

GOVERNMENT OF THE VIRGIN ISLANDS

2025 BUDGET ESTIMATES

Revenue

Taxes	381,889,678	
Grants	3,213,270	
Other Revenue	25,860,252	
Total Revenue		410,963,200

Fund Contributions

Environmental Protection & Tourism Improv. Fu	(2,897,367)	
Miscellaneous Purpose Fund	(1,690,400)	
Transportation Network Improvement Fund	(1,290,005)	
Contingency Fund	(1,000,000)	
Total Fund Contributions		(6,877,771)

Recurrent Expenditure

Employee Compensation	(182,395,444)	
Goods and Services	(94,582,998)	
Interest	(6,208,400)	
Subsidies	(411,000)	
Grants	(92,914,963)	
Social Benefits	(26,117,624)	
Property and Other Expenses	(9,099,171)	
Total Recurrent Expenditure		(411,729,600)

Recurrent Surplus/Deficit

(7,644,171)

Debt Service

Principal Repayments	(14,758,600)
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Subtotal Surplus/Deficit

(22,402,771)

Recurrent Financing

Consolidated Fund	20,605,371	
Environmental Protection & Tourism Improv. Fur	1,797,400	
Total Recurrent Financing		22,402,771
		(0)

Capital Expenditure

Development Projects	(54,507,600)	
Capital Acquisitions	(8,433,800)	
Total Capital Expenditure		(62,941,400)

Capital Financing

New Loan Facility	29,020,000	
Development Fund	18,714,600	
Transportation Network Improvement Fund	1,250,000	
Existing Loan (CDB, RRL)	5,230,100	
Consolidated Fund	8,726,700	
Total Capital Financing		62,941,400

The Virgin Islands Consortium

GERS Plans Jan. 1, 2025 Contribution Increase Amid Threat of Future Insolvency

Despite financial gains, GERS faces potential, temporary insolvency by 2037-2039; employer contributions to rise by \$13 million annually starting in 2025

1. **Government** Published On September 05, 2024 05:10 AM

Beginning January 1, 2025, the Government Employees' Retirement System will increase employer contributions from the current 23.5% to 26.5% in what GERS officials say is an effort to address [potential future shortfalls](#). While GERS is on much better footing than it was two years ago, officials say pre-emptive action must be taken to stave off the threat of a brief period of future insolvency, blaming shortfalls and [reduced rum cover-over funding](#).

"The GERS will be facing the very real possibility of a temporary insolvency occurring between the years 2037 and 2039," reported CEO and administrator Angel Dawson. Shortfalls and a reduced rum cover-over rate threaten the System.

"The Government of the Virgin Islands and other employees within the GERS plan will be billed accordingly," said Mr. Dawson, estimating the expected net increase at approximately \$13 million. According to Mr. Dawson, the new charge "will have a very positive effect on the outlook of the GERS," even if the shortfall on the matching rum cover-over funds continues.

Senator Donna Frett-Gregory, aware that such a move would affect the FY2025 budgets that have already been submitted, wondered whether any conversations were held with the executive branch on that decision. "This should be a more communicative and collaborative approach," she said, though clarifying that the Legislature can appropriate more funds based on revenue projections. "We will have to determine what will be on the downside in order to accommodate this request."

Mr. Dawson respond, "It is my understanding that the Office of Management and Budget was well aware of the need to include that funding in this year's budget." Still, Senator Alma Francis Heyliger admitted that she was "paranoid" as GERS had been granted authority "over a section of the general fund, because you literally could change it at any whim."

Meanwhile, despite the possibility of temporary insolvency, GERS has recorded several major wins that have positively positioned the System, according to the CEO. Mr. Dawson described the resumption of the limited personal loan program as a "bright spot" and as a "glimmer of hope for many in our community." Under the loan program, GERS had allocated [\\$10 million in personal loans](#) per district to be disbursed in

increments of up to \$10,000. According to Mr. Dawson on Tuesday, the St. Thomas/St. John district had already accessed 996 loans worth \$9,711,244 or 97%, while members in St. Croix had applied for 1,034 loans totaling \$9,994,665 or 99.5% of the allocation.

“The more than \$19.7 million in loans processed has resulted in approximately \$59 million of new and much needed economic stimulation within this economy,” Mr. Dawson noted. In other positive updates, GERS is now accepting debit and credit card payments and has reduced the number of paper cheque payments to retirees to less than 1%. The system is also completing, and in some cases initiating several capital projects intended to bolster their existing infrastructure.

The pension system will celebrate its 65th anniversary on October 1st. “I can report to you that it will not be retiring anytime soon, and that was not, not always assured,” announced a gleeful Dawson. He apprised lawmakers that for the first time in 29 years, the GERS recorded a positive net cash flow in the fiscal year ending September 30th, 2024. “Due to this positive net cash flow and positive investment performance, the market value of assets increased from \$400 million on September 30th, 2022 to \$455 million on September 30th, 2023,” he reported.

The market value of assets further increased to \$524 million by July 31st, 2024. “This represents an increase of 31% in less than two years,” Mr. Dawson explained, renewing a longstanding request from GERS to [rescind Act 6233](#). The elimination of that statute would allow the Legislature to “resume funding the GERS annual \$15 million administrative expenses, as it did previously.” According to Mr. Dawson, doing so would be considered a “good return on your investment,” and would help strengthen the agency’s portfolio even further.

However, Senator Frett-Gregory quickly reminded him of current revenue challenges. “You’ve asked before, and we’ve gotten in trouble...We’ve worked really hard in the 33rd and the 34th Legislature to get this bill passed, and it will be very unfortunate if we slide back into remission,” she noted.

Absent the desired legislative support, GERS is working to hold its own. “We know that we cannot just count on great market returns. We know that we cannot just come and ask you for money,” Mr. Dawson said. He told Senator Ray Fonseca that the system is doing all in its power to “maximize our own earning potential.” That includes further developments to its 14-acre Haven Sight property.

As of August 15, 2024, GERS continues to manage a high volume of retiree benefits. For the retiree payroll on August 15, GERS disbursed benefits to 8,770 retirees and beneficiaries. Between October 1, 2023, and August 15, 2024, the system saw 278 new retirees added to the payroll, while 268 deceased retirees were removed.

During the same period, the total benefits paid out amounted to \$235,685,905.93, with the average monthly disbursement exceeding \$22 million. As of mid-August, the active membership within the system stood at 8,992 employees, with 6,259 from the central government and 2,733 from semi-autonomous agencies. The current ratio of active

employees to retirees is 1.02:1, highlighting the near parity between the workforce and those drawing from the retirement system.

GERS's portfolio composition included the following assets as of July 31, 2024:

- Domestic Equity Assets: \$202 million
- International Equity Assets: \$89 million
- Domestic Fixed Income Assets: \$136 million
- Alternative Investment Assets (Private Equity - Limited Partnership): \$6.6 million
- Cash: \$5.6 million
- Other Alternative Investments (real estate, local investments, and member loans): \$84.9 million

The total retirement system aggregate performance for the 1-year period was 13.6 percent, while the fiscal year-to-date (FYTD) performance reached 19.7 percent.

GERS Board Nominee Proposes Strategies to Prevent Retirement System Insolvency

Recommendations from Tahmin Clarke include balancing retiree needs, enhancing investment oversight, and pursuing short- and long-term solutions to address the funding shortfall

1. Gers

2. Published On December 16, 2024 06:24 AM

Tahmin Clarke, Governor Albert Bryan's nominee to the Government Employees' Retirement System Board of Trustees for the St. Thomas district, impressed members of the Committee on Rules and Judiciary on Thursday with his recommendations to avert the threat of insolvency for the system.

Describing himself as a "product of this community," Mr. Clarke was pleased to take on what he deemed a "critical role" as a member of the GERS Board. He told lawmakers that recent reflections on his life had prompted him to "take stock of my contributions to society." Mr. Clarke said that he "realized that I could do more to continue to drive progress in the community that has helped raise me." He called the nomination exciting, saying that the mission of the GERS "intersects both my desire to give back as well as my broad expertise in finance, but also explicit accomplishments in the area of portfolio management."

With over 25 years of experience on Wall Street and a significant background in strategic communications, Mr. Clarke was confident in his abilities to get the job done. He indicated plans for the first 90 days on the job, including first developing an understanding GERS's operations, and fostering strong working relationships before becoming "active in making recommendations and sharing ideas."

Nonetheless, he used Thursday's meeting as an opportunity to highlight a host of recommendations, several of which centered on pulling the GERS from the impending threat of insolvency. According to Mr. Clarke, there exists a critical need to "balance the needs of the organization versus the needs of the individual retiree." He raised the issue of the opportunity cost associated with the GERS loan program, which currently lends at an 8% interest rate. On several occasions throughout the meeting, he referenced comparative personal loans that accrue interest of up to 25%.

Though he applauded the government's efforts to save the system from becoming insolvent in 2024, the nominee warned that "there's still a funding shortfall that will need to be addressed in the coming years." Referencing his background in portfolio management, Mr. Clarke strongly suggested the need for more oversight of GERS's investments, intending to "make sure we're generating the right returns on investment."

The suggestion piqued the interest of Senator Marise James, who asked for his interpretation of “alternative investment projects.”

Currently, GERS manages several plots of real estate, including the Havensite Mall, but for Mr. Clarke, “the illiquidity of that market makes it hard for us to be dynamic and flexible in changing our investment strategy.” He explained that many pension funds in other states own gold and other such assets, not necessarily real estate. If the GERS is to continue investing in real estate, it will require “a higher rate of return for those projects than we would traditionally get from equity investment,” the nominee explained.

Quelling her briefly held reservations, Mr. Clarke told Sen. James that “if we're thinking about the long-term benefits for all of the plan participants, and want to make sure that we're solvent, we have to make sure that we're taking calculated risk to fill that gap.” In November, the GERS delayed plans to increase the employer contribution to the GERS until the commencement of the next fiscal year. It's an income generation method that Mr. Clarke expressed is “not ideal,” but still valid.

If no interventions are made, the GERS is projected to become temporarily insolvent by 2032. “It will have to be a collaborative effort between both the GERS and the Legislature, specifically in combination with the governor's office, as to how to resolve that,” Mr. Clarke advised. “There needs to be substantive discussions and hard truths talked about in terms of how we get there.” Mr. Clarke suggested that “the best approach is to continue to find short-term fixes...while you search for long-term solutions to fix the structural issues of the System.”

Lawmakers listened intently to his recommendations, described as “candid” by Senator Carla Joseph, before voting in confirmation of his nomination. Senator Franklin Johnson considered Mr. Clarke a “needle in a haystack” and commended him for his willingness to “help to fix the Virgin Islands, especially in this turmoil that we're in with GERS.”

The VI Consortium

VI Taxpayers Spend Near 12 Million Dollars Every Year for 15 Senators

ST. THOMAS — With a 2017 budget of \$19 million, the Legislature of the Virgin Islands, with its 15 senators, has become an extremely costly branch of government even as the territory's financial condition has arrived at a crisis point, according to Dept. of Finance Commissioner Valdamier Colliers, and as the government is weighing ways to reduce its expenses while raising taxes on what Governor Kenneth Mapp has deemed "sin" products such as rum, beer, sugary beverages and tobacco. The government also wants to tax internet purchases and timeshare unit owners through the governor's five-year economic growth bill.

But while Virgin Islanders have voted through referendum in the past to reduce the amount of senators representing the territory from 15 to a more reasonable number of 9 or even 5 — 2 to represent St. Croix, 2 to represent St. Thomas and 1 to represent St. John — there's been virtually no movement and little talk on the matter. However, with the bond market refusing to open its coffers to the Virgin Islands, which is struggling with a structural deficit of about \$110 million — and with Mr. Mapp talking about the possible halving of government services and the furloughing of employees — USVI residents have revived talk of reducing the number of senators as a means of cutting costs.

According to Senate President Myron Jackson, the 32nd Legislature's 2017 budget is \$19 million. Out of that amount, \$11,970,000 goes directly to senators' offices annually, with the Senate president's office, followed by the At-Large seat, receiving the most dollars.

The 13 regular senators receive \$360,000 annually (or \$760,000 every two years) each for their offices, an amount that includes salaries of senators and employees, as well as travel and supplies, according to Mr. Jackson. The combined total for regular senators on an annual basis totals \$9,880,000. The At-Large seat receives an annual budget of \$475,000 (\$950,000 every two years), while the Senate president receives an annual appropriation from the \$19 million budget of \$570,000, or \$1,140,000 every two years.

The Consortium asked Mr. Jackson what were his thoughts on the passage of a referendum to reduce senators, and whether that was something he could support, but Mr. Jackson did not respond to the question.

He did explain, however, the mechanism through which senators receive their allotments.

"In regards to your inquiries pertaining to senatorial allotments, we must call attention to the actions of a majority of the members of the 26th Legislature of the Virgin Islands," Mr. Jackson wrote. "The formula for the public funds that we receive to perform legislative duties was revised as a result of Bill No. 26-0145, which was passed on September 23, 2005, and signed by the President on September 26, 2005. This action created the mechanism whereby all senators receive an equal base allotment. Bill No. 26-0145 became Act No. 6792 on October 17, 2005. Act No. 6792 became effective on January 9, 2007."

Taxpayers spend near \$24 million every two years just to fund senators' offices, and a total of roughly \$38 million every two years to fund the Legislature (this includes the senators' allotments). But as lawmakers are meeting with Mr. Mapp, members of his administration and private sector

officials in search for ways to grow revenue while cutting costs, missing in the discussion is the idea of cutbacks on the legislative branch of government.

Meanwhile, the territory's financial demise comes closer by the day. Mr. Collens has projected a shortfall of \$60 million by the end of this fiscal year, starting with an \$11 million shortfall at the end of January without a line of credit and working capital from the sale of bonds, something that becomes more difficult with every downgrade; ratings firm Fitch [last week downgraded two of the territory's bonds](#), while giving both a negative outlook. Other bonds, to include Gross Receipt Tax and Rum Cover-Over Bonds [are already at or near junk status](#).

Mr. Collens and Standard International Group financial consultant, Andre Wright, who advises the government, noted that even [statutory lien legislation](#), debt service guarantee funds, and an unblemished record of timely debt service payments have failed to attract enough buyers of VI Government bonds to bridge the current deficit. Moreover, First Bank has imposed new conditions on government access to its remaining line of credit, Government House says.

"A rejection of the identification of new and immediate revenues to the territory, particularly to satisfy the financial markets that we're moving out of structural deficits, would be a decision equal to saying that we would be cutting 11 to 14 percent of the budget for the Government of the Virgin Islands," said Mr. Mapp. "That \$110 million removal from the current budget of \$787 million, I am not prepared to stand before the community and say this is exactly what that means, but I do not believe that there could be any person in this territory that believes that the removal of \$110 million from the operating budget of the Government of the Virgin Islands, would not be an action that is painless."

Ratings firm Fitch cited its increased concerns about the territory's liquidity following its difficulty in securing market access for a planned working capital borrowing. Fitch says it believes the USVI's failure to date in securing sufficient market access for their planned offering of \$219.23 million matching fund revenue bonds, series 2016A (senior lien) and 2016B (subordinate lien), raises concern regarding both the USVI's ability to access financial markets for their debt offerings as well as the USVI's ability to fund current operations and obligations from a severely strained cash position. Proceeds from the 2016A and 2016B bond offerings were to be applied to funding fiscal 2017 operations of the USVI in addition to other uses.

Fitch also highlighted the uncertain nature of the sin tax measure that Mr. Mapp said the bond market demanded before the U.S. Virgin Islands could gain access to funding. And while the governor said the bond market had reacted positively to the five-year economic growth plan measure — assuring residents that once the measure was passed, access to the market would be once more open to the territory — Fitch did not ascertain in its release that that was the case.

The ratings firm said the negative watch placed on the IDR and dedicated tax bonds will be resolved based on Fitch's assessment of the USVI's liquidity position and its ability to complete a working capital financing. Failure to sell the planned bonds and the increased liquidity strain that would result would be expected to trigger a rating downgrade.

Fitch further believes that the territory's current challenge in accessing the market for its debt obligations exacerbates concerns about the USVI's strained liquidity. The sale was originally planned for August 2016 to provide cash flow for the current fiscal year which began on Oct. 1, 2016. The extended delay in receiving the expected \$147 million in working capital that was to be provided by bond proceeds, \$116 million of which is to be applied to funding general government operations

(out of the approximately \$900 million General Fund budget), is expected by Fitch to further weaken the government's liquidity position in fiscal 2017.

The ratings firm also learned that investors have indicated an interest in the governor of the USVI delivering an irrevocable, rather than the annual, instruction letter to the U.S. Department of Interior for the U.S. Treasury to remit the rum cover-over advance payment to the trustee for the bonds. The revised instruction letter has been delivered by the governor to the DOI, according to Fitch.