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Bill to Save GERS, Sponsored by Vialet With Collaboration From Governor Bryan and Senators, Ready for Senate Action

GERS / **Published On December 29, 2021 04:41 AM /**

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Legislation aimed at stabilizing the Government Employees' Retirement System sponsored by Senator Kurt Vialet and developed in collaboration with Governor Bryan and his team, along with 34th Legislature lawmakers is now ready to be heard, with Mr. Bryan requesting expeditious Senate action.

The legislation will allow for the refinancing and restructuring of a significant portion of the debt of the Government of the Virgin Islands at current market interest rates to free up critically needed revenues to stabilize the GERS, stated a release from Gov't House issued Tuesday night, after the administration made further changes to the measure.

GERS is forecast to become insolvent by 2024, and the proposed legislation should finally address a problem that has vexed the territory for years, said the administration.

A release issued by Gov't House with an accompanying Bill document lists Mr. Bryan as the sponsor. However, Mr. Vialet on Tuesday evening reached out to the Consortium ahead of publication seeking to clarify what he deemed a misrepresentation.

Mr. Vialet explained, "We have already had a series of meetings; the legislation was sent to Nathan Simmons of the Public Finance Authority so they could share it with the underwriters of bond counsel and give feedback. We had [three working meetings of the Senate's GERS subcommittee](#), and then I introduced the legislation to the committee. I had first introduced it to Senators Janelle Sarauw, Donna Frett-Gregory and Novelle Francis, and we had a working meeting to go over it, made changes and submitted the changes to the attorneys for drafting.

"A meeting was then called with Gov't House and the Senate's GERS subcommittee in which we spoke about the legislation. I told them I would submit the legislation to Nathan Simmons of the PFA so that the underwriters and the bond counsel could recommend any changes or look at any concerns.

"We had a meeting with Gov't House in which they made recommendations for changes. This was after we told them we wanted the annual \$108 million debt — which is the \$85 million debt of the GVI and \$23 million for the rum companies — that if we could refinance that amount, add on the \$10 million that we're presently giving to GERS to come up to \$118 million, and add on the \$40 million that we expect to collect from excise taxes, then take the difference from the Internal Revenue Matching Fund and let's see if we could get some additional monies for the system, and everything has to be for the system.

"We gave the bill to the PFA and Gov't House, they came back, hired David Paul [of Fiscal Strategies Group] [since the last Special Purpose Vehicle effort](#), and he worked with the numbers and he said he could make it work, and we could actually create a GERS bond where the excess \$40 million, plus the \$10 million plus the savings would be able to provide you with a little more than \$100 million annually for the next couple of years."

In his transmittal letter to Senate President Donna Frett-Gregory, Governor Bryan indicated his pleasure that "the legislation has been developed in collaboration with the members of the Senate's Subcommittee on GERS, as well as consultation with GERS and its actuary, and represents a real opportunity for us all to move past the perpetual fears of what might come next should the long-predicted GERS insolvency become a reality."

"It is my hope that the Legislative branch, Executive branch and GERS can collaboratively and cooperatively work on this matter to benefit the Retirement System and the overall economic life of the People of the Virgin Islands and its Government," Mr. Bryan wrote.

According to Gov't House, of concern in driving this renewed effort at refinancing and lowering the government's debt is the fact that GERS is nearing insolvency and the GERS actuary, Segal and Company, has projected the GERS will be insolvent by October 2024 or sooner.

The Board of Trustees has warned that the insolvency of the GERS will necessitate substantial reductions in retiree benefits. Should the GERS become insolvent, retirement payments to retirees will be the responsibility of the Government of the Virgin Islands, placing significant new funding burdens on the General Fund, according to the transmittal letter.

As with previously proposed transactions, the use and pledging of the Matching Fund Receipts from the United States Treasury will be used as the financial base for the transaction, Gov't House said.

The legislation creates a new entity called the "Matching Fund Special Purpose Securitization Corporation," which will be a legally created entity separate from the government.

That corporation will issue bonds to enable the Public Finance Authority (PFA) to restructure the outstanding Matching Fund Bonds issued by the PFA in order to free up resources to be applied to the restoration of solvency to GERS without having to reduce benefits, Gov't House explained.

The legislation enables the opportunity to increase revenues that can be dedicated to the GERS through the issuance of a GERS Bond by the PFA or other entity as an in-kind contribution to the GERS.

Segal and Company has determined that so long as the Matching Fund Receipts remain, at least, at their current levels, the foregoing proposed issuance of the GERS Bond would provide financial stability and liquidity to the GERS and avoid reductions of retiree benefits.

"This legislation incorporates our unified efforts to bring relief to the GERS and peace of mind to the retirees and Government employees who rely on and will soon rely on our pension system for their livelihoods," Governor Bryan wrote.

Referencing the need to meet favorable timing of the marketplace and the need to implement measures to avoid benefits reductions, the governor wrote: "I respectfully ask the 34th Legislature to take up consideration of this matter as expeditiously as possible. I will make all necessary financial, investment and legal advisory persons available for presenting and explaining the legislation and the transaction to the Legislature."