The Virgin Islands Consortium

In Boost To Beleaguered Pension System, G.E.R.S. Collects First $7 Million From Rum Taxes

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Ernice Gilbert June 02, 2016

ST. CROIX -- The Government Employees Retirement System has been in severe trouble for many years, with an unfunded liability of over $3 billion that has forced the pension system into a decade-long liquidation of assets to meet obligations. According to the G.E.R.S. Board of Trustees, the system will crash in less than 10 years because of funds exhaustion if the Government of the Virgin Islands fails to act.

G.E.R.S. has accumulated a deficit of over $67 million this year alone. In 2015, employer contributions needed to adequately fund the system was $200 million, but, alas, the government only paid $75 million. So it was good news when on Wednesday the pension system issued a press release making known that on May 31, it received the first $7 million from the federal excise taxes on rum, called rum cover-over, made possible by a 2011 law, which had been delayed for several years because of budgetary issues.

The 2011 law required that $7 million from rum cover-over funds, beginning in 2011 "and all subsequent fiscal years" be appropriated to G.E.R.S. to help stave off impending collapse. According to G.E.R.S. Board Administrator Austin Nibbs, the remaining funds of $21 million are due on September 31, 2016.

"This has been a long time coming and on behalf of the G.E.R.S., I would like to thank Former senators [Carlton] Dowe, [Celestino] White, and [Ronald] Russell for their leadership in moving this measure to the floor in the 29th Legislature, in an effort to reduce the unfunded liability," said Mr. Nibbs. The administrator also thanked the 31 Legislature for appropriating the $7 million, as well as the Mapp administration for releasing the funds.

The cash injection comes at a time when G.E.R.S. has been considering drastic measures to salvage what is remaining of the troubled pension system. Last week, the board considered halting pension payments until the system's plan sponsor, the G.V.I., paid its balance. The motion, which was moved by trustee Edgar Ross and ultimately failed, sent shock waves through the territory and elicited rebuke from at least one senator.

Last year, the system requested $600 million, which would only push the problem down the road some 30 years, but at least it would buy G.E.R.S. more time to allow new contributors' benefits to kick in with changes already made to the system, while longtime members would have already been out as a result of mortality.

But the Mapp administration said the G.V.I. could not meet the request, and even if it did, 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 Dept. of Finance Commissioner Valdamier Collens.

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