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# In Historic Moment, Full Senate Supports Bill Refinancing Gov't Debt to Fund Gov't Employees' Retirement System

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**G.E.R.S. logo at its St. Croix headquarters. By. ERNICE GILBERT/ V.I. CONSORTIUM**

In stark contrast to the [heated debates](#) witnessed in 2020 when the Bryan administration attempted to refinance government debt to realize savings to fund a number of Governor Bryan's priorities, senators on Monday approved the latest effort in a historic move that included heavy involvement from lawmakers, chief among them Senator Kurt Vialet, and a Senate sub-committee on the Government Employees' Retirement System formed by Senate President Donna Frett-Gregory that resulted in a number of meetings that greatly contributed to the bill's final outcome.

Ms. Frett-Gregory was praised by multiple senators for forming the sub-committee, and Mr. Violet, who is the chief sponsor of the bill cosigned by several other lawmakers, was also recognized for his contribution.

The bill received unanimous support, with only Senator Janelle Sarauw being absent as she had to attend an important function. Governor Albert Bryan, whose administration has led the debt restructuring and refinancing effort, is expected to sign the measure into law.

"Fourth time is a charm. At the end of the day I am determined to get things done for the people of the Virgin Islands no matter what it takes. I thank Senate President Donna Frett-Gregory and the entire body of lawmakers for their work on this. Together, we will always make it happen," Mr. Bryan told the Consortium Monday night in a statement.

The bill is vastly different from the measure deliberated in 2020, according to David Paul, head of Fiscal Strategies Group, Inc. and financial advisor to the V.I. Public Finance Authority (PFA), through which the transaction is being managed.

"There's really night and day differences," Mr. Paul said. "The prior legislation was about a refunding for savings, which is certainly an admirable thing, and it provided some liquidity to some funds to G.E.R.S.

"But working with the administration folks, and with members of the Senate and with GERS and their actuary, our entire purpose here was fundamentally different. The restructuring is a tool, but it's a tool with a much larger objective which is longterm solvency for GERS. That is the defining purpose of this legislation."

In the 2020 proposal, the government would have paid no debt service in the first three years, instead it would have received \$85 million every year for three years. But the agreement would have seen payments escalating from year 10, with the government seeing hundreds of millions of dollars in dissavings thereafter.

Bill No. 34-0188 allows the PFA to create a new entity called the "Internal Revenue Matching Fund (IRMF) Special Purpose Securitization Corporation," which will be a legally created entity separate from the government. The IRMF gets its funding from taxes collected from the sale of rum produced in the U.S. Virgin Islands and sold in the United States. The government usually collects an estimated \$250 million annually, delivered in September. A bulk of the IRMF funds are already set aside to pay the territory's debt obligations. In the new agreement, the IRMF would be refinanced and its funds managed by the special purpose corporation.

Here's how Mr. Paul explained it following a question from Senator Samuel Carrion: "The PFA does not have the ability to separate itself from the government's credit rating the way it did in the late 1980s. So we're creating a special purpose financing corporation — you could call it PFA2 so that it has less of a mysterious name — simply to provide a way of securing the Matching Fund revenues in a way that you can do the best possible financing without the rating of the government being attached to it, and without being penalized for the fact that the government financial statements are not yet timely enough to allow a full public underwriting. So it's really a way of simply building public confidence so that you can do a better, lower-cost financing, and the lower the cost of financing, the more money we're able to direct to the GERS."

Mr. Paul also likened at least portion of the new agreement to the refinancing of a home to realize savings that the homeowner could use for other priorities.

If the government is successful on the bond market in its refinancing and restructuring bid, G.E.R.S. would receive \$90 million in the first year, then \$158 million for the following three years. The payments to the pension system average \$131 million for the 30-year duration of the contract, with payments fluctuating between \$82 million at its lowest and \$158 million at the highest, according to a chart provided by the government, seen below.

### **Exhibit 3: Annual Application**

| <b>Fiscal Year<br/>Ending 9/30</b> | <b>Projected Matching<br/>Fund Receipts<sup>(1)</sup></b> | <b>Government Bond<br/>Debt Service<sup>(2)</sup></b> | <b>Rum Company Bond<br/>Debt Service<sup>(2)</sup></b> |
|------------------------------------|---|---|--|
| 2022                               | 293,599,854   | 68,801,263  | 15,716,934   |
| 2023                               | 277,439,317   | 30,748,083  | 9,456,194  |
| 2024                               | 298,025,000   | 30,662,909  | 9,430,000  |
| 2025                               | 298,025,000   | 30,662,909  | 9,430,000  |
| 2026                               | 298,025,000   | 70,054,158  | 9,430,000  |
| 2027                               | 298,025,000   | 70,052,667  | 9,430,000  |
| 2028                               | 298,025,000   | 70,052,306  | 10,536,625   |
| 2029                               | 298,025,000   | 70,054,968  | 23,408,375   |
| 2030                               | 298,025,000   | 22,585,250  | 23,415,000   |
| 2031                               | 298,025,000   | 22,585,250  | 23,408,750   |
| 2032                               | 298,025,000   | 57,085,625  | 23,412,750   |
| 2033                               | 298,025,000   | 75,932,750  | 23,405,000   |
| 2034                               | 298,025,000   | 75,933,750  | 23,403,500   |
| 2035                               | 298,025,000   | 75,926,250  | 23,410,625   |
| 2036                               | 298,025,000   | 75,937,375  | 23,404,125   |
| 2037                               | 298,025,000   | 75,929,125  | 23,411,500   |
| 2038                               | 298,025,000   | 63,877,375  | 23,410,000   |
| 2039                               | 298,025,000   | 43,550,125  | 2,790,750  |
| 2040                               | 298,025,000   | 481,750   | 2,788,000  |
| 2041                               | 298,025,000   | -   | -  |
| 2042                               | 298,025,000   | -   | -  |
| 2043                               | 298,025,000   | -   | -  |
| 2044                               | 298,025,000   | -   | -  |
| 2045                               | 298,025,000   | -   | -  |
| 2046                               | 298,025,000   | -   | -  |
| 2047                               | 298,025,000   | -   | -  |
| 2048                               | 298,025,000   | -   | -  |
| 2049                               | 298,025,000   | -   | -  |
| 2050                               | 298,025,000   | -   | -  |

The payments to G.E.R.S. will be made every September. Mr. Paul said the PFA would like to go to market early March. PFA Director of Administration and Finance, Nathan Simmonds told Ms. Frett-Gregory that there was "tremendous appetite" for Virgin Islands bonds, meaning he expects that the government will be successful in securing the refinancing and restructuring deal.

As part of the agreement, G.E.R.S. will dismiss its [case against the government](#) for the remaining \$19 million that the pension system says it is owed for employee and employer contributions. However, the agreement does not address \$4 billion in actuarially determined employer contribution, or ADEC, that G.E.R.S. also contends it is owed. Though G.E.R.S. stands to receive more than \$4 billion in payments over the 30-year period as part of the new agreement, the pension system's administrator, Austin Nibbs, maintains that unless the funds are fully paid, the ADEC court matter would remain active.

Lawmakers praised the deal, among them Sen. Novelle Francis who said, "All ye that labor and a heavy laden, rest assured that there's help on the way."

Ms. Frett-Gregory stated, "The time is always right to do the right thing, and while this may not be perfect for some of us, it is important that you recognize that if you wait for perfect nothing will get done. The retirees and future retirees of the Virgin Islands can sleep easy tonight."

Senator Kurt Vialet thanked his colleagues for their support of the legislation, and spoke of a number of important items in the bill that he said came from the Senate — including \$40 million from the IRMF to G.E.R.S. that was once allocated to the general fund of the local government. "So I don't want for this body to not recognize their contribution to this measure that we have before us today," he said.

He added, "So the narrative can be what it wants, but at the end of the day the true narrative is that the 34th Legislature put a lot of time and effort to make this a reality, and as a result of the previous rejection, we are now here to discuss a 30-year annual funding to the Government Employees' Retirement System," Mr. Vialet concluded.