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## Frett-Gregory Drafts Bill to Use \$40 Million in Excise Tax Revenue to Secure Hundreds of Millions in Funding for G.E.R.S.

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Senator Donna Frett-Gregory has proposed a measure that could provide a new lease on life to G.E.R.S., the USVI's beleaguered pension system. By. VI LEGISLATURE =

In what may be one of the most consequential legislation submissions in recent memory because it relates to the survival of the territory's pension system, Senator Donna Frett-Gregory has in the works through a bill request (BR) a measure that seeks to use the roughly \$40 million in excise tax revenues that the territory [can once again collect](#) to secure a credit facility to buttress the flailing Government Employees' Retirement System.

When the V.I. District Court in Nov. 2018 [issued a ruling halting](#) the collection of excise taxes, the territory went two years without what it thought was needed revenue to meet budget projections. But the government not only survived without the \$40 million, it raised gov't employees' salaries and managed two years without the funds.

Last year, Ms. Frett-Gregory realized that those funds could one day become available and be used to secure a bond large enough to underpin G.E.R.S. with a credit facility (loan), according to the senator, who spoke to the Consortium during an interview Monday afternoon.

In the 33rd Legislature in 2020, she submitted BR # 20-1363, which became BR # 21-0010 in the 34th Legislature, according to information provided by Ms. Frett-Gregory.

"I recognized that the excise tax matter was going to be wrapped up shortly [when Judge \[Robert\] Molloy came on board](#), and I immediately recognized that we've been living without the excise tax dollars in several budgets and I said, you know what we've been talking about G.E.R.S., this is one way for us to begin to fill the bucket to address the insolvency issues with G.E.R.S. I did that from the 33rd Legislature," she said.

Depending on the severity of G.E.R.S.'s situation, the \$40 million, Ms. Frett-Gregory said could be used in the interim to cash-fund the system until a credit facility can be secured. "One way or the other the most appropriate use of the funds at this time is to address the issues with the Gov't Employees' Retirement System," Ms. Frett-Gregory, currently serving as Senate president, stated.

While the senator was not able to immediately determine the sum on a credit facility backed by \$40 million, the amount is expected to be in the hundreds of millions of dollars.

Ms. Frett-Gregory also encouraged senators to support Governor Albert Bryan's legislation [to legalize marijuana for recreational use in a controlled market](#), which Mr. Bryan has said could garner up to \$20 million annually — funds he said would be used to secure a credit facility aimed at undergirding G.E.R.S. Because G.E.R.S. is billions of dollars in the red, more than one infusion of cash will be needed to restore the pension system.

The Senate president's measure is significant in that it could provide added life to the G.E.R.S., which needs further reform but is facing collapse. [In April](#), top U.S. ratings firm Moody's said G.E.R.S. would 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 it would likely run out of assets by fiscal year 2024, which starts on Sept. 1, 2023.

Governor Bryan last year proposed a debt restructuring plan that he said would have resulted in hundreds of millions of dollars in savings. Yet though he contended the funds saved would be used to undergird G.E.R.S., the governor also said a portion of the savings would have been expended on other priorities, including infrastructure.

Ultimately, [senators rejected the plan](#), with some sticking to their stance that the measure was not in the best interest of the territory; some contending that the refinancing, contrary to what was being said, was not certain to go toward saving the G.E.R.S., while others, including Senator Kurt Violet, contending that the deal — which would have dissolved the territory's \$150 million Debt Service Reserve Fund — would affect future generations as it would have deferred payments and place a heavy burden on Virgin Islanders ten years down the road.