

The Virgin Islands Consortium

Dept. Of Justice Wants To See 5 Years' Worth Of G.E.R.S.'s Investment Portfolio; Asks Judge To Act On Subpoena

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Ernice Gilbert **March 21, 2016**



Acting Attorney General Claude E. Walker.

ST. THOMAS -- Even before the Office of the Inspector General's [audit report](#), the Virgin Islands Department of Justice, its head being Attorney General Claude Walker, had been seeking five years' worth of portfolio data from investment managers for the Government Employees' Retirement System. The request was initially made through writing, but Mr. Walker was forced to issue a subpoena after Board Chairman Wilbur 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 G.E.R.S.

In a [motion](#) filed on Friday, Mr. Walker asked the court to move quickly on the case, stalled since December 2015, awaiting the judge's decision. The October 9, 2015 subpoena sought information from G.E.R.S. regarding investment managers, including all security trades made in G.E.R.S.'s accounts; a list of all active accounts operated by the investment managers on the behalf of G.E.R.S.; and a statement for securities positions for the last five years.

The investment managers that Mr. Walker is seeking the above information from include the following:

- Brandywine Global Investment Management Investment, with its main office in Philadelphia
- Fisher Investments Institutional Group, with offices in Washington and California
- LSV Asset Management, headquartered in Chicago
- Pacific Investment Management Company, with its main office in California
- Union Heritage Capital Management, its main office located in Detroit
- Pugh Capital Management, headquartered in Seattle
- Smith Graham & Co., located in Houston, Texas
- Walter Scott Investment Management, headquartered in Edinburgh, Scotland
- Black Rock, located in New York

Mr. Walker said that as attorney general, he has a responsibility to investigate the circumstances of G.E.R.S.'s losses, hence the authority to request of the board information that could lead to reasons why the losses were realized in the first place.

But his subpoena was followed by an October 15, 2015 Board of Trustees petition to quash the D.O.J.'s request to see documents, which was followed by a court decision on November 10, 2015 directing Mr. Callender to provide the legal basis to quantify the board's argument that D.O.J. should not have access to the information.

According to Mr. Walker, the board failed to provide legal basis upon which the court should quash the D.O.J.'s request. However, to this date, the court has yet to make a decision, which is now regarded as urgent after the O.I.G.'s damning audit findings on G.E.R.S.'s Alternative Investment Program, which has revealed stunning mismanagement of government employees' pension fund.

According to the audit, G.E.R.S. [could lose](#) over \$40 million on a speculative investment; it provided an \$8.2 million loan to a [grocery store development](#) in St. Thomas despite being warned to steer clear of the deal by a financial consultant. The board approved another \$5.7 million [loan](#) to the franchise owner of the local Kentucky Fried Chicken fast food chain, Kazi Food, LLC, and has not been able to give an account for how the funds were used; and has expended, thus far, [over \\$27 million](#) on the Carambola Beach Resort & Spa, a facility that has struggled to see profits. These findings prompted concerned government employees as well as residents employed in the private sector, but are frustrated by the plight of their family and friends, to [sign a petition](#) requesting that the entire G.E.R.S. board be dissolved.

The petition has been signed by over 160 people, many of whom left heartfelt comments.

"I'm signing this petition not only as a government employee, but as a single mother that is struggling to maintain her household. After realizing that I am about to make 10 years in the government and the monies I paid into a crumbling system will be deemed 'vested,' scares me," wrote Tenisha Lowry, a St. Thomas resident. "I should be able to choose who will be managing my retirement or at least have access to it. I believe that through signing this petition, I would see some change in that system and not just the yearly raise in the percentage I'm forced to pay in."

The Subpoena would give D.O.J. unprecedented access to examine the investments of G.E.R.S., which were openly criticized by Governor Kenneth Mapp well over a year before the Inspector General's report. In fact, during a February 2015 press conference, Mr. Mapp said G.E.R.S. 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.

"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," Mr. 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."

Mr. 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 G.E.R.S., 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, the G.E.R.S. received back on the \$50 million, \$8.8 million, and then found itself with an investment entity that was going bankrupt. So then, the G.E.R.S. made available to the entity to try and keep it afloat, another \$10 million," the governor said.

"The G.E.R.S. 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," Mr. Mapp explained. This information was [also revealed](#) in the O.I.G.'s report.

Feature Image: Attorney General Claude Walker.

Image Credit: Government House.

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