The Virgin Islands Consortium

Gov't Failed To Make Payments To G.E.R.S. Because Of Financial Crisis, Gov't House Says, Matter Now Being Addressed

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ST. THOMAS -- The Government of the Virgin Islands did not make payments to the Government Employees' Retirement System for three months because of the government's continued financial crisis, Cherie Munchez, the Mapp administration's communications director, told The Consortium late Tuesday.

Ms. Munchez said the government is still struggling to maintain liquidity, and G.E.R.S. became a casualty of the lack of cashflow. "That is related to the liquidity issue," she said. Ms. Munchez added that the administration was working to rectify the problem, and that Dept. of Finance Commissioner and Public Finance Authority Executive Director, Valdamier Collens, had been in talks with G.E.R.S. following media reports of the nonpayment.

"Commissioner Collens has reached out to G.E.R.S. and we're currently seeking a measure to arrange for payments to bring ourselves current," she said.

On Tuesday, Delegate to Congress Stacey Plaskett announced that she had written to the Mapp administration, as well as the 32nd Legislature, seeking a response to the issue.

“If the reports are accurate, the diversion of any payments due on behalf of employees, whether they be pension fund deposits, or income tax withholdings, is an indicator of the liquidity crisis facing the territory,” said Ms. Plaskett.

On March 1, various media outlets, including The Consortium, reported that the G.V.I. had not paid employer and employee contributions to G.E.R.S. for three months, which was made known by G.E.R.S.’s board of trustees at a meeting the night before.

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, as of last week, the system had only seen employee contributions of $1.4 million.

News that the government has not been making its matching payments to the pension system has upset government employees currently paying into G.E.R.S. grudgingly.

“So every two weeks [you’re] taking out my monies like clockwork but not doing what [you’re] supposed to be doing. We need to seriously hold people accountable for their actions and stop patting them on their backs like they did a good job,” said Elesa C. Mulraine last Wednesday through The Consortium’s Facebook platform. “Here it is if some random person robs you they going to do jail time, [but]those in suits and ties who are supposed to be working in one’s best interest robbing us everyday and we smiling and doing nothing. I feel like a prostitute who has a pimp and he gets all my money and I have to be quiet and accept it. When are we going to say enough is enough?”

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.

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.

Mr. 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.