

The Virgin Islands Consortium

G.E.R.S. Says It Will Not Reinstate Loan Program Until There's A Large Infusion Of Cash Into System

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Ernice Gilbert **March 22, 2016**



ST. THOMAS -- Though the Government Employees' Retirement System's Administrator, Austin Nibbs, said that the system had a 97 percent payment rate on loans made to government employees, G.E.R.S. board members were not in favor of reinstating the program, because the plan's sponsor, which is the Government of the Virgin Islands, had refused G.E.R.S.'s request to infuse [some \\$600 million](#) into the system.

His comments were made during a Committee on Finance meeting at the Earl B. Ottley Legislative Hall on Monday, while the committee was considering [Bill No. 31-0289](#), sponsored by Senators Kurt Violet and Kenneth Gittens, that would require G.E.R.S. to "issue personal loans to members in an amount not to exceed \$10,000, and requiring

that the personal loans issued not exceed the aggregate amount of \$5 million per annum, per district."

Mr. Nibbs told Senator Novelle Francis that the loan program was "short-term gratification for long-term pain." He said the program had helped lift residents into the middle-class, but the system could no longer issue the loans because it needs to take care of its main priority, which is assuring that retirees are able to receive their pensions.

G.E.R.S., Mr. Nibbs said, has an unfunded liability of \$150 million, and that "the board has a fiduciary responsibility and obligation to the members to protect the system, take responsible, prudent action to ensure the survivability of the system and the availability of funds to pay the retirees' benefits."

But the loan program, senators contended, had been a successful venture for the system because the returns were guaranteed. And compared to the bad investments that were revealed in a recent audit of the G.E.R.S., the loan program, some lawmakers argued, was a much safer bet. But the administrator doubled down, stating that the loans are risky now because they have ten-year terms.

"The system is presently having a liquidity problem, so although you could issue those loans, you're getting interest on those loans, but if the system goes insolvent, you would have to sell the loans at a very low discount. The longer you take to get rid of those loans if you know you're going to be insolvent, is the less you're going to get."

Senators then suggested to Mr. Nibbs that the terms could be shortened to five years, but even then, Mr. Nibbs said, "you're still going to have to pull down the funds from your investments."

Senator Kenneth Gittens bucked: "I don't understand why we can't get government employees to borrow their own monies. When you first came to the Senate speaking of liquidity, that was one of the areas where the system was getting its money back. So why are we cutting our nose to spite our faces?" Gittens said if G.E.R.S. could use the monies to help private firms, it should be able to loan monies to the very people who pay into the system.

Even so, Mr. Nibbs said the board's position remains that there could be no reinstating of loans until there's an infusion of cash into the system. "Our position is that any type of funding -- because we're not going to do it based on drawing from the portfolio -- you would need a large infusion of cash for us to even consider it."

In fact, Mr. Nibbs' opposition was so strong, he suggested that even monies that senators wanted to appropriate to G.E.R.S. to fund the loan program for one year, should go towards the unfunded liability. He later stated, however, that the board might consider reinstating the program if senators provided a funding source.

The outcome of the hearing, which ended with the measure being held in committee, will further enrage residents who have been incensed by recent [audit findings](#) that show G.E.R.S. has been making bad investments. And it comes as residents continue to sign a [petition](#) calling for the dissolving of the entire board.

Feature Image: Austin Nibbs (Credit: VI Legislature).

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