



DIVISION OF PERSONNEL

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Kenneth L. Hermon, Jr. PHR
Director

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60th Anniversary

March 18, 2009

Senator Carlton Dowe
28th Legislature of the Virgin Islands
Capital Building
St. Thomas, VI 00802

Dear Senator Dowe,

This letter responds to your correspondence received on February 27, 2009 wherein you requested an update on the progress of the Retro Active Wage Commission. Below you will find my responses to the questions specifically outlined in your correspondence.

How far has the Commission gotten in their research and compilation of data?

As you are aware, several retirees with extensive GVI Personnel/NOPA experience were selected to complete the herculean task of reviewing each and every Official Personnel Record (OPR) for employees that worked for the government and made contributions to the Government Employee Retirement System (GERS) between October 1989 and September 2002. To put this into some perspective, the total number of OPR files that need to be reviewed totals more than 20,000. That being said, I have developed the chart below which shows what we have been able to accomplish thus far.

Class of OPR's	Total # of Files	# of Files Reviewed	Pending
Retiree	5,772	4,952	820
Active/Inactive	14,918	6,764	8,154
TOTALS	20,690	11,716	8,974

As of February 2009

What is the current balance of funds remaining from the \$500,000 appropriation?

There were two Acts which provided funding for the Retro Commission, Act 6934 & Act 6984. On December 10, 2008, the Division asked the Office of Management and Budget to allot the remaining balance of the \$500,000 appropriation made available via Act 6984. Additionally, with your assistance, we recently regained access to \$200,070 of \$400,000 authorized via Act 6934. Below is an accounting of the combined balances for the two accounts.

Balance of funding Authorized by Act 6934 and Act 6984	
Budget Categories	Balance
Professional Services	\$ 236,141
Personnel Services	\$ 94,868
Computer Equipment	\$ 30,744
Office Supplies	\$ 11,380
Communication	\$ 11,820
Travel	\$ 7,353
TOTAL	\$ 392,306

* It should be noted that these funds remain available until expended and I have still have access to an additional \$199K under Act 6934 which I have not asked OMB to budget as yet.

When will the work that the Commission has been contracted to do be completed?

The contractors are moving through the OPR files for the active/inactive population at an acceptable pace with more attention on accuracy than speed. Currently, they are averaging a letter per week and have completed the review of active/inactive OPR files up to letter "H" and have completed more than 90% of all retiree files. At this pace, without any major interruptions, our best estimate is that we will have the Division's portion of the project completed by July 2009.

When does the next step in the process that includes the Department of Finance begin?

The Division has begun the process of identifying employees to work at the Department of Finance (DOF) to assist with DOF's portions of the project. DOF has the responsibility of taking the raw data collected by the DOP contractors and inserting the actual hours worked for that period of time for each employee entitled to a Retro Active payment. This insertion of the actual hours work will allow us to truly identify the amount owed to the individual employee and finally have a true cost and not a ball park estimate about this obligation. We have advertised to hire four to six employees to work the project from the DOF side. It is anticipated that they will be onboard by March 30, 2009. Based on some preliminary calculations and barring no major interruptions, DOF projects to be finished by November 2009.

I have met with the Executive Assistant Commissioner Val Collens and Karen Bylden of the DOF payroll unit, relative to this project and everyone is aware of their role. Additionally, I have met with Julito Francis with respect to the bond issuance. He has indicated that based on the municipal market conditions as they are, it will make the financing more problematic. Current municipal bond market conditions of historically wider credit spreads of BBB-rated debt, as is the GVI's bond, will result in higher interest costs and possibly higher placement fees. This will result in lower net proceeds available to fund retro payouts. He has assured me that the PFA, its financial advisor, and underwriters will continue to monitor the bond market for a more favorable time to issue bonds to fund the retro payments.

We have also worked with our web developer to provide a means for those former employees living outside of the territory to participate and track the process of the Retro Commission the Division's website. I am hopeful that these modifications will be in place by the end of April 2009.

Senator, I understand the importance of this project to the former and present employees who are impacted. While some of your colleagues and some individuals waiting for their just compensation are frustrated with the time it is taking, I must remind these critics that the deJongh/Francis administration is much closer to resolving this issue than any other administration has ever been. Senator, it is equally important to note that while we are attempting to address these retroactive wages, we still must address the Executive Branch's obligation to cover the employer/employee portions for contributions for the period in question. Further, we must be forever mindful of the Executive Branch's obligation to cover the unfunded liability attributed to the Government Employees Retirement System (GERS) issuing retroactive annuity adjustments dating as far back as 1989. Preliminary estimates project these additional financial obligations to be in the multi-million dollar range.

So as we move ever closer to understanding the full financial burden to be placed on the Citizens of this Territory, I have to ask all with an interest in this process to be patient. I anticipate that my response addresses each of your concerns and better equips you and your staff with the information needed to relay back to those constituents that contact your office. If you have a need for further clarification please do not hesitate to contact me.

Respectfully,



Kenneth L. Hermon, Jr., PHR, IPMA-CP
Director

cc: Honorable John P. deJongh, Jr. - Governor
Honorable Gregory R. Francis - Lt. Governor
Claudette Watson-Andersen - Commissioner, DOF
Julito Francis - Executive Director, PFA
Austin Nibbs - Administrator, GERS