

GERS: How did we get here? What happened?

There were 9 unfunded mandates over time.

1983 — Act 4877, the Omnibus Authorization Act, No. 1 of the nine “unfunded mandates,” passed by the 15th Legislature, becomes law.

1984 — Act 4896, providing early retirement for Education Department personnel, passed by the 15th Legislature, becomes law as unfunded mandate No. 2.

1994 — Act 6007, the Early Retirement Incentive Training and Promotion Act of 1994, passed by the 20th Legislature, becomes law as unfunded mandate No. 3.

1995 — Act 2088 extending Act 6007, passed by the 21st Legislature, becomes law as unfunded mandate No. 4.

2000 — Act 6361 providing early retirement options and reducing expenditures, passed by the 23rd Legislature, becomes law as unfunded mandate No. 5.

2001 — Act. 6391 increasing retirement benefits for Territorial Court judges, passed by the 23rd Legislature, becomes law as unfunded mandate No. 6. Act 6415 funding pay increases for retirees and eligible employees is passed by the 24th Legislature, becomes law as unfunded mandate No. 7.

2001 — Act 6427 placing employees on steps, passed by the 24th Legislature, becomes law as unfunded mandate No. 8.

- Act 6429 expanding eligible members of the early retirement program, passed by the 24th Legislature, becomes law as unfunded mandate No. 9.

2002 — GERS struggles to collect on loans; Senate requires System to offer employees up to \$50,000. It has no procedures to foreclose on delinquent mortgages or repossess vehicles or force mortgage holders to insure their properties. GERS informs the Legislature that a combination of

additional contributions totaling 6.6 percent of compensation is necessary for GERS to break even. Unfunded liability is \$518.1 million. The Government is \$23.3 million in arrears.

2003 — GERS administrator Laurence Bryan announces a \$731 million unfunded liability.

2005 — Act 6794, the GERS Reform Act of 2005, creates Tier 2 of government employees who will make higher contributions for lower benefits; creates GERS alternative investment program; allows GERS board to increase contribution rates up to 3 percentage points over five years. The bill also requires the government to fully fund any special early retirement programs before the programs start and does not allow any increases in benefits unless a specific funding source has been identified and provision made for the funding of all future benefits on a sound actuarial basis in the annual budget. Government owes GERS \$25 million in delinquent contributions.

2006 — GERS states its unfunded liability has topped \$1 billion.

2007 — GERS board approves an \$8 million loan to help St. Croix-based GeoNet Ethanol fill its inventory.

2008 — The full Senate approves a bill to increase employer contributions to GERS from 14.5 percent to 17.5 percent of an employee's compensation.

2009 — GERS makes major loans to two prominent Virgin Islands businesses: \$15 million to Carambola Beach Resort and Spa and \$3.3 million to Seaborne Airlines. GeoNet Ethanol finishes paying back its \$8 million loan from GERS, plus \$660,000 in interest.

2010 — After five years and a cost of \$11 million, the new GERS office building in Orange Grove on St. Croix enters the final stages of construction. The original project plan had a \$5.4 million budget with completion scheduled for the end of 2006. The plan went 5.6 million over budget. That same year, senators approve a bill appropriating \$4 million annually for the next 10 years to pay the government's contribution on retroactive annuity payments to government retirees. Senators approve a measure to let GERS put up to 10 percent of its portfolio into alternative investments, which carry higher than usual risks but offer the potential for larger profits than some other investments.

2011 — The report on Interior Department Inspector General’s examination of GERS reveals the system at critical risk of failure because of a \$1.4 billion unfunded liability. Interior requests oversight by its Office of Insular Affairs to ensure the territory is acting on recommended changes.

2011 — Tier 2 GERS members — those hired Oct. 1, 2005, and after — start making increased contributions as required by the 2005 reform law.

2011 — GERS announces \$5 million purchase of 170 acres on St. Croix’s East End as an investment. DeJongh signs the V.I. Economic Stability Act of 2011, which cuts government employees’ salaries by 8 percent for two years and includes a retirement incentive program. The move decreases the amount of money coming to GERS. DeJongh also line-item vetoes a \$7 million appropriation from the Internal Revenue Matching Fund to GERS, which was later overridden by the Senate.

2011 — GERS officials tell the Senate Finance Committee that Carambola has defaulted on its \$15 million loan from 2009. The GERS board agrees to a request to refinance the loan to the Carambola at a 6.3 percent interest rate rather than the original 10.5 percent rate. WAPA owes more than \$5 million.

2012 — GERS takes ownership of Carambola Beach Resort after its owners default on a \$15 million loan from GERS.

2012 — GERS board loans Seaborne another \$1.5 million and decreases the interest rate on an existing loan to Seaborne to 6.23 percent.

2013 — The GERS board votes to increase employer contribution rates by 3 percentage points and to raise employee contribution rates by 1 percentage point each year for the next three years, starting Oct. 1, 2013.

2013 — Seaborne Airlines, a day after announcing plans to move its headquarters to Puerto Rico, informs GERS that the airline has paid off its \$4 million in outstanding loans from the system.

2014 — GERS board votes to hike contribution rates beginning Jan. 1, 2015. The employer rate is set to go up 3 percentage points, from 17.5 percent to 20.5 percent, and stay at that level for five years. Tier 1 employees will see their contribution rates increase by 1 percentage point a year for three years.

2014 - GERS entered into an \$8.2 million construction loan agreement with VI's Finest Foods (West Bay).

2015 — GERS board votes to increase contribution rates for Tier 2 employees by 1 percentage point each year for three years, starting in February.

2015 — GERS board suspends all loans to members to preserve the system's liquidity.

2015 — The Senate approves a revised bill that raises the retirement age for government employees to 65 and modifies a number of benefits for Tier 2 employees. Mapp signs the GERS bill into law.

2016 — A scathing V.I. Inspector General's audit finds that GERS' alternative investments are risky, unmonitored, and illegal.

2016 — Mapp signs legislation mandating that GERS offer loans to active GERS members in amounts up to \$10,000. Despite the new loan program mandate, the GERS board votes not to reinstate the program.

2016 — GERS sues Luis Hospital for \$7 million, claiming the hospital failed to pay employer and employee contributions.

2016 – GERS announces an unfunded liability of \$4.07 billion.

2016 – GERS amended the original loan to VI's Finest Food to a total of \$11 million.

2017 — Government employees' GERS contribution rates go up 1 percentage point, as scheduled.

2017 - West Bay opened in 2017 with help from GERS, which loaned the company about \$11 million in start-up funding.

2019 – West Bay Closes.

2020 - GERS & UVI Closes Sale of Former West Bay Supermarket Building.

Aug. 18, 2020 – Governor Bryan calls 33rd Legislature into Special Session on August 25 on Matching Fund Securitization Act. On August 31, 2020, Bill 33-0363 was signed into law and became Act 8329. The legislation never made any reference to GERS. Moreover, Government Retirees United for Fairness (GRUFF) filed a restraining order causing the deal to fail. (1st attempt)

Sept. 17, 2020 – In an 8-6 vote, senators of the 33rd Legislature approved Governor Albert Bryan's debt refinancing plan. The legislation never made reference to GERS. Additionally, the government failed to access the bond market, and the deal fell through. (2nd Attempt)

Sept. 28, 2020 – Governor Bryan announces the suspension of Internal Revenue Matching Fund securitization transaction.

Dec 8, 2020 - A Special session called by Governor Bryan convenes, and Bill No. 33-0046 regarding the Internal Revenue Matching Fund Securitization fails in the Senate. 5 in favor, 10 against. (3rd attempt) Still No Mention of GERS in the bill.

Dec. 29, 2020 – Governor Bryan calls another Special Session to address the Internal Revenue Matching Fund Securitization.

Jan. 31, 2022 - Bill No. 34-0188 regarding the Internal Revenue Matching Fund Securitization passes the Senate as a new bill geared toward the System. The three previous bills made no mention of GERS in them. This fourth attempt was the work of the Senate sub-committee on GERS and the full body.

Feb. 8, 2022: Governor Bryan signed the GERS Rescue Plan, Bill no. 34-0188 (Act 8540) into law, allowing the government of the Virgin Islands to seek funding in the bond market to stabilize GERS for 30 years. The new bill created a new framework for the flow of monies from the Internal Revenue Matching Fund (rum cover-over).

How does the Matching Fund Special Purpose Securitization Work?

Establishes a Matching Fund Special Purpose Securitization Corporation referred to as the Corporation.

- The Corporation must provide financial audits within 270 days of the close of the fiscal year and provide the Corporation's annual audited financial statements to the Legislature thirty days after.
- The Corporation cannot issue any new bonds unless authorized by the Legislature.
- The Corporation is governed by a Board of Directors, comprised of five members. Four of the five members must be private citizens, and the Governor serves as the ex-officio member and Chairman of the Board of Directors.
- The existence of the Corporation Dissolves after all Matching Fund Bonds have matured, until 2039.

Oct. 1, 2022 - first official annual payment made to GERS in accordance with the GERS Solvency Plan of Act 8540.

Oct. 7, 2022 – Finance Committee Chairman Sen. Kurt Vialet said Friday that all representatives of the Virgin Islands government need to lobby Congress to permanently increase the cover-over rate to ensure GERS remains solvent. He was accused of fear-mongering by the Congresswoman.

Aug. 12, 2023 – Roughly 10 months later, rum cover over extender remains in limbo as Delegate Plaskett struggles to find the appropriate legislation to attach it to.

Aug. 29, 2023 – GERS Administrator/CEO Nominee Angel Dawson Jr. appeared before the Budget, Appropriations and Finance Committee requesting two proposals be explored:

- Amend Title 3, Chapter 27, Section 718 (b) to advance to the GERS in FY 2024 the increase in the employer contributions, from the current 23.5 percent to 26.5 percent of covered payroll, which the board is authorized to increase on January 1, 2025. This increase will add approximately \$13 million annually in employer contributions.
- Board requests that the Legislature rescinds Act No. 6233 which was passed by the 22nd Legislature in 1998 and include in the FY2023 General Fund Budget, funding the \$15 million annual administrative expenses of the System. This was the policy and practice until it was discontinued in 1998.

Upcoming: Oct. 1, payments must be made to GERS. Will the funding come up short? That's left to be seen...