

The Virgin Islands Consortium

In Last-Ditch Effort, G.E.R.S. Will Ask The Federal Government For \$5 Billion, Arguing The Cost To Washington Would Be More If Pension System Collapses

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The Government Employees' Retirement System is preparing a proposal that seeks a \$5 billion bailout from the federal government, a last-ditch effort to save itself from imminent collapse as the Government of the Virgin Islands, which is the plan sponsor, has failed to meet its obligation of funding its own pension system.

That's according to Austin Nibbs, G.E.R.S. administrator, who told The Consortium following a Thursday board meeting that the plan would be completed and formally

introduced soon.

"We're trying to see if we can get a federal loan of about \$3 billion to \$5 billion. We're doing a white paper and getting all the stakeholders together," Mr. Nibbs said. A white paper is an authoritative report or guide that informs stakeholders concisely about a complex issue and presents the issuing body's philosophy on the matter. It is meant to help readers understand an issue, solve a problem, or make a decision.

The board's stance is that if the federal government does not provide G.E.R.S. at least a partial bailout (a cash injection of \$400 million would add additional years to the pension system while kicking the can down the road; to save G.E.R.S., \$5 billion is needed), it would cost the federal government much more than the \$5 billion G.E.R.S. plans to request, Mr. Nibbs said.

Even so, Mr. Nibbs was not confident that G.E.R.S.'s bailout request would be successful, pointing towards the climate in Washington, and how he said the Trump administration has treated Puerto Rico. Nonetheless, he was holding out hope, as there's little else the system can do to save itself, with a central government whose own coffers are always days cash-on-hand, whose junk-status bonds means it cannot borrow any substantial amount from the bond market, and whose leaders, for decades, have failed to adequately address the crisis.

"You see if they don't give us anything it's going to be a lot of problems and they may have to put out more federal monies," Mr. Nibbs told this publication. "That's the main argument."

Asked whether he was aware of any plan by the Bryan administration to shore up G.E.R.S., Mr. Nibbs said he was not. The administration held a meeting with the G.E.R.S. board at the beginning of Mr. Bryan's tenure that was deemed positive, but nothing substantive has developed so far.

Mr. Bryan, who during the campaign called for a \$600 million bond, said he would secure the loan by attracting additional rum companies to the territory, and use the additional rum cover-over funds (matching tax revenues from rum produced in the U.S. Virgin Islands and sold on the U.S. mainland) to shore up G.E.R.S.

"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 an interview with The Consortium](#) in April 2018, where the campaign announced Tregenza Roach as Mr. Bryan's pick for lieutenant governor.

<https://www.youtube.com/watch?v=NkJUwSJzgUM&t=14s>

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.

Coming up on five months in office, and Mr. Bryan hasn't made mention of plans put in motion, if any, to attract the new companies, and time is running out. Instead, in February

he told Congress that part of the grand scheme includes [creating another tier of benefits](#) for current government employees, while preserving the benefits retirees are currently receiving. But any talk of cutting 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. Yet it appears that the governor has thoroughly examined the idea and is willing to implement it.

“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.”

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.

During the Thursday board meeting, Mr. Nibbs also revealed that young, non-vested G.E.R.S. members [were leaving the system en masse](#), causing cashflow problems.

“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 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.