The Virgin Islands Consortium

GERS Continues To Bleed Money, Will Be Insolvent In 10 yrs

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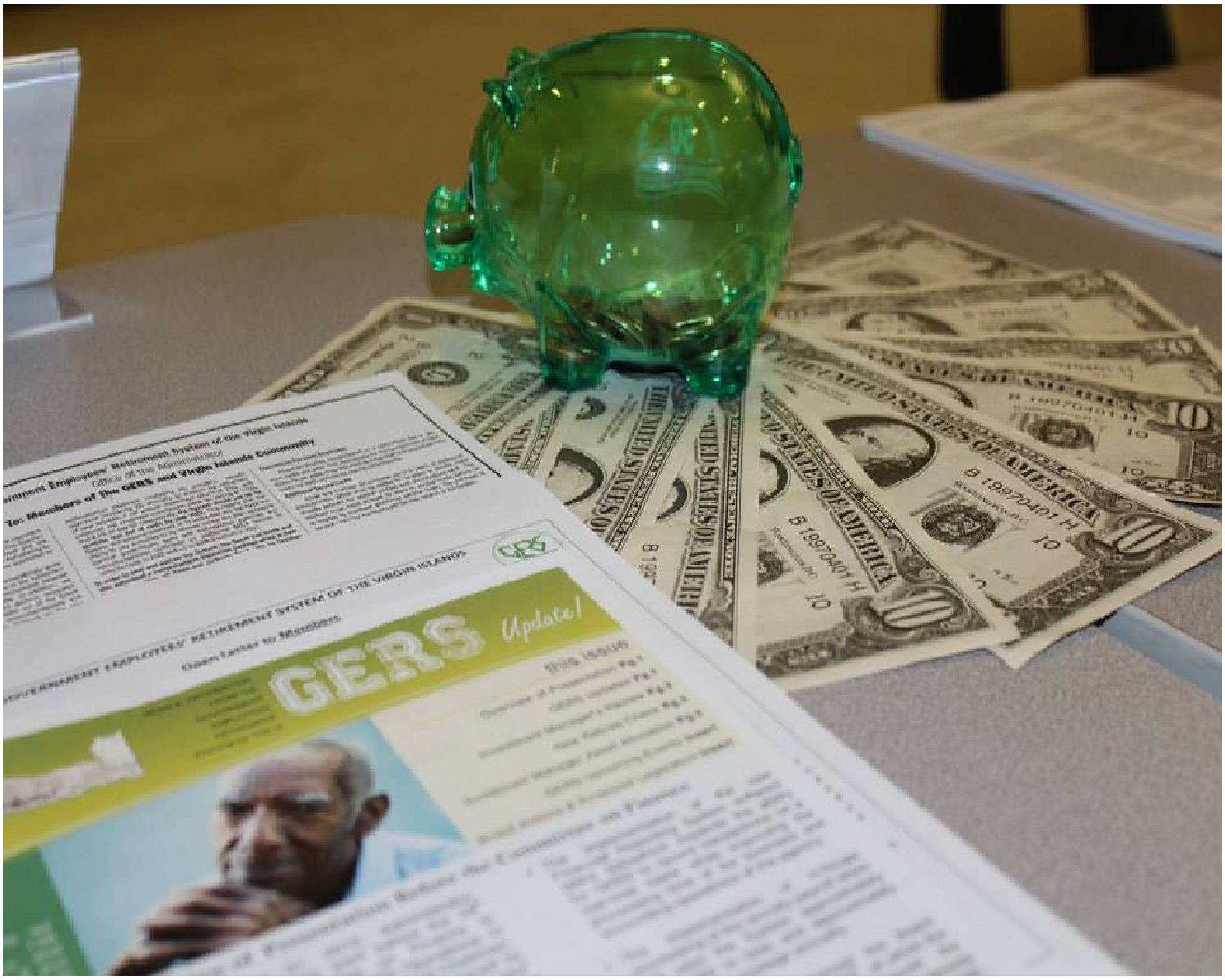

A new report issued by Government House on Monday reveals that readily available GERS funds continue to dwindle and that the system, if it remains on the current trajectory, will be bankrupt in just over ten years.

The report also made known that over the last two years, GERS assets have seen precipitous declines of $21.8 million in unfunded liability, which in turn has increased the amount of additional funds that the system would need today to meet its future obligations by retirees to $124 million, an escalation of the grand total from $1.72 billion to $1.84 billion, according to the report.

The report, prepared by GERS' actuary Segal Consulting, was intended to paint a clear picture of the health of the retirement system, most pointedly its projected ability to meet the financial obligation to the system's retirees and current government employees.

According to Segal Consulting, the increase in the unfunded system's obligations means that the unfunded ratio (the amount of funding the system has compared to what's actually needed), has seen continuous declines from 45.7 percent to 40.2 percent. Segal Consulting has projected that GERS will be insolvent by 2025.

Governor John P. deJongh said that Segal Consulting's report only highlighted further the importance of findings ways to stabilize GERS.

"This recent report by Segal, given the higher unfunded liability number, reminds us all of the critical work yet to be done to implement reforms to the Government Employees Retirement System," deJongh said in a statement.

"These reforms are urgently needed, and I continue to underscore the urgency, if our retirees and employees are to be protected from the catastrophe that will surely happen if we do not act. Our Pension Task Force has done its work, and provided tough, but necessary recommendations to address this situation. Those recommendations have been presented to the Senate in the form of legislation. It is now critically important that the Legislature take the next step and act."

The bill Governor deJongh eluded to was submitted in March and recommended four steps that can be taken to stabilize GERS:

They include:

- Asking employers and employees to put more into the system;
- Reducing the amount of money now being received by retirees and raising the age and years needed before retiring;
- Changing the method through which benefits are calculated;
- Limiting the annual cost of living increase.