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GERS Board Says Pressure Must be Kept on Government for Solution as System Collapse Draws Closer

GERS / **Published On May 28, 2021 05:18 AM /**

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The Government Employees' Retirement System board chairman on Thursday expressed disappointment that a planned meeting to discuss solutions for the system's impending collapse didn't happen, saying the system needs to keep the pressure on the plan sponsor, which is the V.I. government, to stave off collapse.

Nellon Bowry, GERS board chairman said the meeting didn't take place because its scheduled date came during [the recent Limetree Bay incidents](#). Even so, the chairman was concerned that momentum was being lost as a result. "The board needs to "step up our efforts to keep the plan sponsor's feet to the fire with respect to the upcoming insolvency," he said. "As you know we had the special committee that was setup by the Legislature. It had one meeting; we had scheduled for

a second meeting that was preempted by the Limetree emergency. I'm concerned that we let the momentum slide. We need to keep the plan sponsor's feet to the fire on this issue."

Mr. Bowry had [previously expressed optimism](#) for a potential solution to G.E.R.S.'s looming insolvency following the special committee's first meeting, where he said a full range of potential options were discussed. The chairman was also encouraged to see subcommittee members fully engaged. Mr. Bowry did not go into specifics relative to the options for refinancing, but said potential solutions were on the table.

The subcommittee, called the G.E.R.S. Restructuring Insolvency and Economic Development Sub-Committee, was created as part of the 34th Legislature's commitment to give special attention to the most daunting problems facing the territory, Senate President Donna Frett-Gregory told the Consortium during a recent interview. To that end, three sub-committees were created with focus on G.E.R.S., public safety and health matters, and infrastructure and disaster recovery.

On the first meeting, Ms. Frett-Gregory stated, "I left the meeting feeling very optimistic myself. We were able to work with the leaders of the G.E.R.S. as well as the actuaries, and we came up with some potential solutions. We have to flesh them out, of course."

She also cautioned that a solution to saving the beleaguered system would not come without sacrifices. "The solutions are not easy solutions. We're going to have to make some hard decisions, but at the end of the day our focus is to ensure that we are in a place where we remove the anxiety from our government employees and retirees, as well as figuring out a way to ensure that we have some solvency going into the future," Ms. Frett-Gregory stated.

Senator Kurt Vialet, a member of the sub-committee and also chairman of the Senate's Committee on Finance, shared the same sentiments with his colleague and Mr. Bowry. "The meeting was fruitful. We took a hard look at the numbers and we had a discussion as to possible solutions to make sure that the system is saved," he said. "In no way do we want the system to go insolvent within the next two to three years. We are committed to provide additional resources to the system. We will in a short period of time, after we have really fleshed out everything and we know it's concrete, we'll announce to the community and to the retirees as to our suggestions moving forward to save the system."

Also at Thursday's meeting, Mr. Bowry welcomed new board member Ronald Russell, an attorney and former senator who represented the St. Croix District. The board chairman said he personally called Mr. Russell to express gratitude as the board had been trying for some time to fill the vacancy. "As a board we need to get a full compliment to help us deal with all the challenges we have to deal with," Mr. Bowry said.

According to U.S. rating agency Moody, G.E.R.S. [will likely collapse in 2023 after depleting assets](#) and be forced to cut retirees' benefits by 50 percent, a move that the firm said is unthinkable politically and instead would be the driving force of a government debt default and restructuring.

Moody's assessment was part of its response to a Third Circuit Court ruling in mid-April that determined the Government of the Virgin Islands was not responsible for \$43 million of a [\\$60 million suit brought against it by G.E.R.S.](#) The ruling represented a positive for the G.V.I., Moody's said, but the savings of \$43 million does nothing to address a much larger issue — a pension system liability of an amount Moody's estimated to be \$5.3 billion.

Moody's Senior Credit Officer Thomas Aaron, and Managing Director Timothy Blake, stated, "[The ruling] does little to alter the looming insolvency of GERS within the next several years.

The USVI almost certainly cannot afford to pay pensions directly to retirees if GERS depletes its assets, and likely cannot politically cut benefits while paying debt service in full to bondholders, meaning a GERS insolvency is highly likely to drive a debt default and restructuring."

Moody's said unless the pension system realizes an infusion of cash, GERS will run out of assets by fiscal year 2024, which starts on Sept. 1, 2023.

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