The Virgin Islands Consortium

Vialet, Other Senators Seek Amendment to Bryan's Refinancing Bill That Would Provide $700 Million to G.E.R.S.

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Senator Kurt Vialet, chairman of the Committee of Finance, said a number of lawmakers were contemplating revisions to a bill forwarded to the Senate by Governor Albert Bryan that would see the territory securing a total of $1.7 billion under Mr. Bryan's Internal Revenue Matching Fund (IRMF) refinancing proposal.

Mr. Bryan's proposal seeks to remove the IRMF from the government and place it under what is called a special purpose vehicle, or SPV, which would allow the government to secure a favorable interest rate to refinance and in the process see $85 million in savings every year for the next three years — some of which would go toward the Government Employees' Retirement System. However, the plan being pushed by Mr. Vialet and others seeks to secure G.E.R.S. a $700 million lump sum.

How? Using the current SPV setup, the Bryan administration is seeking to refinancing and secure the $85 million every year over the next three years. The government's current annual debt service payment totals $108 million. "If we redirect that $108 million and they are able to refinance at a lower rate, then they could get more money," Mr. Vialet told the Consortium Tuesday following the Senate Session where the measure was discussed. He said at interest rates hovering around 3 percent to 3.5 percent, maybe less, the agreeing senators believe that the government could float $1.7 billion at the same amount of debt service currently being paid, which is $108 million annually.

"So we're saying let's float $1.7 billion and we'll give the $700 million to the retirement system so that they could invest and we could give the system 8-10 more years. But to just give G.E.R.S. $85 million one year, and the government can't prove how they're going to get that $85 million, it's a waste of time to us," Mr. Vialet said.

Senator Donna Frett-Gregory told the Consortium Wednesday morning that any new bond, be it through refinancing, would need to include clear language on how G.E.R.S. would be supported. Any discussion without solid focus on the pension system is futile, she said. "We know that the elephant in the room is the Government Employees' Retirement System, and I believe that if we're going to do anything as it relates to funding of our bonds, we really need to look at how it's going to truly support G.E.R.S."

Ms. Frett-Gregory said G.E.R.S. needs more than the $255 million in payments over the course of three years being projected through Mr. Bryan's plan. Additionally, Mr. Bryan has indicated his intention to utilize some of the funding for other purposes.

"We need to do a little better on this and I believe that we have the opportunity to do it right now, and as lawmakers we really have to explore ways to make it happen," Ms. Frett-Gregory said.

She also thanked the governor "for his vision to begin the conversation," adding that, "I really think we need to take it a step further if we're going to be really serious about looking at how we're going to shore up the system."

Ms. Frett-Gregory cautioned about the bond market's appetite for providing funding to pension systems. "I don't know what type of appetite that investors have for a pension obligation, so it's something that we have to tread lightly on as well," she said.

Even so, the senator concluded, "From my perspective, we could develop all the infrastructure that we have here in the U.S. Virgin Islands, but if we don't shore up our Government Employees' Retirement System, I want to say all of it is for naught because 250 million of our annuity dollars go into this economy. So just think about that not occurring here in the Virgin Islands, it's going to be catastrophic."

Ms. Frett-Gregory said while she believes Mr. Bryan is working hard on staving off collapse of G.E.R.S., "he has to work a little closer with us to ensure that we're able to do it."

Attempts to reach Mr. Bryan this morning for comment on his thoughts on the senators' thinking were unsuccessful.

The measure will be heard in the Committee on Finance on Thursday at 11:00 a.m., which is expected to be followed by a session the same day at 3:00 p.m.