

GERS Faces \$112 Million Rum Revenue Gap and Stripped Authority to Act as Temporary Insolvency Looms

Shortfalls from cover over payments have forced warnings that central government may need to inject \$82 million annually by 2033. Dawson told lawmakers: “You pay us sooner, or you pay us later—it’s usually cheaper if you pay us sooner.”

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

The Government Employees Retirement System has once again received less money than expected from rum cover over funds, the system announced on Wednesday. “Once again, the

Funding Note Payment to GERS has fallen short,” said GERS Administrator Angel Dawson.

In 2023 and 2024, GERS cumulatively received over \$90 million less than anticipated. Added to this year’s \$21.7 million shortfall, the total shortage now stands at “\$112.2 million less than pledged by the Indenture of Trust,” Mr. Dawson noted.

A recent decision by Congress to [permanently increase the cover over rate](#) to \$13.25 per proof gallon, which comes into effect at the end of this year, was not made retroactive. Additionally, “consumption of Virgin Islands rum on the U.S. mainland continues to decline, along with that of other spirits,” Mr. Dawson noted, highlighting a trend that has [concerned territorial finance officials for some time](#).

These factors had prompted GERS to announce an increase in the employer contribution rate, bringing it from 23.5% to 26.5%. Originally slated to come into force at the beginning of the year, GERS later [postponed the increase](#) to October 1 after an appeal from Governor Bryan. That plan, however, was pre-empted by the Legislature, which attached clauses to [this year’s appropriation bill](#) that prevents GERS from increasing employee or employer contribution amounts without legislative approval.

“Now that the Board has been summarily stripped of that statutory authority...the countdown towards insolvency of the GERS in eight years, as forecasted by our actuaries for the years 2033 through 2039, has begun,” Mr. Dawson said.

Earlier this year, Mr. Dawson told lawmakers that the insolvency [could require central government to step in](#) with “at least \$82 million from GVI General Fund revenues to pay full benefits.”

“You pay us sooner, or you pay us later. You're going to pay us one way or the other. It's usually cheaper if you pay us sooner,” Mr. Dawson told members of the Committee on Budget, Appropriations and Finance in August.