

The Virgin Islands Consortium

Opinion: Secure Vested Members, Allow Others To Invest In 401ks And Kill GERS

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For the past 5 years I have been hearing the same expert testimony given about the Government Employees Retirement System. Every year, these highly paid consultants and actuaries get taxpayers money to tell us the same thing: the system, if not reformed, will collapse in a certain amount of years. We even commissioned a task force to examine the same issue, and they came to the same conclusion: GERS as we know it is unsustainable.

There is simply not enough individuals paying into the system in comparison to the individuals receiving payouts. Every year the balance sheet of GERS declines, and every year the imminent demise of the system gets closer and closer. We have yet to see any

substantial reforms to the retirement system as of late.

And reforms that have been made are comparable to putting band-aids on a gunshot wound when major surgery is required. Very few practical options are available that will be painless. However, the longer we wait the more painful it will become. Our government cannot hire the requisite number of employees into the system to help with the ratio of contributing employees to payouts, because our government is currently operating in a deficit. The board of GERS has made a lot of financial mistakes, and it has aided in the current demise of the system, however with or without their errors, we would still be in this position today, because the system is flawed.

When GERS was first implemented, the makeup of our community was much different. Life expectancy rates were much shorter, salaries were much lower, and more individuals were paying into the system than those receiving payments.

Today that is no longer the reality. Life expectancy rates have increased in our territory. Salaries have increased, and there are more people receiving payouts from the system. Our government is also operating at deficit that continues to grow each year. The issue that we currently face with our retirement system is not just a local one. Many city and state governments across the U.S. have, or are currently facing the same issue.

Some ideas to fix the system may include scraping it all together. First we would have to set aside funds to protect the individuals currently in the system, and those near or at retirement age so that they can continue to receive payouts until they pass. Most of these retirees retired at a time when salaries were extremely low. Having never received a cost of living increase to match the current day expenses, it would be cruel and unwise for them to be affected by this failing system. The remaining people in the system can then be converted in something more closely resembling a 401K plan, or a hybrid of the two. There are other states and municipalities that have switched to a similar system when faced with our same challenge.

One of the major issues the system has is the current ratio of governmental employees paying into it and the amount of former employees they pay out to. An idea might be to get small businesses and private residents to pay into the system as well. Logistically, it might be difficult, but if successful, it can help with the amount ratio of those paying in versus those receiving payments.

These ideas are just conversation starters to a very complex and dense issue, however one thing remains certain: the lack of action now will have dire impacts on our community down the road. Not only will the system not be around for my generation, it will have a catastrophic effect on our economy and people's lives if it is allowed to fail.

[Here's a link](#) to state governments and the type of retirement systems they are currently using.