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Nibbs Says GERS Draws Down \$120 Million Each Year to Pay Retirees, Says Pension System Needs \$2 Billion Infusion

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Government Employees' Retirement System Administrator, Austin Nibbs, told lawmakers that GERS draws down \$120 million every year to pay retirees, and that the system's annual shortfall amounts to \$150 million. The administrator was responding to a question from Senator Dwayne DeGraff, who asked if an \$85 million one-time payment to the system would help.

The questioning came during GERS's budget hearing on Tuesday, where Mr. Nibbs testified that the plan sponsor, which is the government of the Virgin Islands, needs to make good on its commitment to fund the system, which he said requires a \$2 billion infusion of cash to survive.

"Based on the current funding of the system, the system will become insolvent by 2024 or sooner depending on market conditions or if nothing is done to fund the system on an actuarial reserve basis. If the Plan Sponsor and the Legislature do not find additional funding sources, based on the current withdrawals from the portfolio, the liquid assets will be depleted in the next 3-4 years. At which time the system will become insolvent and will not be able to provide the benefits promised to retirees and active members," Mr. Nibbs testified.

Relative to the \$85 million, Governor Albert Bryan [introduced a plan](#) on Tuesday to refinance the gov't's debt through the Internal Revenue Matching Fund, which he said would realize savings of \$106 million while providing a revenue stream of \$85 million for the next three years. It remains to be seen whether the plan will actually be successful, but Mr. Nibbs struck a positive note while refusing to comment in detail, stating he needed to know more.

"I think he is thinking positive," Mr. Nibbs said, referring to the governor. "But we asked for \$2 billion to shore up the system so we can invest those monies to grow the portfolio."

He added, "Any amount is okay but I don't want to comment on the governor's proposal at this time. I will wait until I'm actually given the opportunity to run some modeling."

G.E.R.S. [has said](#) it would have to cut retirees' annuities by 42 percent beginning in January 2021 if the government fails to provide an immediate infusion of cash of \$195 million. The pension system said if no funding is made available, the system will collapse in 2024 and "contributions will only be enough to pay forty-five cents per dollar of benefits; in effect, there will be a 55% reduction in benefit payments to approximately 8,700 retirees."

However, the Legislature would have to approve the drastic reduction in payment before the pension system could implement it — an action lawmakers don't even want to consider.

Senator Novelle Francis asked Mr. Nibbs a critical question, "You need \$2 billion. How will the system remain solvent with it?" Mr. Nibbs replied, "We went through \$1.8 billion in the last 20 years. It can last forever as long as the government continues to make payments. If \$1 billion is available we would invest it and diversify the portfolio being mindful of the risks involved."

Mr. Violet asked Mr. Nibbs to provide a scale of the amount of funds the retirement system would be able to float so that the legislative body would have the numbers to work with. Mr. Nibbs promised to provide the amounts as requested.