

The Virgin Islands Consortium

To Help Save G.E.R.S., Mapp Proposes Raising Employer Contribution From 20.5 To 23.5 percent

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Ernice Gilbert **May 31, 2018**



Governor Kenneth Mapp has put forth several proposals in his Fiscal Year 2019 \$1.278 billion budget aimed at saving the Government Employees' Retirement System (G.E.R.S.), which is on track to collapse by 2023 without the infusion of a substantial amount of cash.

In the first proposal, Mr. Mapp said the government would contribute an additional 3 percent employer matching share to the system, raising the employer contribution from 20.5 to 23.5 percent. According to the proposal, the government intends to increase the government contribution (employer match) for the next three fiscal years.

Secondly, the administration wants to increase the benefits of retirement to \$75,000, while allowing contributions to the limits of the Social Security Administration. In addition to making the aforementioned changes, the government through the Virgin Islands Housing Finance Authority will acquire nonperforming G.E.R.S. assets with the use of CDBG-DR funding and continue the \$7 million contribution annually from Matching funds revenues. Mr. Mapp believes these initiatives will begin the process of regaining financial stability in the retirement system.

The proposals come in the face of criticism that the Mapp administration has been hostile towards G.E.R.S., deriding its board members for what the governor has deemed the board's poor management of the pension system's assets and money. [In November 2016](#), the governor said the board could go "pack a lunch" if it was expecting the Mapp administration to release to it [\\$100 million in bond monies approved by the Senate](#). The financing attempt was not successful, and the system has remained in its unfavorable position.

Bluntly put, 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 G.E.R.S. Administrator Austin Nibbs. With the imminent threat of insolvency, the board wrote to the 32nd Legislature on November 20, 2017 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 as of November were 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.

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 March, Virgin Islands District Court Judge Curtis V. Gomez [ordered](#) the G.V.I. and G.E.R.S. to submit to the court either a joint or separate plans to assure payment by the government to the pension system for employee and employer contributions, along with a plan of avoidance to ascertain that the government does not renege on its statutorily obligated duty in the future. One week later, [both parties submitted their plans](#), albeit with varying numbers.

Whether senators will warmly receive the governor's latest proposal remains to be seen. And even if it were to be adopted, the new plans would only help by adding time to a ball rolling into collapse; it wouldn't solve G.E.R.S's \$5.5 billion pension liability.