

The Virgin Islands Consortium

At GERS Summit, Mapp-Potter, Bryan-Roach Campaigns Propose Plans To Save Pension System

Health / **Published On August 31, 2018 10:30 AM /**

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Description: Scrabble letters spelling the words pension fund Photo taken on: May 31st, 2006

ST. CROIX -- The two-day G.E.R.S. summit held at the Carambola Resort Wednesday and Thursday saw two of the most visible campaigns -- the Mapp-Potter and Bryan-Roach teams -- promoting their plans to save the system.

The pension system, with its more than \$4 billion liability and a collapse date of February 2023, is in desperate need of an infusion of cash and a comprehensive plan to save it.

And there is no better time than a gubernatorial year to capture the attention of those seeking the territory's top office.

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.

The Government of the Virgin Islands, which is the plan sponsor of G.E.R.S., has underfunded the pension system by \$1.6 billion, according Austin Nibbs, G.E.R.S. administrator. 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. Its latest asset sale consideration? The Carambola Resort. The pension system's assets are valued at about \$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.

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 2017 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 2017, 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 pension system has maintained that it has been ignored by the Mapp administration throughout Mr. Mapp's tenure. The relationship is well documented, too, with the governor on a number of occasions calling for the firing of Mr. Nibbs and other board members, contending that they had mismanaged the pension system's assets and portfolio. A series of stories published on The Consortium, triggered by a Inspector General report, [revealed](#) a [number](#) of [bad deals](#) that the board allowed G.E.R.S. to enter into.

The relationship between the board and the Mapp administration became so strained that the governor said two years ago he would not have allocated \$100 million from a \$247 million bond the government sought in November 2016, even if the allocation was [approved by the Legislature](#). In fact, the governor said if Mr. Nibbs and the G.E.R.S. Board of Trustees were expecting his administration to release to them the funds as part of the \$247 million working capital bill, they should "[pack a lunch](#)."

In the end, the government's offering was rejected by the bond market, which cited the potential inability of the territory to satisfy its covenants.

On Thursday at the conference, the Mapp administration's plan was again discussed. [First revealed in May](#) as part of the administration's Fiscal Year 2019 budget, the proposal came with two main points.

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.

In the second offering, 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, would 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 would begin the process of regaining financial stability in the retirement system.

Additionally, the recently ratified Limetree Bay oil refining agreement sees the Mapp administration putting half of all funds generated by the government through the deal to G.E.R.S. The latest estimate now tops \$350 million over the course of ten years, and it is expected to add roughly five years of life to the system.

Bryan-Roach plan

The plan proposed by Mr. Bryan calls for a \$600 million bond. However, with the territory's credit rating at junk status, there's no appetite from the bond market to lend its money to the USVI. In fact a number of attempts have failed, with bondholders fearing a financial collapse of the central government, among other risky factors.

To work around this, Mr. Bryan told The Consortium during an interview that considerations for additional revenue would include soliciting additional rum companies to setup shop in the territory. "Let's face it, even if we give up half of the revenues, we're still going to make 40 to 50 million dollars. Forty to fifty million is enough money for us to secure another loan that would secure the G.E.R.S. and make it solvent again for a number of years," Mr. Bryan [said in the interview](#).

The plan also calls for the legalization of marijuana in the USVI, as well as the expansion of internet gaming. "I was just reading that two more Caribbean islands are looking at cannabis and marijuana in terms of legalizing it, but if we just legalize it we don't make money. We use our research facility to establish the first ever in the United States registry for cannabis products," Mr. Bryan [told The Consortium in April](#).

He added, "People think about smoking, but there are pills, edibles, lotions -- there's a lot of things that are being patented now using strains of cannabis. There's really no registry where those strains are at, so it'd be just like you having a McDonald's franchise. Everywhere McDonald's franchise is sold, McDonald's makes money; everywhere that registered cannabis product is sold, the Virgin Islands makes money. I figured we could get a stream of money coming from a variety of states that have already legalized different products in this, and be able to give them not a 90 percent, but maybe a 60 percent discount. That extra money is all we need in order to secure that G.E.R.S. payment."