

The Virgin Islands Consortium

With No Infusion Of Cash, GERS May Decrease Annuities By 30 Percent In 2017

Government / **Published On September 21, 2016 10:59 AM /**

Ernice Gilbert **September 21, 2016**



ST. CROIX -- At a pre-summit event held at the Government Employees' Retirement System here on Monday (the GERS full summit was held on Tuesday), where senators and GERS officials gathered, GERS Board of Trustees, along with the pension system's actuary, Rocky Joyner of Segal Consulting, raised a list of actions that must be taken to salvage the system -- which is set to collapse in seven years or less, according to the actuary and board members -- if an infusion of cash of either \$600 million, \$1.4 billion or \$1.7 billion is not implemented before year's end. G.E.R.S.'s unfunded liability is \$1.7 billion.

One of the main considerations of the board is a reduction in tier benefits of persons not yet retired, and the annuities of those already retired, by a staggering 30 percent in 2017. In layman's terms, if you are currently receiving a pension of, say \$2,000 monthly from G.E.R.S., that amount would decrease by \$600 next year, bringing your pension down to \$1,400 monthly. The same goes for government employees not yet retired.

Senator Kurt Vialet, lamenting the broad-stroke language used by G.E.R.S., said a better solution would be to use a benefits-based system, whereby the percentage decrease would be reliant on how much a person receives. He said that taking away 30 percent of someone who receives only \$1,000 pension monthly -- leaving said person with only \$700 -- could lead to the destruction of livelihoods.

The decrease was the most serious of many considerations discussed at the pre-summit, with other ideas including a flat tax specifically for the pension system, and a mix of raising employer contribution and an infusion of cash -- raised by Senator Clifford Graham -- being the best-case scenario. It remains to be seen, however, whether the Government of the Virgin Islands is able to secure the amount of funds G.E.R.S. says is needed to save the beleaguered system.

Asked by Senator Tregenza Roach if there was a specific tax amount in mind, Mr. Joyner said he would provide more information at a later time, but suggested that whatever the tax amount winds up being, if it's able to create a tax equivalent of 10 percent of employees' pay, it would help mitigate the \$1.7 billion that is being requested.

Senators said the move would lead to a flood of lawsuits, but G.E.R.S. said it would use Virgin Islands Code Title 3, Chapter 27, Section 718, to keep challengers at bay. Part of this section of the code reads:

The various obligations of the System shall be financed in accordance with actuarial reserve requirements from contributions by members, contributions by the employer, interest income, and other income accruing to the System. From time to time, the Board may actuarially determine the rate of contribution for members and employers of the System. After October 1, 2005, the System may not provide any increases in benefits to members or beneficiaries, unless the administration has identified a specific funding source and concurrently makes a provision for the funding of all future benefit improvements on sound actuarial basis in the annual budget.

But some contended that the law was not enough to protect the system from all-out legal action. At the pre-summit, retired firefighter Davidson Charlemagne, who has so far [refused to accept](#) an annuity reduction from 3 percent to 2.5 percent that G.E.R.S. has offered, resigned from the back-and-forth and what he perceived as employees paying for the negligence of either G.E.R.S. or the G.V.I., said he would seek an attorney who would take up his case.

And where the \$600 million to \$1.7 billion would come from, no one knows. Senator Kurt Vialet, while stressing that the problem must be dealt with, said the board was placing undue pressure on a new administration that came and met the problem. He said the board could have taken the actions it's now proposing during the de Jongh administration, as the then-governor had floated a \$1 billion bond, Mr. Vialet said.

"They know well that we can't float \$1.7 billion," he told The Consortium on Monday, referring to G.E.R.S.

Even so, the lawmakers agreed that something must be done. What, exactly, no one knows, but if the government can't find the funds, tax payers, specifically government employees, would once again be left to foot the bill.

© Viconsortium 2026