

The Virgin Islands Consortium

GERS Board Says It Did Not Threaten To Cut Benefits Further, But Stressed That An Infusion Of Cash Is Needed To Stave Off Collapse

VIC News / **Published On August 15, 2018 11:20 AM /**

Staff **August 15, 2018**



Wilbur K. Callender, chairman of the Government Employees Retirement System board, responded to [Governor Kenneth Mapp's comments](#) alleging that the board had once again floated the idea of further cutting the benefits of the pension system's beneficiaries.

"There has never been any intent on the part of the GERS to cut benefits," Mr. Callender said in a response issued to The Consortium. "Under the code, the board does not have the authority to make that type of unilateral decision. However, what has been repeatedly stated for years is that unless there is a large infusion of cash, there will be automatic

cuts in benefits come 2023 because the GERS investments will have run out and annuities will be paid based on the contributions received minus administrative expenses."

Mr. Callender said the pension system's impending collapse has not been hidden from its members. And he brushed aside [the governor's proposal to inject \\$380 million into the pension system over the course of 10 years](#), by first falsely stating that the projected amount was \$300 million, and then by falsely stating that the funds would come over the course of 30 years.

The plan proposed by territory's leader directs more than \$380 million to go directly to G.E.R.S. over the next ten years from proceeds of the revenues expected from the restart of refining operations on St. Croix's south shore. Additionally, Mr. Mapp submitted legislation in the FY 2019 budget to include an infusion of millions of dollars more into the retirement system over the next several years. His proposals include raising the government's employer contribution by 3 percent for each of the next three years and changing the current caps for pension contributions and calculations.

According to Mr. Callender, the governor's plan is not viable in the long term.

"These proposed measures are not viable long term solutions," he said. "They simply kick the can down the road. The gaping difference between the annuity payments, which is approximately \$250 million annually, and the estimated \$100 million in expected annual contributions continues to grow," he said.

On the governor's call to elect new members to the pension system's board, Mr. Callender said, "Based on the current situation and numbers that are before us, if a new board is appointed/elected or a new administrator is hired tomorrow, the financial downward spiral will continue unless there is a significant infusion of cash to invest to grow the portfolio. The GERS board has no time to play politics or games when our members livelihood and the future of the System and our community are at risk."

Mr. Callender, while relegating the governor's proposal to inject \$380 million into the pension system, did not offer any alternative ideas to save -- or stave off collapse -- of G.E.R.S.

"We have done all that is within our fiduciary responsibility/power to try to extend the life of the system and to bring the situation under control," Mr. Callender said. "Just a year and a half ago, G.E.R.S. had 13 investment managers; today we are down to three based on our Dynamic Asset Allocation. It is important to note here, that our investments have done extremely well over the years, and they have supplemented the contribution shortfall since 1991. These assets are now being depleted as we continue to make regular withdrawals from the portfolio to make annuity payments."

He added: "We have been upfront and we have been transparent as to the numbers and the overall condition of the System. We will continue to inform and educate our members while we carry out our fiduciary responsibilities.

"As regarding the proposed expansion of the Board to eleven members: this is absolutely unnecessary and does nothing to promote solvency of the System. When we compare the size of our fund to that of the largest public pension system in the country, CalPERS,

it should be noted that CalPERS has a portfolio of over \$350 billion and 2800 employees, with a 13-member board, whereas the GERS has a portfolio of \$780 million and a staff of 86; the proposed 11-member Board would be exorbitant and would do nothing to enhance the condition of the System.

"Any infusion of cash by the Plan Sponsor is needed and will be greatly appreciated; however, a long-term solution must be found because our members deserve to know that their futures are secured."

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