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Bill Requiring Semi-Autonomous Entities to Join GERS Stalls Amid Strong Opposition and Cost Concerns

A bill to require employees of VIPFA, viNGN, and WICO to join the GERS was held in committee after executives warned of skyrocketing costs, possible layoffs, and recruitment issues. Amendments were discussed but not ready for review.

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GERS headquarters in St. Thomas, USVI. By. V.I. CONSORTIUM.

A proposal by Senator Alma Francis Heyliger to require employees of the V.I. Public Finance Authority and its subsidiaries to join the Government Employees' Retirement System appears to have stalled in committee, following strong opposition from leaders of several semi-autonomous

government agencies.

“I think it's in the best interest of our government to make sure that enough and more people have an option to participate in our government Retirement System as possible,” said Senator Alma Francis Heyliger as she presented [Bill 36-0066](#) before the Committee on Government Operations, Veterans Affairs, and Consumer Protection on Monday.

The bill, as written, provides that “all officials and employees of the VIPFA and its wholly owned subsidiaries must be members of the Government Employees' Retirement System.”

According to Francis Heyliger, “there have been several conversations over the years as to whether or not we are in need of having additional people in our retirement system.” She identified the Public Finance Authority and its subsidiaries, the V.I. Next Generation Network (viNGN) and the West Indian Company (WICO) as entities that could increase the rolls of GERS.

An amendment submitted in May, Francis Heyliger said, would make the provision apply only to “new incoming individuals.” Existing vested employees would also be allowed to opt out by the amendment, which somehow was not ready for Monday's meeting. Therefore, testifiers present on Monday could only speak to the language in the original bill.

Of those invited to speak to the draft legislation, only GERS administrator Angel Dawson was in favor. “The system does not currently receive any contributions from any of the entities owned by the PFA. For this reason, the GERS wholeheartedly supports the spirit of this bill,” he read. Mr. Dawson went on to recommend minor changes to the language of the bill. For example, he recommended that a provision that “the contribution shall be paid semi-annually” be modified to allow contributions to be made “in the same manner as prescribed by law for government instrumentalities and agencies.”

Despite Mr. Dawson's support, PFA director Nathan Simmonds believes that the bill could have “unintended negative consequences.” The measure tasks the PFA with making employer contributions on behalf of viNGN's and WICO's staff. “We cannot facilitate such a mandate as each subsidiary has its own separate and independent operations and financial management system,” Mr. Simmonds explained. Sen. Francis Heyliger has promised that the bill could be further amended to make each entity responsible for contributions.

However, Mr. Simmonds went on to note that both viNGN and WICO currently offer retirement or investment schemes outside of the GERS. Switching over would be problematic, he said, as the move would mean “increased retirement contribution obligations substantially from a 3% matching contribution for participating employees to a mandatory 11% GERS contribution.” The switch, Mr. Simmonds argued, could lead to “loss of key personnel.”

Stephan Adams, viNGN's chief executive officer, was also in staunch opposition to the proposed measure. The bill, he said, “appears to be well-intended” but “fails to address key underlying concerns which adversely affects GERS and its cash flow.” These concerns include the Water and Power Authority, with outstanding contributions of “of \$8.9 million with the hospitals owing a combined \$3.8 million.”

According to Mr. Adams, Bill 36-0066 would have “profound detrimental consequences for all viNGN employees and the viability of the company.” Three quarters of the entity's 24 employees already participate in a Fidelity Investment SIMPLE IRA, which offers more benefits than the GERS does, Mr. Adams argued. “The company currently pays \$44,276 annually to match the combined employee retirement contributions,” he explained. Switching to the GERS would cost

viNGN “\$563,835 annually” in matching funds.

“This increase would require us to either lay off seven hard-working Virgin Islanders, which is 29% of the workforce, or raise salaries 8.5% across the board to retain employees,” testified Mr. Adams. “viNGN and its employees would be severely harmed if forced to abandon our simple IRA for an unstable pension plan.”

viNGN was twice rejected from joining the GERS “because we were considered a private corporation and not eligible,” Mr. Adams noted. That’s when the company joined Fidelity Investments “and it’s working swimmingly for us.”

“I see that we have drawn a line in the sand, and when you draw a line in the sand, that means that we have closed the opportunities for compromise,” observed Senator Novelle Francis Jr. Nevertheless, Mr. Adams maintained that a move to the GERS would create obstacles to recruitment, particularly from the private sector. “Private sector is used to 401Ks and IRAs, and not a pension plan that has been faltering,” asserted viNGN’s CEO.

Senator Angel Bolques Jr., like the bill’s sponsor, was interested in the longevity of the GERS. “The GERS system is 25% of our GDP, and it’s a very important part of how our government works,” he stated. “We should be able to attract or have the participation of entities who are semi-autonomous as well.”

Senator Franklin Johnson, on the other hand, considered the perspective of viNGN’s and WICO’s employees. “For those that are already vested with the IRA and a different portfolio, it’s a difficult task to ask someone to switch over.”

Senator Carla Joseph sought to find a middle ground. However according to Mr. Adams, any change will be difficult. He called the unamended bill “catastrophic.” Even when amended, the measure would be problematic because it would create an “administrative challenge for us,” Mr. Adams argued. “We don’t have the bandwidth to manage two systems.”

Mr. Dawson also seemed skeptical about the proposed amendment. “If we start to go down the road of allowing people to choose whether they’re going to be part of the system based on their individual needs, then we won’t have a system,” said the GERS administrator.

“I don’t want the narrative going out here that we are targeting agencies,” Ms. Francis Heyliger clarified. Ultimately, however, she made a motion to hold the bill in committee at the chair’s call. It is unclear if or when an amended version of the bill will return to the Committee during a subsequent meeting.