

The Virgin Islands Consortium

To Save G.E.R.S., Bryan Wants To 'Tier Down' Pension Benefits Of Current Gov't Employees While 'Preserving' Benefits Of Retirees

VIC News / **Published On March 01, 2019 10:54 AM /**

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In his bid to save the Government Employees' Retirement System, Governor Albert Bryan told the U.S. Senate on Tuesday that his administration has been looking at creating another tier of benefits for current government employees, while preserving the benefits retirees are currently receiving.

G.E.R.S. is facing collapse if it does not receive an infusion of cash, or multiple streams of dedicated revenue, by 2023 -- before Mr. Bryan's first term is up -- so the governor must find ways to act fast. Even so, any talk of cutting G.E.R.S. benefits -- which is what

additional tiers often do -- of government employees who have not retired, while protecting the benefits of current retirees could depress a government workforce already wary of the struggling pension system.

Mr. Bryan was responding to a question posed by West Virginia moderate Democratic Senator Joe Manchin, who was seeking answers on steps the VI government was taking to balance its budget.

"So we have two things that we're trying to do. We're trying to tier down the amount of benefits that we give to employees, especially those who are active, and trying to preserve as much as possible the benefits of those who've retired," the governor said. He said the move would see new government employees coming in "with less of a government liability and we can put more money towards supporting the pension system on a whole."

The governor also spoke of identifying new revenue streams for G.E.R.S., mentioning new rum distilleries as an option, which was part of Mr. Bryan's campaign promise to help save the system. He also spoke of expanding the USVI's tax incentive program in a bid to attract new businesses, "as well as finding some way to get money into the pension system." Mr. Bryan told the lawmakers that the territory could not go back to the bond market at the rates being offered, even though the territory's bonds were performing well on the secondary market. "What we have been doing is building back our dependability [and] our confidence in the system from the market," the governor said.

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 said it was ignored by the Mapp administration throughout Mr. Mapp's tenure. The relationship is well documented, too, with the former 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 former governor said during his early years as governor that 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, Mr. Mapp 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.

Mr. Bryan, upon taking office, held what was deemed a productive meeting with G.E.R.S. board members, perhaps signaling a change in tone between the pension system and the government.

Correction: March 1, 2019

In his comments to Congress, Mr. Bryan most likely meant "tier down", not "tear down" as previously stated in the article. Even so, additional tiers usually mean cutting benefits, as we saw with the creation of a new GERS tier in recent years. The story has been updated to reflect this information.