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Under Financial Pressure, G.E.R.S. Will Raise Employer Contribution Effective January 1, 2020

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The Government Employees' Retirement System will raise the employer contribution for its pension plan by 3 percent effective January 1, 2020. The 3 percent hike will raise the rate from the current 20.5 percent to 23.5 percent, according to a memo the pension system distributed to a number of agency and department heads along with the governor, on Friday, and obtained by the Consortium.

G.E.R.S. cited Title 3 of VI Code, Section 718(b) as its basis for the increase. The same law allows G.E.R.S. to increase the employer contribution by 3 percent every five years until the percentage arrives at 30 percent on January 1, 2040.

G.E.R.S. is currently in a fight for its survival and has been for a long time. The retirement system has been hemorrhaging money for years now as it continues to dole out more money than it's

taking in, and as its investment portfolio has remained mostly stagnant.

At minimum, G.E.R.S. needs \$400 million to add a few more years to the system, even if the injection of cash only kicks the \$5 billion unfunded liability can down the road, according to Austin Nibbs, G.E.R.S. administrator, who spoke with the Consortium following an April G.E.R.S. board meeting. At the time, Mr. Nibbs said the pension system was readying a proposal seeking a \$5 billion bailout from the federal government.

“We’re trying to see if we can get a federal loan of about \$3 billion to \$5 billion. We’re doing a white paper and getting all the stakeholders together,” Mr. Nibbs [said in April](#). A white paper is an authoritative report or guide that informs stakeholders concisely about a complex issue and presents the issuing body’s philosophy on the matter. It is meant to help readers understand an issue, solve a problem, or make a decision.

The board’s stance is that if the federal government does not provide G.E.R.S. at least a partial bailout, it would cost the federal government much more than the \$5 billion G.E.R.S. had planned to request, Mr. Nibbs said.

Even so, Mr. Nibbs was not confident that G.E.R.S.’s bailout request would be successful, pointing toward the climate in Washington, and how he said the Trump administration has treated Puerto Rico. Nonetheless, he was holding out hope, as there’s little else the system can do to save itself, with a central government whose own coffers are always days cash-on-hand, whose junk-status bonds means it cannot borrow any substantial amount from the bond market, and whose leaders, for decades, have failed to adequately address the crisis.

“You see if they don’t give us anything it’s going to be a lot of problems and they may have to put out more federal monies,” Mr. Nibbs told this publication. “That’s the main argument.”

Nine months later, and no word on G.E.R.S.’s proposal to the federal government.

Governor Albert Bryan, his team and lawmakers met with G.E.R.S. late November to discuss the pension system’s problems and possible solutions. But according to two senators who attended the event, no real solutions were agreed upon.

In a release issued days later, Mr. Bryan acknowledged his presence at the meeting, but would not divulge much else aside from that he “remains committed to protecting retirees, protecting vested workers and implementing sustainable funding sources for the GERS.”

Another problem for the pension system is the continuous separations by members who are not vested into the system. A vested G.E.R.S. member is a government employee, whether in central government or a semiautonomous entity, who has been on the pension system for ten years or more. Some employees, terrified by the survival prospects of the beleaguered retirement system, leave their government jobs just before they hit the ten-year mark. This not only hurts the system in the long run, it also costs G.E.R.S. a hefty price, as the pension system has to pay the employees who separate monies they've put into the system.

