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# GERS Commits to Reinstate Loan Program Oct. 2024

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The Government Employees' Retirement System (GERS) has been granted leniency by Senator Kenneth Gittens who in the last two hours of Thursday's Regular Session of the 34th Legislature, decided not to take the pension system to court.

"We have decided that we will give them some more time to work on this measure and we will work with them as well through the 35th Legislature and the subcommittee to ensure compliance," said Mr. Gittens.

Mr. Gittens had intended to convince lawmakers to approve Bill No. 34-0370 which would initiate a civil lawsuit against the system for failing to comply with a legal requirement to offer loans to its members and to issue them annual statements.

Even while admitting to the success of its loan program, GERS has not reinstated the program for its active and retired members since 2015. The loan program was suspended because GERS said it needed to preserve its limited cashflow.

“From a purely numbers standpoint, it's actually the best investment that the system could make,” Dwane Callwood, chairman of the GERS governing board admitted.

According to GERS executives, if it were to restart the program before upgrading their software, GERS would incur the cost of renting out a building and paying at least four workers to process those loans at a salary of \$36,000 a year, in addition to paying fringe benefits.

Instead, Austin Nibbs, GERS administrator, said the intent is to use customer care employees with an online application system which would save GERS some money.

But GERS members who are hoping to benefit from that system and to obtain loans are likely to have to wait until October 1, 2024.

Mr. Callwood testified that the body intended to resume the loan program when it was “financially prudent” but said that while insolvency no longer seems certain and eminent, the status of the system is still fragile.

“The reality is that the condition of the system that triggered the suspension of the loan program still exists today,” he told lawmakers.

GERS believes that by October 1, 2024, it would have solved the rum cover-over tax issues and would have completed the upgrade of its existing system software.

The U.S. Congress did not include an increase in rum cover-over funds in its year-end \$1.65 trillion Omnibus bill, a reality with potentially damaging consequences for GERS.

Rum cover-over funds are taxes collected by the U.S. Treasury on behalf of the V.I. Government on rum made in the USVI and sold on the mainland.

In late August, the U.S. Dept. of Interior [announced \\$226.1 million](#) in rum-over funds to the territory, representing 2023 estimated payments. The money is provided annually and used for a number of obligations, including some of the USVI's covenants with bondholders.

However, this year's remittance was tens of millions of dollars less than the \$273 million received in Sept. 2020, which represented estimated payments for 2021. That's because the rum cover-over tax is now being assessed at \$10.50 per proof gallon of rum, instead of the \$13.25 for the past five years.

Delegate to Congress Stacey Plaskett, after criticism from Senator Kurt Vialet, [assured that the matter would be addressed by the end of 2022](#) and that the U.S. Treasury would retroactively pay the remainder of the funds. However, the increase was not included in the omnibus bill, with Ms. Plaskett suggesting it would have been more prudent for the local government to use the lower rate of \$10.50, instead of the \$13.25 as an estimate of potential revenue collection for the securitization deal.

“The time between now and then would allow a much stable GERS to rollout a much-improved loan program,” remarked Mr. Callwood, while Mr. Nibbs said the objective is to use increases in investment income to begin to fund the loan program initially.

“Additionally, it should be noted that by October 1, 2024, the GERS expect to have completed the upgrade to its system. This upgrade will allow a member to apply for a personal loan online instead of coming to the offices,” he said.

By then, Mr. Nibbs suggested that members should also be able to receive their loan proceeds by direct deposit which will result in faster processing time.

As for the annual benefit statements, he said active members will be mailed no later than February 1 of each year. He asked that legislators consider amending the law to give members the option to either receive their statements via email or to receive paper statements.

Meanwhile, preparations are currently underway to mail out annual statements beginning in 2023.

Perhaps not surprisingly, the GERS board did not believe that initiating court action was the best way forward to get them to enforce requirements of the law.

Mr. Callwood told legislators that the hardship faced by the retirement system was in no way meant to ignore lawmakers or to defy the law but that the board is acting “in the best interest of the system.”

“The board keeps its fiduciary responsibility to the system first and foremost,” he said. “The fact that the loan program hasn’t been restarted or the annual statements mailed out should not be interpreted by anyone as the GERS snubbing its nose at the first branch of government or being defiant of Virgin Islands law,” he insisted.

As of November 2022, personal loans from GERS amounted to 1,133 with 58 mortgages for a total of 1,191 loans at a value of \$13.3 million. At the end of December, the loan payments of 526 borrowers will be due, according to Mr. Nibbs.