



# GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

OF THE VIRGIN ISLANDS

"Contributing today for a better tomorrow"

## Press Release

For Immediate Release

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### **GERS BOARD RECOMMENDS OPTIONS TO SAVE THE SYSTEM**

In a letter dated May 13, 2020 to Governor Albert Bryan Jr. and the Honorable Novelle E. Francis Jr., President of the 33<sup>rd</sup> Legislature of the Virgin Islands, the GERS Board, consistent with its statutory duty, obligations and responsibility to avert the insolvency of the System in 2024 and the negative economic and human impact to the Territory, submitted its options to save the system.

Over the years the Board recommended several structural changes designed to provide insolvency of the System.

In the May 13, 2020 letter, the Board provided the following basis for its recommendation:

- 1). The Plan Sponsor has underfunded the system by at least \$1.7 billion dollars between 2000 and 2018.
  
- 2.) The system funding inadequacy has resulted in twenty consecutive years of cashflow deficits, totaling approximately \$1.69 billion. In order to pay full benefits, the System has made up for these deficits by liquidating its financial assets. Approximately \$1.69 billion worth of assets were liquidated between 2000 and 2019.

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3). Upon insolvency, contributions will only be enough to pay forty-five cents per dollar of benefits; in effect, there will be a 55% reduction in benefit payments to approximately 8,700 retirees.

4.) Insolvency will inflict painful personal and financial hardship upon retirees, their dependents, and their beneficiaries in direct contradiction to the promises made to the many thousands of qualified personnel who entered and remained in the service of the Government. This will discourage qualified personnel from entering Government service and encourage current employees to opt out or retire sooner; thereby exacerbating the fiscal imbalance and further imperiling the Plan.

The GERS Board recommended the following options:

1. That the Plan Sponsor (the Government of the Virgin Islands) immediately fund the System to comply with the Actuarially Determined Employer Contribution (ADEC) and continue to do so in the future years. As such we require immediate additional contribution of \$195 million to satisfy the ADEC requirement for the fiscal year ended September 30, 2019. The Plan Sponsor will be notified every year for additional contributions required to comply with the ADEC requirement for future years once the GERS Board receives the updated actuarial valuation report every year.
2. In the absence of your compliance with recommendation #1 above, the GERS Board recommends a 42% reduction in all benefit payments beginning January 1, 2021.

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Dr. Wilbur K. Callender, Chairman of the Board, has stated that the GERS Board does not have the legal authority or desire to reduce annuity benefits for anyone. All the Board can do is fulfill its statutory responsibility by making the appropriate recommendations to the Governor and Legislature. While a 42% reduction is painful, it is still better than a 55% reduction of benefits. It is now up to the Plan Sponsor to save the System from insolvency.

The Board will continue to be vigilant and keep the members informed during these uncertain times.

A copy of the May 13, 2020 letter to Governor Bryan and Senate President Novelle Francis and all of the enclosures that accompanied the letter can be found on the GERS Website – [www.usvigiers.com](http://www.usvigiers.com).

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