



# GOVERNMENT EMPLOYEES' Retirement System of the Virgin Islands

# UPDATE



ISSUE 43 | July 2021

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### Letter From the Board Chairman



Sixty-two years ago this month, your predecessors in the 3rd Legislature enacted one of the most visionary and impactful pieces of public policy legislation in the history of the U.S. Virgin Islands.

In June 1959, Act No. 479 created a retirement pension plan for government employees and established the Government Employees' Retirement System (GERS) to administer it. Its primary purpose was to encourage Virgin Islanders to enter and remain in the service of the government by providing an attractive retirement benefit package.

After fulfilling its purpose admirably for six decades, GERS is, literally, a couple of years away from insolvency, about to die an ignominious death with calamitous consequences. It will be a sad ending to a success story — unless members of the

34th Legislature live up to your campaign promise “to fix the GERS problem.”

When insolvency comes, a lot of bad things will happen to a lot of good people. In the best-case scenario, 8,800 retirees will see their annuity payment cut in half, reducing the average benefit payment to well below the Virgin Islands minimum wage.

This would be particularly catastrophic for three quarters of them, whose current benefit is already below minimum wage. Two-thirds are 70 or more years old — the most vulnerable among us.

It's not just retirees. Another 8,700 active employees will have their retirement plans shredded. More than half have more than 15 years of credited service — years of enforced salary deductions all for naught. Assuming one adult dependent for each of the 17,500 distressed members, it would mean 35,000 disaffected constituents — two-thirds the number of registered voters.

The reduction of benefits would hamper their ability to make rent, mortgage and utility payments and to pay for healthcare, which aging citizens increasingly require. The overall increase in the poverty level is likely to overwhelm the territory's fragile social

services infrastructure.

The loss of hundreds of millions of dollars in annual disposable income will multiply and spread through the wider economy. This would cause a reduction in the GVI tax capture and a contraction in the territory's economy that is likely to be greater than the Hovensa refinery closing — with a much higher misery index. The bad news is that the best-case scenario is not the most likely; it really could get worse. So, what went wrong?

Simply stated, the cost of pension benefits outgrew the funding source. The plan is set up to pay current year benefits from current-year payroll contributions — aka pay-as-you-go. That sufficed in earlier years, when there were many more employees than retirees. In 1983 there were 9,914 employees and 1,460 retirees; a 7 to 1 ratio. Benefits payout totaled a mere \$8.5 million that year.

As the plan matured, employees became retirees. Hastened by early retirement options and fiscal constraints forced employee cutbacks, the demographics shifted such that retirees now outnumber employees — and they are living longer in retirement. That shift, plus a slew of unfunded benefit enhancements — nine by last count, costing millions —



St. Thomas/St. John and St. Croix

# THE BOTTOM LINE

11.4



The GERS **funded status**, is the level of accumulated assets that have been set aside for the payment of retirement benefits to employees.

## DEATH BENEFIT PAYOUTS

(10/01/20-7/30/21)

**\$1.7M**

## TOTAL REFUNDS PAID

(10/01/20-7/30/21)

**\$4.9 M**

## FY TOTAL NUMBER OF REFUNDS

(10/01/20-7/30/21)

**439**

## TOTAL RETIREES

(AS OF 07/30/21)

**8,698**

## GROSS RETIREE PAYROLL

AS OF 07/30/21 PAYROLL

**\$193.4 M**

## TOTAL PORTFOLIO ASSETS

(QUARTER ENDING 07/30/21)

**\$488M**

Portfolio Assets include loans, stocks, bonds, buildings and property, and alternatives investments.

## TOTAL RETURN FOR QUARTER ENDING (07/30/21)

**2.3%**

Note: Return numbers exclude the GERS office buildings. They are however included in the total portfolio assets. **All figures are estimates.**

combined to cause benefit costs to outgrow payroll contributions.

This year, employee and employer contributions can pay only half of the \$265 million retiree benefit payout. The last 20-plus years of shortfalls have been made up by cashing in over \$2 billion worth of investments. At the current rate of liquidation, there will be no assets remaining to fill the gap after in a couple of years — ergo insolvency.

We have known for a long time that calamity was coming. Actuaries, auditors and taskforces have chronicled the fiscal decline and told us what must be done to reverse it. The 2013 Pension Reform Taskforce Report, after predicting insolvency in 2023, advised that “anything other than significantly increasing cash contributions into the plan ... or cutting the plan’s existing obligations for retiree payments is unlikely to have a significant effect on avoiding insolvency.”

The 2016 Mercer Report repeated that “the potential remedies are limited and conceptually simple:

make significant additional contributions, either as one-time cash infusion or substantially increased annual contribution; or cut benefits of current recipients ....” A combination of increased contributions and reduced benefits is obviously an included option.

So, if the problem is simply stated, and the remedies are conceptually simple, what is the difficulty? The simple answer is that the fix is very costly — think of the System’s \$4.4 billion unfunded liability. That is the additional amount needed to fully fund the benefits promised to 17,500 members of the System; an amount that exceeds the value of the Virgin Islands economy, and which gets bigger each year it is unattended. Your challenge is to assemble a funding package combining significant one-time cash infusion, substantially increased annual contribution, and yes, some benefit reduction. Therein lies the test of your much-touted ability to make tough decisions.

Two things are clear: one, all the roads to a remedy run through the Legislature; and two, it must be the 34th. Otherwise, the slide into insolvency will be unstoppable.

## GERs HURRICANE PREPAREDNESS TIPS

### MAKE A PLAN

#### MAKE A PLAN:

Sit down with your family and neighbors to decide:

- (1) Who will be the designated shopper for supplies and non-perishable food items?
- (2) Is there enough supplies to secure your home and assets?
- (3) How you will contact each other?
- (4) Where will you go for safety?
- (5) What will you do during and after the severe weather has passed?



### HAVE A KIT

#### HERE IS A LIST OF THE BASIC SUPPLIES YOU NEED IN CASE OF AN EMERGENCY:

- ☐ WATER
- ☐ FOOD
- ☐ RADIO
- ☐ CELLPHONE
- ☐ FLASHLIGHT/ EXTRA BATERRIES
- ☐ FIRST AID KIT
- ☐ IMPORTANT DOCUMENTS
- ☐ MATCHES
- ☐ CASH



## MEET THE CURRENT GERS BOARD OF TRUSTEES



**Trustee Dwayne Callwood**  
St. Thomas District  
Election Retiree



**Chairman Nellon Bowry**  
St. Thomas District



**Trustee Vincent Liger**  
St. Croix District



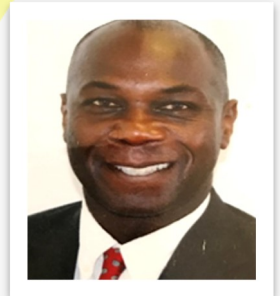
**Trustee Leona Smith**  
St. John District



**Trustee Michael McDonald, Col. (Ret)**  
St. Croix District



**Trustee Ronald Russell**  
St. Croix District  
Election Retiree



**Trustee Andre Dorsey**  
St. Thomas District  
Central Labor Council Rep

The Board is composed of seven (7) members that represent the Government Employees' Retirement System of the Virgin Islands (GERS).

Members except elected retirees are appointed by the Governor with confirmation from the Legislature. All Board members serve on the Board until his or her successor is appointed and approved.

Currently we have two (2) elected retirees, two (2) central labor council representatives, two active members/private sector representing each district, and one active member/private member from St. John.

The Chairperson and the Vice-Chairperson can only serve two terms as elected officials.

The Board's fiduciary responsibilities include making sound and prudent investment decisions to maximize GERS' returns, determining investment asset allocations, setting internal governance policies and much more.

U.S. Virgin Islands Division  
of **Personnel**

### A NOTE FROM THE GROUP HEALTH INSURANCE OFFICE

#### GROUP HEALTH INSURANCE CONDUCTING AUDIT OF RETIREE LIFE INSURANCE RATES

An audit of retirees' life insurance rates allowed the Division of Personnel's Group Health Insurance team to pinpoint inaccuracies in the billing process and correct them. The billing system recently transitioned from a manual to digital process and the recently completed effort enabled the Group Health Insurance Unit to:

- Reconcile previous benefit changes
- Ensure that all retirees were being billed correctly.

Any billing changes went into effect on May 20, 2021. For questions, or any additional information, please contact the Group Health Insurance (340) 774-8588 or (340) 718-8588.







Government retirees over the age of 65 can log into the V.I. Division of Personnel's website and check what they are owed ahead of an upcoming \$10 million payout meant to offset outstanding retroactive wages.

Payments apply to retirees over the age of 65 who are owed retroactive wages from 1990-2001, as outlined in Act 6584. **Checks are expected to be mailed out on Thursday, July 23. Beginning Tuesday, July 20, those retirees can:**

- Visit [dopusvi.org/retirees](http://dopusvi.org/retirees) and click on the portal titled "Retiree Compensation;"
- Sign in with their last name and the last four digits of their social security number to access their profile;
- Or, call the dedicated Retroactive Wage hotline at (340) 714-5010 with any questions.

Payments may also be claimed by surviving family upon the death of a retiree. To check if a payment is owed, survivors should also:

- Visit [dopusvi.org/retirees](http://dopusvi.org/retirees) and click on the link at the bottom of the landing page for survivors;
- Download and fill out the W-9 form and affidavit (please note that affidavit must be notarized);
- Email both documents back to [comp2021@vi.gov](mailto:comp2021@vi.gov).

Retirees over the age of 65 can visit [dopusvi.org/comp2021](http://dopusvi.org/comp2021) (preferred method), or call (340) 714-5010.

**Remember to stay masked, sanitized, active, and healthy!**

## Upcoming Events

### Board of Trustees

#### Chairman

Nellon Bowry

#### Members

Ronald Russell

Andre Dorsey

Vincent G. Liger

Michael McDonald, Col. (Ret.)

Leona E. Smith

Dwayne Callwood

#### Administrator

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ZOOM

PRE- RETIREMENT

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SPECIAL BOARD MEETING

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**RETIREE PAY DAY**

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ZOOM

**TRANSITIONING WEBINAR**

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**RETIREE PAY DAY**

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ZOOM

**PRE-RETIREMENT WEBINAR**

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YouTube

BOARD MEETING

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**RETIREE PAY DAY**

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ZOOM

**FINANCIAL WEBINAR**

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ZOOM

**PRE-RETIREMENT WEBINAR**

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ZOOM

**RETIREE PAY DATE**

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YouTube

BOARD MEETING

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**PRE-RETIREMENT WEBINAR**

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