

Could the Solution to GERS be a Substantial Annual Budget Allocation? Violet Says It's Time to 'Cut the Fluff' as Calamitous Collapse Looms

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Government Employees' Retirement System Administrator, Austin Nibbs on Monday discussed the dire situation the pension system is facing and possible solutions with senators as the calamitous reality of collapse looms.

G.E.R.S. is projected to collapse in 2023 after depleting assets, and will be forced to cut retirees' benefits by 50 percent.

In opening remarks during a Finance Committee hearing, Mr. Nibbs said since 1996 there has been a negative variance between total contributions and benefit payments and expenses. He said the negative variance for the system has been \$706.9 million between Fiscal Years 2016-2020.

The total market value for G.E.R.S investment portfolio, as reported by Mr. Nibbs, was \$491.1 million, with \$385.8 million being marketable securities, including cash and cash equivalents. G.E.R.S. expends in retirement payments annually an estimated \$120 million. Almost religiously, the pension system pays out way more than it takes in. Through July 2020 to June 2021, G.E.R.S. paid out \$124 million to retirees, Mr. Nibbs said Monday.

Senator Janelle Sarauw sought to learn whether the pension system had ideas for reform outside a cash infusion. "It's hard because we have been saying this for the last 10 years: you have to infuse, you have to increase contribution rates or you are going to have to reduce the benefit payments. You can't get away from that," he responded.

Senator Kurt Vialet suggested making major appropriations as line items in the annual budget bills. That way, the system would be able to meet its obligations without the oft called for billion-dollar injection. "G.E.R.S. needs to be a line item; you can't fund it to no \$2 billion or \$3 billion but we can definitely try our best to make sure we have annual appropriation that will offset those monies that are drawn down and a substitutable annual contribution," he said.

Senator Alma Francis-Heyliger asked whether the pension system had considered high-yield investments, Mr. Nibbs said no. Those investments are usually riskier bets. "You cannot take that chance now," he said. "We have our liquid cash about \$380 million, our portfolio benefits is \$285 million a year. You cannot take that chance right now to invest in any risky type environment."

He said the board's investment advisors have advised against that strategy, and "the board has adopted that policy."

Mr. Vialet spoke to the urgency of the problem. "When you look at the numbers, it's very scary. The whole thing is scary. The numbers even make it worse. I truly believe that the path is a direct contribution, just how you fund departments, you got to cut all the other fluff you have in this central government... We need to focus and put additional monies into the system."

A G.E.R.S. 2021-2025 strategic plan being created in collaboration with the University of the Virgin Islands costs \$35,000 and is expected to be completed by the end of this year, Mr. Nibbs made known in response to a query from Senator Samuel Carrion.

In his closing statement, Mr. Nibbs said, "We have scenarios that we plan to submit to you over the next round [of meetings] and show you. I think we can get it done, we just have to find a dedicated source and it must be comprehensive and fill the gap each year for a period of time until maybe the system can turn around...at let the system survive for another 62 years."

Mr. Vialet agreed. "We got to do it quicker because of the tremendous issues that we are facing."