The Virgin Islands Consortium

GERS Not Expected To See $100 Million Anytime Soon: 'Pack A Lunch,' Mapp Says

Business / **Published On November 08, 2016 09:57 AM /**

Ernice Gilbert November 08, 2016

ST. CROIX -- If Austin Nibbs and the Board of Trustees of the Government Employees' Retirement System (G.E.R.S.) were expecting the Mapp administration to release to them a recent Senate approval of $100 million for the pension system, as part of a $247 million working capital bill, they should "pack a lunch," says the governor, stating that while the manner in which the government would float bonds for the G.E.R.S. appropriation was yet to be determined, the monies would not be given directly to G.E.R.S.

The revelation came during a Public Finance Authority meeting held on Monday on this island, where the governor signed into law Bill No. 31-0482, the recently approved $247 million working capital debt financing measure.

"We ought to be clear that there is no expectation from the central government that we're going to float $100 million in bonds and hand over the cash to G.E.R.S," Mr. Mapp said. "And if they're sitting there waiting for the money, they should pack a lunch."

"I don't want folks from the Government Employees' Retirement System at the bond closing with their baskets, because there will be nothing to put there," the territory's leader said.

Floating of bonds for G.E.R.S. would most likely be done under an investment instrument, the governor said, as pension obligation bonds are not similar to working capital bonds. He said such bonds are also taxable. His assessment was followed by comments from Dept. of Finance Commissioner and P.F.A. Executive Director Valdamier Collens, who said that before the markets could respond favorably to the $100 million G.E.R.S. bond, reforms would have to be made at the pension system.

"My agreement with the members of the Senate is that if we do any financing under the current construction of the Government Employees' Retirement System without any significant reforms, then we will do it and put the proceeds in an investment instrument, matured to the interest of G.E.R.S., meaning they will be able to carry it on their books," Mr. Mapp said. "We'll put it in the market to work for them and the retirees in the system will get the benefits of the money." The governor reiterated that he would not give G.E.R.S. funds under its current "construct."

This as G.E.R.S. continues to operate with an unfunded liability, owed by the Government of the Virgin Islands, of over $1.4 billion.

The P.F.A. did approve the floating of working capital bonds yesterday in line with the $147 million amount; although to obtain that amount the government must borrow $205 million, according to information provided by P.F.A. bond counsel Patricia Goins of Hawkins Delafield & Wood LLP, and P.F.A. financial advisor Andre Wright of the Standard International Group. The loan's capitalized interest is $29. 2 million, with interest payments to be made from 2017-2020. Debt service will be funded at $19.9 million, and underwriters' cost totals over $3 million.

The borrowing was approved using matching funds, which is excise tax funds the G.V.I. receives from rum exports, also called rum cover-over funds. While borrowing through the matching funds is currently more favorable and comes at a lower interest rate, bond counsel also requested that the P.F.A. approve borrowing through gross receipt tax (GRT) funds, which is less attractive, to serve as a backup.

The P.F.A., after much debate, approved both requests.

As for breakdown of the $147 million, the governor said $116 would be used for central government operations (payroll, tax refunds, etc.); $6 million to the Waste Management Authority (of which $750,000 will be deducted to satisfy a recent P.F.A. loan to W.M.A.); and $25 million for hospital operations, with the total being split equally between the St. Croix and St. Thomas medical facilities. The approval of the bill also covers working capital of $60 million in an existing line of credit, to keep the government operational until the transaction is closed.

The closing should take place by December 15, and Mr. Mapp requested that the transaction occurs at the P.F.A. office in St. Thomas, instead of New York. Bond counsel will look to secure an advance of $20 to $40 million before the December 15 closing.

Other actions taken by the board on Monday: