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## GERS Plans Jan. 1, 2025 Contribution Increase Amid Threat of Future Insolvency

**Despite financial gains, GERS faces potential, temporary insolvency by 2037-2039; employer contributions to rise by \$13 million annually starting in 2025**

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The government Employees' Retirement System headquarters on St. Croix. By. ERNICE GILBERT, V.I. CONSORTIUM

Beginning January 1, 2025, the Government Employees' Retirement System will increase employer contributions from the current 23.5% to 26.5% in what GERS officials say is an effort to address [potential future shortfalls](#). While GERS is on much better footing than it was two years ago, officials say pre-emptive action must be taken to stave off the threat of a brief period of future insolvency, blaming shortfalls and [reduced rum cover-over funding](#).

“The GERS will be facing the very real possibility of a temporary insolvency occurring between the years 2037 and 2039,” reported CEO and administrator Angel Dawson. Shortfalls and a reduced rum cover-over rate threaten the System.

“The Government of the Virgin Islands and other employees within the GERS plan will be billed accordingly,” said Mr. Dawson, estimating the expected net increase at approximately \$13 million. According to Mr. Dawson, the new charge “will have a very positive effect on the outlook of the GERS,” even if the shortfall on the matching rum cover-over funds continues.

Senator Donna Frett-Gregory, aware that such a move would affect the FY2025 budgets that have already been submitted, wondered whether any conversations were held with the executive branch on that decision. “This should be a more communicative and collaborative approach,” she said, though clarifying that the Legislature can appropriate more funds based on revenue projections. “We will have to determine what will be on the downside in order to accommodate this request.”

Mr. Dawson responded, “It is my understanding that the Office of Management and Budget was well aware of the need to include that funding in this year's budget.” Still, Senator Alma Francis Heyliger admitted that she was “paranoid” as GERS had been granted authority “over a section of the general fund, because you literally could change it at any whim.”

Meanwhile, despite the possibility of temporary insolvency, GERS has recorded several major wins that have positively positioned the System, according to the CEO. Mr. Dawson described the resumption of the limited personal loan program as a “bright spot” and as a “glimmer of hope for many in our community.” Under the loan program, GERS had allocated [\\$10 million in personal loans](#) per district to be disbursed in increments of up to \$10,000. According to Mr. Dawson on Tuesday, the St. Thomas/St. John district had already accessed 996 loans worth \$9,711,244 or 97%, while members in St. Croix had applied for 1,034 loans totaling \$9,994,665 or 99.5% of the allocation.

“The more than \$19.7 million in loans processed has resulted in approximately \$59 million of new and much needed economic stimulation within this economy,” Mr. Dawson noted. In other positive updates, GERS is now accepting debit and credit card payments and has reduced the number of paper cheque payments to retirees to less than 1%. The system is also completing, and in some cases initiating several capital projects intended to bolster their existing infrastructure.

The pension system will celebrate its 65th anniversary on October 1st. “I can report to you that it will not be retiring anytime soon, and that was not, not always assured,” announced a gleeful Dawson. He apprised lawmakers that for the first time in 29 years, the GERS recorded a positive net cash flow in the fiscal year ending September 30th, 2024. “Due to this positive net cash flow and positive investment performance, the market value of assets increased from \$400 million on September 30th, 2022 to \$455 million on September 30th, 2023,” he reported.

The market value of assets further increased to \$524 million by July 31st, 2024. “This represents an increase of 31% in less than two years,” Mr. Dawson explained, renewing a longstanding request from GERS to [rescind Act 6233](#). The elimination of that statute would allow the Legislature to “resume funding the GERS annual \$15 million administrative expenses, as it did previously.” According to Mr. Dawson, doing so would be considered a “good return on your investment,” and would help strengthen the agency’s portfolio even further.

However, Senator Frett-Gregory quickly reminded him of current revenue challenges. “You've asked before, and we've gotten in trouble... We've worked really hard in the 33rd and the 34th

Legislature to get this bill passed, and it will be very unfortunate if we slide back into remission,” she noted.?

Absent the desired legislative support, GERS is working to hold its own. “We know that we cannot just count on great market returns. We know that we cannot just come and ask you for money,” Mr. Dawson said. He told Senator Ray Fonseca that the system is doing all in its power to “maximize our own earning potential.” That includes further developments to its 14-acre Haven Sight property.

As of August 15, 2024, GERS continues to manage a high volume of retiree benefits. For the retiree payroll on August 15, GERS disbursed benefits to 8,770 retirees and beneficiaries. Between October 1, 2023, and August 15, 2024, the system saw 278 new retirees added to the payroll, while 268 deceased retirees were removed.

During the same period, the total benefits paid out amounted to \$235,685,905.93, with the average monthly disbursement exceeding \$22 million. As of mid-August, the active membership within the system stood at 8,992 employees, with 6,259 from the central government and 2,733 from semi-autonomous agencies. The current ratio of active employees to retirees is 1.02:1, highlighting the near parity between the workforce and those drawing from the retirement system.

GERS's portfolio composition included the following assets as of July 31, 2024:

- Domestic Equity Assets: \$202 million
- International Equity Assets: \$89 million
- Domestic Fixed Income Assets: \$136 million
- Alternative Investment Assets (Private Equity - Limited Partnership): \$6.6 million
- Cash: \$5.6 million
- Other Alternative Investments (real estate, local investments, and member loans): \$84.9 million

The total retirement system aggregate performance for the 1-year period was 13.6 percent, while the fiscal year-to-date (FYTD) performance reached 19.7 percent.