



# Legislature of the Virgin Islands

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## POST AUDIT DIVISION

February 24, 2023

### MEMORANDUM

**TO:** Honorable Donna A. Frett-Gregory  
Chairperson, Committee on Budget, Appropriations, and Finance  
35<sup>th</sup> Legislature of the Virgin Islands

**FROM:** Post Audit Division

**SUBJECT:** **Bill No. 35-0012** - An Act amending title 23 Virgin Islands Code, chapter 19, subchapter III, section 1556 relating to the retirement from the National Guard to increase the retirement pension

### BACKGROUND AND HISTORY

Title 23 Virgin Islands Code, chapter 19, subchapter III, section 1556, subsection (a) was created to provide a one-hundred-dollar pension for all National Guard of the Virgin Islands members with twenty years of military service and meeting the desired requirements.

### ANALYSIS

According to research, public pension plans typically provide pensions based on members' years of service and average salary over a specified number of years of employment. Many members also receive cost of living adjustments that help maintain the purchasing power of their benefits in retirement. However, several U.S. state and local governments have suffered due to inadequate contributions, leaving pension plans underfunded by \$1 to \$4 trillion. ([www.urban.org](http://www.urban.org))

**Bill 35-0012** seeks to increase the pension amount for members of the National Guard of the Virgin Islands by one hundred percent. According to the Office of the Adjutant General (OTAG) of the Virgin Islands, fifty-six (56) members of the National Guard are eligible for retirement. What has not been determined is when these members will retire. Therefore, the amount that may be required to meet the obligation of this legislation could be approximately **\$134,400** (**\$200/month x 12 months x 56**) just for the **additional retirees**. The **\$134,400** is not an actuarial calculation since it does not consider mortality events. Those currently receiving the pension benefit would be entitled to twice as much,

and hence the amount needed to service that obligation could be as much as an additional **\$65,000**. Therefore, the impact of the legislation could be as much as **\$199,400 (\$134,400 + \$65,000)**.

*Exhibit I* displays a four (4) year summary (Fiscal Year 2020 – Fiscal Year 2023) of the budget, expenditures, and balances of the Office of the Adjutant General pension fund.

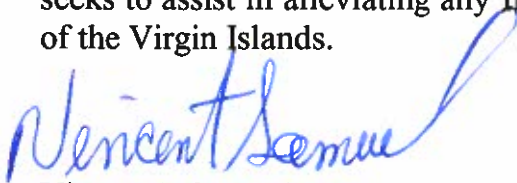
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Budget (Appropriation)	\$76,880	\$80,000	\$95,747	\$60,000
Expenditures	101,100	47,100	80,000	n/a
Balances	<b>(\$24,220)</b>	<b>\$32,900</b>	<b>\$15,747</b>	n/a

*Exhibit I*

It is difficult to determine the exact number of retirees currently receiving pension benefits from these appropriations and account for the variations in expenditures since I have not been able to communicate directly with staff at OTAG. It may be tempting to divide the appropriation by \$1,200 (\$100/month x 12 months) to determine the number of retirees receiving the benefit allowance. However, this rudimentary approach would not account for the fact that partial payments were made to those who did not participate in the program for the entire year.

### SUMMARY

The Post Audit Division recommends the approval of **Bill No. 35-0012** since the **\$100.00** amount has not changed in over 40 years. Everyone must agree that **\$100.00** today does not purchase what it did in 1982. The equivalent of **\$100.00** in 1982 is approximately **\$300.00** today, assuming an interest rate of around **2.75%**. Implementing this measure seeks to assist in alleviating any financial constraints for members of the National Guard of the Virgin Islands.



Vincent J. Samuel  
Post Auditor