



GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM OF THE VIRGIN ISLANDS

"Contributing today for a better tomorrow"

December 9, 2020

The Honorable Kurt A. Vialet
Chairman, Committee on Finance
33rd Legislature of the Virgin Islands
Frits E. Lawaetz Legislative Chambers
Christiansted, St. Croix, Virgin Islands 00820

RE: Bill Request 20-1212

Dear Senator Vialet:

I am requesting to be excused to attend the Committee on Finance meeting on December 9, 2020 to testify on Bill Request 20-1212 due to health reasons. Attorney Cathy M. Smith will represent the Government Employees' Retirement System (GERS) and read this revised letter into the record.

Mr. Chairman, thank you for the invitation to give testimony on Bill Request 20-1212

"An Act amending title 33 Virgin Islands Code, chapter 3, section 42 relating to excise taxes to require a portion of the taxes to be deposited into the Virgin Islands Government Employees' Retirement System Stabilization Fund; amending chapter 5, section 94 relating to the payment of fuel taxes to require the Director of the Internal Revenue Bureau to deposit the fuel taxes into the Virgin Islands Government Employees' Retirement System Stabilization Fund; amending chapter 111 to add section 3066a enacting the Virgin Islands Government Employees' Retirement System Stabilization Fund: requiring the Commissioner of Finance to disburse the fund balance in the Virgin Islands Water and Power Authority Generating and Infrastructure Fund to the Authority for deposit into its account to carry out the purposes mandating in 33 V.I.C. § 3039a (c); and repealing chapter 111, section 3039a".

As part of our preparation for this testimony, we requested and obtained from the Commissioner of Finance fuel tax collected for fiscal years 2012 – 2020 as follows:

Fiscal Year	Amount
2012	\$978,415.26
2013	\$4,314,213.45
2014	\$4,331,248.01
2015	\$5,264,378.37
2016	\$3,627,751.20
2017	\$4,273,677.91
2018	\$5,032,413.76
2019	\$4,824,861.87
2020	\$4,761,890.17

Over the past 8 years (2013 – 2020) based on the amounts provided by the Department of Finance, an average of \$4.6 million annually was collected for fuel taxes. At a minimum \$5 million annually in fuel taxes could be deposited into the Virgin Islands Government Employees Retirement System Stabilization Fund. Unfortunately, we are not privy to the amount of excise taxes that can be allocated to the Stabilization Fund.

However, GERS would be derelict in its responsibility as a fiduciary not to place on the record in any setting, the deteriorating condition of the System. To meet obligations to the retirees for benefit payments, \$120 million was withdrawn from the fund in fiscal year 2020 and \$15 million so far in fiscal year 2021.

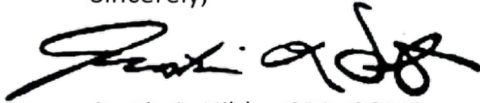
We must emphasize again, if the Plan Sponsor and the Legislature do not identify additional funding sources, based on the current withdrawals from the portfolio, the liquid assets will be depleted in the next 3 – 4 years. At which time, the System will become insolvent and will not be able to provide the benefits promised to retirees and active members. As of the November 30, 2020 payroll, the GERS paid benefits to 8,691 retirees and beneficiaries. The gross retiree payroll for pay date November 30, 2020 was \$10.7 million. For fiscal year 2020, \$263.5 million was paid to the retirees and pensioners.

In the October 1, 2019 Actuarial Valuation Report for the GASB required disclosures for accounting purposes, the discount rate was changed to 4.0 percent (not the 7.0 percent assumed rate that was used to develop long-term funding) because the plan is projected to become insolvent soon. This measure results in a Total Actuarial Accrued Liability of \$5.9 billion and a net Pension Liability (Unfunded Liability) of \$4.4 billion. This results in a funded ratio of 13.3 percent.

The ADEC now referred to as ADC (Actuarially Determined Contribution) is \$365.8 million or 91.6 percent of pay for the October 1, 2019 actuarial valuation period. At the employer rate at that time of 23.5 percent of pay, there is a projected deficit of 68.1 percent of pay between the ADC and the projected employer contributions. From 1991 to 2019, the Plan Sponsors owe the System \$1.98 billion (net of 6 percent loss investment).

The GERS is in full support of BR 20-1212. While this legislation is a start, it will not solve the GERS' funding issue. However, GERS commends the sponsor for proposing the legislation. I am aware that there is other legislation in the pipeline to provide additional funding to the GERS. I would be remiss if I did not make another plea to the 33rd Legislature and the incoming 34th Legislature on behalf of the retirees and active members of the GERS, and the Territory, to make funding the GERS the No.1 priority.

Sincerely,

A handwritten signature in black ink, appearing to read "Austin L. Nibbs". The signature is stylized and cursive.

Austin L. Nibbs, CPA, CGMA

Administrator/CEO

cc: GERS Board of Trustees

Cathy M. Smith, Esq., General Counsel