

The Virgin Islands Consortium

Senators Pass Legislation Forcing G.E.R.S. To Reinststate Loan Program For 1 Year

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ST. THOMAS -- Lawmakers on Monday, led by Senator Kenneth Gittens and Kurt Vialet, approved a measure that would force the Government Employees' Retirement System to reinstate its loan program for approximately one year, that would see the system lending up to \$20 million to government employees.

G.E.R.S. in August of 2015 suspended the loan program and vowed not to reinstate it until a solution to its unfunded liability was found. The move, according to board members, was to urge members of the 31st Legislature to adopt a measure aimed at saving G.E.R.S., which is projected to become insolvent in less than ten years. And more recently, [in March of this year](#), Board Administrator Austin Nibbs said that although 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, while the committee [was considering Bill No. 31-0289](#), sponsored by Mr. Gittens and Mr. Vialet, 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 needed 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 then and now, 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 G.E.R.S., the loan program, some lawmakers argued, was a much safer bet. Mr. Nibbs, however, 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."

On Monday, senators amended the bill to reflect their sentiments shared with Mr. Nibbs in March. The loan program will see no more than \$10,000 being lent per individual, and the total lending sum of \$20 million would be split equally between districts. The payment plan comes with a five-year deadline with interest.

The measure was supported by the full Senate.

Feature Image: St. Croix G.E.R.S. Building, located in Golden Rock.

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