The Virgin Islands Consortium

GERS Moves To 'Indefinitely' Suspend Loan Program

VIC News / **Published On November 20, 2015 10:16 AM /**

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ST. CROIX -- Dismissing calls by senators and residents to reinstate its popular loan program, the Government Employees' Retirement System's board moved on Thursday at its monthly meeting to "indefinitely" suspend the program.

The language change from "temporary" to "indefinite" came after the board unanimously approved a motion to do so. And the board's administrator, Austin Nibbs, made known that he was in favor of ending the program altogether.

During an August board meeting, where the suspension was announced, board members said the halting of the loan program was to encourage members of the 31st Legislature to adopt a measure aimed at saving GERS, which is projected to become insolvent in less than ten years. Back then, board members described the suspension as temporary, but warned that if a solution wasn't found to address solvency problems, they would be left with no other solution but to permanently end the program.

“This measure was taken to immediately address the liquidity issues affecting the System in order to ensure the availability of liquid funds to pay benefits, as well as to ensure the survivability of the System,” GERS said via press release.

GERS officials testified before the Senate during a succession of hearings that were held on each of the territory's three islands. There, GERS officials said $600 million was needed to save the system; currently an insurmountable amount of funds for the Government of the Virgin Islands, as expending that amount on only one government-owned entity would severely hurt every other branch of government — including essential services indelible to the daily operations of the territory. According to Finance Commissioner Vladimir Collens, the territory’s borrowing limit — which includes the value of all assessed property — stood about $400 million in September.

The Senate did, however, take action on a GERS bill, but the measure remains a far cry from what the pension system’s officials requested. And not all senators supported the measure.

Sen. Tregenza Roach, who has expressed frustration in the manner in which the legislation was being hustled through the body, opposed bill no. 31-0146.

Mr. Roach said he could not support the measure for many reasons, the chief of them being the fact that the bill did not include the $600 million that GERS officials said was needed to salvage the broken pension system, and that the measure attempts to save GERS on the backs of Tier II participants — or government employees who have recently served ten years or more in government.

And Senators Kenneth Gittens and Kurt Vialet wrote letters to GERS asking that it restart the loan program. But their efforts did not affect the board's decision.

“In my letter to the board chairman, Dr. Wilbur Callender, I requested a copy of the Board correspondences resulting in the decision to suspend and later discontinue the loan program. While their concerns could be legitimate, I see the abrupt suspension and permanent discontinuation of the program to be drastic and unfair,” Mr. Gittens said in a press release issued on Thursday.

The senator pleaded with the GERS board to reconsider its decision and suggested that in the alternative, they consider a reduction of the loan amount available for members to borrow with an annual cap. Mr. Gittens said maybe even an increase in the interest rates or processing fees may be applicable, but the abrupt discontinuation of the program without an alternative is causing hardship for the members.

“It is no secret that the economic state of our territory is weak. This accessibility to funds for active government employees and retirees is of paramount importance to sustain a constant cash flow to the territory. What it also means is allowing the members a means of accomplishing their financial obligations with monies they should always have access to,” he continued.

The senator said re-instituting the loan program can be a win-win situation for all because it would mean a revenue stream for the System through interest rate collections and it would mean members would once again be able to access cash to address immediate financial needs and or unforeseen emergencies.

“This is our territory, our system and our people. We should always take the time out to consider decisions that would ultimately impact us and our economy, and matters should be worked out in the best interest of all parties involved,” Mr. Gittens concluded.