

# The Virgin Islands Consortium

## Over 300 Retirees Haven't Started Receiving Payment From GERS. For Some, It's Been Over A Year.

Government / **Published On February 11, 2018 01:11 PM /**

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The Government Employees' Retirement System (G.E.R.S.) has not started releasing retirement payments to 308 retirees, G.E.R.S. Administrator Austin Nibbs revealed during a town hall meeting the G.E.R.S. board held on St. Croix on Thursday.

Grumbles could be heard in the crowd of attendees following the revelation, which was shown on a chart seen on a wide projector screen in the Cardiac Center's conference room at the Juan F. Luis Hospital.

The problem, Mr. Nibbs said, is that the government of the Virgin Islands has not made good on its lawful responsibility to fund the system. Figures released by G.E.R.S. show

the G.V.I. owing \$1.6 billion after failing to fund the system over the course of 26 years.

Compounding an already dire situation, the government has stopped remitting payments altogether to G.E.R.S. from July of 2017. From that time, according to Mr. Nibbs, the G.V.I. has not paid the contributions that are deducted from employees' checks; it has not paid its share of the contributions, and the government has not been remitting loan payments deducted from the checks of government employees owed to G.E.R.S.

"So we're about \$39 million down. Meaning they owe us these monies, and this is creating a problem for us. Because what happens, we now have to go to our portfolio and drawdown funds to make sure that we have enough funds to pay the retirees," Mr. Nibbs said. He said the retiree payroll is \$20.5 million a month, "and we're taking in \$10 million or less a month."

The nonpayment is causing more newly retired Virgin Islanders to be added to the backlog of retirees who haven't started to receive annuities. Like Mr. Nibbs explained, "If you retire let's say in December 2017, you owe me from August. So I have to wait for [payments from] August, September, October, November, December before I even look at your case," Mr. Nibbs said, speaking on behalf of the system. "So it could be a year because we have a backlog. This is a major, major, major problem right now."

As the government has failed to fund the system over the years, G.E.R.S. has had to deplete its portfolio to meet the shortfall. This has caused G.E.R.S. to spend \$1.5 billion by either directly drawing down from monies it has invested, or by selling assets. If the current trend continues and there is no infusion of cash into the system soon, G.E.R.S. will have no more than five years of life before it collapses -- and it could come sooner, based on market trends.

Mr. Nibbs said the board is considering several actions if G.E.R.S. does not receive an infusion of cash by October 2018. Some include suspending altogether the payment of annuities, or cutting by 30 percent the payment for Tier 1 members. Some of these actions will require legislation, including an idea to levy a sales tax in the territory that would go directly to the system. Such a measure would be controversial, as it would demand a tax from private residents who are not part of government-owned pension system.

As G.E.R.S.'s problems mount, it has been grappling with an exodus of members who are not vested into the system. These members, who have been in G.E.R.S. for less than ten years, have been removing their monies at a rate that is negatively impacting the system. "Contributions are what we need. We're having a problem with individuals or members who are not vested," Mr. Nibbs said. He said G.E.R.S. paid out \$5.7 million in 2017 to individuals who were not vested into the system and left. In 2016, the total was \$8.9 million; it was \$4 million in 2015; \$7.4 million in 2014, and \$6.2 million in 2013.

"That means in the last five years, there were members who were not vested, they resigned, left the island, [and] we had to pay out close to \$33 million," Mr. Nibbs [said](#).

And the exodus saw a notable increase following Hurricanes Irma and Maria last year, with educators withdrawing their monies from the system and leaving the territory for better opportunities on the U.S. mainland.

Asked about the government's nonpayments, Mr. Mapp suggested at a Gov't House press conference last week that it was best to do so, as the interest on the funds held by the government is billed at 8 percent -- an amount Mr. Mapp said would never be offered by the market.

"We could say to G.E.R.S., 'Well, no. Bring me the average return on your investment portfolio and then we will pay that as a return.' We don't do that because the G.E.R.S. needs any level of financial support it can have," Mr. Mapp said. "What am I saying? The G.E.R.S. money is better in our hands than in the market. The G.E.R.S. will get its money. It's good for its money. We have to find a solution to knockdown the unfunded liability."

At the town hall meeting, Mr. Nibbs disputed the governor's 8 percent return claim, stating instead the return from the government, when it decides to pay, was somewhere around 6 percent. Asked why he thought the government is withholding the funds, Mr. Nibbs said he heard of tax refunds being issued, a suggestion that the Mapp administration could be using employee contributions to G.E.R.S. to meet other obligations.

If G.E.R.S. decides to stop paying retirees in October 2018 until the local government finds a way to fund the system, the move could force the Mapp administration to find a way to help, if it can (the V.I. government has no access to the bond market, where it'd be able to secure a loan). Such an action, which would come one month before what is expected to be a hotly contested gubernatorial year, could also thrust the pension system to the fore of discussions at political events, and become a determining factor, among other important issues, as to who wins the 2018 race.