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G.E.R.S. to Government: Provide \$195 Million Immediately or Retirees' Annuities Will be Cut by 42 Percent in Jan. 2021

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Ernice Gilbert **May 15, 2020**

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The Government Employees' Retirement System Board of Trustees, in a May 13 letter addressed to Governor Albert Bryan and Senate President Novelle Francis, called for immediate funding of \$195 million to stave off collapse of the pension system for one year. G.E.R.S. said the government of the Virgin Islands, which is the plan sponsor, was derelict in its duty to provide funding between the years 2008-2018 — leading to arrears of \$1.7 billion. The lack of funding forced G.E.R.S. to liquidate \$1.69 billion worth of assets between 2000-2019, according to the board.

G.E.R.S. said if no funding is made available, the system will collapse in 2024, and "contributions will only be enough to pay forty-five cents per dollar of benefits; in effect, there will be a 55%

reduction in benefit payments to approximately 8,700 retirees."

"Insolvency will inflict painful personal and financial hardship upon retirees, their dependents, and their beneficiaries in direct contradiction to the promises made to the many thousands of qualified personnel who entered and remained in the service of the Government. This will discourage qualified personnel from entering Government service and encourage current employees to opt out or retire sooner; thereby exacerbating the fiscal imbalance and further imperiling the Plan," G.E.R.S. said.

If the government fails to fund the ADEC (Actuarially Determined Employer Contribution) on an annual basis beginning with \$195 million immediately, to salvage the system the board said G.E.R.S. would be forced to cut annuities by 42 percent beginning January 2021.

"The GERS Board does not have the legal authority or desire to reduce annuity benefits for anyone. All the Board can do is fulfill its statutory responsibility by making the appropriate recommendations to the governor and Legislature," said G.E.R.S. Board Chairman Wilbur Callender. "While a 42% reduction is painful, it is still better than a 55% reduction of benefits. It is now up to the Plan Sponsor to save the System from insolvency."

[Last month](#), the Bryan administration appealed a District Court judgement that ordered the local government to pay the pension system \$63 million owed by the GVI.

"This action by the GVI, expressly supported by the governor, exemplifies the continued pattern of non-payment of retirement costs which has led the G.E.R.S. to the edge of insolvency," G.E.R.S. said at the time.

In his judgement, former District Judge Curtis Gomez opined, "There is overwhelming evidence that in this case the GERS is on the verge of insolvency. That financial calamity, by some estimates, is projected to occur in 2023."

He added, "Restoring unpaid contributions identified herein gives long serving, long suffering, and understandably anxious government employees several things they deserve: (1) a demonstrable financial commitment by the GVI to make them whole; (2) hope that they will receive their retirement benefits; and (3) hope that the repository of their retirement funds will be supported."