

logo not found or type unknown

# USVI Retirees Can Rest Easy For the Next 30 Years as Gov't Closes on Historic \$1 Billion Bond Sale to Fund Pension System; GERS to Receive First \$89 Million Payment Thursday

Business / **Published On April 06, 2022 06:24 PM /**

Ernice Gilbert **April 06, 2022**

Image not found or type unknown



Gov. Albert Bryan, PFA Legal Counsel Kye Walker (left), Gov't House Chief Legal Counsel David Bornn and PFA Exec. Dir. Nathan Simmonds (right) attend the closing of the bond sale in Washington, D.C. to stabilize GERS on Wednesday, April 6. By. GOV'T HOUSE

Government House announced Wednesday that Governor Albert Bryan signed documents to execute the sale of reissued Rum Cover-Over Bonds this week while in Washington, D.C., creating what the administration says is significant savings in debt-service and interest

payments to provide long-term solvency to the Government Employees' Retirement System (GERS).

“For the better part of 30 years, we have known of the imminent insolvency of the GERS, and without any viable solutions being proposed over the years, it grew worse. Because of the actions we have taken, this is no longer an issue,” Governor Bryan said.

He added, “Three years ago, the Bryan-Roach Administration promised to find a solution, and I am proud to have kept that promise. Today we have taken a great leap forward to secure the pensions of our hard-working government employees, past, present and future, and the stabilization of GERS provides a foundation for the continued positive transformation of U.S. Virgin Islands.”

According to Gov't House, Mr. Bryan's plan was first proposed in 2020 and submitted to the V.I. Legislature on four separate occasions. It utilizes a special type of corporate entity called the Matching Fund Special Purpose Securitization Corporation. This entity is wholly separate from the Government of the Virgin Islands and was specifically authorized by the Legislature to issue bonds based on rum tax revenues. These bonds permit refinancing on more favorable terms at current interest rates.



The Gov't House release did not provide much details about the deal, but Morning Star, which covers Wall Street and focuses on guiding investors, said a week ago that the territory [sold its rum-tax collections to bondholders for \\$955 million](#), closing a securitization deal intended to refinance existing debt and replenish an ailing government pension fund.

According to Morning Star, citing a person familiar with the matter, the USVI's debt sale was priced to yield 4.73% on a longest-dated maturity of 2039. Morning Star said proceeds from the deal would refinance existing rum-tax bonds, freeing up short-term savings by capitalizing interest payments through 2025, and that the securitization debt provides bondholders with stronger collateral rights over the rum taxes, a key public asset of the Virgin Islands.

The deal is a long sought-after outcome that places the territory's retirees at ease for three decades, and it was negotiated between Gov't House, the Public Finance Authority, GERS and the 34th Legislature. Senate President Donna Frett-Gregory formed GERS subcommittees to get discussions around the plan moving, and Senator Kurt Vialet sponsored the latest bill cosigned by several other lawmakers. Important changes were made to the original measure, including an allocation from the local government of \$40 million annually to GERS, and ascertaining that all the funds to be received as part of the deal go to GERS; Mr. Bryan's original plan sought to fund not only GERS but the governor's other priorities.

According to a person familiar with the matter, GERS is expected to receive a first payment of \$89 million on Thursday. "It would be the most significant amount of funds that GERS has received in any one-time payment in the last 25 to 30 years," said the person, who spoke on the condition of anonymity. GERS CEO and Administrator Austin Nibbs confirmed the amount to the Consortium Wednesday evening to be \$89.2 million.

In total, GERS will receive \$3.8 billion over the 30-year period, Mr. Nibbs said.

Mr. Vialet commented on the closing. "It might not be the greatest deal in the world, but insolvency of the GERS system would financially cripple the Virgin Islands. So if we're able to stave off that insolvency, then we have a chance to be able to move forward and grow the economy and do some other stuff that we need to do."

The Matching Fund Special Purpose Securitization Corporation bond sale matures in 17 years. At that point, the commitments linked to the rum cover-over funds, including debt service payments tied to the Diageo and Cruzan Rum deals, will have been satisfied — freeing up the roughly \$250 million that the government receives as tax remittances on rum made in the U.S. Virgin Islands and sold on the U.S. mainland.

Importantly, when the special purpose vehicle's 17-year bond sale matures, a restricted account set aside for GERS as part of the [historic agreement](#) will continue to be funded for a 30-year time period with funds from the \$250 million rum cover-over funds. At that point, the \$250 million will be free from decadeslong covenants with Diageo and Cruzan Rum.