GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
OF THE U.S. VIRGIN ISLANDS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INF2RMATION

Years Ended September 30, 2023 and 2022

AND

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM OF THE U.S. VIRGIN ISLANDS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
Years Ended September 30, 2023 and 2022

TABLE OF CONTENTS

Certified Public Accountants & Business Advisors
SBC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Trustees
Government Employees' Retirement System of the U.S. Virgin Islands

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of fiduciary net position of the Government Employees' Retirement System of the U.S. Virgin Islands (the System) as of September 30, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the System as of September 30, 2023 and 2022, and its respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Certified Public Accountants & Business Advisors
SBC

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design 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 controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of changes in the net pension liability and related notes, and the schedule of employers' contributions and related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the investment section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2024, on our consideration of the System's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the System's internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal controls over financial reporting and compliance.

Owings Mills, Maryland
July 18, 2024

SB & Company, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) of the Government Employees' Retirement System of the U.S. Virgin Islands (the System or GERS) financial performance provides an introduction to the financial statements of the System as of and for the years ended September 30, 2023 and 2022. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, it should be read in conjunction with the financial statements, required supplemental information and other supplemental information which follow this discussion. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

REQUIRED FINANCIAL STATEMENTS

The System is a component unit of the primary government of the U.S. Virgin Islands and is included in the Annual Comprehensive Financial Report of the Government. The financial statements for the System have been prepared under the accrual basis of accounting in conformity with U.S. generally accepted accounting principles, promulgated by the Governmental Accounting Standards Board.

The *Statements of Fiduciary Net Position* present the Plan's assets and liabilities and the resulting net position restricted for benefits, which are held in trust for pension benefits. These statements reflect a year-end snapshot of the System's investments, at fair value, receivables and other assets and liabilities.

The *Statements of Changes in Fiduciary Net Position* present information showing how the Plan's net position restricted for benefits held in trust for pension benefits changed during the year. These statements include additions for contributions by members and employers and investment earnings and deductions for annuity payments, refunded contributions, death benefit payments 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 includes the disclosure of actuarial methods and significant assumptions used in the most recent actuarial valuations and the funded status of the Plan.

Required Supplementary Information presents information concerning the System's 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

FINANCIAL ANALYSIS

The following schedules provide a comparative summary and an analysis of the System's assets, liabilities, and net position as of September 30:

Fiduciary Net Position

(Dollar amounts expressed in thousands)

Fiduciary Net Position	2023	2022	2021	2023-2022 Increase (Decrease)	2023-2022 Percentage	2022-2021 Increase (Decrease)	2022-2021 Percentage
Cash, Cash Equivalents, and Investment	$ 387,448	$ 334,059	$ 406,215	$ 53,389	15.98%	$ (72,156)	-17.76%
Member Loans, net	7,692	13,329	21,830	(5,637)	-42.29%	(8,501)	-38.94%
Real Estate, net	62,895	62,142	66,204	753	1.21%	(4,062)	-6.14%
Other Assets	23,890	22,188	14,467	1,702	7.67%	7,721	53.37%
Total Assets	481,925	431,718	508,716	50,207	11.63%	(76,998)	-15.14%
Securities Lending Transactions	-	5,606	6,619	(5,606)	-100.00%	(1,013)	-15.30%
Other Liabilities	26,541	25,781	26,969	760	2.95%	(1,188)	-4.41%
Total Liabilities	26,541	31,387	33,588	(4,846)	-15.44%	(2,201)	-6.55%
Total Net Position	$ 455,384	$ 400,331	$ 475,128	$ 55,053	13.75%	$ (74,797)	-15.74%

The table shown above reflects an increase of $50.2 million, a 11.63 percent increase in total assets as of September 30, 2023. In fiscal year 2022 there was a decrease of $77.0 million, a 15.14 percent decrease under fiscal year ending September 30, 2021.

- The cash and cash equivalents decreased by approximately $84.9 million as of September 30, 2023 from approximately $120.2 million as of September 30, 2022 to approximately $35.3 million as of September 30, 2023; and increased by $35.6 million from September 30, 2022. The cash and cash equivalents excluding interest bearing deposits are segregated as follows:

	2023	2022	2021	2023-2022 Increase (Decrease)	2023-2022 Percentage	2022-2021 Increase (Decrease)	2022-2021 Percentage
Cash in money market accounts	$ 1,632	$ 80,611	$ 62,388	$ (78,979)	-97.98%	$ 18,223	29.21%
Cash in operational accounts	33,677	39,671	22,340	(5,994)	-15.11%	17,331	77.58%
Total cash and cash equivalents	$ 35,309	$ 120,282	$ 84,728	$ (84,973)	-70.64%	$ 35,554	41.96%

- The decrease in cash held in the money market accounts of approximately $79.0 million is the result of the System's aggressive allocation strategy which moved the System's portfolio to equity from fixed income.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

- Cash, cash equivalents and investments increased by approximately $53.4 million during the year ended September 30, 2023, which represented a 15.98 percent increase from September 30, 2022; and a decrease of approximately $72.2 million, which represented a 17.76 percent decrease from September 30, 2021.

  - The invested cash collateral received under lending transactions, which is included in cash, cash equivalents and investments is $0, which represented a 100 percent decreased from fiscal year 2022; and decreased in fiscal year 2022 by $1.0 million from fiscal year 2021. These decreases were offset by a comparable decrease in the liabilities section (payable for collateral received under securities lending). These securities lending transactions pay a predetermined interest rate with a significant covenant protecting the lender from exposure to loss. The change in the securities lending transactions is dependent on the securities loaned at year end by the Plan's custodian.

  - There were no unsettled securities sold in fiscal year 2023 and an $823 thousand decrease in fiscal year 2022.

- The members' loans decreased $5.6 million to approximately $7.7 million as of September 30, 2023, from approximately $13.3 million as of September 30, 2022. There was a decrease of $8.5 million during the year ended September 30, 2022, from approximately $21.8 million as of September 30, 2021. These decreases were attributable to the suspension of the member loan programs and members paying off the loan principal.

As of September 30, 2023, the Plan's total liabilities were $26.5 million compared with $31.4 million as of September 30, 2022 and $33.6 million as of September 30, 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*

ADDITIONS

The primary sources of additions for the Plan include employee and employer contributions and investment income. The following table compares the source of additions for the System during fiscal years 2023, 2022 and 2021.

Contributions and Investment Income
(Dollar amounts expressed in thousands)

	2023	2022	2021	2023-2022 Increase (Decrease)	2023-2022 Percentage	2022-2021 Increase (Decrease)	2022-2021 Percentage
Employer Contributions	$ 107,398	$ 105,883	$ 104,844	$ 1,515	1.43%	$ 1,039	0.99%
Employee Contributions	54,757	54,173	50,991	584	1.08%	3,182	6.24%
Funding Note	157,997	89,199	-	68,798	77.13%	89,199	100.00%
Net Investment Income (Loss)	39,039	(34,332)	20,247	73,371	-213.71%	(54,579)	-269.57%
Other Income	4,758	7,695	2,665	(2,937)	-38.17%	5,030	188.74%
	$ 363,949	$ 222,618	$ 178,747	$ 141,331	63.49%	$ 43,871	24.54%

The increase in employer contributions was primarily due to an increase in payment of the employers' share of delinquent prior years' contribution for members retiring during the year.

Net investment income increased by 213.71 percent during fiscal year 2023, due to the System's decision to shift to a more aggressive allocation strategy which led to the diversification of the System's portfolio from fixed income to equity. The net investment income for the System totaled $39.0 million for fiscal year 2023, comprised of a $36.0 million in net appreciation in fair value of investments, $3.2 million in interest and other income, less $171 thousand related to investment expenses. This is compared to the net investment loss of $34.3 million in fiscal year 2022. There was $158.0 million received from the funding note which serves to reduce the unfunded net pension liability of the primary plan sponsor.

The funding note was added to the System's investment portfolio to generate income and increase the value of the portfolio. For additional information on the funding go to www.usvigers.com.

DEDUCTIONS

The primary sources of deductions from the System include the payment of retiree and survivor benefits, participant's refunds, and administrative expenses. The following table shows the use and amount of the deductions for the System during fiscal years 2023, 2022 and 2021.

Deduction by Type
(Dollar amounts expressed in thousands)

	2023	2022	2021	2023-2022 Increase (Decrease)	2023-2022 Percentage	2022-2021 Increase (Decrease)	2022-2021 Percentage
Benefits Paid to Members	$ 282,209	$ 272,154	$ 265,175	$ 10,055	3.69%	$ 6,979	2.63%
Refunds Member Contributions	10,112	9,081	6,701	1,031	11.35%	2,380	35.52%
Administrative Expenses	16,575	15,196	14,282	1,379	9.07%	914	6.40%
	$ 308,896	$ 296,431	$ 286,158	$ 12,465	4.21%	$ 10,273	3.59%

In fiscal year 2023 benefits paid to members increased because of an increase in retro payments paid to members.

In fiscal year 2023 refunds increased by approximately $1.0 million or 11.35% due to an increase in the number of members requesting refunds. Administrative expenses increased by $1.4 million or 9.07%.

The following table presents the components of the net pension liability as of September 30, 2023, 2022, and 2021, respectively, valued as of the beginning of each respective fiscal year:

	2022	2021	2020
Total Pension Liability	$ 4,491,404,535	$ 5,770,941,174	$ 6,358,816,145
Net Pension Assets	400,330,991	475,127,907	582,539,738
Pension Liability	$ 4,091,073,544	$ 5,295,813,267	$ 5,776,276,407
Funded Ratio	8.91%	8.23%	9.16%

The net investment return assumption is 4.77% and is an estimate derived from historical data, current, and recent market expectations.

The Plan's funding policy requires payment of the Actuarial Determined Employer Contributions (ADEC). Over the past 21 years, the amounts contributed have been significantly less than the required ADEC; thus, the ADEC has continuously increased over that period from 35% to 72% of pay as of September 30, 2023.

See note 12: Subsequent Events for information on funding.

GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM OF THE U.S. VIRGIN ISLANDS

STATEMENTS OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2023 AND 2022

	As of September 30,	
	2023	**2022**
Assets		
Cash and cash equivalents	$ 35,309,482	$ 120,282,123
U.S. Government and agency obligations	-	21,976,120
Corporate obligations	1,090	21,640,884
Mortgage and asset-backed securities	-	26,277,420
Commingled and mutual funds	344,520,244	129,082,253
Limited partnerships	7,617,672	9,193,823
Securities lending collateral	-	5,605,930
Total cash, cash equivalents and investments	387,448,488	334,058,553
Member loans:		
Mortgage	3,241,920	3,680,537
Personal	5,403,100	10,656,818
Less allowance for loans losses	(952,255)	(1,008,830)
	7,692,765	13,328,525
Real estate:		
Havensight Mall	41,000,000	41,000,000
System Complex and other real property	21,894,582	21,142,197
	62,894,582	62,142,197
Reserved assets	4,076	17,572
Due from other agencies of the Government of the U.S.V.I	20,754,884	16,199,342
Accrued interest receivable	78,741	609,734
Capital assets, net	1,328,851	1,366,064
Other assets	1,723,194	3,996,193
Total assets	481,925,581	431,718,180
Liabilities		
Retirement benefits in process of payment	3,530,923	3,083,977
Obligation for collateral received under securities lending transactions (Note 5)	-	5,605,930
Other liabilities	23,010,283	22,697,282
Total liabilities	26,541,206	31,387,189
Net position restricted for pensions	$ 455,384,375	$ 400,330,991

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2023 AND 2022

	Years Ended September 30, 2023	2022
Additions:		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	$ 36,028,272	$ (39,939,665)
Interest and dividends	2,681,237	4,165,533
Other investment income	7,359	85,190
Rental income	493,307	756,497
	39,210,176	(34,932,445)
Less:		
Investment management fees and custodian fees	170,649	340,471
Borrowers' rebates and other agent fees on securities lending transactions	-	43,359
	39,039,527	(35,316,275)
Contributions:		
Employer	107,398,147	105,883,097
Employee	54,757,299	54,172,778
Funding Note	157,996,500	89,198,738
	320,151,946	249,254,613
Other income	4,758,140	7,695,671
Total additions	363,949,613	221,634,009
Deductions:		
Benefits paid directly to members	282,208,676	272,153,568
Refunds of members' contributions	10,112,409	9,080,509
Administrative and operational expenses	16,575,143	15,196,848
Total deductions	308,896,228	296,430,925
Net change in net position	55,053,384	(74,796,916)
Net position restricted for pensions:		
Net position beginning of year	400,330,991	475,127,907
Net position end of year	$ 455,384,375	$ 400,330,991

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

NOTES TO FINANCIAL STATEMENTS

1. Description of the Plan

The Government of the U.S. Virgin Islands Employees' Retirement System (the System) is a multiple employer defined benefit pension 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.

Eligibility and Membership: The Plan covers all employees of the Government of the U.S. Virgin Islands except casual, provisional, or any part-time employee who does not regularly work at least 20 hours per week. The plan also covers employees whose services are compensated on a contractual fee or per diem basis who work exclusively for the Government at least 40 hours per week. Persons over the age of 55 may opt out of the Plan by providing formal notification to the Plan. The Plan provides retirement, death, and disability benefits to plan members. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the Plan:

1) **Tier I** - Employees hired prior to September 30, 2005

2) **Tier II** - Employees hired on or after October 1, 2005

Plan Membership as of September 30, 2023 and 2022, consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitles to benefits but not yet receiving them	8,899	8,783
Current employees	8,712	8,928
	17,611	17,711

Vesting: The System provides for retirement, death, and disability benefits to plan members. Benefits may be extended to beneficiaries of plan members. Regular Tier I 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. Regular Tier II employees who have attained age 65 with at least ten years of 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. Tier I regular and safety employees who have attained age 50 with at least 10 years of credited service may elect to retire early with a reduced benefit. Tier II regular and safety employees who have attained age 60 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.

1. Description of the Plan *(continued)*

The semi-monthly annuity benefit payments are determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during the 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 annual increase in the case of a disability annuity shall be 1 percent per year prior to the member's attainment of age 60 and 1.5 percent per year thereafter. The Board of Trustees may not increase rates by more than 3.0% over a five-year period. The employer's contributions together with the employee's contributions and the income of the System should be sufficient to provide an adequate actuarially determined reserve for the benefits prescribed by the Code.

Contributions: Contributions to the System are made by the employer (Government of the U.S. Virgin Islands and its Independent Instrumentalities) and employees. From time to time, The Board may actuarially determine the rate of contribution for Tier I members and employers of the System.

The contributions required to fund the System on an "actuarial reserve basis" are calculated periodically by the System's actuarial consultant. The actuarial valuations as of October 1, 2021 and 2020 indicate that the current combined statutory employer and employee contribution rates are not sufficient to meet the costs of the System on an actuarial basis.

The employer's required contribution is 23.5% (effective January 1, 2020) of the employee's annual salary and required employee contributions are 11% and 11.5% of annual salary for Tier I and Tier II regular employees respectively, 12% and 14% for Tier I and Tier II senators respectively, 15% for both Tier I and Tier II judges, and 13% and 13.625% for Tier I and Tier II safety (hazardous employees and eligible employees under Act 5226) respectively. 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 based on the experience of the System which shall not be less than 2%, nor more than 4% per annum. The System set 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 in the semimonthly annuity received by member.

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.

1. Description of the Plan *(continued)*

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, the total due of $26,944,627 was collected. This represents the total amount due under the Act.

The Actuary for 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.

2. Summary of Significant Accounting Policies

Reporting Entity. The accompanying financial statements include all activities and funds administered by GERS. GERS is a component unit of the Government of the U.S. Virgin Islands for financial reporting purposes. GERS financial statements are included in the fiduciary and proprietary funds in the Virgin Islands Annual Comprehensive Financial Report (ACFR).

Basis of Accounting. The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental organizations. In doing so, GERS adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB). Employee and employer contributions are recognized as additions to the System' 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. Cash as of September 30, 2023 and 2022, includes cash held by Havensight Mall that is not restricted by use of GERS.

Methods 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 approximates fair value. Investments in limited partnerships have no readily ascertainable market value and are based on the valuation reported by the general partners.

2. Summary of Significant Accounting Policies *(continued)*

The System's office complex and other real property - St. Thomas/St. Croix real estate is carried at historical cost, net of accumulated depreciation.

The carrying value for the Havensight Mall real estate is based on an independent appraisal. The value in this investment is $41,000,000 as of September 30, 2023 and 2022. Rental income, net of related expenses and any abatements, is recorded when earned.

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.

Capital Assets. Capital assets in excess of $1,000, utilized in the operation of the System are recorded at historical cost less depreciation, computed using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures, office equipment, vehicles, and computer hardware/software are depreciated over 5 years and building and improvements over 25 years.

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

Use of Estimates. The preparation of financial statements in accordance 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 assets, liabilities and net position, and changes net position, 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.

3. Net Pension Liability

The components of the net pension liability (NPL), of the System as of September 30, 2023, were as follows:

Valuation Date	Total Pension Liability (1)	Plan Fiduciary Net Position (2)	Net Pension Liability (1-2)	Plan Fiduciary Net Position as a % of Total Pension Liability (2/1)
September 30, 2022	$ 4,491,404,535	$ 400,330,991	$ 4,091,073,544	8.91%

The fiduciary net position of the System represents only 8.91% of the total pension liability of the Plan as of September 30, 2022, the most recent measurement date.

3. Net Pension Liability *(continued)*

The components of the net pension liability (NPL), of the System as of September 30, 2022, were as follows:

Valuation Date	Total Pension Liability (1)	Plan Fiduciary Net Position (2)	Net Pension Liability (1-2)	Plan Fiduciary Net Position as a % of Total Pension Liability (2/1)
September 30, 2021	$ 5,770,941,174	$ 475,127,907	$ 5,295,813,267	8.23%

The fiduciary net position of the System represents only 8.23% of the total pension liability of the Plan as of September 30, 2021, the most recent measurement date.

Valuation date	Actuarially determined contributions are calculated as of September 30, 2022 and 2021
Actuarial cost method	Entry Age Normal Cost Method determined as a percentage of salary
Amortization method	Level dollar
Amortization period	20 years open amortization
Asset valuation method	Market value
Inflation	2.50% for September 30, 2022 valuation and 2.10% for September 30, 2021 valuation
Salary Increases	5.00% per year for the plan years ending 2022-2026, and 4.00% thereafter for September 30, 2022 valuation and 3.25% for September 30, 2021 valuation
Investment Rate of Return	4.77% for September 30, 2022 valuation and 2.52% for September 30, 2021 valuation, net of pension plan investment expense, including inflation
Mortality	Non-annuitant: 110% of the RP-2014 Blue Collar Employee Mortality Table with generational projection from 2015 using Scale MP-2015. Healthy annuitant: 110% of the RP-2014 Blue Collar Healthy Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015. Disabled annuitant: 125% of the RP-2014 Disabled Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015.

3. Net Pension Liability *(continued)*

The ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation component.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of September 30, 2023 and 2022 are summarized as follows:

- - As of September 30, 2023 - -

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	8.7%
Developed market equity	14%	9.8%
Emerging market equity	6%	10.0%
Investment grade bonds	10%	4.7%
TIPS	10%	4.5%
High yield bonds	10%	7.3%
Cash	5%	2.9%
Total	**100%**	

- - As of September 30, 2022 - -

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	9%	7.0%
Real estate	10%	4.1%
Fixed income	60%	0.9%
Alternatives - private equity	9%	11.0%
Cash	12%	0.3%
Total	**100%**	

Discount rate: The discount rate used to measure the total pension liability was 4.77% and 2.52% as of September 30, 2022 and 2021, the respective measurement dates. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments of 6.00% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2022, that rate was 4.02%.

3. Net Pension Liability *(continued)*

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of September 30, 2023 calculated using the discount rate of 4.77%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.77%) or 1-percentage-point higher (5.77%) than the current rate:

	1% Decrease (3.77%)	Current Discount (4.77%)	1% Increase (5.77%)
Net pension liability	$ 4,618,086,578	$ 4,091,073,544	$ 3,650,096,650

The following presents the net pension liability as of September 30, 2022 calculated using the discount rate of 2.52%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.52%) or 1-percentage-point higher (3.52%) than the current rate:

	1% Decrease (1.52%)	Current Discount (2.52%)	1% Increase (3.52%)
Net pension liability	$ 6,087,282,094	$ 5,295,813,267	$ 4,642,297,466

4. Investments

(a) Marketable Securities

The System's investments in marketable securities are held in trust by a Custodian bank (State Street Bank and Trust Company) on behalf of the System and are managed by several professional investment managers.

The System's Board of Trustees has established investment policies that place limitations and provide guidelines on amounts that may be invested in certain investment categories. In addition, such policies provide the guidance related to the type of investment transactions that 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;

4. Investments *(continued)*

– 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; provided that (a) the municipality has at least 30,000 inhabitants; (b) the utility has been in operation for at least 10 years prior to the date of the investment; (c) bonds or other obligations of such utility have not been in default for any period longer than 30 days; (d) rates for service are fixed and maintained and collected at all times so as to produce sufficient revenue or earnings to pay all operating and maintenance charges and both the principal and interest on such bonds or obligations; (e) the total investment in this type of security shall not at any time exceed 10 percent of the total investment of the System.

– Bonds or any other evidence 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 evidence of indebtedness of any domestic public utility corporation provided that these securities and investments 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 evidence 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;

– 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;

– 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;

4. Investments *(continued)*

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. 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.

– 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 security exchange;

– Real property purchased and/or developed by the Board of Trustees for sale for homeownership purposes;

– Loans to approved businesses by the Board of Trustees as alternative investments.

(b) Limited Partnership

The total value of the limited partnership investments as of September 30, 2023 and 2022 were as follows:

	2023	**2022**
Mesirow	$ 7,617,672	$ 9,193,823

4. Investments *(continued)*

(c) Net Appreciation in Fair Value of Investments, Interest and Dividends

The fair value of the System's investments as of September 30, 2023 and 2022 are listed below:

	2023	2022
U.S. Government and agency obligations	$ -	$ 21,976,120
Corporate obligations	1,090	21,640,884
Mortgage and asset-backed securities	-	26,277,420
Commingled and mutual funds	344,520,244	129,082,253
Limited partnerships	7,617,672	9,193,823
	$ 352,139,006	$ 208,170,500

The investments generated interest and dividend income for the years ended September 30, 2023 and 2022 are listed below:

	2023	2022
Investment interest & dividends	$ 1,877,571	$ 2,892,639

In addition, the net appreciation in fair value System's investments including gains and losses on investments bought and sold, as well as held during the years ended September 30, 2023 and 2022 is listed below:

	2023	2022
U.S. government and agency obligations	$ 431,873	$ (4,445,823)
Corporate obligations	1,035,436	(5,711,149)
Mortgage and asset-backed securities	557,218	(4,350,846)
Commingled and mutual funds	32,787,043	(22,950,019)
Limited partnership	(33,300)	(1,497,346)
Totals	$ 34,778,270	$ (38,955,183)

4. Investments *(continued)*

(d) Custodial Credit Risk-Deposits

GERS discloses cash and investments of all GERS – managed funds that are subjected to certain risks: custodial credit risk, concentration of credit risk, interest rate risk, credit risk and foreign currency risk, when such exposure exists.

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 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 equivalents consist of money market accounts.

As required by law, banks or trust companies designated as depositories of public funds of the Government and its various agencies, authorities, and instrumentalities are to maintain corporate surety bonds or pledge collateral satisfactory to the U.S. Virgin Islands Commissioner of Finance to secure all funds deposited.

As of September 30, 2023 and 2022, all cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds, or by collateral held by the System.

(e) 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.

(f) 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 as of September 30, 2023 and 2022 include the following:

NOTES TO FINANCIAL STATEMENTS *(continued)*

4. Investments *(continued)*

- - As of September 30, 2023 - -

	Standard & Poor's Credit Ratings			Moody's Investor Service Credit Ratings		
	Credit Ratings	Fair Value	Percentage of Portfolio	Credit Ratings	Fair Value	Percentage of Portfolio
Corporate obligations	Not Rated	$ 1,090	0.00%	Not Rated	$ 1,090	0.00%
U.S. equity commingled and mutual funds	Not Rated	161,048,587	46.75%	Not Rated	161,048,587	46.75%
International equity commingled and mutual funds	Not Rated	70,728,411	20.53%	Not Rated	70,728,411	20.53%
Domestic fixed income commingled and mutual funds	Not Rated	112,743,246	32.72%	Not Rated	112,743,246	32.72%
Total		$ 344,521,334	100.00%		$ 344,521,334	100.00%

Cash equivalents and other investments as of September 30, 2023 include the following:

		Credit Ratings	
	Fair Value	Standard & Poor's	Moody's
Cash equivalents	$ 1,632,215	Not Rated	Not Rated
Limited Partnership	7,617,672	Not Rated	Not Rated
Total Cash, Cash Equivalents and other investments	$ 9,249,887		

4. Investments *(continued)*

- - As of September 30, 2022 - -

	Standard & Poor's Credit Ratings			Moody's Investor Service Credit Ratings		
	Credit Ratings	Fair Value	Percentage of Portfolio	Credit Ratings	Fair Value	Percentage of Portfolio
Corporate obligations	AAA	$ 316,488	0.09%	Aaa	$ 316,488	0.09%
Corporate obligations	A+	697,694	0.20%	A1	697,694	0.20%
Corporate obligations	A	573,763	0.17%	A2	573,763	0.17%
Corporate obligations	A-	2,722,217	0.79%	A3	2,722,217	0.79%
Corporate obligations	AA+	88,157	0.03%	Baa1	88,157	0.03%
Corporate Obligations	AA-	395,333	0.11%	Baa2	395,333	0.11%
Corporate obligations	BBB+	4,888,079	1.42%	Baa3	4,888,079	1.42%
Corporate obligations	BBB	8,138,024	2.36%	Not Available	8,138,024	2.36%
Corporate obligations	BBB-	3,637,781	1.06%	Not Rated	3,637,781	1.06%
Corporate obligations	Not Rated	183,348	0.05%	Not Rated	183,348	0.05%
Mortgage and asset-backed securities	AAA	1,815,408	0.53%	Aaa	1,815,408	0.53%
Mortgage and asset-backed securities	AA	455,875	0.13%	Aa1	455,875	0.13%
Mortgage and asset-backed securities	A	124,882	0.04%	Aa3	124,882	0.04%
Mortgage and asset-backed securities	Not Available	23,881,255	6.93%	Not Available	23,881,255	6.93%
Commingled and mutual funds	Not Rated	129,082,253	37.47%	Not Available	129,082,253	37.47%
Total		$ 177,000,557	51.38%		$ 177,000,557	51.38%

Cash equivalents and other investments as of September 30, 2022 include the following:

		Credit Ratings	
	Fair Value	Standard & Poor's	Moody's
Cash equivalents	$ 80,610,774	Not Rated	Not Rated
U.S. treasury bonds	5,519,062	Not Available	Aaa
U.S. treasury notes	16,208,468	Not Available	Aaa
Municipal Bonds	109,049	A+	A1
Municipal Bonds	139,541	AA-	Aa3
Limited Partnership	9,193,823	Not Rated	Not Rated
Total Cash, Cash Equivalents and other investments	$ 111,780,717		

4. Investments *(continued)*

The total System's cash, cash equivalents and investment securities as of September 30, 2023 and 2022 consists of:

	2023	2022
System cash	$ 24,353,644	$ 30,756,832
Havensight cash	9,323,623	8,914,517
Cash equivalents	1,632,215	80,610,774
Total cash and cash equivalents	35,309,482	120,282,123
Commingled and mutual funds and other investments	344,521,334	198,976,677
Stock lending collateral	-	5,605,930
Limited partnership	7,617,672	9,193,823
	$ 387,448,488	$ 334,058,553

(g) 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, 2023, 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**
Commingled and Mutual Funds	$ 344,520,244	$ -	$ -	$ -	$ -	$ 344,520,244
Corporate Obligations	1,090	1,090	-	-	-	-
Limited Partnership	7,617,672	-	-	-	-	7,617,672
Totals	$ 352,139,006	$ 1,090	$ -	$ -	$ -	$ 352,137,916

4. Investments *(continued)*

As of September 30, 2022, 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**
Commingled and Mutual Funds	$ 129,082,253	$ -	$ -	$ -	$ -	$ 129,082,253
Corporate Obligations	21,640,884	202,303	10,655,353	3,790,351	6,992,877	-
Limited Partnership	9,193,823	-	-	-	-	9,193,823
Mortgage and asset-backed securities	26,277,420	152,955	2,602,065	2,314,846	21,207,554	-
Municipals	248,590	-	-	-	248,590	-
US Treasury Bonds	5,519,062	-	-	-	5,519,062	-
US Treasury Notes	16,208,468	-	11,553,292	4,655,176	-	-
Totals	$ 208,170,500	$ 355,258	$ 24,810,710	$ 10,760,373	$ 33,968,083	$ 138,276,076

(h) Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the 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 loans 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, 2023 and 2022. As of September 30, 2023 and 2022, the System had no underlying securities on loan secured by noncash collateral.

Stock and cash collateral held for securities lending transactions was invested in a collective investment pool maintained by the securities lending agent as of September 30, 2022.

(i) 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 position. During the years ended September 30, 2023 and 2022, the System did not engage in any forward currency exchange contracts.

4. Investments *(continued)*

(j) Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. In accordance with GAAP, the System is required to classify certain assets and liabilities based on the following fair value hierarchy:

- *Level I:* Quoted prices (unadjusted) for identical investments in active markets;
- *Level II:* Observable inputs other than quoted market prices; and,
- *Level III:* Unobservable inputs.

These levels are determined by the System's investment staff. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The System will request the information from the fund manager if necessary.

The System had the following recurring fair value measurements as of September 30, 2023:

	9/30/2023	Level I	Level II	Level III
Investments by fair value level				
Debt Securities				
Corporate bond	$ 1,090	$ -	$ 1,090	$ -
Limited partnership-private equity fund of funds	7,617,672	-	-	7,617,672
Private debt-direct lending/other investments	7,692,765	-	-	7,692,765
Real estate/other real assets	64,223,433	-	-	64,223,433
Total other investments	79,533,870	-	-	79,533,870
Total investments by fair value level	**79,534,960**	**$ -**	**$ 1,090**	**$ 79,533,870**
Investments measured at net assets value (NAV)				
Commingled equity funds (1)	231,776,999			
Commingled bond funds (1)	112,743,245			
Total investments measured at the NAV	**344,520,244**			
Short-term investments	35,309,482			
Total investments	**$ 459,364,686**			

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below:

Investments measured at net assets value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled equity funds	$ 231,776,999	$ -	Daily	None
Commingled bond funds	112,743,245	-	Daily	None
Total investments measured at the NAV	$ 344,520,244	$ -		

4. Investments *(continued)*

(j) Fair Value Measurements (continued)

The System had the following recurring fair value measurements as of September 30, 2022:

	9/30/2022	Level I	Level II	Level III
Investments by fair value level				
Debt Securities				
Government and agency obligations	$ 21,727,530	$ -	$21,727,530	$ -
Municipals obligations	248,590	-	248,590	-
Corporate bond	21,640,884	-	21,640,884	-
Assets-backed securities	3,655,455	-	3,655,455	-
Collateralized mortgage obligation	3,293,345	-	3,293,345	-
Commercial mortgage-backed securities	2,996,464	-	2,996,464	-
Residential mortgage-backed securities	16,332,156	-	16,332,156	-
Total debt securities	69,894,424	-	69,894,424	-
Limited partnership-private equity fund of funds	9,193,823	-	-	9,193,823
Private debt-direct lending/other investments	13,328,525	-	-	13,328,525
Real estate/other real assets	63,508,261	-	-	63,508,261
Total other investments	86,030,609	-	-	86,030,609
Total investments by fair value level	**155,925,033**	**$ -**	**$ 69,894,424**	**$ 86,030,609**
Investments measured at net assets value (NAV)				
Commingled bond funds (1)	129,082,253			
Securities lending collateral fund (2)	5,605,930			
Total investments measured at the NAV	**134,688,183**			
Short-term investments	120,282,123			
Total investments	**$ 410,895,339**			

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below:

Investments measured at net assets value (NAV)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled bond funds	$ 129,082,253	$ -	Daily	2 - 10 days
Securities lending collateral fund	5,605,930	-	Daily	None
Total investments measured at the NAV	$ 134,688,183	$ -		

4. Investments *(continued)*

(j) Fair Value Measurements (continued)

(1) *Commingled equity and bond funds.* This type includes seven commingled funds that invest in publicly traded domestic and global stocks, and domestic and global fixed income securities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. The total commingled fund assets can be liquidated daily. All the underlying securities within the commingled funds carry a recurring fair value measurement Level of II. There are no unfunded commitments to commingled funds as of September 30, 2023 and 2022.

(2) *Securities lending collateral.* The System's custodian is the agent in lending the System's securities for collateral and investments were in a commingled fund.

(k) Member Loans

The System's investments in member loans, net of allowances for loan losses, as of September 30, 2023 and 2022 were $7,692,765 and $13,328,525 respectively. Such investments in member loans generated interest income of $828,386 and $1,261,938 respectfully for the years ended September 30, 2023 and 2022. The average interest rate was 8% for the years ended September 2023 and 2022.

(l) Real Estate

The investment in the Havensight Mall has an appraised value of $41,000,000 as of September 30, 2023 and 2022.

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 utilizes portions of the buildings in the operation of the System. Depreciation is provided for only those portions of the buildings that are utilized in the operation of the System. The remaining areas of the buildings leased to other government agencies and commercial tenants are recorded at fair value.

The carrying value of capital assets as of September 30, 2023 and 2022 were as follows:

	2023	2022	Useful Life
Furniture and Fixtures	$ 1,317,508	$1,313,511	5 years
Building Improvements	548,944	548,944	25 years
Office Equipment	2,098,625	2,097,767	5 years
Vehicles	319,018	319,018	5 years
Computer Hardware/Software	5,521,975	5,360,608	5 years
	9,806,070	9,639,848	
Less: accumulated depreciation and amortization	8,477,219	8,273,784	
Total	$ 1,328,851	$1,366,064	

5. 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 2023 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, 2023 and 2022, 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 2023 and 2022, 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.

At September 30, 2023 there were no balances relating to the securities lending transactions.

5. Securities Lending Transactions *(continued)*

The following represents the balances relating to the securities lending transactions as of September 30, 2022:

Securities Lent	Underlying Securities	Cash Collateral Investment Value	Securities Collateral Investment Value
Lent for Cash Collateral:			
Corporate bonds	$ 2,999,453	$ 3,065,868	$ -
U.S. government and agency obligation	2,486,331	-	-
Lent for Securities Collateral:			
U.S. government and agency obligation	-	2,540,063	-
Totals	$ 5,485,784	$ 5,605,931	$ -

6. Due from Agencies of the Government of the U.S. Virgin Islands

As of September 30, 2023 and 2022 the amount recorded as due from Agencies of the Government of the U.S. Virgin Islands was $20,754,884 and $16,199,342 respectively.

7. Internal Revenue Matching Fund

On December 19, 2013 Pursuant to Act No. 7261 Section 13 (Bill No. 29-0123) and enabling legislation, the System should receive $7,000,000 per year from the Internal Revenue Matching Fund. In fiscal years 2023 and 2022, the System did not receive any funding from the Internal Revenue Matching Fund

8. Risks of Loss

The System is exposed to various risks of loss related to torts; theft 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 $150,000. 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.

9. Litigation

The System is a defendant in legal claims arising from its normal operations. It is management's opinion, after consulting with its legal counsel 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, whose outcomes are currently undeterminable.

10. Management Fees and Custodian Fees

The custodian and investment advisers of the System's investment fund are entitled to annual fees computed based on the market value of the System's investment fund assets and reimbursement of out-of-pocket expenses incidental to custodial duties. Such fees amounted to $170,649 and $340,471 for the years ended September 30, 2023 and 2022 respectively.

11. Condensed Financial Statements

The information below is condensed financial information for the Havensight Mall as of and for the years ended September 30, 2023 and 2022:

	2023	2022
Cash	$ 9,323,623	$ 8,914,517
Net Assets	$ 7,436,110	$ 2,150,856
Revenue	$ 4,370,810	$ 5,525,578
Expense	5,457,301	5,105,255
Net Income	$ (1,086,491)	$ 420,323

12. Subsequent Events

The System evaluated the subsequent events and transactions through July 18, 2024, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

In April 2024 the Member Loan program was reinstated with both districts (St. Thomas/St. John and St. Croix) receiving $10,000,000 each for the administering of the program. Members may receive a maximum of $10,000 or 75% of their contribution whichever is lower. Only active members may receive a personal loan.

On October 2, 2023, the System received $123,996,500 from the Funding Note, a shortfall of $33,999,500 from the expected amount of $157,996,500.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**Covered employee payroll as reported in the participant data as of each valuation date.*
Historical information prior to the implementation of GASB 67/68 is not required

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal Year Ended September 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	$ 119,441,940	$ 126,707,925	$ 112,031,997	$ 76,814,792	$ 89,233,179	$ 101,716,941	$ 87,734,650	$ 69,262,969	$ 65,274,936
Interest on the Total Pension Liability	144,894,105	141,595,763	159,341,425	207,423,206	193,824,703	176,503,962	192,803,756	184,451,782	191,113,749
Benefit Changes	-	-	-	-	-	-	(48,588,579)	-	(40,421,809)
Differences between Actual and Expected Experience	(56,164,946)	(370,470,229)	17,582,658	(2,954,116)	2,839,939	25,049,512	76,689,946	98,193,233	35,917,905
Changes of Assumptions	(1,206,473,661)	(213,831,991)	351,004,813	1,045,622,246	(304,877,189)	(361,658,766)	431,433,618	731,994,972	241,527,329
Benefit Payments and Refunds	(281,234,077)	(271,876,439)	(273,912,806)	(275,738,622)	(265,331,162)	(259,464,878)	(259,011,168)	(250,110,255)	(247,069,503)
Net Change in Total Pension Liability	(1,279,536,639)	(587,874,971)	366,048,087	1,051,167,506	(284,310,530)	(317,853,229)	481,062,223	833,792,701	246,342,607
Total Pension Liability – Beginning	5,770,941,174	6,358,816,145	5,992,768,058	4,941,600,552	5,225,911,082	5,543,764,311	5,062,702,088	4,228,909,387	3,982,566,780
Total Pension Liability – Ending (A)	$ 4,491,404,535	$ 5,770,941,174	$ 6,358,816,145	$ 5,992,768,058	$ 4,941,600,552	$ 5,225,911,082	$ 5,543,764,311	$ 5,062,702,088	$ 4,228,909,387
Plan Fiduciary Net Position									
Contributions – Employer	$ 105,883,097	$ 104,844,144	$ 100,422,478	$ 106,183,907	$ 96,747,868	$ 84,802,335	$ 86,346,597	$ 72,287,934	$ 68,298,617
Contributions – Employee	54,172,778	50,991,005	50,861,065	49,035,132	44,481,827	47,925,193	41,459,511	36,245,015	34,020,107
Funding Note	89,198,738	-	-	-	-	-	-	-	-
Net Investment Income	(35,316,275)	20,247,558	38,093,939	40,161,690	54,077,199	67,401,362	70,993,934	4,967,602	60,326,921
Benefit Payments and Refunds	(281,234,077)	(271,876,439)	(273,912,786)	(275,738,622)	(265,331,162)	(259,464,878)	(259,011,168)	(250,110,255)	(247,069,503)
Administrative Expense	(15,196,848)	(14,282,647)	(14,688,039)	(15,162,645)	(14,505,786)	(14,997,033)	(15,267,630)	(16,401,722)	(18,867,491)
Other	7,695,671	2,664,548	3,642,817	4,820,140	7,880,224	2,641,471	1,599,548	1,161,301	3,573,611
Net Change in Plan Fiduciary Net Position	(74,796,916)	(107,411,831)	(95,580,526)	(90,700,398)	(76,649,830)	(71,691,550)	(73,879,208)	(151,850,125)	(99,717,738)
Plan Fiduciary Net Position – Beginning	475,127,907	582,539,738	678,120,264	768,820,662	845,470,492	917,162,042	991,041,250	1,142,891,375	1,242,609,113
Plan Fiduciary Net Position – Ending (B)	400,330,991	475,127,907	582,539,738	678,120,264	768,820,662	845,470,492	917,162,042	991,041,250	1,142,891,375
Net Pension Liability – Ending (A) – (B)	$ 4,091,073,544	$ 5,295,813,267	$ 5,776,276,407	$ 5,314,647,794	$ 4,172,779,890	$ 4,380,440,590	$ 4,626,602,269	$ 4,071,660,838	$ 3,086,018,012

REQUIRED SUPPLEMENTARY INFORMATION

**Covered employee payroll as reported in the participant data as of each valuation date.*
Historical information prior to the implementation of GASB 67/68 is not required

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal Year Ended September 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**8.91%**	**8.23%**	**9.16%**	**11.32%**	**15.56%**	**16.18%**	**16.54%**	**19.58%**	**27.03%**
Covered Employee Payroll *	$ 433,180,978	$ 429,477,835	$ 411,757,386	$ 399,386,941	$ 404,775,714	$ 393,771,228	$ 368,023,518	$ 355,603,633	$ 370,131,865
Net Pension Liability as a Percentage of Covered Employee Payroll	944.43%	1233.08%	1402.83%	1330.70%	1030.89%	1112.43%	1257.15%	1145.00%	833.76%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

Notes to Schedule of Changes in the Employers' Net Pension Liability

Benefits Provided: In the year ended September 30, 2016, there were changes to the eligibility and benefit amounts for Tier 2 Regular and Public Safety Employees for service and Early pensions reflected in this valuation.

Change of Assumptions: In the year ended September 30, 2014, amounts reported as changes in assumptions resulted from a decrease in the discount rate used to measure the total pension liability from 4.87% as of September 30, 2013 to 4.42% as of September 30, 2014.

In the year ended September 30, 2015, amounts reported as changes in assumptions resulted from a decrease in the discount rate used to measure the total pension liability from 4.42% as of September 30, 2014 to 3.84% as of September 30, 2015 and several changes in assumptions based on the actuarial experience study as of September 30, 2015 adopted by the Board effective September 30, 2015. The changes include changes to the long-term expected rate of return, salary scale, inflation, the mortality assumption for healthy and disabled lives, including the provision for future mortality improvement, retirement ages for active members, and pre-retirement decrement rates for turnover and disability.

In the year ended September 30, 2016, amounts reported as changes in assumptions resulted from a decrease in the discount rate used to measure the total pension liability from 3.84% as of September 30, 2015 to 3.20% as of September 30, 2016.

In the year ended September 30, 2017, amounts reported as changes in assumptions resulted from an increase in the discount rate and to measure the total pension liability from 3.20% as of September 30, 2016 to 3.74% as of September 30, 2017.

In the year ended September 30, 2018, amounts reported as changes in assumptions resulted from an increase in the discount rate and to measure the total pension liability from 3.74% as of September 30, 2017 to 4.25% as of September 30, 2018.

In the year ended September 30, 2019, amounts reported as changes in assumptions resulted from a decrease in the discount rate and to measure the total pension liability from 4.25% as of September 30, 2018 to 2.67% as of September 30, 2019.

In the year ended September 30, 2020, amounts reported as changes in assumptions resulted from a decrease in the discount rate and to measure the total pension liability from 2.67% as of September 30, 2019 to 2.23% as of September 30, 2020.

In the year ended September 30, 2021, amounts reported as changes in assumptions resulted from an increase in the discount rate and to measure the total pension liability from 2.23% as of September 30, 2020 to 2.52% as of September 30, 2021.

In the year ended September 30, 2022, amounts reported as changes in assumptions resulted from an increase in the discount rate and to measure the total pension liability from 2.52% as of September 30, 2021 to 4.77% as of September 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS – LAST TEN FISCAL YEARS

Fiscal Years Ended September 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Percentage Contributed
2013*	$ 172,439,842	$ 64,431,322	$ 108,008,520	$ 381,012,309	16.91%
2014	189,715,251	68,298,617	121,416,634	370,131,865	18.45%
2015	200,089,791	72,287,934	127,801,857	355,603,633	20.33%
2016	247,158,137	86,346,838	160,811,299	363,023,518	23.79%
2017	250,574,023	84,802,335	165,771,688	393,771,228	21.54%
2018	267,743,116	96,747,868	170,995,248	401,071,344	24.12%
2019	277,523,563	106,183,907	171,339,656	404,775,714	26.23%
2020	365,803,372	100,422,478	265,380,894	399,386,941	25.14%
2021	373,748,689	104,844,144	268,904,545	411,757,386	25.46%
2022	361,771,924	195,081,835**	255,888,827	429,477,835	45.42%

**Estimated based on prior year's actuarial valuation*
***Fiscal year 2022 includes contributions of $89,198,738 from the funding note*

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS

Notes to Schedule of Employers' Contributions

Valuation date	Actuarially determined contributions are calculated as of September 30, 2022
Methods and assumptions need to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method determined as a percentage of salary
Amortization method	Level dollar, closed group
Amortization period	20 years open amortization
Asset valuation method	Market value
Inflation	2.50%
Salary Increases	5.00% per year for the plan years ending 2022-2026, and 4.00% thereafter
Investment Rate of Return	4.77% net of pension plan investment expense, including inflation
Mortality	Non-annuitant: 110% of the RP-2014 Blue Collar Employee Mortality Table with generational projection from 2015 using Scale MP-2015. Healthy annuitant: 110% of the RP-2014 Blue Collar Healthy Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015. Disabled annuitant: 125% of the RP-2014 Disabled Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015

Certified Public Accountants & Business Advisors
SBC

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
Government Employees' Retirement System of the U.S. Virgin Islands

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government Employees' Retirement System of the U.S. Virgin Islands (the System) as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated July 18, 2024.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal controls over financial reporting (internal controls) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal controls. Accordingly, we do not express an opinion on the effectiveness of the System's internal controls.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

10200 Grand Central Avenue • Suite 250 • Owings Mills • Maryland 21117 • P 410.584.0060 • F 410.584.0061

Certified Public
Accountants &
SBC Business Advisors

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
July 18, 2024

SB & Company, LLC

INVESTMENT SECTION

INVESTMENT OVERVIEW

The Government Employees' Retirement System of the Virgin Islands returned 8.5 percent gross of fees in fiscal year 2023, relative to the actuarial return target of 6.0 percent, and 7.3 percent for its policy benchmark. Including the payment of benefits, the market value of assets increased by approximately $55.1 million, from $400.3 million on September 30, 2022 to $455.4 million on September 30, 2023.

While overall the bond market remained on edge during fiscal year 2023 as global central banks continued to raise interest rates in response to high inflation, equity markets posted strong returns as enthusiasm around generative artificial intelligence gained momentum, particularly in the second half of the fiscal year. The System's public total equity portfolio returned 13.5 percent while the total fixed income portfolio achieved 4.0 percent. The fiscal year performance was evenly distributed across the other asset classes as the System's private equity investments achieved positive but muted returns. The private equity portfolio produced a dollar-weighted return of 0.6 percent for the fiscal year.

The Board's asset allocation strategy aims to achieve the actuarial rate of return over extended periods. This involves curating a diversified portfolio comprising various asset classes, each capable of yielding varying returns, whether large or small, positive or negative, within any given year. Through this diversification, the Board anticipates more consistent investment returns over time compared to a less diversified approach. This approach not only seeks to mitigate risk but also aims to capitalize on the distinct risk and return characteristics exhibited by different assets in diverse market conditions. Consequently, the Board expects this lower-risk portfolio to foster a larger asset pool for the System's beneficiaries in comparison to a more volatile portfolio with an equivalent average return. Understanding the Board's principles of asset allocation is pivotal when assessing performance over any single-year period.

The System's asset allocation can be categorized into five main groups: Growth/Equity, Rate Sensitive, Credit, Cash, and Real Assets/Other Real Assets. During the fiscal year, the Board approved minor adjustments to the asset allocation that included an adjustment to its investment-grade bonds and an allocation to cash. This change is expected to enhance the risk and return profile of the portfolio.

The Growth/Equity portfolio is comprised of public equity and private equity. Within public equity, there are dedicated allocations to U.S., international developed, and emerging markets. The objective of this asset class is to generate high returns associated with the economic growth underlying global economies.

The Rate Sensitive category includes exposure to core, or investment-grade bonds. This asset class is designed to provide protection against most downturns in the equity market by offering a reliable income stream through the yield component. This yield also offers a degree of safeguarding against a deflationary setting, which is marked by declining interest rates. This asset class includes long-duration U.S. Treasury bonds, Treasury inflation protected securities, corporate bonds and securitized debt.

The aim of the Credit asset class is to capitalize on the potentially greater returns provided by bonds rated below investment grade. The return goal resembles that of public equity, albeit with a reduced risk profile. This category encompasses high yield bonds.

The purpose of the Cash asset class is to provide liquidity as part of the System's internal cashflow process.

Real Assets/Other Real Assets includes real estate and undeveloped land. A significant portion of the assets in this category provides a regular income stream. Given the tangible or real nature of this asset class, it is anticipated to offer a certain degree of insulation against inflationary conditions, while also adding further diversification to the overall portfolio.

INVESTMENT PERFORMANCE, POLICY, STATISTICS AND ACTIVITY

The Board-adopted Investment Policy governs investment activity at the Government Employees Retirement System (GERS). The Board has adopted an investment policy that works to control the extent of downside risk to which the System is exposed while maximizing the potential for long-term increases in the value of assets. The Board is responsible for managing the assets of the Fund effectively, prudently, and for the exclusive benefit of GERS' members and beneficiaries.

INVESTMENT POLICY

The Board approves the Statement of Investment Policy. The purpose of the policy is to set forth GERS' investment philosophy and objectives. The policy establishes investment policies and describes the organization and division of responsibilities necessary to implement the Board's philosophy and objectives prudently; and establishes a framework for making investment decisions, monitoring investment activity, and promotes effective communication between the Board, Staff, and other involved parties.

INVESTMENT OBJECTIVES

The primary objective of the investment portfolio is to achieve investment returns exceeding the return of our Policy Benchmark within prudent risk parameters. Over the long term, it is expected that investment returns also should meet or exceed the Board approved actuarial net investment return assumption of 6.0%.

ASSET ALLOCATION

The Board implements an asset allocation policy that is predicated on several factors, including:

1. A projection of actuarial assets, liabilities, and benefit payments and the cost of contributions.
2. Past and anticipated long-term behavior of capital market risk and return.
3. An assessment of future economic conditions, including inflation and interest rate levels; and
4. The current and projected funding status

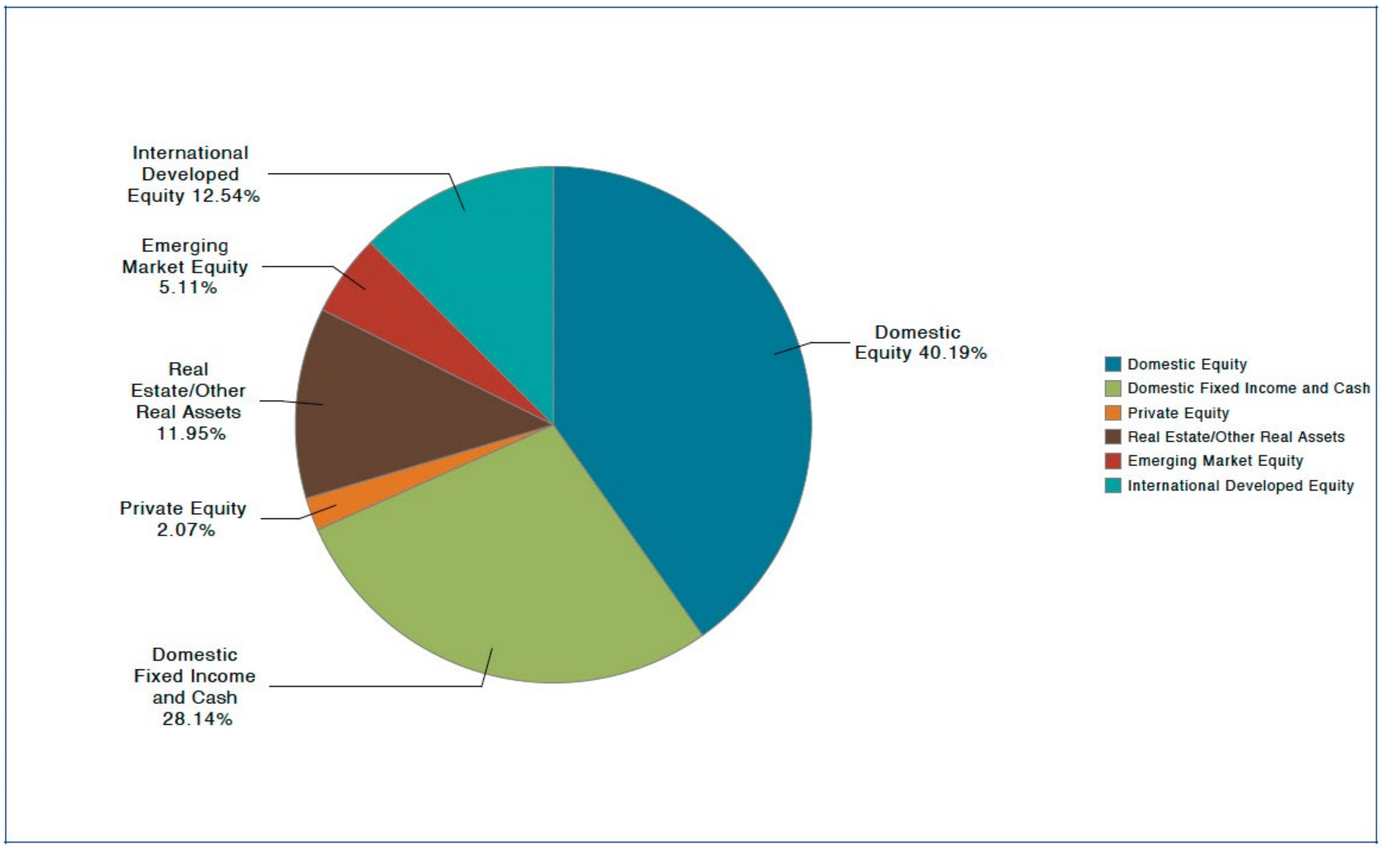
The asset allocation policy provides for diversification of assets to maximize the Fund's investment return consistent with market conditions. Asset allocation modeling identifies asset classes that the Board will utilize and the percentage that each asset class represents of the total Fund. Due to fluctuations in market values, positioning within a specific range is acceptable and constitutes compliance with the policy. It is anticipated that periodic revisions to the policy may occur and implementing such changes may require an extended period.

On January 31, 2022, ACT No. 8540 also known as the GERS Rescue Act was passed, and thereafter signed into law. Through this legislation, over the next 30 years (through 2052), the System is expected to receive approximately $3.8 billion. In late fiscal year 2022 due to the updated projected cash flows expected the Board approved a transition from the Dynamic Asset Allocation structure, implemented in fiscal year 2015, to a more traditional asset allocation seeking a higher long-term target return. The Board has determined that the following asset allocation policy is currently appropriate for the Fund.

The Board's long-term asset class targets and ranges as of September 30, 2023 are shown below.

ASSET CLASS	LONG-TERM POLICY TARGET (%)	RANGE (%)
U.S. Equity	45	0-55
International Developed Market Equity	14	0-20
Emerging Market Equity	6	0-10
Investment Grade Bonds	10	0-80
TIPS	10	0-15
High Yield Bonds	10	0-15
Cash	5	0-35
Alternative Investments	0	0-35
Total Assets	**100**	

ASSET ALLOCATION – SEPTEMBER 30, 2023



INVESTMENT PERFORMANCE-ANNUALIZED RETURNS - SEPTEMBER 30, 2023

	1 Year	3 Year	5 Year
Total Fund Time-Weighted Returns			
GERS	8.5 [a]	0.6 [a]	2.7 [a]
Domestic Equity			
GERS	12.0 [b]	8.89	9.16
Russell 3000® Index	11.9 [b]	9.38	9.14
International Developed Equity			
GERS	20.2 [b]	-	-
MSCI EAFE® Index	19.8 [b]	-	-
Emerging Markets Equity			
GERS	15.3 [b]	-	-
MSCI Emerging Markets Index	15.8 [b]	-	-
Domestic Fixed Income			
GERS	4.0	-2.6	1.0
Bloomberg U.S. Universal Index	1.6	-4.7	0.3
Private Equity			
GERS	0.6 [c]	15.0 [c]	13.9 [c]
Custom Benchmark	25.2 [c]	13.4 [c]	13.2 [c]

Investment performance data for the System is calculated using time-weighted rates of return (except where noted). Total return encompasses both interest and dividends, along with capital appreciation. Returns shown are provided by the System's investment consultant, The Meketa Investment Group, and custodian bank; State Street Bank & Trust & State Street Global Advisors. Valuations are based on published national securities exchange prices, where available, and all valuations are reconciled between the various investment managers and the custodian bank. Returns are gross of fees paid to investment managers (except where noted).

a: Total Fund returns utilize lagged valuations for private equity. Performance shown does not include assets domiciled in the U.S. Virgin Islands

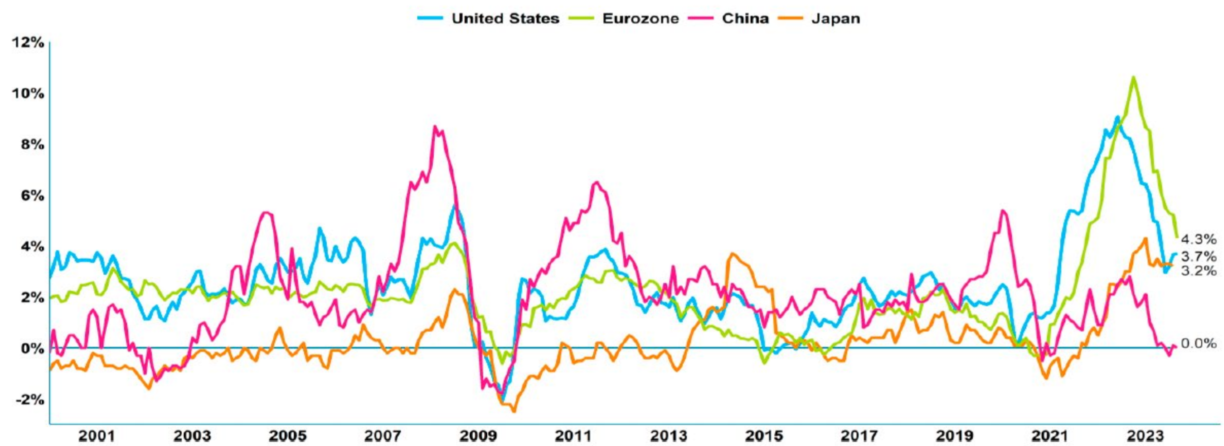
b: Returns for the fiscal year calculated from date of funding as of October 26, 2022.

c: Returns computed on a dollar-weighted basis and are net of investment management fees.

ECONOMIC AND CAPITAL MARKET OVERVIEW

Asset class performance varied notably in fiscal year 2023, with growth-oriented assets such as public stocks and credit yielding strong returns, while interest rate sensitive investments like real estate and bonds faced challenges. The Federal Reserve pursued an aggressive stance on interest rates, raising the federal funds rate several times throughout the fiscal year, to a range of 5.25% - 5.50%. Despite a decrease in inflation from 8.2% in September 2022 to 3.7% by September 30, 2023, it remained above the Fed's 2.0% target, leaving room for further rate hikes.

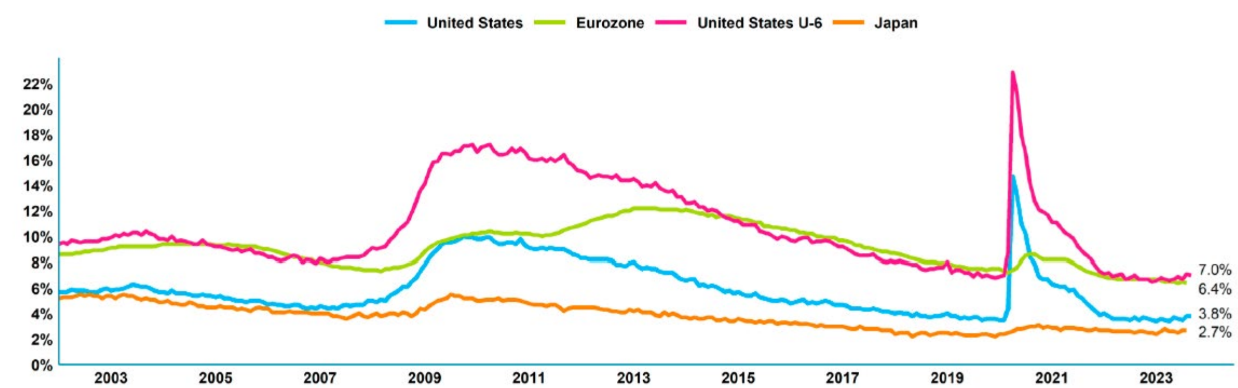
Inflation (CPI Trailing Twelve Months)[1]



[1] United States CPI and Eurozone CPI – Source: FRED. Japan CPI and China CPI - Source: Bloomberg. Data is as September 30, 2023. The most recent data for Japanese and Eurozone inflation is as of August 2023.

Contrary to historical precedence, the U.S. economy demonstrated resilience in response to higher interest rates, with real GDP growing over 2.0% during fiscal year 2023. This growth was fueled by ongoing fiscal stimulus, which supported a robust labor market, increased wage levels, and strong consumer spending. The unemployment rate at the end of the fiscal year stood at 3.8%, remaining relatively steady since the Fed commenced rate hikes in March 2022. Additionally, advancements in generative artificial intelligence contributed to strong stock returns during the period.

Unemployment[1]



[1] Eurozone Unemployment - Source: Bloomberg. Japan, United States, United States U-6 Unemployment – Source: FRED. Data is as September 30, 2023, for the US. The most recent data for Eurozone unemployment is as of August 2023 and Japanese unemployment is as of August 2023.

In this environment of high inflation and rising interest rates, traditional bonds and other interest rate sensitive sectors like real estate faced challenges in generating attractive returns. The real estate sector, particularly office properties, encountered valuation adjustments as companies adopted hybrid work models, reducing the demand for office space. Higher interest rates also posed refinancing risks, especially for highly leveraged properties, as loans obtained at lower rates in previous years required refinancing at significantly higher levels. Throughout the fiscal year, the ten-year Treasury yield climbed from approximately 3.0% to 3.9%, marking a substantial increase for borrowers with loans due for refinancing.

PUBLIC EQUITIES

As of September 30, 2023, approximately $231.8 million was invested in public equities, representing 57.8 percent of total assets. The public equity program consists of three components: U.S. equities, international developed equities, and emerging markets equities.

A. Domestic Equities

As of September 30, 2023, approximately $161.0 million, or 40.2% of total assets was invested in U.S. public equities and were passively managed. For fiscal year 2023, domestic equities returned 12.0 percent, compared to 11.9 percent for its benchmark, the Russell 3000® Index.

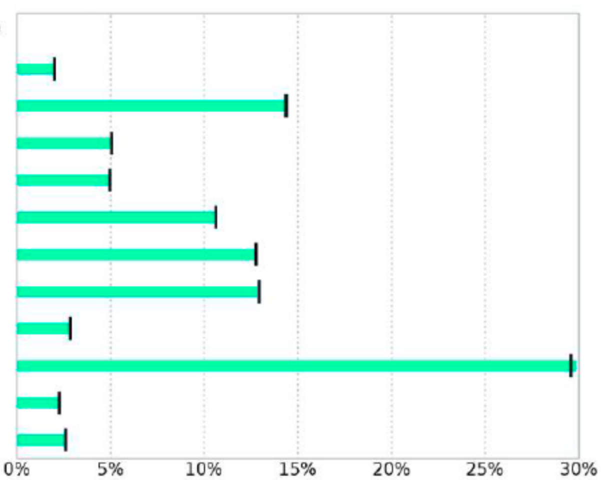
Domestic Equity	$ Millions	% of Total Plan
SSGA Russell 3000 Index SL	$161.0	40.2%
	Total	**40.2%**

Domestic Equities: Top 10 Holdings

Security	Mandate	Benchmark	Difference
APPLE INC	6.19%	6.11%	0.08%
MICROSOFT CORP	5.70%	5.62%	0.08%
AMAZON.COM INC	2.78%	2.74%	0.04%
NVIDIA CORP	2.51%	2.47%	0.04%
ALPHABET INC-CL A	1.88%	1.86%	0.02%
TESLA INC	1.67%	1.65%	0.02%
ALPHABET INC-CL C	1.64%	1.60%	0.04%
META PLATFORMS INC-CLASS A	1.61%	1.59%	0.02%
BERKSHIRE HATHAWAY INC-CL B	1.55%	1.53%	0.02%
EXXON MOBIL CORP	1.14%	1.13%	0.01%

Domestic Equities: Sector Allocation (%) vs Russell 3000

Sector	Mandate	Benchmark	Difference
Basic Materials	1.97%	2.00%	-0.02%
Consumer Discretionary	14.41%	14.37%	0.04%
Consumer Staples	5.08%	5.06%	0.01%
Energy	4.90%	4.95%	-0.05%
Financials	10.56%	10.63%	-0.07%
Health Care	12.70%	12.77%	-0.07%
Industrials	12.83%	12.93%	-0.09%
Real Estate	2.82%	2.85%	-0.03%
Technology	29.85%	29.58%	0.27%
Telecommunications	2.27%	2.26%	0.01%
Utilities	2.61%	2.61%	0.00%
Total	100.00%	100.00%	**0.00%**



Note: The mandate percentages are calculated based on the total value of the portfolio including derivatives but excluding cash and cash equivalents.

B. International Developed Equities

As of September 30, 2023, approximately $50.3 million, or 12.5% of total assets was invested in international developed equities and were passively managed. For fiscal year 2023, international developed equities returned 19.6 percent, compared to 19.2 percent for its benchmark, the MSCI EAFE® Index.

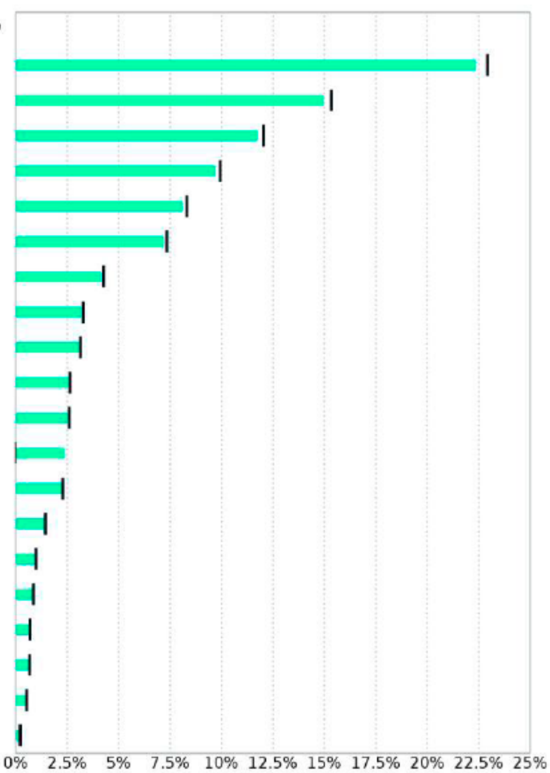
International Developed Equity	$ Millions	% of Total Plan
SSGA MSCI EAFE Index SL	$50.3	12.5%
	Total	**12.5%**

International Developed Equities: Top 10 Holdings

Security	Mandate	Benchmark	Difference
NESTLE SA-REG	2.00%	2.05%	-0.05%
NOVO NORDISK A/S-B	2.00%	2.02%	-0.02%
ASML HOLDING NV	1.65%	1.62%	0.03%
SHELL PLC	1.45%	1.44%	0.01%
ASTRAZENECA PLC	1.42%	1.42%	0.00%
LVMH MOET HENNESSY LOUIS VUI	1.42%	1.42%	0.00%
NOVARTIS AG-REG	1.39%	1.42%	-0.03%
TOYOTA MOTOR CORP	1.29%	1.29%	0.00%
ROCHE HOLDING AG-GENUSSCHEIN	1.27%	1.30%	-0.03%
HSBC HOLDINGS PLC	1.06%	1.05%	0.01%

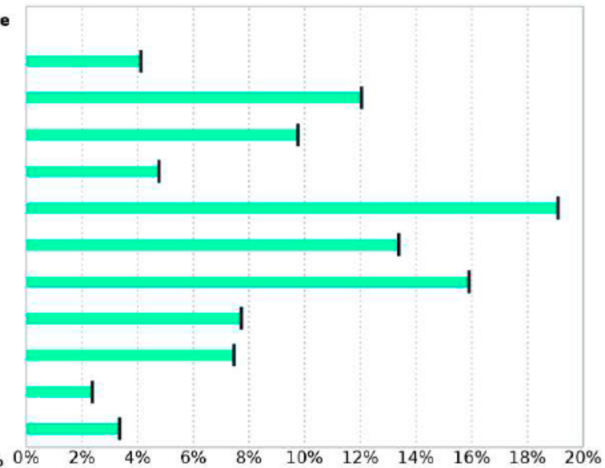
International Developed Equities: Country Weights (%) vs MSCI EAFE® Index

Country	Mandate	Benchmark	Difference
Japan	22.37%	22.92%	-0.56%
United Kingdom	14.96%	15.32%	-0.36%
France	11.76%	12.05%	-0.29%
Switzerland	9.70%	9.94%	-0.24%
Germany	8.12%	8.32%	-0.20%
Australia	7.19%	7.36%	-0.17%
Netherlands	4.17%	4.28%	-0.10%
Denmark	3.19%	3.27%	-0.08%
Sweden	3.07%	3.14%	-0.07%
Spain	2.57%	2.64%	-0.07%
Italy	2.54%	2.60%	-0.06%
Other	2.40%	N/A	2.40%
Hong Kong	2.25%	2.30%	-0.05%
Singapore	1.43%	1.46%	-0.03%
Belgium	0.96%	0.99%	-0.03%
Finland	0.84%	0.87%	-0.02%
Norway	0.70%	0.72%	-0.02%
Israel	0.67%	0.69%	-0.02%
Ireland	0.52%	0.54%	-0.01%
Portugal	0.21%	0.22%	-0.01%
Total	**99.63%**	**99.62%**	**0.01%**



International Developed Equities: Sector Allocation (%) vs MSCI EAFE® Index

Sector	Mandate	Benchmark	Difference
Communication Services	4.14%	4.13%	0.01%
Consumer Discretionary	12.04%	12.03%	0.01%
Consumer Staples	9.76%	9.77%	-0.01%
Energy	4.80%	4.77%	0.03%
Financials	19.14%	19.09%	0.05%
Health Care	13.29%	13.38%	-0.09%
Industrials	15.91%	15.90%	0.00%
Information Technology	7.76%	7.73%	0.03%
Materials	7.47%	7.47%	0.00%
Real Estate	2.33%	2.38%	-0.05%
Utilities	3.37%	3.35%	0.02%
Total	**100.00%**	**100.00%**	**0.00%**



Note: The mandate percentages are calculated based on the total value of the portfolio including derivatives but excluding cash and cash equivalents.

C. Emerging Markets Equities

As of September 30, 2023, approximately $20.5 million, or 5.1% of total assets was invested in emerging markets equities and were passively managed. For fiscal year 2023, emerging markets equities returned 15.3 percent, compared to 15.3 percent for its benchmark, the MSCI Emerging Markets Index.

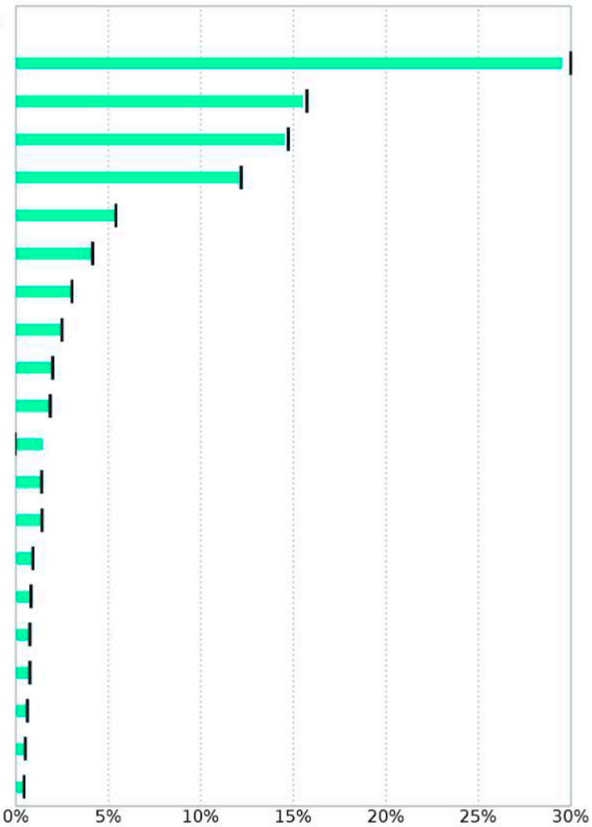
Emerging Market Equity	$ Millions	% of Total Plan
SSGA MSCI Emerging Markets Index SL	$20.5	5.1%
	Total	**5.1%**

Emerging Markets Equities: Top 10 Holdings

Security	Mandate	Benchmark	Difference
TAIWAN SEMICONDUCTOR MANUFAC	6.10%	6.12%	-0.02%
TENCENT HOLDINGS LTD	4.02%	4.02%	0.00%
SAMSUNG ELECTRONICS CO LTD	3.71%	3.71%	0.00%
ALIBABA GROUP HOLDING LTD	2.75%	2.75%	0.00%
RELIANCE INDUSTRIES LTD	1.31%	1.32%	-0.01%
MEITUAN-CLASS B	1.14%	1.14%	0.00%
ICICI BANK LTD	0.90%	0.91%	-0.01%
PDD HOLDINGS INC	0.90%	0.90%	0.00%
INFOSYS LTD	0.88%	0.88%	0.00%
CHINA CONSTRUCTION BANK-H	0.83%	0.83%	0.00%

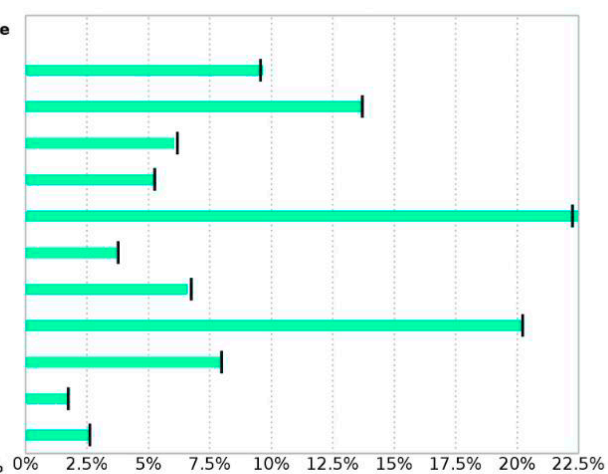
Emerging Markets Equities: Country Weights (%) vs MSCI Emerging Markets Index

Country	Mandate	Benchmark	Difference
China	29.50%	29.99%	-0.50%
India	15.49%	15.73%	-0.24%
Taiwan	14.52%	14.72%	-0.20%
Korea	12.04%	12.17%	-0.13%
Brazil	5.35%	5.41%	-0.06%
Saudi Arabia	4.09%	4.14%	-0.05%
South Africa	2.99%	3.03%	-0.04%
Mexico	2.47%	2.49%	-0.02%
Indonesia	1.92%	1.98%	-0.06%
Thailand	1.85%	1.86%	-0.02%
Other	1.44%	N/A	1.44%
Malaysia	1.38%	1.39%	-0.01%
United Arab Emirates	1.38%	1.41%	-0.03%
Qatar	0.92%	0.92%	0.00%
Kuwait	0.79%	0.82%	-0.02%
Poland	0.77%	0.76%	0.01%
Turkey	0.74%	0.75%	-0.01%
Philippines	0.62%	0.63%	-0.01%
Chile	0.49%	0.51%	-0.02%
Greece	0.44%	0.44%	0.00%
Total	**99.18%**	**99.15%**	**0.03%**



Emerging Markets Equities: Sector Allocation (%) vs MSCI Emerging Markets Index

Sector	Mandate	Benchmark	Difference
Communication Services	9.66%	9.56%	0.10%
Consumer Discretionary	13.76%	13.70%	0.06%
Consumer Staples	6.06%	6.18%	-0.12%
Energy	5.29%	5.25%	0.04%
Financials	22.50%	22.25%	0.26%
Health Care	3.71%	3.77%	-0.06%
Industrials	6.59%	6.74%	-0.15%
Information Technology	20.20%	20.22%	-0.02%
Materials	7.91%	7.97%	-0.06%
Real Estate	1.74%	1.74%	0.00%
Utilities	2.57%	2.61%	-0.04%
Total	**100.00%**	**100.00%**	**0.00%**



Note: The mandate percentages are calculated based on the total value of the portfolio including derivatives but excluding cash and cash equivalents.

FIXED INCOME

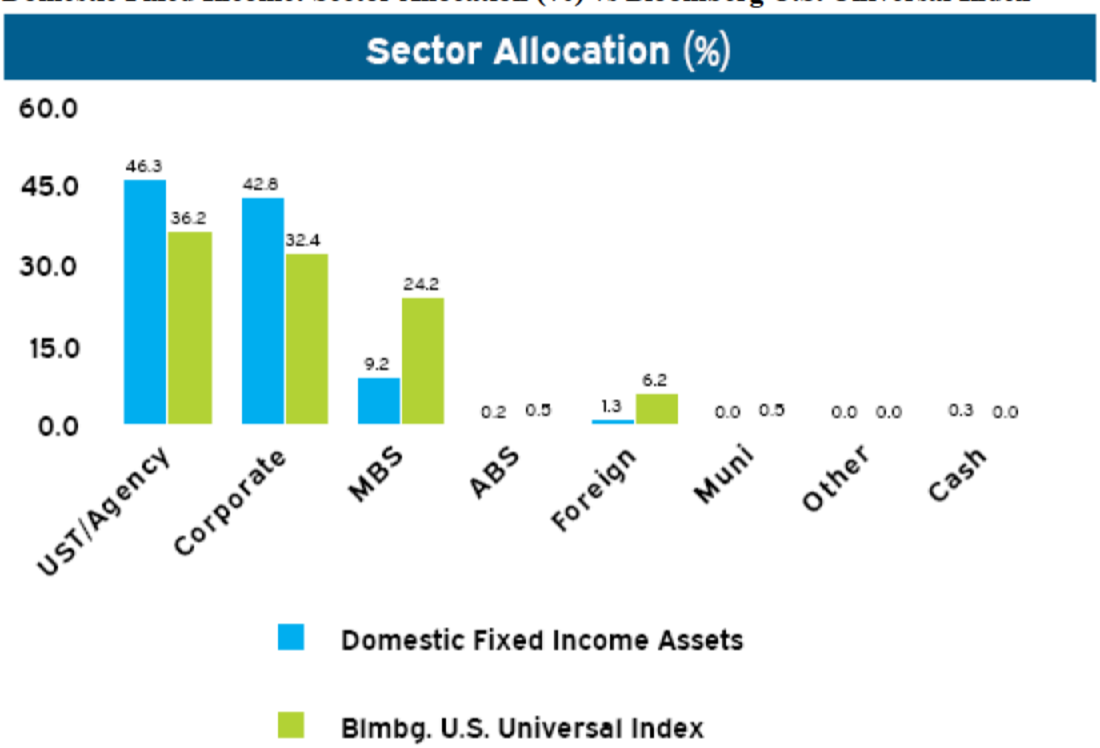
As of September 30, 2023, approximately $112.7 million, or 28.1% of total assets was invested in domestic fixed income securities and were passively managed. For fiscal year 2023, total domestic fixed income returned 3.3 percent, compared to 1.6 percent for its benchmark, the Bloomberg U.S. Universal Index.

Domestic Fixed Income	$ Millions	% of Total Plan
SSGA Bloomberg US Agg Bond Index SL	$36.4	9.1%
SSGA US TIPS Index SL	$36.7	9.2%
SSGA US High Yield Bond Index SL	$39.6	9.9%
Total	**$112.7**	**28.1%**

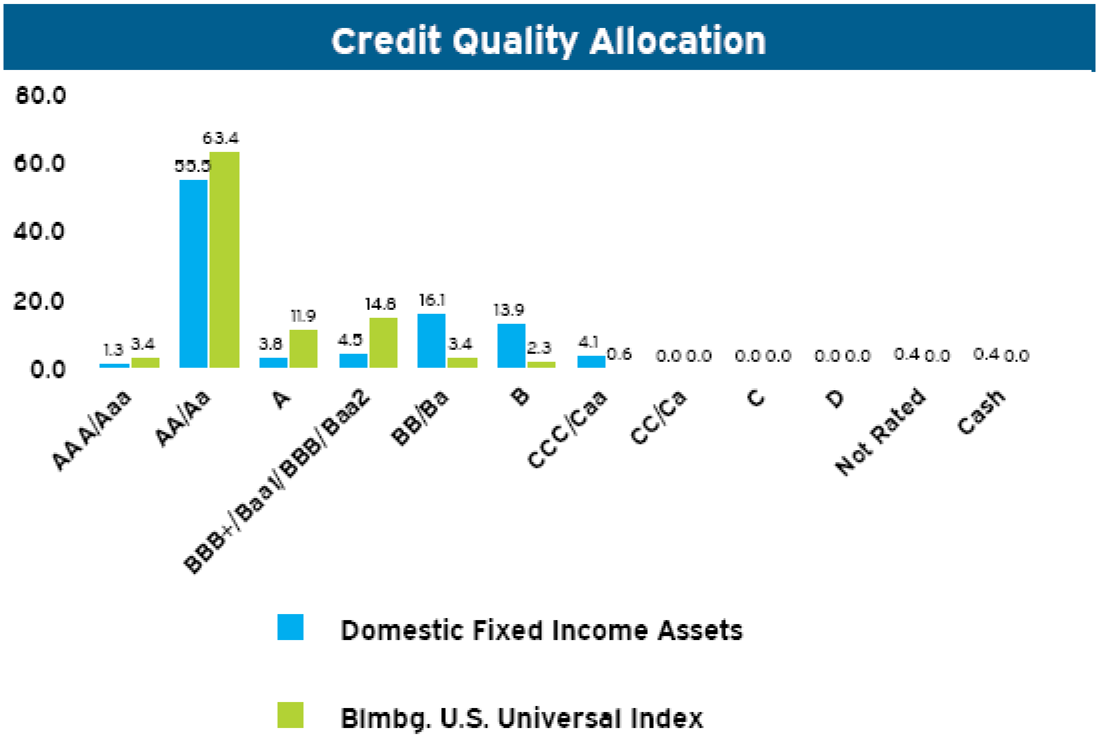
Domestic Fixed Income: Characteristics vs Bloomberg U.S. Universal Index

Total Fixed Income Characteristics vs. Bloomberg US Universal TR	Portfolio	Benchmark
Yield To Maturity (%)	6.2	5.7
Average Duration	4.8	5.9
Avg. Quality	A	AA
Weighted Average Maturity (Days)	6.8	8.3

Domestic Fixed Income: Sector Allocation (%) vs Bloomberg U.S. Universal Index



Domestic Fixed Income: Credit Quality (%) vs Bloomberg U.S. Universal Index



PUBLIC MARKETS INVESTMENTS EXPENSE[1]

Public Markets Investment Expense Analysis As of September 30, 2023	Fee Schedule	Market Value	Estimated Fee Value	Estimated Fee (%)
Domestic Equity		**$161,048,587**		
SSGA Russell 3000 Index SL	0.02 % of Assets	$161,048,587	$28,184	0.02
International Developed Equity		**$50,266,151**		
SSGA MSCI EAFE Index SL	0.03 % of Assets	$50,266,151	$15,080	0.03
Emerging Market Equity		**$20,462,261**		
SSGA MSCI Emerging Markets Index SL	0.07 % of Assets	$20,462,261	$13,300	0.07
Domestic Fixed Income Assets		**$112,743,245**		
Investment Grade Bonds		**$36,449,499**		
SSGA Bloomberg US Agg Bond Index SL	0.02 % of Assets	$36,449,499	$7,290	0.02
TIPS		**$36,742,679**		
SSGA US TIPS Index SL	0.02 % of Assets	$36,742,679	$7,349	0.02
High Yield Bonds		**$39,551,067**		
SSGA US High Yield Bond Index SL	0.07 % of Assets	$39,551,067	$27,686	0.07
Cash		**$687,414**		
Cash		$687,414		
Total		**$352,623,636**	**$98,888**	**0.03**

[1] Public Manager Expense analysis is based on manager fee schedule multiplied by market value as of September 30, 2023. The table is for illustrative purposes only. Total effective fee and market value does not include cash. Estimate does not take into consideration potential performance-based fees and fund expenses or charges.

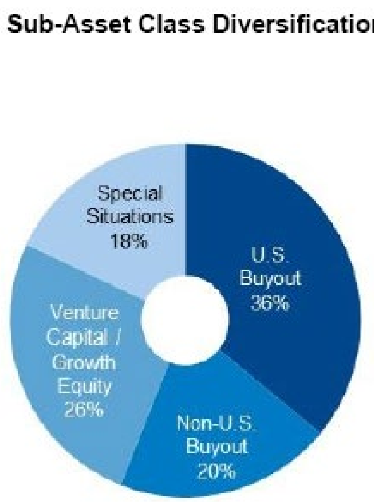
PRIVATE EQUITY

As of September 30, 2023, private equity totaled approximately $7.4[1] million or 2.1% of total assets. The asset class includes buyouts, growth equity, venture capital, and secondaries. Since the inception of the private equity program in fiscal year 2006, $24.1 million or 96.4% of the dollars committed had been called. The system invested in two funds-of-funds, Mesirow Financial Private Equity, L.P. Fund IV, and Fund V. From inception to September 30, 2023 Fund's net internal-rate-of-return (IRR) was 11.0% and 16.6%, respectively.

Partnership	Vintage Year	Committed	Contributed	Distributed	Fair Value [1]	Total Value [2]	Net IRR [3]
Mesirow Financial Private Equity Partnership Fund IV, L.P.	2006	$15.0	$14.7	$26.0	$2.2	$28.2	11.0%
Mesirow Financial Private Equity Partnership Fund V, L.P.	2009	$10.0	$9.4	$17.5	$5.2	$22.7	16.6%

[1] Fair value is calculated using the Capital Account statement as of June 30, 2023, and adjusting for any cash flows that have occurred through September 30, 2023.
[2] Total Value is calculated using the Capital Account statement as of June 30, 2023, and adjusting for any cash flows that have occurred through September 30, 2023, plus total distributions.
[3] IRR as of June 30, 2023. The September 30, 2023 Capital Account statement and IRR were not yet available as of the production of this document.

Figure 1: Mesirow Financial Private Equity Fund IV, L.P.



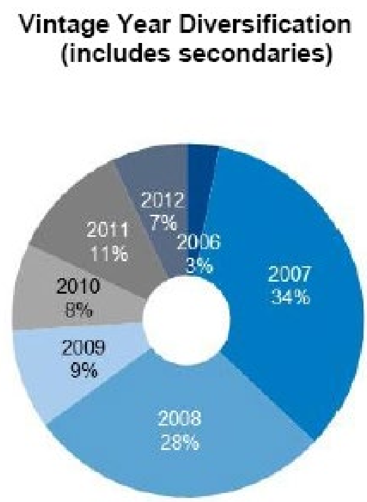
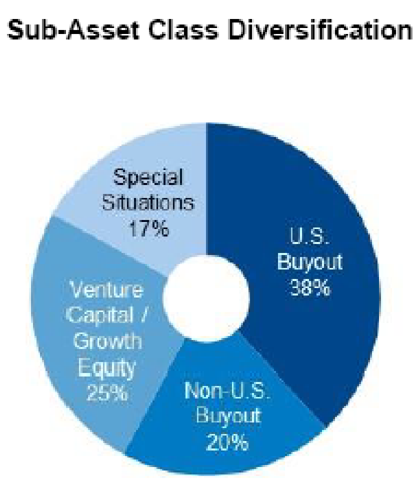
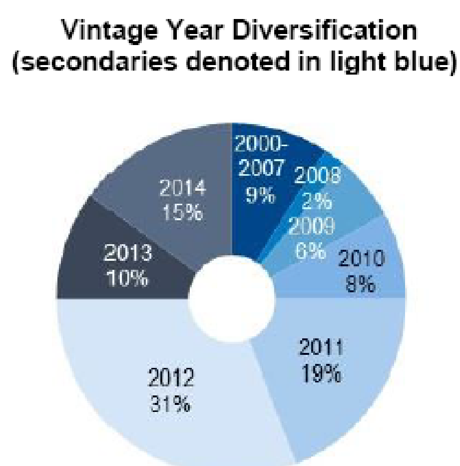


Figure 2: Mesirow Financial Private Equity Fund V, L.P.





Below are details on specific terminology and calculation methodologies used throughout this report:

Vintage Year	The year of fund formation and/or its first takedown of capital.
Committed	The original commitment amount made to a given fund. Some funds may be denominated in non-USD currencies, and such commitment amounts represent the sum of fund contributions translated to USD at their daily conversion rates plus the unfunded balance translated at the rate as of the date of this report.
Contributed	The amount of capital called by a fund manager against the commitment amount. Contributions may be used for new or follow-on investments, fees, and expenses, as outlined in each fund's limited partnership agreement. Some capital distributions from funds may reduce contributed capital balances. Some funds may be denominated in non-USD currencies, and such aggregate contributions represent the sum of each fund contribution translated to USD at its daily conversion rate.
Distributed	The amount of capital returned from a fund manager for returns of invested capital, profits, interest, and other investment related income. Some distributions may be subject to re-investment, as outlined in each fund's limited partnership agreement. Some funds may be denominated in non-USD currencies, and such aggregate distributions represent the sum of each fund distribution translated to USD at its daily conversion rate.
Net IRR	Acronym for Net "Internal Rate of Return", which is a performance measurement for Private Market investments. IRRs are calculated and provided by the fund manager (Mesirow). IRRs are net of all fund fees and expenses.
Fair Value	The investor's value as reported by a fund manager on the investor's capital account statement. All investor values in this report are as of the date of this report, unless otherwise noted. Some funds may be denominated in non-USD currencies, and such remaining values represent the fund's local currency value translated to USD at the rate as of the date of this report.
Total Value	The Total Value is calculated by taking the Fair Value plus total amount distributed.