EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE VIRGIN ISLANDS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION AND REPORT OF INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2010
(With Comparative Totals for 2009)

BERT SMITH & Co.

Certified Public Accountants and Management Consultants

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Employees' Retirement System of the Government of the Virgin Islands:

We have audited the accompanying statement of plan net assets of the Government of the Virgin Islands Employees' Retirement System (the System) as of September 30, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on the financial statements based on our audit. The prior year's summarized comparative information has been derived from the System's 2009 financial statement, and in our report dated August 3, 2010, we expressed a qualified opinion on those statements.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the System are intended to present only the portion of fund information of the Government of the Virgin Islands that are attributable to the transactions of the System. They do not purport to, and do not, present fairly the Government of the Virgin Island's overall financial position and results of operations as of September 30, 2010.

As discussed in Note 4(c) the financial statements include investments in limited partnerships valued at $48,710,369. The System lacks the procedures to assess the reasonableness of the reported values provided by the fund managers. The System's estimate of a significant portion of the recorded limited partnerships' value is based on information provided by one of the general partner of the limited partnership in fiscal year 2006 less a return on capital during fiscal 2008 of $8,136,726 upon the restructuring of the fund. At September 30, 2010 the system elected to maintain the investment balance reported in the prior year for a significant portion of the limited partnerships values because of the basis of the valuation of the investment as determined by the partnership, and the uncertainty of the recoverability of the investment. In our opinion, the System's procedures are not adequate to determine whether the investments approximate fair value in conformity with accounting principles generally accepted in the United States of America. The effect on the financial statements and supplemental schedules of not applying adequate procedures to determine the fair value of the securities is not determinable.

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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, if the scope of our audit had not been limited by our inability to satisfy ourselves as to the fair value of the limited partnership investment, the financial statements referred to in the first paragraph above present fairly, in all material respects, the plan net assets of the Employees' Retirement System of the Government of the Virgin Islands as of September 30, 2010, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The schedules of funding progress and employer contributions on pages 36 through 37 are not a required part of the basic financial statements, but are required supplementary information required by the Governmental Accounting Standards Board.

This supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit and do not express an opinion it. As a result of such limited procedures, we believe that the schedules of funding progress and employer contributions are not in conformity with accounting principles generally accepted in the United States because an actuarial valuation was not performed within the required two year period.

Bert Smith & Co.

August 24, 2011

This management's discussion and analysis (MD&A) of the Employees' Retirement System of the Government of the Virgin Islands (the System) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the System's financial activity, (c) identify changes in the System's financial position, and (d) identify individual issues or concerns. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

The MD&A is intended as a supplement and should be read in conjunction with the financial statements.

Overview of the Financial Statements

The System is a component unit of the primary government of the U.S. Virgin Islands and is included in the Comprehensive Annual Financial Report of the Government. The System's financial statements include the following components:

- Statement of Plan Net Assets
- Statement of Changes in Plan Net Assets
- Notes to the Financial Statements
- Required Supplementary Information

The *Statement of Plan Net Assets* presents the Plan's assets and liabilities and the resulting net assets, which are held in trust for pension benefits. This statement reflects a year-end snapshot of the System's investments, at fair value, receivables and other assets and liabilities.

The *Statement of Changes in Plan Net Assets* presents information showing how the Plan's net assets held in trust for pension benefits changed during the year. This statement includes additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions and administrative expenses.

Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of the data reported in the financial statements. This section also now includes the disclosure of actuarial methods and significant assumptions used in the most recent actuarial valuations and the funded status of the plan in accordance with GASB Statement No. 50, *"Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27."*

Required Supplementary Information presents information concerning the Systems' funding progress and its obligations to provide pension benefits to members. A schedule of required employer contributions is also presented and is useful in evaluating the condition of the plan.

FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Comparison of 2010 and 2009 Assets, Liabilities, and Net Assets

Condensed assets, liabilities, and net assets are presented below (dollar amounts in thousands):

Net Assets	2010	2009	Increase (Decrease)	Percentage
Cash, cash equivalents and investments	$ 1,303,416	$ 1,308,890	$ (5,474)	-0.4%
Member loans, net	138,188	132,693	5,495	4%
Real estate, net	92,237	89,200	3,037	3%
Other assets	15,038	22,437	(7,399)	-3%
Total assets	1,548,879	1,553,220	(4,341)	-0.3%
Total liabilities	196,592	213,909	(17,317)	-8%
Total net assets	$ 1,352,287	$ 1,339,311	$ 12,976	1%

At September 30, 2010 and 2009, the System's total assets were $1.549 billion and $1.553 billion, respectively. This decrease in total assets resulted mainly from the net effect of the following:

- Investments decreased approximately $10.2 million, which represented a 1% decrease over September 30, 2009. Both the domestic and international equity segments impacted the decreased performance of the Fund. For the year ended September 30, 2010 the total return on the investment portfolio amounted to 9.45%.

- The members' loans increased $5.5 million to approximately $138.2 million as of September 30, 2010 from approximately $132.7 million as of September 30, 2009. The 4% increase was attributable primarily to the increased personal loans granted during the year. The allowance for losses remains unchanged from prior year.

- The real estate increased approximately $3.04 million due to the net effect of additions associated with the construction of the St. Croix headquarters of $6.77 million offset by a $3.56 million write down to record the building at its appraised value. Depreciation expense of $170 thousand was recognized during the year.

- Total other assets decreased by approximately $8.9 million as a result of the net effect of the following:

    - The invested securities lending collateral, which is included in cash, cash equivalents and investments, decreased to approximately $170.9 million as of September 30, 2010 from approximately $184.5 million as of September 30, 2009. This decrease of $13.6 million was offset by a similar decrease of the related liability. These securities lending transactions pay a predetermined interest rate with significant covenant protecting the lender to exposure to loss. The change is dependent on the securities loaned at year end by the System's custodian.

- The cash and cash equivalents increased to approximately $128.7 million as of September 30, 2010 from approximately $110.4 million as of September 30, 2009. Interest bearing deposits with financial institutions accounted for $27.6 million and $27.1 million, as of September 30, 2010 and 2009, respectively. The cash and cash equivalents excluding interest bearing deposits are segregated as follows (dollar amounts in thousands):

	2010	2009	Increase (Decrease)
Cash in money market accounts	$ 62,872	$ 66,864	$ (3,992)
Cash in operational accounts	38,314	16,477	21,837
Total cash and cash equivalents	$ 101,186	$ 83,341	$ 17,845

The decrease in money market accounts of approximately $4.0 million reflects the investment managers' reallocation of funds for higher opportunity investments during the last quarter of the fiscal year. The increase in operating cash was to make funds available to: a) pay off the line of credit of $9.9 million, b) funding for alternative investments of $4.7 million, and c) $7.2 million to fund current operating deficiencies.

- The unsettled securities sold decreased $6.26 million to approximately $7.79 million as of September 30, 2010 from approximately $14.1 million as of September 30, 2009.

At September 30, 2010, the System's total liabilities were $196.6 million compared with $213.9 million at September 30, 2009.

- The System has a cash overdraft with the bank of approximately $4.06 million as of September 30, 2010.

- The line of credit with financial institution increased by $2.65 million to approximately $9.96 million as of September 30, 2010. On October 2, 2006, the System entered into a loan agreement with a financial institution to provide working capital to the System for its corporate purposes. This line of credit is a revolving line of credit in the aggregate maximum principal amount of $25 million.

- Securities lending transactions decreased by approximately $13.6 million when compared to prior year, and is offset by a similar decrease in the related asset.

- The unsettled securities purchased decreased $6.1 million to approximately $4.39 million as of September 30, 2010 from approximately $10.5 million as of September 30, 2009.

Comparison of 2010 and 2009 Additions, Deductions, and Changes in Plan Net Assets

Condensed additions, deductions, and changes in plan net assets are presented below (dollar amounts in thousands):

Additions, Deductions, and Changes in Plan Net Assets	2010	2009	Increase (Decrease)	Percentage
Net appreciation in fair value of investments	$ 68,699	$ 4,247	$ 64,452	1,518%
Net depreciation in fair value of real estate	(3,492)	(14,450)	10,958	-100%
Interest, dividends, and other	38,722	48,612	(9,890)	-20%
Rental income, net	3,057	2,752	305	11%
Less investment management fees and custodian fees, borrowers' rebates and other agent fees on securities lending transactions, and other expenses	5,480	5,890	(410)	-7%
Total investment (loss) income	101,506	35,271	66,235	188%
Total contribution income	117,112	120,277	(3,165)	-3%
Other income	2,653	2,896	(243)	-8%
Total additions	221,271	158,444	62,827	40%
Benefits paid directly to members	192,678	177,617	15,061	8%
Refunds of members' contributions	2,007	2,916	(909)	-31%
Administrative and operational expenses	13,609	13,365	244	2%
Total deductions	208,294	193,898	14,396	7%
Net increase (decrease)	$12,977	$ (35,454)	$ 48,431	-137%

For the year ended September 30, 2010, operations resulted in a net increase in the plan net assets of approximately $13 million when compared to the net decrease of $35.5 million for the year ended September 30, 2009. This net increase of $48.4 million in the plan net assets resulted from the net effect of the following:

- **Net Appreciation in Fair Value of Investments**

  Total net appreciation in fair value of investments for the year ended September 30, 2010 was approximately $68.7 million, reflecting a 1,518% increase over the $4.25 million net appreciation reported for the year ended September 30, 2009. For fiscal year ended September 30, 2010 the System generated positive absolute returns in its domestic and international equity holdings coupled with strong performance in the domestic and international fixed income portfolios.

The Fund's investments in U.S. government and agency obligations, which delivered strong returns amid renewed risk aversions, had a net appreciation of $9.1 million for the year ended September 30, 2010. The domestic and international common stock portfolio's strong positive performance was supported with a combined net appreciation of $41.1 million, which exceeded their comparative benchmark for the year ended September 30, 2010. Mutual Funds, which tracked the S&P 500, reflected a net appreciation of $4.3 million for the same period.

For the period ended September 30, 2010, the net appreciation approximated $6.5 million for corporate obligations investments, $2.1 million for foreign bonds and government obligations and $6.1 million for mortgage and asset-backed securities. The Fund's fixed income managers focused on high quality assets that possessed strategic opportunities, which allowed for over performance in the respective portfolios.

The System is a long-term investor and manages the pension fund with long-term goals in mind. The primary investment philosophy of the System is diversification among various asset classes, which is the best way to achieve its long-term goal. As of fiscal year September 30, 2010, the asset allocation was slightly out of line with the System's target. GERS management along with its Board of Trustees, under advisement from its financial advisors, will continue to review all investment programs and monitor the fund managers that are responsible for investing the assets.

- **Net Depreciation in Fair Value of Real Estate**

  The value of the St. Croix Headquarters property was adjusted to reflect its fair market value consistent with the implementation of GASB No. 25. The appraisal resulted in the write down of the property by $3.56 million.

- **Interest, Dividends, and Other**

  Total interest, dividends, and other decreased to approximately $38.7 million for the year ended September 30, 2010 from approximately $48.6 million for the year ended September 30, 2009. The decrease of $9.9 million in interest, dividends, and other was due primarily to the net combination of the following factors. Interest income decreased to $16.8 million for the fiscal year ended September 30, 2010 from $21 million for fiscal year ended September 30, 2009. This reduction of $4.2 million was a result of the decreasing interest rate environment.

  Dividends decreased $429 thousand in fiscal year ended September 30, 2010 to $8.5 million from approximately $9 million in fiscal year ended September 30, 2009. Dividend payouts in the fund still suffered from a slow recovery, as dividend-yielding stocks tended to lag the broader market for the year.

  Other investment income decreased to $799 thousand for fiscal year September 30, 2010 from $7 million for fiscal year September 30, 2009. The $6.2 million decrease for fiscal year 2010 as compared to fiscal year 2009 is due primarily to reductions in income generated from the securities lending transactions $2.5 million, a net decrease in gains on foreign exchange, and spot contracts of approximately $5.2 million offset by unrealized gains on foreign exchange payables and other $1.5 million.

- **Investment Management Fees and Custodian Fees, Borrower' Rebates and Other Agent Fees on Securities Lending Transactions, and Other Expenses**

  The investment and other fees decreased to approximately $5.48 million for the year ended September 30, 2010 from approximately $5.89 million for the year ended September 30, 2009.

  Contribution Income

  Total contribution income decreased by approximately 3% or $3.2 million to $117 million in fiscal year 2010 from $120.3 million in fiscal year 2009.

- **Other Income**

  Other income decreased to $2.7 million for fiscal year ended September 30, 2010 from approximately $2.9 million dollars in fiscal year ended September 30, 2009.

- **Benefits Paid Directly to Members**

  Benefits paid directly to members increased to approximately $192.7 million for the year ended September 30, 2010 from approximately $177.6 million for the year ended September 30, 2009 due primarily to the increase in the overall number of retirees receiving benefits through the annuity payroll and a cost of living adjustment of 1.5% and 1% provided to retired and disabled beneficiaries, respectively.

- **Administrative and Operational Expenses**

  Administrative and operational expenses increased by approximately $245 thousand to approximately $13.6 million for the year ended September 30, 2010 from $13.4 million for the year ended September 30, 2009. The increase was mainly due to additional costs associated with the implementation of the new loans and benefits software to improve the delivery of services to the members of the System.

Comparison of 2009 and 2008 Assets, Liabilities, and Net Assets

Condensed assets, liabilities, and net assets are presented below (dollar amounts in thousands):

Net Assets	2009	2008	Increase (Decrease)	Percentage
Cash, cash equivalents, and investments	$ 1,308,890	$ 1,337,519	$ (28,629)	(2%)
Foreign currency exchange contracts	-	285	(285)	100%
Member loans, net	132,693	125,877	6,816	5%
Real estate, net	89,200	100,865	(11,665)	(12%)
Other assets	22,437	31,695	(9,258)	(29%)
Total assets	1,553,220	1,596,241	(43,021)	(3%)
Total liabilities	213,909	221,476	(7,567)	(3%)
Total net assets	$ 1,339,311	$ 1,374,765	$ (35,454)	(3%)

At September 30, 2009 and 2008, the System's total assets were $1.553 billion and $1.596 billion, respectively. This decrease in total assets resulted mainly from the net effect of the following:

- Investments increased $13.3 million, which represented a 1% increase over September 30, 2008. Both the domestic and international equity segments impacted the increased performance of the Fund. For the year ended September 30, 2009 the total return on the investment portfolio amounted to 4.36%.

- The members' loans increased $6.8 million to approximately $132.7 million as of September 30, 2009 from approximately $125.9 million as of September 30, 2008. The 5% increase was attributable primarily to the increased personal loans granted during the year. The allowance for losses was reduced by the write off of an uncollectible mortgage loan account.

- The real estate decreased approximately $11.7 million due to the net effect of the reduction in the appraised value of Havensight Mall ($13.4 million) and the recording of the leased portion of the GERS Complex at fair value ($1.1 million), which appraised lower than the historical cost offset by additions associated with the construction of the St. Croix Headquarters of $2.9 million. Depreciation expense of $754 thousand was recognized during the year.

- Total other assets decreased by approximately $48.8 million as a result of the net effect of the following:

  - The invested securities lending collateral, which is included in cash, cash equivalents and investments, decreased to approximately $184.5 million as of September 30, 2009 from approximately $197.6 million as of September 30, 2008. This decrease of $13.1 million was offset by a similar decrease of the same amount in the liabilities section (securities lending collateral). These securities lending transactions pay a predetermined interest rate with significant covenant protecting the lender to exposure to loss. The change is dependent on the securities loaned at year end by the System's custodian.

- The cash and cash equivalents decreased to approximately $110.4 million as of September 30, 2009 from approximately $139.3 million as of September 30, 2008. Interest bearing deposits with financial institutions accounted for $27.1 million and $26.4 million, as of September 30, 2009 and 2008, respectively. The cash and cash equivalents excluding interest bearing deposit are segregated as follows (dollar amounts in thousands):

	2009	2008	Increase (Decrease)
Cash in money market accounts	$ 66,864	$ 95,598	$ (28,734)
Cash in operational accounts	16,477	17,293	(816)
Total cash and cash equivalents	$ 83,341	$ 112,891	$ (29,550)

  Total decrease in money market accounts of approximately $28.7 million is due primarily to investment managers recognizing good buying opportunities during the last quarter of the fiscal year resulting in reduced cash positions. The decrease of $816 thousand in the operational cash accounts reflects cash management needs at September 30, 2009 as compared to September 30, 2008.

- The unsettled securities sold increased $2.4 million to approximately $14.1 million as of September 30, 2009 from approximately $11.7 million as of September 30, 2008.

At September 30, 2009, the System's total liabilities were $213.9 million compared with $221.5 million at September 30, 2008.

- The System had a cash overdraft with bank of approximately $3.94 million as of September 30, 2009.
- The line of credit with financial institution remained unchanged at $7.3 million during the year. On October 2, 2006, the System entered into a loan agreement with a financial institution to provide working capital to the System for its corporate purposes. This line of credit is a revolving line of credit in the aggregate maximum principal amount of $25 million.
- Securities lending transactions decreased by approximately $13.1 million when compared to prior year, and is offset by a similar decrease in the assets section.
- The unsettled securities purchased increased $4.16 million to approximately $10.5 million as of September 30, 2009 from approximately $6.33 million as of September 30, 2008.

Comparison of 2009 and 2008 Additions, Deductions, and Changes in Plan Net Assets

Condensed additions, deductions, and changes in plan net assets are presented below (dollar amounts in thousands):

Additions, Deductions, and Changes in Plan Net Assets	2009	2008	Increase (Decrease)	Percentage
Net appreciation/(depreciation) in fair value of investments	$ 4,247	$(231,086)	$ 235,333	
Net depreciation in fair value of real estate	(14,450)	-	(14,450)	(100%)
Interest, dividends, and other	48,612	62,212	(13,600)	(22%)
Rental income, net	2,752	3,209	(457)	(14%)
Less investment management fees and custodian fees, borrowers' rebates and other agent fees on securities lending transactions, and other expenses	5,890	15,477	(9,587)	(62%)
Total investment (loss) income	35,271	(181,142)	216,413	
Total contribution income	120,277	112,829	7,448	7%
Other income	2,896	20,423	(17,527)	(86%)
Total additions	158,444	(47,890)	206,334	
Benefits paid directly to members	177,617	170,097	7,520	4%
Refunds of members' contributions	2,916	2,689	227	8%
Administrative and operational expenses	13,365	11,928	1,437	12%
Total deductions	193,898	184,714	9,184	5%
Net increases (decrease)	$ (35,454)	$(232,604)	$ 197,150	85%

For the year ended September 30, 2009, operations resulted in a net decrease of $35.5 million when compared to the net decrease of $232.6 million for the year ended September 30, 2008. This net increase of $197.1 million resulted from the net effect of the following:

- **Net Depreciation in Fair Value of Investments**

  Total net appreciation in fair value of investments for the year ended September 30, 2009 was approximately $4.25 million, reflecting a positive increase of $235.3 million versus the $231.1 million depreciation reported for the year ended September 30, 2008. For fiscal year ended September 30, 2009 the System generated positive absolute returns due to the improvements experienced in some markets and the reweighting of our portfolio.

After a tremendously volatile fiscal year 2008, fiscal year 2009 saw a steady turnaround to the upside in the financial markets which resulted in positive net returns to the System. The total Fund gained 4.4 %. The System showed relative outperformance for the 1-year period ending September 30, 2009, which was driven by strong results within the domestic equity segment and the fixed income markets. Stocks in the sectors of health care, financials, technology, energy, and consumer discretionary performed well for the System in 2009.

The outperformance of the System's Small Cap portfolio overshadowed the relative underperformance of the Large Cap stock portfolio. In addition, Large Cap growth portfolios continued to outperform Large Cap value portfolios during the period ending September 30, 2009. Strategically, the System's equity investment managers focused on investing in companies with strong earnings prospects, and companies that were product innovators with strong management talent and depth. These equity investment managers also placed special emphasis on the balance sheet strength of companies.

The System's domestic and international bond portfolios also exceeded their comparative benchmarks for the same time period. Sector allocations were by far the biggest contributor to outperformance in the fixed income portfolios. Government bond yields rose and spread narrowed, as growing evidence that aggressive policy action on a global scale has been successful at staving off a depression. The System's fixed income managers expect a return to modest economic growth. Persistent uncertainty means opportunity as risk premiums continued to compensate investors generously.

The System is a long-term investor and manages the pension fund with long-term goals in mind. The primary investment philosophy of the System is diversification among various asset classes, which is the best way to achieve its long-term goal. As of fiscal year September 30, 2009 the asset allocation remained in-line with the System's target. GERS management along with its Board of Trustees, under advisement from its financial advisors, will continue to review all investment programs and monitor the investment managers that are responsible for investing the assets.

- **Net Appreciation in Fair Value of Real Estate**

The value of the Havensight Mall property was adjusted to reflect its fair market value consistent with the implementation of GASB No. 25. The appraisal resulted in the write down of the property by $13.4 million. The portion of the GERS Complex held for lease was also written down by $1.05 million based on appraisal.

- **Interest, Dividends, and Other**

Total interest, dividends, and other income decreased to approximately $48.6 million for the year ended September 30, 2009 from approximately $62.2 million for the year ended September 30, 2008. The decrease of $13.6 million in interest, dividends, and other was due primarily to the net combination of the following factors. Interest income decreased to $21 million for fiscal year ended September 30, 2009 from $23.9 million for fiscal year ended September 30, 2008. This reduction of $2.9 million was due to a decline in interest rates throughout the year.

Dividends decreased $3.7 million in fiscal year ended September 30, 2009 to $9 million from $12.7 million in fiscal year ended September 30, 2008 due to the restraint exercised by corporations in paying out dividends in the current economy. Other investment income decreased to $7 million for fiscal year September 30, 2009 from $14.3 million for fiscal year September 30, 2008. The $7.27 million decrease over fiscal year 2008 is due to decreased gross earning in securities lending transactions.

- **Investment Management Fees and Custodian Fees, Borrower' Rebates and Other Agent Fees on Securities Lending Transactions, and Other Expenses**

The investment and other fees decreased to approximately $5.89 million for the year ended September 30, 2009 from approximately $15.5 million for the year ended September 30, 2008. The decrease of $9.59 million is primarily due to decreased rebates and other agent fees on securities lending transactions, which were reduced.

- **Contribution Income**

Total contribution income increased by approximately 7% or $7.45 million to $120.3 million in fiscal year 2009 from $112.8 million in fiscal year 2008.

- **Other Income**

Other income decreased to $2.9 million for fiscal year ended September 30, 2009 from approximately $20.4 million dollars in fiscal year ended September 30, 2008. This $17.5 million decrease is due to other income in fiscal year 2009 being limited to receipts from the VI Lottery in accordance with Act No. 7070 Bill No. 28-0020 of the Legislature. In the previous year, other income included $4.5 million received from the Government of the Virgin Islands for payment of a cost of living bonus to retirees who retired prior to 1990, or their beneficiaries; $2.6 million received as a condemnation settlement for GERS land used for roadway improvement; a $2.7 million write down of excess allowances for uncollectible loans; and the write off of a $10.5 million liability due to the Central Government, which was determined to be nonexistent.

- **Benefits Paid Directly to Members**

Benefits paid directly to members increased to approximately $177.6 million for the year ended September 30, 2009 from approximately $170.1 million for the year ended September 30, 2008 due primarily to the increase in the overall number of retirees receiving benefits through the annuity payroll and a cost of living adjustment of 1.5% and 1% provided to retired and disabled beneficiaries, respectively.

- **Administrative and Operational Expenses**

Administrative and operational expenses increased by approximately $1.4 million to approximately $13.4 million for the year ended September 30, 2009 from $11.9 million for the year ended September 30, 2008. The increase was mainly due to costs associated with the implementation of the new loans and benefits software to improve the delivery of services to the members of the System.

CONTACTING THE SYSTEM'S MANAGEMENT

This financial report is designed to provide the board of trustees, the membership and investors, and creditors with a general overview of the finances and to demonstrate the System's accountability for the money it receives. Questions or concerns regarding any information in this report or requests for additional information should be addressed to the Government Employees' Retirement System, 3438 Kronprindsens Gade, Saint Thomas, Virgin Islands 00802.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE VIRGIN ISLANDS

Statement of Plan Net Assets
September 30, 2010
(With Comparative Totals for September 30, 2009)

	2010	2009
Assets		
Cash and cash equivalents	$ 128,769,318	$ 110,394,296
Invested securities lending collateral	170,919,350	184,537,752
Investments, at fair value:		
U.S. government and agency obligations	$ 119,495,793	$ 102,677,877
Corporate obligations	84,872,680	139,195,223
Foreign bonds and government obligations	65,417,493	60,260,915
Common stock – U.S.	487,602,238	447,881,841
Common stock – foreign	80,139,014	77,235,781
Preferred stock – U.S.	-	89,300
Mortgage and asset-backed securities	59,735,721	94,409,498
Mutual funds	31,186,107	31,314,008
Unsettled securities sold	7,794,032	14,053,133
Investment Loans	14,186,289	-
Real estate investment trust	4,587,757	2,923,998
Limited partnerships	48,710,369	43,916,504
Total Investments	1,303,416,161	1,308,890,126
Member loans:		
Mortgage	9,946,590	10,874,649
Personal	128,359,966	121,931,751
Auto	172,855	177,386
	138,479,411	132,983,786
Less allowance for losses	(291,142)	(291,142)
	138,188,269	132,692,644
Real estate:		
Havensight Mall	66,600,000	66,600,000
System Complex	25,637,146	22,600,201
	92,237,146	89,200,201
Reserved assets	15,993	62,448
Due from the Department of Finance and other agencies of the Government of the U.S. Virgin Islands	7,356,767	12,233,743
Accrued interest receivable	4,259,384	5,792,789
Other	3,405,618	4,347,656
Total Assets	1,548,879,338	1,553,219,607
Liabilities		
Foreign currency exchange contract	1,002,154	834,535
Cash overdraft with bank	4,063,431	3,940,405
Line of credit with financial institution	9,963,002	7,313,002
Securities lending obligations	170,919,350	184,537,752
Unsettled securities purchased	4,392,593	10,491,575
Other liabilities	6,251,108	6,791,369
Total Liabilities	196,591,638	213,908,638
Plan net assets held in trust for pension benefits	$1,352,287,700	$1,339,310,969

The accompanying notes are an integral part of the financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE VIRGIN ISLANDS

Statement of Changes in Plan Net Assets
For the Year Ended September 30, 2010
(With Comparative Totals for September 30, 2009)

	2010	2009
Additions:		
Investment income (loss):		
Net appreciation in fair value of investments	$ 68,698,838	$ 4,246,821
Net appreciation (depreciation) in fair value of real estate	(3,491,754)	(14,450,370)
Interest and dividends	37,922,948	41,589,440
Other investment income	798,785	7,022,923
Rental income (loss) - net of related expenses:		
Havensight Mall	2,709,662	2,783,174
System Facilities - St. Thomas/St. Croix	347,541	(31,304)
	106,986,020	41,160,684
Less:		
Investment management fees and custodian fees	4,550,888	4,109,542
Borrowers' rebates and other agent fees on securities lending transactions	547,223	1,394,278
Other expenses	382,332	386,106
	101,505,577	35,270,758
Contributions:		
Employer	77,004,630	80,177,004
Employees	40,107,669	40,099,762
	117,112,299	120,276,766
Other income	2,653,466	2,896,141
Total additions	221,271,342	158,443,665
Deductions:		
Benefits paid directly to members	192,678,052	177,616,964
Refunds of members' contributions	2,007,144	2,916,481
Administrative and operational expenses	13,609,415	13,364,747
Total deductions	208,294,611	193,898,192
Net increase (decrease)	12,976,731	(35,454,527)
Plan net assets held in trust for pension benefits:		
Beginning of year	1,339,310,969	1,374,765,496
End of year	$ 1,352,287,700	$ 1,339,310,969

The accompanying notes are an integral part of the financial statements.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Reporting Entity - The Government of the Virgin Islands Employees' Retirement System (the System) is a cost-sharing, multiple-employer defined benefit plan. The System was established as of October 1, 1959 by the Government of the U.S. Virgin Islands (the Government or Employer) as an independent and separate agency to provide pension benefits to its employees, and includes Judicial, Executive, Legislative Branches and outside agencies. Under provisions of Virgin Islands Code, Title 3, Chapter 27, (the Code) the board of trustees of the System are responsible for the administration of the System.

The System is a component unit of the Government of the U.S. Virgin Islands for financial reporting purposes and is included in the Government's financial reports as a pension trust fund.

Membership of the System consisted of the following at September 30, 2010 and 2009:

	2010	2009
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	7,497	7,134
Current employees	11,117	11,085
	18,614	18,219

The System provides for retirement, death, and disability benefits to plan members. Benefits may be extended to beneficiaries of plan members. Regular employees who have completed 30 years of credited service or have attained age 60 with at least 10 years of credited service are eligible for a full service retirement annuity. Members who are considered "safety employees" as defined in the Code are eligible for full retirement benefits when they have earned at least 20 years of government service or have reached the age of 55 with at least 10 years of credited service. Regular employees who have attained age 50 with at least 10 years of credited service may elect to retire early with a reduced benefit. Senators and members of the Legislature may receive a retirement annuity when they have attained age 50 and upon the completion of 6 years of credited service as a member of the legislature.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation is determined by averaging the three highest years of salary the member earned within the last 10 years of service. The maximum annual salary that can be used in this computation is $65,000, except for senators and judges, whose annual salary is used. The Board may set cost-of-living increases for annuitants and pensioners and determine when the annuity should be paid on the basis of the most recent actuarial valuation and the Consumer Price Index.

The Administrator of the System manages the business of the System and is responsible for its proper operation, subject to the orders, resolutions, and directives of the board of trustees of the System.

The following description of the System is provided for general information purposes only. Members should refer to the actual text of the retirement law in the Code, Title 3, Chapter 27 for more complete information.

- **Eligibility and Membership**

As a condition of employment, a person employed by the Government shall become a member of the plan, provided such person is under age 55 on the date of appointment. Membership contributions shall begin upon the completion of one month of service.

- **Contributions**

Contributions to the System are made by the Government and the members. Government and member contributions are not actuarially determined but are set by statute. The Government's contributions together with the members' contributions and the income of the System should be sufficient to provide an adequate actuarially determined reserve for the benefits prescribed by the Code.

The contributions required to fund the System on an "actuarial reserve basis" are calculated periodically by the System's actuarial consultant. The actuarial valuation as of September 30, 2006 indicates that the current combined statutory employer and employee contribution rates are not sufficient to meet the cost of the System on an actuarial basis, as required law.

The Government's required contribution is 17.5% of the members' annual salary and required member contributions are 8% of annual salary for regular employees, 9% for senators, 11% for judges, and 10% for safety (hazardous employees and eligible employees under Act 5226. Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective November 2, 2005, legislation was passed that required that the annual interest on refunded contributions be determined by the Board from the experience of the System which shall be not less than 2%, nor more than 4% per annum. Due to the volatility of the stock market, the GERS Board of Trustees changed the interest rate to 2% effective July 1, 2009.

- **Early Retirement Act of 1994**

In August 1994, legislation providing an early retirement incentive was passed. The legislation was subsequently amended on October 13, 1994, December 30, 1994 and December 5, 1995. Among other matters, the legislation allowed a member of the System who had a combined aggregate number of years of credited service plus number of years of age attained, equal to at least 75 years as of the date of the legislation to retire without reduction of annuity. Members who attained the age of 50 with at least 10 but less than 30 years of credited service may add an additional three years to their age for this computation. Members with 30 years of service or who can retire without penalty under the Code shall have their average compensation increased by 4 percentage points.

For each employee electing to retire pursuant to Section 8(a) of the above-mentioned Act, the Government shall contribute to the System, on a quarterly basis, an amount equal to the Employer and employee contributions that would have been made until the employee reached age 62 had the employee not elected to retire under this provision.

For employees electing to retire under Section 8(b) of the Act, the Government shall contribute to the System a sum equal to the additional contribution the employer and employee would have made had the employee received a salary 4% higher during the 3 years used to compute the employee's average compensation figure, plus a sum of $5,000. Based on the calculation, this amount was $26,903,112 and $26,853,245 as of September 30, 2009 and 2008, respectively, of which a total of $26,844,826 and $26,682,141 had been received by the System since the year ended September 30, 1998, respectively.

The actuary of the System has determined that the specific funding provided under the Early Retirement Act of 1994 is inadequate to cover the costs of the program. The System is seeking to recover any unfunded costs of the program under a newly enacted provision of the retirement law which provides that the employer shall compensate the System for the costs of any special early retirement program.

- **Member Loans**

Subject to the provisions of the retirement law and subject to rules and regulations prescribed by the board of trustees, members of the System have the right to obtain loans from the System to finance a home, automobile, or other personal needs. The maximum mortgage loan that could be granted to members who have been contributing to the System for at least five years is $350,000. The interest rate on new first mortgages was 8% and on second mortgages, 9% throughout the year. Members may also borrow up to $50,000 to buy land.

Members who have contributed to the System for at least five years can borrow up to $18,000 for the purchase of an automobile. Auto loans bear interest rates that ranged between 8.75% - 9.50% with a maximum term of five years. Active members may also borrow up to 75% of their contributions paid into the System to a maximum borrowing of $50,000 as a personal loan. The interest rate offered on personal loans was 8.00 % to 8.5% for the year. Retired members could qualify for personal loans up to $10,000 at the same interest rate as active members; however, effective fiscal year 2009, retirees have the option of refinancing their personal loan provided the original amount is paid down by at least 50%.

- **Administrative Expenses**

The administrative expenses of the System are obligations of the System and are being handled by the System through its own bank account. The System's Board of Trustees approves the System's annual operating budget.

Basis of Accounting - The accompanying financial statements are prepared using the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Employee and employer contributions are recognized as additions to plan net assets in the period in which employee services are performed. Benefits are recorded upon payment. Refunds are recognized when due and payable in accordance with the terms of the plan.

Cash and Cash Equivalents - The System considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Method Used to Value Investments - Investments in marketable securities are carried at quoted market values. Shares of mutual funds are valued at the net asset value of shares held by the System at year-end. Purchases and sales are recorded on a trade-date basis. Realized gains and losses on securities are determined by the average cost method.

Investments in member loans are valued at the outstanding principal balance less an allowance for estimated loan losses. Management of the System believes that, based upon interest rate and risk factors, this valuation approximate fair value. Investments in limited partnership have no readily ascertainable market value and are based on the valuation reported by the general partner.

Investment in the Havensight Mall real estate is based on an independent appraisal as of October 2009, which value has remained unchanged for September 30, 2010management believes that the carrying value was applicable in both years.

Investment in the System's facilities - St. Thomas/St. Croix real estate is carried at historical cost, net of accumulated depreciation and amortization on that portion of the facility occupied by the System.

There are certain market risks, credit risks, liquidity risks, foreign exchange risks, and event risks which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

Depreciation - Capital assets utilized in the operation of the System are valued at historical cost and depreciation is computed using the straight-line method over the estimated useful lives of the assets. Furniture and equipment are depreciated over 5 years and building and improvements over 25 years. The capitalization threshold used by the System was $1,000 and an estimated useful life in excess of one year.

Tax Exemption - The System is exempt from all income and property taxes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of plan net assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Comparative Totals - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail or reclassifications to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

The cash and cash equivalents are segregated as follows:

	2010	2009
Cash in money market accounts	$ 62,872,120	$ 66,863,420
Cash in operational accounts	38,314,150	16,477,160
Total cash and cash equivalents	$101,186,270	$ 83,340,580

NOTE 3 INVESTMENTS

(a) Marketable Securities

The System's investments in marketable securities are held in trust by a commercial bank on behalf of the System and are administered by several professional investment managers. The System's board of trustees has established investment policies that place limitation and provide guidelines on amounts that may be invested in certain investment categories. In addition, such policies provide the requisites in the institutions with which investment transactions can be entered into. The System's board of trustees authorizes the System to invest in the following:

- United States Government agencies and instrumentalities obligations;

- Bonds or notes which are general obligations of any state in the United States, or of any political subdivision;

- Bonds or other obligations which are payable from revenue or earnings specifically pledged of a public utility which is municipally owned either directly or indirectly through any civil division, authority, or public instrumentality of the municipality;

- Bonds or any other evidences of indebtedness issued or guaranteed by any domestic railroad corporation, or in equipment trust certificates, provided that these securities bear a rating of "BBB" or better by any two nationally known security rating agencies. Not more than 2% of total investments should consist of any one issue of these bonds;

- Bonds or other evidences of indebtedness of any domestic public utility corporation provided that these securities bear a rating of "BBB" or better by any two nationally known security rating agencies. Not more than 2% of total investments should consist of any one issue of these bonds;

- Bonds or other evidences of indebtedness of any domestic industrial corporation provided that these securities bear a rating of "BBB" or better by any two nationally known security rating agencies. Not more than 2% of total investments should consist of any one issue of these bonds;

- Bonds or other obligations of the Commonwealth of Puerto Rico or of the territories of the United States, provided that the investment in any one issue of bonds of these entities should not exceed 10% thereof, and that the total investment in all securities of any one of such entities should be limited to 2% of the total investment account of the System;

- Common and preferred stocks of any corporation chartered under the laws of the United States, or of any state, district, or territory thereof or common and preferred stocks of any foreign corporation if listed on any internationally recognized security exchange. The investment in the stock of any single corporation should not exceed 1% of the market value of the total investment of the fund on the date of purchase or be greater than 1% of the total outstanding stock of the corporation. The aggregate amount to be invested in common and preferred stocks should be limited to 60% of the market value of the total investments of the

System on the date the investment is made. Investment in foreign stocks should be limited to 10% of the market value of the total investment of the System.

- The aggregate amount to be invested in common and preferred stock should be limited to 20% of the book value of the total investments of the System on the date the investment is made and the investment in any such stocks or a sale thereof should be approved by at least two-thirds of the membership of the board of trustees;

- Mutual funds of any corporation chartered under the laws of the United States, or any state, district, or territory thereof if listed on a national securities exchange;

- Mortgage loans to members or retirees of the System for initial construction phases of a home, for purchase of a home, or for capital improvements of a home;

- Chattel mortgages to members or retirees of the System for the purchase of new automobiles, which may not exceed $18,000;

- Personal loans to active members and those members who have retired and are entitled to annuities, provided such loans do not exceed $50,000 for active members and $10,000 for retirees. In addition, effective fiscal year 2009 retirees have the option of refinancing their personal loans provided the original amount is paid down by at least 50%;

- Loans to active members or retirees of the System solely for the purchase of land;

- Real property purchased and/or developed by the board of trustees for sale for homeownership purposes;

- Bonds or other indebtedness issued by foreign governments or foreign corporations provided that (a) these securities bear a rating of "BBB" or better by any two internationally known securities rating agencies, and (b) not more than 2% of total investments should consist of any one issue of these bonds. The aggregate amount to be invested in foreign bonds should be limited to 10% of the market value of the total investments of the System on the date the investment is made;

- Mortgage and asset-backed securities.

(b) Investment Loans

- In December 2009, the System executed an agreement with Seaborne Airlines to provide them with an interest-bearing term loan of $1.3 million and a convertible coupon interest-bearing note of $2 million, both with terms of five years. All of Seaborne's property is pledged as collateral. At September 30, 2010 the loan investment was $3.3 million.

- The System also executed an agreement with Carambola Northwest, LLC in December 2009 for a $15 million, five year interest bearing term loan. The subject property is pledged as collateral on the loan. At September 30, 2010 the loan investment totaled $10,886,289.

(c) Limited Partnership

The System is authorized to invest in life settlement policy contract investments provided:

- The investment is in a group of life insurance policies, with a minimum number of 100 measured lives.
- The face value of any single policy investment by the System does not exceed the greater of \$5,000,000 or 2% of the aggregate face value of policy investments by the System.
- The aggregate face value of policy investments by the System on any individual life does not exceed the greater of 10,000,000 or 1% of the aggregate face value of policies purchased as investments by the System.

The value of the limited partnership investments as of September 30, 2010 consisted of \$42,836,274 invested in Attilanus, L.P. and \$5,874,095 invested in other limited partnership ventures within the Fund's portfolio.

On August 15, 2006, the System invested \$50,000,000 in a limited partnership, Attilanus L.P. (the Fund). The partnership purchases senior life insurance policies for individuals who are age 65 and older and have an average life expectancy of 5 to 7 years. A senior life settlement provides cash payment in exchange for the assignment of an ownership interest in life insurance policy insuring the life of an individual.

The partnership agreement is effective through December 31, 2017 and may be extended for an additional two year period. Limited partners are not permitted to withdraw funds from the partnership.

On June 12, 2008, Attilanus accepted a structured purchase of its settlement life insurance policy portfolio offer from Coit Capital, a division of Riviere Securities, Ltd. This purchase was executed through a special purpose entity, Life Settlements Absolute Return (LASAR), which issued \$40 million in 9% preference notes, \$24 million in 9.5% mezzanine notes and residual notes and \$13.7 million in cash. From this transaction the System received a distribution in the form of a return of capital totaling \$8,163,726. It is expected that future sale of the mezzanine notes will result in additional return of capital to the System and other investors.

The fair value of the limited partnership investment of \$42,836,274 is based on the valuation reported on the fund managers' statements as of September 30, 2009. The valuation provided by the Fund's general manager as of September 30, 2010 was \$58,489,660. Senior life settlement contracts do not have active trading markets from which fair value can be easily determined. As the System has not obtained an independent valuation of this investment, reporting the value at September 30, 2010 at the same value as fiscal year 2009 level is the conservative stance.

The total fair value of the Fund's investments at September 30, 2010 and 2009 amounted to \$995,933,461 and \$999,904,945, respectively. The investments generated interest and dividend income of \$25,358,251 and \$29,984,233 for the years ended September 2010 and 2009, respectively. In addition, the Fund's investments including gains and losses on investments bought and sold, as well as held during the year, appreciated in value by \$68,698,838 and \$4,246,821, in fiscal years 2010 and 2009 respectively, as follows:

	2010	2009
U.S. government and agency obligations	$ 9,103,385	$ 3,624,800
Corporate obligations	6,548,285	19,164,231
Foreign bonds and government obligations	2,080,596	3,266,323
Common and preferred stock - U.S.	39,884,035	(22,601,671)
Common and preferred stock - foreign	1,187,179	(1,527,583)
Mortgage and asset-backed securities	6,053,299	6,911,627
Mutual funds	4,301,226	(3,553,273)
Real Estate Investment Trust	429,293	(764,071)
Limited partnership	(888,460)	(273,562)
Totals	$ 68,698,838	$ 4,246,821

Investment Policies

The System has chosen to manage the investment risks by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that individual manager rather than adopting across-the-board investment policies with respect to these investment risks. The guidelines stipulate the investment style, the performance objective, performance benchmarks, and portfolio characteristics.

For example, in the case of foreign currency risk, the policy guidelines for the U.S. dollar equity portfolios differ from those for the non-U.S. dollar equity portfolios. Likewise, in the case of credit risk, the guidelines for one fixed income manager stipulate a minimum acceptable credit rating for each debt instrument while the guidelines for a different fixed income portfolio merely require that the average of credit ratings for a certain fair value percentage of the portfolio meet a minimum requirement.

Each manager is likewise subject to a "manager standard of care" that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of the System.

Separately, the System's guidelines also require a manager's investment return performance to compare favorably with the performance of the relevant passive market index such as the S & P 500 Index.

Custodial Credit Risk-Deposits

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution or other counterparty, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Cash and cash equivalents consist of money market accounts. As required by law, banks or trust companies designated as depository of public funds of the Government and its various agencies, authorities, and instrumentalities are to maintain corporate surety bond or pledge collateral satisfactory to the U.S. Virgin Islands Commissioner of Finance to secure all funds deposited.

At September 30, 2010 and 2009, all cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds, or by collateral held by the System.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer of securities. The System's investment policy (the Investment Policy) establishes limitations on portfolio composition by investment type to limit its exposure to concentration of credit risk. The investment policy provides that a minimum of 60% of its investment portfolio be invested in equity stocks and a minimum of 40% of its investment portfolio be invested in fixed income.

There were no investments in any one issuer that represent 5% or more of total investments.

Credit Risk

The Investment Policy is designed to minimize credit risk by restricting authorized investments to only those investments permitted by the statute, subject to certain additional limitations. These additional limitations consist of prohibitions against investments in derivative securities, options, futures or short positions. However, the Investment Policy allows for investments in mortgage pass-through securities.

The fair value and credit ratings of debt securities (excluding U.S. government obligations and obligations expressly guaranteed by the U.S. government), money market funds, mutual funds, and other pooled investments of fixed income securities at September 30, 2010 include the following:

Standard & Poor's Credit Ratings:

	Fair Value	Credit Ratings
Mortgage and asset-backed securities	$ 1,210,510	A
Mortgage and asset-backed securities	2,203,809	A-
Mortgage and asset-backed securities	1,078,366	A+
Mortgage and asset-backed securities	626,177	AA
Mortgage and asset-backed securities	860,903	AA-
Mortgage and asset-backed securities	37,300,978	AAA
Mortgage and asset-backed securities	1,136,277	B
Mortgage and asset-backed securities	235,725	B-
Mortgage and asset-backed securities	567,829	BB
Mortgage and asset-backed securities	265,159	BB-
Mortgage and asset-backed securities	1,250	BBB-
Mortgage and asset-backed securities	2,048,917	BBB+
Mortgage and asset-backed securities	2,195	CC
Mortgage and asset-backed securities	3,981,376	CCC
Mortgage and asset-backed securities	216,926	D
Mortgage and asset-backed securities	4,037,605	Not Available
Mortgage and asset-backed securities	3,961,720	Not Rated
Corporate obligations	19,387,572	A
Corporate obligations	8,328,173	A-
Corporate obligations	4,165,161	A+
Corporate obligations	1,363,817	AA
Corporate obligations	1,698,274	AA-
Corporate obligations	4,030,490	AA+
Corporate obligations	2,731,113	AAA
Corporate obligations	416,217	B+
Corporate obligations	1,448,132	BB+
Corporate obligations	16,483,634	BBB
Corporate obligations	13,003,342	BBB-
Corporate obligations	10,477,854	BBB+
Corporate obligations	1,338,901	Not Rated
Foreign bonds	384,528	A-
Foreign bonds	866,309	AA+
Foreign bonds	3,402,784	AAA
Foreign bonds	501,820	BBB-
Foreign bonds	2,464,413	Not Available
Foreign bonds	1,753,892	Not Rated
Government obligations - foreign	6,378,876	A+
Government obligations - foreign	42,424,558	AAA
Government obligations - foreign	4,488,302	NA
Government obligations - foreign	2,752,010	NR
Mutual funds	31,186,107	Not Available
Total	$ 241,212,001	

Moody's Investor Services Credit Ratings:

	Fair Value	Credit Ratings
Mortgage and asset-backed securities	$ 186,918	A1
Mortgage and asset-backed securities	1,804,307	A3
Mortgage and asset-backed securities	1,362,944	AA2
Mortgage and asset-backed securities	769,951	AA3
Mortgage and asset-backed securities	38,822,389	AAA
Mortgage and asset-backed securities	563,956	B1
Mortgage and asset-backed securities	1,255,346	B2
Mortgage and asset-backed securities	1,265,598	B3
Mortgage and asset-backed securities	1,250	BA3
Mortgage and asset-backed securities	72,632	BAA2
Mortgage and asset-backed securities	603,172	BAA3
Mortgage and asset-backed securities	2,195	C
Mortgage and asset-backed securities	521,674	CA
Mortgage and asset-backed securities	2,976,893	CAA1
Mortgage and asset-backed securities	371,252	CAA2
Mortgage and asset-backed securities	848,912	CAA3
Mortgage and asset-backed securities	8,306,332	Not Available
Corporate obligations	2,802,320	A1
Corporate obligations	15,522,872	A2
Corporate obligations	9,304,357	A3
Corporate obligations	2,802,807	AA1
Corporate obligations	2,591,500	AA2
Corporate obligations	4,039,328	AA3
Corporate obligations	2,731,113	AAA
Corporate obligations	200,500	B1
Corporate obligations	416,217	B3
Corporate obligations	1,584,334	BA1
Corporate obligations	1,580,855	BA2
Corporate obligations	15,875,624	BAA1
Corporate obligations	11,576,133	BAA2
Corporate obligations	13,206,706	BAA3
Corporate obligations	638,014	WR
Foreign bonds	384,528	A3
Foreign bonds	866,309	AA1
Foreign bonds	3,402,785	AAA
Foreign bonds	501,820	BA1
Foreign bonds	2,464,413	Not Available
Foreign bonds	1,753,892	Not Rated
Government obligations - foreign	6,378,876	AA2
Government obligations - foreign	46,432,257	AAA
Government obligations - foreign	2,033,935	Not Available
Government obligations - foreign	1,198,678	Not Rated
Mutual funds	31,186,107	Not Available
Total	$ 241,212,001	

Cash and cash equivalents and other investments at September 30, 2010 include the following:

	Fair Value	Credit Ratings Standard & Poor	Credit Ratings Moody's
Cash and cash equivalents	$ 62,872,120	Not Rated	Not Rated
Interest-bearing deposit with bank	38,314,150	Not Rated	Not Rated
Common stock - U.S.	487,602,238	Not Rated	Not Rated
Common stock - foreign	80,139,014	Not Rated	Not Rated
Preferred stock - foreign	441,480	B-	Not Available
Real estate investment trust	1,565,669	Not Available	Not Available
Real estate investment trust	2,580,608	Not Available	Not Rated
Real estate investment trust	348,073	A-	A2
U.S. government and agency obligations	2,758,709	A-	AA1
U.S. government and agency obligations	738,500	A-	AA2
U.S. government and agency obligations	8,793,590	AAA	AAA
U.S. government and agency obligations	920,050	BBB-	BAA3
U.S. government and agency obligations	1,003,350	Not Available	Not Available
U.S. government and agency obligations	70,230,454	AAA	AAA
U.S. Treasury notes	26,297,291	AAA	AAA
U.S. Treasury bonds	3,238,457	A1	A-
Municipals	2,754,828	A1	A+
Municipals	585,189	AA1	AAA
Municipals	510,263	AA3	AA-
Municipals	1,317,039	BBB	BAA3
Limited partnership	48,710,369	Not Rated	Not Rated
Total cash, cash equivalents and other investments	$ 841,721,441		

The total System's cash, cash equivalents and investment securities at September 30, 2010 consists of:

Fixed income investments	$ 241,212,001
Cash, cash equivalents, and other Investments	841,721,441
	$1,082,933,442
Cash and cash equivalents	$ 62,872,120
Interest-bearing deposits with bank	38,314,150
Securities, at fair value	981,747,172
	$1,082,933,442

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the System's board of trustees.

As of September 30, 2010, the System had the following investments and maturities:

		Maturity *(in years)*				
Investment Type	**Fair Value**	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**More Than 10 Years**	**No Stated Maturity Date**
U.S. government and agency obligations	$ 14,562,273	$ -	$ 11,171,479	$ 58,909	$ 3,331,885	$ -
U.S. Treasury notes	70,230,454	-	45,915,856	24,314,598	-	-
U.S. Treasury bonds	26,297,291	-	4,004,278	-	22,293,013	-
Municipals	8,405,775	-	2,754,828	1,095,451	4,555,496	-
Mutual funds	31,186,107	-	-	-	-	31,186,107
Corporate obligations	84,872,680	3,797,175	33,981,459	23,978,145	23,115,901	-
Foreign bonds	9,373,746	818,512	2,432,751	3,658,070	2,464,413	-
Government obligations - foreign	56,043,747	15,847,832	16,860,481	12,121,481	11,213,953	-
Mortgage and asset-backed securities	59,735,721	-	627,972	1,189,817	57,917,932	-
Totals	$ 360,707,794	$20,463,519	$ 117,749,104	$ 66,416,471	$ 124,892,593	$ 31,186,107

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. With the exception of underlying securities on loan secured by noncash collateral, the System's entire investment portfolio was held with a single third-party custodian in the System's name as of September 30, 2010 and 2009. The fair value of the underlying securities on loan secured by noncash collateral amounted to $3,437,795 and $0 at September 30, 2010 and 2009, respectively.

Cash collateral held for securities lending transactions is invested in a collective investment pool maintained by the securities lending agent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System has no general investment policy with respect to foreign currency risk.

Foreign Currency Risk - Investments

The following foreign currency risk analysis schedule shows the fair value of investments that are exposed to this risk by currency denomination and investment type. This provides an indication of the magnitude of foreign currency risk for each currency.

Foreign Currency Risk Analysis

Fair value of cash equivalents and investments exposed to foreign currency risk by currency as of September 30, 2010:

Currency	Cash Equivalents	Government Obligations Foreign	Foreign Bonds	Common Stock - Foreign	Total Exposure
Australian Dollar	$ 7,729	$ 15,411,106	$ 2,719,270	$ 2,120,048	$ 20,258,153
Canadian Dollar	488	9,339,239	-	1,493,001	10,832,728
Danish Krone	-	-	-	4,187,660	4,187,660
Euro Currency	31,570	7,577,554	5,788,167	28,671,323	42,068,614
Egyptian Pound	37	-	-	1,909,906	1,909,943
Hong Kong Dollar	4,129	-	-	3,321,099	3,325,228
Japanese Yen	416	-	-	13,715,373	13,715,789
New Zealand Dollar	-	697,843	866,309	-	1,564,152
Norwegian Krone	-	5,002,226	-	747,812	5,750,038
Pound Sterling	36,788	12,404,526	-	13,810,807	26,252,121
Singapore Dollar	9	-	-	999,353	999,362
Swedish Krona	-	5,611,252	-	339,780	5,951,032
Swiss Franc	23,267	-	-	7,977,474	8,000,741
Thailand Baht	7,266	-	-	845,377	852,643
Totals	$ 111,699	$ 56,043,746	$ 9,373,746	$ 80,139,013	$ 145,668,204

(d) Forward Currency Exchange Contracts

The System enters into various forward currency exchange contracts to manage exposure to changes in foreign currency exchange rates and to facilitate the settlement of foreign security transactions. A forward contract is an agreement to buy or sell a specific amount of currency at a specific delivery or maturity date for an agreed upon price. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform in accordance with the terms of the contracts. Changes in the market value of open and closed forward contracts are recorded within interest, dividends, and other income in the statement of changes in plan net assets. The fair value of forward currency exchange contracts outstanding at September 30, 2010 and 2009 is as follows:

	2010	2009
Forward currency purchases	$ 46,083,984	$ 48,631,010
Forward currency sales	47,086,139	49,465,545
Unrealized gain/loss	$ (1,002,155)	$ (834,535)

During the year ended September 30, 2010, the System recognized a foreign exchange gain of $208 thousand. During the year ended September 30, 2009, the System recognized a foreign exchange gain of $4.8 million. Such gain (loss) is reported in interest, dividends, and other investment income in the accompanying financial statements.

(e) Member Loans

The System's investments in member loans, net of allowances for loan losses, at September 30, 2010 and 2009 were $138,188,269 and $132,692,644, respectively. Such investments in member loans generated interest income of $10,920,823 and $10,715,436 for the years ended September 30, 2010 and 2009, respectively. The average interest rate was 8% and 8% for the years ended September 2010 and 2009, respectively.

(f) Real Estate

The investment in the Havensight Mall has an appraised market value of $66.6 million. The investment in the Havensight Mall real estate generated rental income, net of related expense, of $2,709,662 and $2,783,174 for the years ended September 30, 2010 and 2009, respectively.

The System Facilities---St. Thomas/St. Croix are partially an investment of the System's retirement funds in real estate held for rent or lease. The System uses portions of the buildings in the operation of the System. Depreciation is provided for only that portion of the building that is utilized in the operation of the System. The remaining areas of the building are leased to other government agencies and commercial tenants. In accordance with Government Accounting Standards Board (GASB) No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, assets held for lease must be presented at fair value. The System's adjustment of the St. Croix Headquarters based on appraisal, resulted in a write down of $3,560,064 for the fiscal year ended September 30, 2010.

The investment in the System Facilities --- St. Thomas/St. Croix as of September 30, 2010 and 2009 is as follows:

	2010	2009
Land	$ 6,259,580	$ 6,824,860
Building, improvements, and fixtures	21,149,006	11,544,839
Construction in progress - St. Croix's building	-	6,034,255
	27,408,586	24,403,954
Less accumulated depreciation and amortization	(1,771,440)	(1,803,753)
Totals	$ 25,637,146	$ 22,600,201

NOTE 4 SECURITIES LENDING TRANSACTIONS

The Government's statutes permit the System to participate in securities lending transactions, and the System has, via a securities lending authorization agreement (the Agreement), authorized State Street Bank and Trust Company (the Custodian) to lend securities to broker-dealers and banks pursuant to a form of loan agreement. Lent securities are collateralized with cash, securities issued or guaranteed by the U.S. government, or irrevocable bank letters of credit. The System does not have the ability to pledge or sell collateral securities delivered absent a borrower default. No restrictions were imposed during 2010 or 2009 as to the amount of loans the Custodian can make on behalf of the System.

Loans are generally terminable on demand. The collateral received shall (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. or sovereign debt issued by foreign governments, have a market value of 102% of the market value of the loaned securities, (ii) in the case of loaned securities which are not denominated in the U.S. dollars or whose primary trading market is not located in the United States, have a market value of 105% of the market value of the loaned securities, or (iii) have a higher value as may be applicable in the jurisdiction in which the loaned securities are customarily traded. Such collateral should be kept, at a minimum, at 100% of the market value of the security for all borrowers throughout the outstanding period of the loans. As of September 30, 2009 and 2008, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceeded the amounts the borrowers owed the System. Under the terms of the Agreement, the Custodian must indemnify the System for losses attributable to violations by the Custodian under the "Standard of Care" clause described in the Agreement. There were no such violations during the fiscal years 2009 or 2008, and there were no losses during either fiscal year resulting from the default of the borrowers or the Custodian. The risk of any loss of collateral or investment of cash collateral (including a loss of income or principal, or loss of market value thereon) lies with the System, except for losses resulting from negligence or intentional misconduct of the Custodian in performing the duties described in the Agreement with respect to collateral.

In lending securities, cash collateral is invested, together with the cash collateral of other lenders, in a collective investment pool. As of September 30, 2010 and 2009, such investment pool had a weighted average maturity of 39 days and 30 days, respectively, and an average expected maturity of 149 days and 271 days, respectively. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. As of September 30, 2010 and 2009, the fair value of securities on loan amounted to $183,873,238 and $184,827,361, respectively, which consisted of U.S. government and agency obligations, fixed income, and equity corporate securities. The total collateral held by the System's Custodian or other banks was valued at, $188,832,094 including $170,919,350 of cash, and $189,909,222 including 189,604,881 of cash, as of September 30, 2010 and 2009, respectively. Investments made with cash collateral are reported as an asset of the System with a corresponding liability in the accompanying statements of net assets. Investment earnings of $1,113,331 and $2,968,095 for the years ended September 30, 2010 and 2009, respectively, are reported in other investment income in the accompanying financial statements.

NOTE 5 RESERVED ASSETS

Reserved assets represent amounts set aside for use in the awarding of scholarships to the System's members.

Reserved assets consist of the following:

	2010	2009
Cash	$ 12,109	$ 58,603
Certificates of deposit	3,884	3,845
Totals	$ 15,993	$ 62,448

NOTE 6 DUE FROM THE DEPARTMENT OF FINANCE AND OUTSIDE AGENCIES OF THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS.

At September 30, 2010 and 2009, the amount recorded as due from the Department of Finance of the Government and outside agencies of the Government consists of the following:

	2010	2009
Contributions and payroll withholding due from Department of Finance	$ 4,739,461	$ 9,759,784
Outside agencies	2,617,306	2,473,959
Totals	$ 7,356,767	$ 12,233,743

NOTE 7 LINE OF CREDIT WITH FINANCIAL INSTITUTION

On October 2, 2006, the System entered into a loan agreement with Banco Popular de Puerto Rico (the Bank) to provide working capital to the System for its corporate purposes, to fund the system's required debt service, and to pay issuance and closing costs associated with this financing. This line of credit is a revolving credit facility with a maximum principal amount of $25 million and accrues interest at a fixed rate of 6.25% calculated on a 360-day basis and is due and payable quarterly, commencing on the first day of the fourth calendar month following the closing of the loan. The line of credit facility is available to the System for a period up to three years, subject to annual renewals. At any time that an event of default occurs and is continuing, the loan will bear interest at a rate equal to 3% above the variable interest rate.

The Bank maintains in its possession a certificate of deposit in the original amount of $20 million in the name of the System as security for the payment and performance of all obligations owed by the System to the Bank, including the loan. This certificate of deposit was presented as interest-bearing deposit with the Bank in the accompanying financial statements.

NOTE 8 ADDITIONAL PENSION DISCLOSURES

(a) Plan Description

The System is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System, a component unit of the Government of the Virgin Islands, is administered by a Board of Trustees who exercises control and management of the System including the investment of its assets. The System provides retirement, death and disability benefits. Cost of living adjustments are provided at the discretion of the Board of Trustees. The System issues a publicly available financial report that includes financial statements and Requirement Supplementary Information (RSI). The Annual Required Contribution (ARC) is determined by Acts of the Legislature.

(b) Funding Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation shows the plan was 50% funded. The Actuarial Accrued Liability (AAL) for benefits was $ 3.0 billion and the actuarial value of assets was $1.50 billion, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $1.51 billion. The covered payroll (projected annual payroll of active members covered by the plan) was $440 million and the ratio of UAAL to the covered payroll was 344%.

The schedules of funding progress and employer contributions, presented as RSI following the notes to the financial statements presents (i) a historical trend that indicates whether the actuarial value of plan assets are increasing or decreasing over time in relation to the AAL for benefits and (ii) the responsibility of the employer in meeting the actuarial requirements to maintain the retirement system on a sound financial basis.

(c) Actuarial Methods and Assumptions

The comparability of trend information, shown as RSI, is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligations as a factor.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2006
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed group
Remaining amortization period	20 years
Asset valuation method	Actuarial value, but not less than 80% nor greater than 120% of market
Actuarial assumptions:	
Investment rate of return	8% per year compounded annually
Projected salary increases	5.5% per year compounded annually, attributable to inflation
Cost-of-living adjustments	Retirement benefits increased by 1.5% of the original amount each year after age 60. Disability benefits are also increased by 1%

NOTE 9 RISKS OF LOSS

The System is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims against the System, Board of Trustees or any of its staff as a result of an actual or alleged breach of fiduciary duty are insured with a commercial insurance policy. Coverage provided is limited to $5,000,000 with a deductible amount of $100,000. Defense costs incurred in defending such claims will be paid by the insurance company. However, the total defense cost and claims paid shall not exceed the total aggregate coverage of the policy.

NOTE 10 LITIGATION

The System is a defendant in legal claims arising from its normal operations. It is management's opinion, after consulting with its legal counsels that losses, if any, resulting from these claims will not have a material effect on the System's financial position. The System is also a plaintiff in various class action suits, the outcomes are currently undeterminable.

NOTE 11 MANAGEMENT FEES AND CUSTODIAN FEES

The Custodian and investment advisers of the System's investment fund are entitled to annual fees computed on the basis of the market value of the System's investment fund assets and to reimbursement of out-of-pocket expenses incidental to custodial duties. Such fees amounted to $4,550,888 and $4,109,542 for the years ended September 30, 2010 and 2009, respectively.

NOTE 12 SUBSEQUENT EVENTS

The System's investment loan with Carambola Northwest, LLC {see footnote 4(b)} is in default for principal payments from May 2011 to present. For the period May 2011 through August 2011 total principal due is $250,000. A portion of the interest for August 2011 has not been paid. The borrower has requested the system to restructure the terms of the loan, in particular the agreed rate of interest. The System's agreement with Carambola includes primary collateral on all land and building titled under Carambola Beach Resort. The System has a voting seat on the Carambola Board.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE VIRGIN ISLANDS

Required Supplementary Information
Schedule of Funding Progress
September 30, 2010

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Unfunded Actuarial Accrued Liability (UAAL)	(c) Actuarial Accrued Liability (a) + (b)	(d) Funded Ratio (a)/(c)	(e) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (b)/(e)
1998 (**)	1,078,291,775	307,300,371	1,385,592,146	77.82%	*	*
1999 (***)	1,255,210,585	518,081,040	1,773,291,625	70.78%	307,568,648	168.44%
2000 (**)	1,330,089,822	525,608,964	1,855,698,786	71.68%	304,887,045	172.39%
2001	1,342,894,336	731,727,064	2,074,621,400	64.73%	298,909,928	244.80%
2002 (****)	1,337,676,064	815,884,419	2,153,560,483	62.11%	367,803,013	221.83%
2003	1,346,906,862	921,669,858	2,268,576,720	59.37%	338,444,739	272.33%
2004 (*****)	1,360,288,336	977,502,024	2,337,790,360	58.19%	372,996,234	262.07%
2005 (******)	1,366,982,183	1,088,574,553	2,455,556,736	55.67%	355,462,276	306.24%
2006	1,421,093,035	1,236,571,529	2,657,664,564	53.47%	394,595,844	313.38%
2007(*******)	1,509,244,380	1,241,138,878	2,750,383,258	54.87%	419,161,255	296.10%
2008(********)	1,530,604,789	1,310,218,726	2,840,823,515	53.88%	433,549,406	302.21%
2009(*********)	1,534,899,736	1,397,261,661	2,932,161,397	52.35%	458,154,309	304.98%
2010(**********)	1,505,970,212	1,513,059,673	3,019,029,885	49.88%	440,026,457	343.86%

Note: Data for the year ended September 30, 1996 is not available.

(*) Information not available.

(**) Estimated as of September 30, 1998 and 2000 based on the last actuarial valuation as of September 30, 1997 and 1999, respectively.

(***) Actuarial value of assets was fresh started at market value.

(**** Estimated based on the financial information provided as of September 30, 2002 for the actuarial value of assets. For the unfunded actuarial accrued liability (UAAL) amount was based on the September 30, 2001 amount projected to September 30, 2002 assuming actual experience matched the actuarial assumption.

(*****) Estimated based on the financial information provided as of September 30, 2004 for the actuarial value of assets. For the unfunded actuarial accrued liability (UAAL) amount was projected from the last completed actuarial valuation as of October 1, 2001 assuming that actual experience during the October 1, 2001 to September 30, 2004 matched that assumed by the actuarial assumptions.

(******) Estimated based on the financial information provided as of September 30, 2005 for the actuarial value of assets. For the unfunded actuarial accrued liability (UAAL) amount was projected from the last completed actuarial valuation as of October 1, 2003 assuming that actual experience during the October 1, 2003 to September 30, 2005 matched that assumed by the actuarial assumptions.

(*******) Based on financial information as of September 30, 2007 and the actuarial accrued liability was projected from the October 1, 2006 actuarial valuation assuming that actual experience during the October 1, 2006 to September 30, 2007 matched that assumed by the actuarial assumptions.

(********) Based on the financial information as of September 30, 2008 and the actuarial accrued liability was projected from the October 1, 2006 actuarial valuation assuming that actual experience during the October 1, 2006 to September 30, 2008 matched that assumed by the actuarial assumptions. Payroll was estimated based on reported contributions for the year.

(*********) Based on the financial information as of September 30, 2009 and the actuarial accrued liability was projected from the October 1, 2006 actuarial valuation assuming that actual experience during the October 1, 2006 to September 30, 2009 matched that assumed by the actuarial assumptions. Payroll was estimated based on reported contributions for the year.

(**********) Based on the financial information as of September 30, 2010 and the actuarial accrued liability was projected from the October 1, 2006 actuarial valuation assuming that actual experience during the October 1, 2006 to September 30, 2010 matched that assumed by the actuarial assumptions. Payroll was estimated based on reported contributions for the year.

Actuarial valuation up to September 30, 1998:

The entry age normal with Frozen Initial Liability funding method does not determine Past Service Liability each year. Rather, it rolls forward the unfunded liability (UAAL) with adjustment for changes in benefits or assumptions.

The actuarial accrued liability shown above has been determined as the sum of the UAAL and the actuarial value of assets.

Actuarial valuation - September 30, 1999 –September 30, 2006:

Actuarial accrued liability determined under the Entry Age Normal Method.

See accompanying independent auditors' report on required supplementary information.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE VIRGIN ISLANDS

Required Supplementary Information
Schedule of Employer Contributions
September 30, 2010

	Annual Required Contributions	Contributions Made	Percentage Contributed
Year ended September 30:			
1998	62,578,121	45,984,661	73.48%
1999*	62,237,129	45,148,387	72.54%
2000	64,992,493	44,078,554	67.82%
2001*	64,179,332	43,387,158	67.60%
2002	95,186,021	50,594,531	53.15%
2003*	117,124,599	51,588,235	44.05%
2004**	108,358,399	54,084,454	49.91%
2005**	120,184,848	51,542,030	42.89%
2006**	131,059,471	65,061,430	49.64%
2007	137,797,268	60,778,382	44.11%
2008***	138,488,871	75,871,146	54.79%
2009***	147,490,851	80,177,004	52.35%
2010***	157,817,709	77,004,630	48.79%

*Estimated based on prior year's actuarial valuation.
**Estimated based on FY 2003 actuarial valuation
*** Estimated based on FY 2006 actuarial valuation

See accompanying independent auditors' report on required supplementary information.