

The Virgin Islands Consortium

Facing Collapse, GERS Continues To Be Ignored By Mapp Administration

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It contributes about \$250 million annually to the Virgin Islands economy, with a multiplier effect of over \$600 million. It pays out over \$20.5 million on a monthly basis to its members, with 8,545 retirees and survivor beneficiaries depending on it for their livelihoods. Yet, the Government Employees' Retirement System (G.E.R.S.) has been blatantly ignored by the current administration, whose governor has oftentimes [assailed](#) its board members and has called on its administrator, Austin Nibbs, to resign.

G.E.R.S. is dying. The pension system has been in trouble for years, but the situation has escalated so badly that it is projected to collapse in 2023 or before, depending on market conditions, according to Mr. Nibbs. With the imminent threat of insolvency, the

board wrote to the 32nd Legislature on November 20 detailing the system's debts, the government's lack of payments, and why G.E.R.S. should be considered in any measure approving loan agreements between the Federal Emergency Management Agency (FEMA) and the Government of the Virgin Islands (G.V.I.).

The G.V.I., which is the plan sponsor of G.E.R.S., has underfunded the pension system by \$1.6 billion, according to the letter. In September 2016, G.E.R.S.'s total pension liability, which is its total obligation to beneficiaries, was \$5.5 billion, and the total net pension liability was \$4.6 billion. Yet even with its ballooning debt, G.E.R.S. continues to lose value as it sells assets to pay members. The pension system's assets are currently valued at \$670.1 million -- a fraction of its total debt. G.E.R.S.'s actuary, Rocky Joyner of Segal Consulting, has consistently said that a large infusion of cash is needed to shore up the fund, but the plan sponsor has not stepped up to the plate, and the Mapp administration has shown little interest in helping the system, according to the letter.

The government has been grossly delinquent in paying its employee and employer contributions, and employees' loan deductions. As of Oct. 21, the government had not paid employee contributions, employer contributions, or employee's loan deductions from pay date July 20, 2017 through November 9, 2017, according to G.E.R.S. The letter further revealed that most of the government's semiautonomous agencies were delinquent on making employee and employer contributions and loan deductions as well. The law states that contributions must be paid to G.E.R.S. no more than ten days after pay date.

G.E.R.S.'s grim reality sees it paying out \$20.1 million to beneficiaries on a monthly basis, while collecting 50 percent or less in contributions. The months of October and September were especially bad, as G.E.R.S. paid pension benefits of \$20.1 million in October and collected only \$6.3 million. In September, G.E.R.S. collected \$746,283 and paid pension benefits of \$20.1 million, according to details provided in the letter, seen [here](#).

The economic repercussions of a collapsed G.E.R.S. would be dire. A January 2017 G.E.R.S. survey concluded that the territory would lose 50 percent or more of disposable income were the system to collapse, and many retirees would relocate to the U.S. mainland where they'd have access to affordable housing and health care, and where the cost of living is lower and they could qualify for Social Security benefits.

In speeches detailing his efforts in securing billions of dollars in federal aid for the territory following Hurricanes Irma and Maria, the governor has called for the rebuilding of schools and hospitals. He has also consistently stressed the need to build a power distribution system that is resilient to hurricanes, and has been unrelenting in his stance that the overall infrastructure of the U.S. Virgin Islands should be hardened, as ferocious hurricanes -- which many have said are caused in part by climate change -- come more frequently.

But helping G.E.R.S. has been absent from the governor's remarks, which is seen by the G.E.R.S. board as troubling. "Over the past ten years, the G.E.R.S. has reached out to the plan sponsor on numerous occasions to start a dialogue on the status of the fund, and to determine what strategies or plans were being considered to shore up the system, and to begin to fund the system on an actuarial reserve basis. The previous

administration created a pension task force where 98 percent of the reforms recommended by the G.E.R.S. were accepted and adopted," reads the letter.

The current administration, however, has not been as engaging as the last. "During the past three years, we have reached out to the present administration to start a working dialogue without any success," G.E.R.S. said.

Relative to implementing additional reforms to the pension system's structure, G.E.R.S. said all reforms that could be made have already been applied. And suggestions to create what is called a "Defined Contribution Plan", or to add a third tier to the system, would not be financially sustainable, as the DC Plan would demand \$250 million annually from the G.V.I.'s general fund, and a third tier with no infusion of cash would not be attractive to new hires.

The only solution, then, is an infusion of cash, which G.E.R.S. called on senators to include along with any loan agreement between the G.V.I. and FEMA, since the Mapp administration appears uninterested.

"As the first branch of government, the 8,545 retirees and over 9,200 active members are counting on you to play a pivotal role in the survival of the G.E.R.S.," said the pension system in its letter to the lawmakers. "Over the coming months, billions of dollars will be circulating in the territory. Some of these monies should be earmarked to fund the G.E.R.S. This is the time to do the right thing for the G.E.R.S. and the people of the territory."