

logo not found or type unknown

GERS Problem Solved Forever, Bryan Says as He Presents \$89.2 Million Check to Pension System During Ceremony

Business / **Published On April 11, 2022 03:52 PM /**

Ernice Gilbert **April 11, 2022**

Image not found or type unknown



Governor Albert Bryan said on Monday that the historic bond sale agreement of nearly \$1 billion that resulted in funding to the Government Employees' Retirement System as part of a 30-year agreement, has not only staved off collapse of the pension system for a time period, but essentially fixed the problem forever.

Responding to a Consortium question about the G.E.R.S. funding issue reoccurring following the expiration of the 30-year deal, Mr. Bryan said active government employees and retirees will no longer need to worry about their nest eggs.

"The reason why we use 30 years is because that's the term of the note that we're paying. It's not the term of the G.E.R.S.," he said during a ceremony at Gov't House in St. Thomas held to mark the historic achievement. Mr. Bryan spoke of a graph, seen [here](#), that shows funding increasing overtime for the pension system, and after the 30-year maturity date, "it is really just going higher. So it actually solves the problem forever. So when we say 30 years, that's the period of indebtedness the Virgin Islands has to the G.E.R.S. After that, if we're still producing rum, money will be coming back to the Virgin Islands government."

The agreement 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.

According to Morning Star, a website covering Wall Street and focuses on guiding investors, the USVI's debt sale, which occurred last week 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.

In total, GERS will receive \$3.8 billion over the 30-year period, according to G.E.R.S. Administrator and CEO Austin Nibbs said.

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 [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 Diaego and Cruzan Rum, and at the disposal of the government to use as it sees fit, including continued funding of GERS past the 30-year maturity term.

For the event, Mr. Bryan was flanked by administration and GERS officials along with Senators Donna Frett-Gregory and Novelle Francis, the president and vice president of the 34th Legislature respectively. There, he presented a ceremonial check of \$89.2 million to GERS, funding the pension [received on Thursday](#). Mr. Bryan further stated that GERS will receive \$250 million in 2022.