

The Virgin Islands Consortium

Mass Exodus Of Non-Vested G.E.R.S Members, Most Of Them Young Virgin Islanders, Causing Cashflow Problems For Pension System, Nibbs Says

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Young government employees with less than ten years in the Government Employees' Retirement System (G.E.R.S.) are leaving the pension system en mass, G.E.R.S. Administrator Austin Nibbs said during a board meeting on Thursday.

The exodus, he said, was putting additional strain on a system whose years are numbered, and stressed that if the plan sponsor, which is the Government of the Virgin Islands, failed to act soon by shoring up G.E.R.S., which needs hundreds of millions of dollars not for complete survival, but to stay afloat, then in 2023 or sooner, the pension

system would collapse and bring down the territory with it. [A January 2017 G.E.R.S. survey](#) concluded that the U.S. Virgin Islands would lose 50 percent or more of disposable income were G.E.R.S. 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.

"Members who are not vested are leaving. So far from January to March, we have refunded \$1.4 million to members who are not vested and have left the system," Mr. Nibbs said during the Thursday board meeting, held in the G.E.R.S. boardroom in Orange Grove on St. Croix, and in St. Thomas via conference. "It is happening, and it will continue to happen if this system is not shored up or the plan sponsor does not give assurance to these members that something will be done to maintain the system -- especially those that are leaving."

He added, "Young people are leaving the system, so that creates a cash flow issue for us also."

Mr. Nibbs said membership has been on decline and is just over 8,000 at the moment, down from 9,200 in 2017.

The loss and impact of non-vested members' financial contributions is not new. It is just one of the myriad of problems plaguing G.E.R.S. Mr. Nibbs has openly expressed concern and stressed the dire consequences resulting from this mass exodus in a town hall meeting at Juan F. Luis Hospital last year. "As G.E.R.S.'s problems mount, it has been grappling with an exodus of members who are not vested into the system. These members, who have been in G.E.R.S. for less than ten years, have been removing their monies at a rate that is negatively impacting the system," he said.

And his gloomy outlook of the system because of the departure of young, non-vested members is not new. One question at the town hall meeting sought to understand how badly such occurrences was affecting the strength of G.E.R.S. "Contributions are what we need," said Mr. Nibbs. "We're having a problem with individuals or members who are not vested. G.E.R.S. paid out \$5.7 million in 2017 to individuals who were not vested into the system and left. In 2016, the total was \$8.9 million; it was \$4 million in 2015; \$7.4 million in 2014, and \$6.2 million in 2013. That means in the last five years, there were members who were not vested, they resigned, left the island, [and] we had to pay out close to \$33 million."

The exodus saw a notable increase following Hurricanes Irma and Maria last year, as a lot of educators resigned, withdrew their monies from the system, and left the territory for better opportunities on the U.S. mainland.

Governor Albert Bryan made G.E.R.S. one of the focal points of his campaign in 2018. His plan called 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 in an interview during the 2018 campaign season 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](#).

<https://www.youtube.com/watch?v=NkJUwSJzgUM>

VI Consortium Publisher Ernice Gilbert interviewed then-candidates Albert Bryan and Tregenza Roach following the announcement of Mr. Roach as Mr. Bryan’s lieutenant governor pick. The event took place at Gertrude’s Restaurant in April 2018.

Now that he is in office, Mr. Bryan hasn’t said much about efforts to attract additional rum companies to the USVI. Instead, he has spoken about creating another tier of benefits for current government employees, while preserving the benefits retirees are currently receiving. But 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.

In mentioning the new tier, Mr. Bryan was responding to a question posed by West Virginia moderate Democratic Senator Joe Manchin [during the governor’s testimony in the U.S. Senate in late February](#). Mr. Manchin 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.”

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 to Mr. Nibbs. 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 is 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.

Feature Image: G.E.R.S. building on St. Croix. (Shenneth Canegata, VIC)

Ernice Gilbert and Shenneth Canegata contributed to this story.