



THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE
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340-774-0001

December 28, 2021

VIA HAND DELIVERY

The Honorable Donna M. Frett-Gregory
Senate President
Thirty-Fourth Legislature of the Virgin Islands
Capitol Building
St. Thomas, Virgin Islands 00802

Re: Proposed Refinancing Legislation Amending Title 29 V.I.C. Chapter 24
REVISED TRANSMITTAL LETTER

I am pleased to submit to the Thirty-Fourth Legislature, legislation which represents the culmination of our collaborative efforts to resolve the long-pending issue of the solvency of the Government Employees Retirement System ("GERS") and to restore the worthiness of working for and retiring from Government employment.

GERS is nearing insolvency and the GERS actuary has projected the GERS will be insolvent by October 2024 or sooner. The Board of Trustees warns that the insolvency of the GERS will necessitate substantial reductions in retiree benefits. Should the GERS become insolvent, retirement payments to retirees will be the responsibility of the Government of the Virgin Islands (the "Government"), placing significant new funding burdens on the General Fund of the Government. Further, pension liabilities cannot be materially restructured without modifications to retiree benefits.

As discussed by and between members and officials of the Executive and Legislative branches of Government, we must come together to find an immediate solution to address the GERS' impending insolvency. I truly believe we have done so and I present to you a proposed Act repealing and replacing Act Nos 8329 and 8330; amending Title 29 Virgin Islands Code, by repealing Chapter 24 in its entirety and replacing it with a new Chapter 24; terminating the existence of the "Matching Fund Securitization Corporation" and creating, as of the date hereof, a new entity named the "Matching Fund Special Purpose Securitization Corporation" (the "Corporation") to: (1) acquire during the Transfer Period (a) all of the Virgin Islands Government's right, title, and interest in the Matching Fund Receipts to be paid to or for the account of the Government by the United States Treasury and (b) the Related Rights, (2) allow for the restructuring of the outstanding Matching Fund Bonds issued by the PFA in order to free up resources to be applied to the

restoration of solvency to GERS, (3) issue Matching Fund Securitization Bonds and the Residual Certificate in order to pay the purchase price therefor and as otherwise authorized under the act, and (4) direct the Secretary and the United States Department of Interior to pay the Matching Fund Receipts directly into the Deposit Account; to approve the issuance by the Virgin Islands Public Finance Authority or other entity of a bond to the Government for deposit as an in-kind contribution to the GERS; to approve and ratify all actions taken pursuant to Act Nos. 8329 and 8330 prior to the date hereof; to ratify the amendments to the rum company agreements; and for other related purposes. This legislation incorporates our unified efforts to bring relief to the GERS and peace of mind to the retirees and Government employees who rely on and will soon rely on our pension system for their livelihoods.

The legislation has been developed in collaboration with the members of the Senate's Subcommittee on GERS, as well as consultation with GERS and its actuary, and represents a real opportunity for us all to move past the perpetual fears of what might come next should the long-predicted GERS insolvency become a reality. It is my hope that the Legislative branch, Executive branch, and GERS can collaboratively and cooperatively work on this matter to benefit the Retirement System and the overall economic life of the People of the Virgin Islands and its Government. The Transaction to be authorized by the legislation enables the opportunity to increase revenues that can be dedicated to the GERS through the issuance of a GERS Bond by the Virgin Islands Public Finance Authority ("PFA") or other entity as an in-kind contribution to the GERS.

The GERS actuary, Segal and Company, has determined that so long as the Matching Fund Receipts remain, at least, at their current levels, the foregoing proposed issuance of the GERS Bond to the Government and deposit of it with the GERS would provide financial stability and liquidity to the GERS and avoid reductions of retiree benefits.

As with previously proposed transactions, the use and pledging of the Matching Fund Receipts from the United States Treasury will be used as the financial base for the transaction. Upon the payment in full of all of the Bonds, in accordance with their terms, and all obligations under all applicable Indentures and the Ancillary Agreements, the Government and/or the PFA shall assume control of the Matching Fund Receipts, subject to any liens on the Residual Certificate and the Residual Receipts (as such terms are hereinafter defined in the legislation).

I respectfully ask the Thirty-Fourth Legislature to take up consideration of this matter as expeditiously as possible. I will make all necessary financial, investment and legal advisory persons available for presenting the legislation and the Transaction to the Legislature.

Sincerely,



Albert Bryan Jr.
Governor

Enclosures