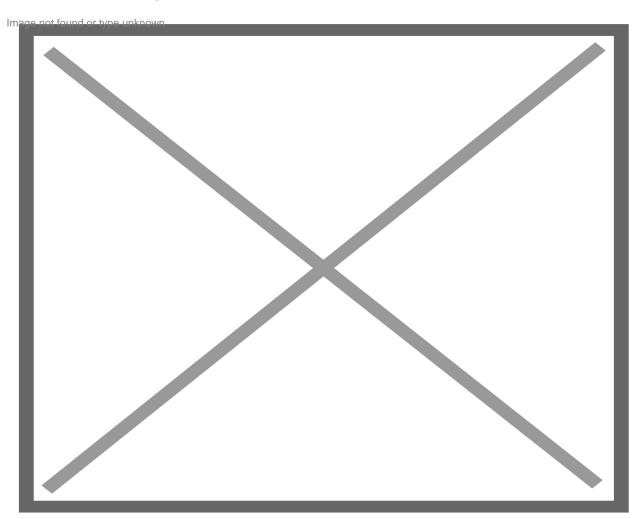
G.E.R.S. Chairman Stands By Government's Plan to Save Pension System in Face of Opposition From Board Member

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Ronald Russell, a member of the Board of Trustees of the Government Employees' Retirement System, on Friday was not in support of a proposed plan that proponents say will fully or substantially fund the pension system to a point where solvency will be taken off the table.

Mr. Russell, a former senator, was referring to <u>a joint proposal</u> that 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 G.E.R.S.

G.E.R.S. 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 Bryan administration late

December.

Mr. Russell placed his stance on record while listening to G.E.R.S. Board Chairman Nellon Bowry justify the adoption of the current proposal during a G.E.R.S. special board meeting Friday.

"Unless I as a Board of Trustee hear a rational explanation to why an infusion of cash from a pension obligation bond will be unwise and why it would not benefit the territory — I have not heard that yet — I have not seen an analysis that convinces me that a pension obligation bond will be unwise and I think that we as the Board of Trustees need to be privy to this information," said Mr. Russell who was advocating for the issuance of a pension bond in lieu of the government's plan.

"If we are not going with a pension obligation bond, tell us why not and explain it in detail with the financial analyses and explain to the Board of Trustees why we can't get an infusion of cash from a bond issuance that will give us that infusion of cash to get past the insolvency," he questioned.

However, Mr. Bowry explained that the government's proposal in its current form is a better option than the pension obligation bond because it accomplishes the same thing with much less money.

"The government has had the option on the books for a while to the issue of pension obligation bond, but the government has not chosen to exercise that; it chose to take a different path which the advisers have said is a preferred option," Mr. Bowry said.

"From a G.E.R.S. perspective, as long as the system is being sustainably funded, I am not sure why we think we need to tell the government how to fund it. Besides, which is my personal view, by the way, the government's proposal is a preferred option; there is a bond proposal in the proposal which accomplishes what a pension obligation will accomplish at much less cost," he shared.

"It will cost the system some \$4 billion over 30 years which our actuaries have advised us that stream of funding will keep the system solvent for the foreseeable future. In fact, it will take insolvency off the table," Mr. Bowry said while pointing out some of G.E.R.S.'s challenges.

"We don't have the credit rating for pension obligations bond. It is going to be more expensive because interest on the pension obligations bond is taxable as opposed to our regular bond which is tax-exempt and the interest rate is higher," Mr. Bowry further explained.

According to the Bryan administration, 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 G.E.R.S. without having to reduce benefits, Gov't House explained.

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

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 G.E.R.S. Bond would provide financial stability and liquidity to the G.E.R.S. and avoid reductions of retiree benefits.

"As far as I am concerned, the proposal that is being considered funds the system sustainably. What is our interest, and our concern is that the system be funded sustainably which is what the pension obligation bond is intended to do," Mr. Bowry added while explaining that the stream of funding that is expected to come from the proposal is \$2 billion.

"Every financial advisor who knows about these things has indicated to the government that the pension obligations bond at this point in time is not the route to go. I don't agree that G.E.R.S. should take a position that will demand or suggest or to indicate to the government that the pension obligations bond route is the route to go," he told the Board of Trustees.

"Our analyses and our actuaries have already told us that there are two ways to fund the unfunded liability. It is either significant annual contributions or significant one-time cash injection. The government is developing an approach that will guarantee significant annual contribution totaling up to \$4 billion in 30 years that will fund the system sustainable for 25/30 years and takes insolvency off the table," said Mr. Bowry.

"I do not agree that the G.E.R.S. trustees should strong-arm the government into taking out pension obligations bond when all the financial advisors tell them that is not the route to go," Mr. Bowry told the board who by the end of the special meeting voted against a motion recommending against the government's proposal.

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