



# DIVISION OF PERSONNEL

3438 Kronprindsens Gade, GERS Building, 3<sup>rd</sup> Floor, Charlotte Amalie, St. Thomas, V.I. 00802-5712 (340) 774-8588 FAX (340) 714-5040  
3009 Orange Grove Shopping Center, Bays # 6, 7, 8, Christiansted, St. Croix, V.I. 00820 (340) 773-0341 FAX (340) 773-5669



Kenneth L. Hermon, Jr. PHR  
Director

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60<sup>th</sup> Anniversary

August 5, 2009

The Honorable Carlton "Ital" Dowe  
Senator  
28<sup>th</sup> Legislator of the Virgin Islands  
St. Thomas, VI 00802

Dear Senator Dowe:

This letter responds to your inquiry dated July 27, 2009 wherein you requested an update on the progress being made to identify the retroactive wages owed to former and current unionized workers of the Government of the Virgin Islands. Since March, the consultants have made great progress in moving ever closer to bringing closure to this longstanding issue. Below you will find the most updated information on the Commission's activity thus far.

## PHASE 1

As you may recall, phase 1 of this project encompassed the gathering of raw data from almost 20,600 Official Personnel Records (OPR). Based on that approach, it required the manual review of more than 1,000,000 pieces of paper containing info regarding NOPA history and other pertinent documents contained in the various OPR files. The following chart illustrates the findings of the Retro Commission thus far.

Class of OPR's	Total individuals deemed eligible for Retroactive wages	Status	Comments
Retirees	4,124	All records have been transmitted to DOF for the insertion of actual hours worked (Phase 2)	95% of the retiree OPR files have been reviewed. We are working with the departments to identify the remaining 5%
Actives	4,557	Same as above	98% of the active files have been reviewed. We are working with agencies to identify the remaining 2%.
Inactive	Pending	We are currently combining all data from GERS, DOF and DOP to try to identify this population. We estimate that the inactive population will consist of about 4000 files which will have to be reviewed.	
<b>Sub Total</b>	<b>8,781</b>		

*\*It must be noted that because of this effort, the consultants also identified 456 exempt retirees who may be entitled to a Retirement Annuity adjustment based on the language contained in Section 4 of Executive Order 401-2001 which was issued by former Governor Charles W. Turnbull.*

In late July, I took the consultants off the project until such time that we have a more accurate list for the inactive population. By the end of August they should be back working on those inactive files.

## **PHASE 2**

Phase 2 of the retro project is going to be spearheaded by the Department of Finance. In phase 2, DOF has the responsibility of taking the raw data collected by the consultants and inserting the actual hours worked for that period of time for each employee entitled to a retroactive payment. This insertion of the actual hours worked will allow us to truly identify the amount owed to the individual employee and enable the government to finally have ascertain a true cost of this obligation.

Since my March letter, three (3) temporary employees have been hired and are currently working within the DOF to gather the data from the FMS and DOF historic time card records. Thus far, they have completed the review of almost half or about 2,000 records of the active employee population. Based on this pace, I have determined that an additional three to four employees, dedicated full time to the project, can ensure that we stay on target to complete the DOF portion by the middle or end of the 1<sup>st</sup> quarter of 2010. With that in mind, I have identified six (6) applicants and interviews will be conducted during the week of August 10, 2009.

Additionally, in Phase 2, the actual Retro Commission which has the responsibility of recommending a rational schedule of distribution will be formally established. The Commission will host a series of public forums in both districts to provide opportunities for all concerned to offer guidance and suggestions. Also, the commission will develop a series of public service announcements as a means of providing transparency with regards to the retroactive commission's activities and final decisions. A meeting is currently scheduled with all Executive Branch stakeholders as to the manner in which the Commission will be structured. I will share the outcome of that meeting with you shortly thereafter.

## **PHASE 3**

Phase three of the project is the phase everyone is most interested in. During this phase, the Commission will disseminate by mail to active and inactive employees, official notice of their eligibility to receive a retroactive lump sum payment. The notification document will outline the period they are being compensated for, the cumulative amount associated with those periods and the payment schedule. (Attached is a copy of the sample notification letter.) Also, each individual deemed to not be entitled to a retroactive payment will also receive official notification.

We have held cursory discussions with Mr. Julito Francis, Executive Director of PFA, about the time frame needed to secure the funding for payment up to the initial \$45 million dollars from the Insurance Guaranty Fund. He is confident that based on our projected timeline, the lending markets should be more favorable and will move post haste once the Commission has delivered the payout formula and the Governor has approved the payment schedule.

Senator, it goes without saying that I fully understand the importance of this project to the former and present employees who are impacted. However, I must state for the record that the deJongh/Francis administration is much closer to resolving this issue than any other administration has ever been. 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.

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: The Honorable Governor, John P. deJongh, Jr.  
The Honorable Lt. Governor, Gregory R. Francis  
All Members of the 28<sup>th</sup> Legislature of the Virgin Islands  
Angel A. Dawson, Commissioner of Finance  
Jultio Francis, Executive Director-PFA