The Virgin Islands Consortium

V.I. Government Not Paying Contributions To GERS

Government / **Published On March 01, 2017 09:36 AM /**

Staff March 01, 2017

The Government of the Virgin Islands has not paid employer and employee contributions to the Government Employees' Retirement System in three months, GERS made known at a board meeting late Tuesday. The nonpayments put more pressure on a system that is already projected to collapse in a few years, and begs the question what the Mapp administration has been doing with the contributions.

As seen in G.E.R.S.'s treasurer report, in the month of January, 2016, the system had already received $5.6 million from the government in employee contributions, but for the same period in 2017, the system has only seen employee contributions of $1.4 million.

The revelation will upset government employees currently paying into G.E.R.S. grudgingly; some employees of the Juan F. Luis Hospital and Medical Center -- who only recently began paying into the system following a bill sponsored by Senator Kurt Vialet requiring that all government employees contribute to G.E.R.S. -- protested when they realized how much was being deducted, although the amount, 11.5 percent, is the same throughout the government.

“When I looked at why, G.E.R.S. took out 11.5 percent, which is over $100 off my check. We still have VI tax coming out, which is over $120, insurance is over $220, and you still have other little deductions like life insurance. Social Security plus union dues coming out of my check as well. By the time that’s tallied up, it’s over $500 coming out of my check,” said a medical assistant working at JFL, who was protesting the new G.E.R.S. deduction from her biweekly check.

The government's nonpayment will also anger current retirees, as G.E.R.S. continues to run out of funds. The system's investment officer, Bruce Thomas, said that G.E.R.S.'s immediate option was to liquidate assets to stay afloat.

Meanwhile, G.E.R.S. Administrator Austin Nibbs revealed that the Federal Bureau of Investigation was investigating an apparent cyber attack on the system.

The latest from G.E.R.S. has compounded further the problems facing the U.S.V.I., and is likely to make the government's reentry into the bond market even more difficult. The top U.S. rating firms have pointed to the failing pension system as a key reason for the continuous downgrades of the territory's bonds.

In its latest release explaining the downgrade of U.S.V.I. bonds, Moody’s noted that that the territory's pension system and other post employment benefits (OPEB) liabilities are high and remain a major credit challenge for the government. Moody's said G.E.R.S.'s Unfunded Actuarial Accrued Liability (UAAL) increased from $1.397 billion in 2009 to $2.583 billion in 2015. Moody’s average Adjusted Net Pension Liability (ANPL) for 2015 equaled $3.76 billion or 418% of revenues, almost 5 times Moody’s 50-state median of 85%. And G.E.R.S.'s Annual contributions, according to Moody's, have been consistently far below bot the Actuarially Determined Contribution and actual benefits paid. The government reported a OPEB UAAL of $1.02 billion in 2013, the most recent valuation available.

Governor Kenneth Mapp has spoken about the importance of G.E.R.S., but Government House has yet to put forward a plan to save the system, and G.E.R.S. has maintained that the only way to rescue the ailing pension system is with an infusion of cash of upwards $1 billion, as the system's unfunded liability has grown to well over $3 billion.