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GERS Renews Request For Legislative Support To Stave Off Temporary Insolvency

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GERS building on St. Croix. By. ERNICE GILBERT, V.I. CONSORTIUM

The Government Employees Retirement System (GERS) is asking, once again, for legislative support in funding its administrative expenses.

The semi-autonomous agency, which currently does not receive a general fund appropriation, first [made the request](#) in 2022. Then-administrator Austin Nibbs asked that the Legislature rescind Act No. 6233 so that GERS can begin to receive an annual \$15 million appropriate for administrative expenses. He had also asked lawmakers to push forward the date for increasing employer contributions. Currently, contributions are set to move from 23.5 to 26.5 percent at the beginning of 2025, but in August 2022, Mr. Nibbs asked that it be moved forward to secure funds that would

cushion an expected negative balance for GERS in 2026.

The same requests have been repeated by Administrator Angel Dawson, who spoke to lawmakers on Tuesday during his agency's appearance before the Senate Committee on Budget, Finance and Appropriations. He emphasized that the historic resecuritization exercise that was achieved last year has gone a long way towards ensuring the long-term solvency of the system, noting that a looming insolvency date of 2024 had been pushed back to at least 2052 by the new funding notes. However, due to the continued remittance of rum cover-over funds at the lower \$10.25 rate, there remains a period of approximately four years, first disclosed in an [actuarial report](#) presented to senators in February of this year, during which GERS would be insolvent, before ultimately recovering. Mr. Dawson said that the temporary insolvency would begin in 2038.

The requests for assistance from the Legislature are in order to stave off that period of insolvency. Increasing the employer contribution requirement now, instead of waiting for January 1 2025 will add an additional \$13 million annually to GERS coffers, according to Mr. Dawson. Additionally, reverting to the pre-1998 practice of providing an annual \$15 million appropriation would also provide the system with financial breathing room. "Together, these two actions will constitute just 3 percent of the GVI's \$850 million general fund budget for fiscal year 2023," Mr. Dawson noted, going on to say that the resumption of the system's popular loan program, slated for October 2024, may depend on the additional legislative support.



Once the period of potential temporary insolvency is safely behind it, Mr. Dawson projects that GERS will be 100% funded by 2048. “And by 100% funded we mean that on an actuarial basis, the assets that will be held by the system would be sufficient for all future retirement benefits,” he noted. Without the requested support from the Legislature, it would take an additional 13 years to become fully funded, assuming a baseline 6 percent return on investments.

Mr. Dawson fended off concerns from committee chair Senator Donna Frett-Gregory, who worried that an upcoming \$150 million transfer from the Government of the Virgin Islands might be in jeopardy because of the circumscribed run cover-over rate. “We have not been informed that there would be any problem with the payments of the funding note,” Mr. Dawson said, noting that he soon planned to meet with officials from the executive branch financial team, including the director of finance and administrator of the Public Finance Authority, “so that hopefully he can allay and assuage any concerns with regards to the government’s ability to meet its obligations under the funding.”