from AG Walker requesting investment details asked for trade dates, transaction types, security descriptions and more.

Meanwhile, GERS continues to hemorrhage money. Sen. Neville James said at a recent Senate session that the pension system was losing $130 million yearly. Mapp, however, recently vetoed a measure sponsored by Sen. James that was intended to save the system, although others disagreed on how effective the measure would be without the $600 million infusion that GERS officials said was needed to add about 30 more years to its lifespan.