

The Virgin Islands Consortium

It Refuses To Make Loans To System Members, But GERS Lends Carambola Resort \$1.5 Million

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ST. CROIX -- Even after a bill was signed into law calling for the Government Employees' Retirement System to make loans available to its members, G.E.R.S. [refused to do so](#), with the Board of Trustees claiming that reinstating the loan program -- which has been a bright spot for the system with guaranteed returns -- would not be a prudent business decision.

"The trustees, after reviewing the system's liquidity, cash flow, obligations to the current and future annuitants, and the prudent investor rule with respect to alternative investments, the Board of Trustees determined that to reinstate the loan program at this time would breach their fiduciary responsibility to the fund and the members," G.E.R.S.

said in a statement in June.

That's after the system had made some questionable investments [that has led to losses in the millions](#).

But at the first day of G.E.R.S.'s two-day summit, it was revealed that the system -- after loaning the Carambola Beach Resort and Spa \$15 million without performing proper due diligence, and after accumulating expenses of over \$27 million [according to a Inspector General audit](#) -- recently loaned the same resort another \$1.5 million for what the board described as "physical upgrades", so that the resort could meet Marriott stands, which will be paid back to the system, according to GERS, through a line of credit.

The news infuriated senators who were present for the summit, particularly Kenneth Gittens, who said today that the board needs to be more responsible with the system members' money.

"After following recent developments with the G.E.R.S. and attending a G.E.R.S. Summit Monday, I am dumbfounded. Today, legislators were given an overview of G.E.R.S.'s finances and it is apparent that the G.E.R.S. funds are in place to benefit everyone other than those who contribute to the system. It is apparent that while the board continues to cry out that the system is a system on the brink of financial collapse, they continue to find money to fund other high-risk loans and investments," Mr. Gittens, a co-sponsor of the measure to reinstate loans to system members, said.

According to the I.G.'s report, made public in March, G.E.R.S. [could lose \\$40 million on a speculative deal](#); it has made illegal investments; approved a loan totaling \$8.2 million for the development of a [local grocery store](#), even after being advised not to by an outside financial consultant; and [granted a \\$5.7 million loan](#) to the local owner of the Kentucky Fried Chicken fast food chain, Kazi Food, LLC, and have failed to give an account of how the money was used.

At today's summit, board members, the actuary, and a Meketa Investment Group official relayed to senators the precarious position that the system is in, with a main theme throughout the summit being the unfunded liability of at least \$1.7 billion, left unpaid by the plan sponsor, which is the Government of the Virgin Islands.

A myriad of options were discussed (more information in forthcoming stories), however, all agreed that solutions were difficult to find, with the most immediate fix being an infusion of cash of at least \$600 million, which Rocky Joyner, the actuary, said would stave off disaster for the foreseeable future.

But the news that G.E.R.S. had made yet another investment into a hotel, which it owns, after spending more than \$27 million on it, left some lawmakers sour, especially in the light of G.E.R.S.'s ardent refusal to make funds available to those who pay monthly into the system -- government employees.