GOVERNMENT HOUSE
UNITED STATES VIRGIN ISLANDS

FOR IMMEDIATE RELEASE
February 8, 2022
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Governor Bryan Signs Historic Legislation That Will Refinance Rum Cover-Over Debt to Stabilize GERS

U.S. VIRGIN ISLANDS — In the first official function at Government House on St. Thomas since the building was destroyed by the 2017 hurricanes, Governor Albert Bryan Jr. signed historic legislation that allows the Government of the Virgin Islands to refinance the Rum Cover-Over Matching Fund bonds and use the savings from better interest rates to stabilize the Government Employees' Retirement System (GERS) for at least 30 years.

Bill No. 34-0188, now Act No. 8540, was the Bryan-Roach Administration's fourth attempt to gain consensus on legislation to restore solvency to the GERS. With the 34th Legislature's approval of the current proposal, the Administration can actualize its plan to sell the bonds and fund the GERS system.

"When we first introduced this concept to create a special purpose vehicle corporation to refinance our rum bonds 18 months ago, we did it with the people in mind. We did it to protect the pension benefits of our almost 9,000 government retirees and with the goal of protecting the pensions of the more than 8,000 other active employees who are relying on the Government Employees Retirement System to be able to achieve a decent quality of life in retirement," Governor Bryan said before signing the measure into law.

"Today is about them: The retirees who are the breadwinners in their respective households and who rely on their pension benefits to provide for their families; the retirees confronting inflation and the rising cost of goods, and whose pension benefits are their only source of income," Governor Bryan said. "We did it to protect the pensions of the active, vested employees so they too can realize the promise of benefit funds when they retire.

And this assurance also enhances our ability to retain and attract new employees to government employment. Today is about them, and the promises made to them that our Administration is ensuring the Government of the Virgin Islands keeps."

Governor Bryan first submitted a bill in August 2020 to authorize the Securitization of the Matching Fund Receipts to enable the reduction of the Government of the Virgin Islands bonded debt, the proceeds of which would be applied to a reduction of the Government Employees Retirement System unfunded liability.

Although that bill and two subsequent revisions failed to make it to completion, it led to the Senate's formation of a Senate Subcommittee on the GERS, ultimately resulting in Act No. 8540, which is a collaborative effort between the Governor's Executive Team, the Senate Subcommittee, the GERS board and the GERS actuary Segal and Company.



On January 31, 2022, the 34th Legislature passed Bill No. 34-0188 unanimously, 14-0-1, and Governor Bryan's Executive Team immediately began working to secure the Rum Cover-Over Matching Fund bonds and offer them to investors on the bond market.

During Tuesday's bill-signing ceremony, Governor Bryan had effusive praise for his Executive Team and praised them for their persistence and determination on behalf of the people of the Virgin Islands to rescue the failing retirement system.

"Something this complex cannot be achieved without a strong and competent team of subject matter experts. I need to give thanks to the wizards behind the magic," the Governor said, before noting that the chief architect of the GERS Solvency Program David Paul of Fiscal Strategies Group.

The Governor also thanked the Executive Team who worked on the legislation since its inception: Public Finance Authority Executive Director Nathan Simmonds; Lorelei Farrington, Cherrie Wallace-Cole and Attorney Kye Walker of the Virgin Islands Public Finance Authority; Finance Commissioner Bosede Bruce and OMB Director Jenifer O'Neal; and Attorneys David Bornn, Michele Baker and Rachel Haverkorn from the Office of Legal Counsel at Government House.

The Governor also thanked Attorneys Karol Denniston, Pedro Hernandez, Dynda Thomas and Pedro Miranda of Squire Patton Boggs.

“Someone had to take the concept out of David Paul’s head and reduce it to a bill. That was done by the team from Squire Patton Boggs. The core legislation that we have been tweaking over the last several months was drafted by them,” Governor Bryan said.

The team at Squire Patton Boggs also serves as bond counsel with respect to the new matching fund bonds, the arrangements with U.S. Treasury, and the overall structure of the financing.

The Bryan-Roach Administration is investing in the Territory’s people, infrastructure and future through transparency, stabilizing the economy, restoring trust in the government and ensuring that recovery projects are completed as quickly as possible. Visit transparency.vi.gov

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