

(TEXT OF FINAL APPROVAL BY THE HOUSE) [PRIVATE]
(JUNE 23, 2017)

GOVERNMENT OF PUERTO RICO

18th Legislative
Assembly

1st Ordinary
Session

HOUSE OF REPRESENTATIVES
R. C. of C. 188

JUNE 6, 2017

Presented by Representatives *Méndez Núñez, Torres Zamora, Rodríguez Aguiló, Hernández Alvarado, Alonso Vega, Aponte Hernández, Banchs Alemán, Bulerín Ramos, Charbonier China, Charbonier Laureano, Del Valle Colón, Franqui Atilés, González Mercado, Lassalle Toro, Lebrón Rodríguez, Mas Rodríguez, Meléndez Ortiz, Miranda Rivera, Morales Rodríguez, Navarro Suárez, Pagán Cuadrado, Parés Otero, Peña Ramírez, Pérez Cordero, Pérez Ortiz, Quiñones Irizarry, Ramos Rivera, Rivera Guerra, Rivera Ortega, Rodríguez Hernández, Rodríguez Ruiz, Santiago Guzmán, Soto Torres, and Torres González*

Referred to the Committee on Treasury, Budget, and of the Puerto Rico Financial Oversight and Management Act, "PROMESA"

JOINT RESOLUTION

To allocate, under the custody of the Office of Management and Budget, the sum of three hundred ninety million four hundred eighty thousand dollars (\$390,480,000) for the payment of the retirees of the Retirement Systems of the Central Government and the Judiciary, and the Teachers Retirement System from the sale of assets or funds available from the Retirement Systems of the Central Government and the Judiciary, and from the Teachers Retirement System, which will form part of the Consolidated Budget charged to the General Fund for fiscal year 2017-2018; to order the Retirement Systems to sell their assets and transfer the net proceeds or any available funds to the account of the Secretary of the Treasury; and to authorize the Secretary of the Treasury to enter and account for these as part of the General Fund for fiscal year 2017-2018; and for other related purposes.

PREAMBLE

The recommended Budget for Fiscal Year 2018 entailed new challenges and changes in the process of its formulation. First, in promulgating Executive Order 2017-005, we adopted a Zero Base Budget. Under this budgetary methodology, the Government agencies and instrumentalities are required to carefully evaluate their projected expenses and justify them, making sure to comply with their mission and maintaining quality in the services rendered. Also, by implementing the Zero Base Budget we ensure that the agencies correctly account for the items, allocating them where they actually should be intended.

The recommended Budget for Fiscal Year 2017-2018 reflects reductions in payroll and in operating expenses, according to the current norms and the Fiscal Plan. Likewise, it contains an allocation for the payment of pensions of retirees of the Central Retirement System and the Judiciary, and of the Teachers Retirement System from various sources, among these the sale of assets of the Central Retirement System and the Judiciary. Through this bill, the sum of three hundred ninety million four hundred eighty thousand dollars (\$390,480,000) is allocated under the custody of the Office of Management and Budget for the payment of retirees of the Retirement Systems of the Central Government and the Judiciary, and of the Teachers Retirement System, from the sale of assets or funds available from the Retirement System of the Central Government and the Judiciary, and from the Teachers Retirement System.

Already in the past we attempted to reform the three retirement systems. However, these measures did not work and were insufficient, which has led to their finding themselves without liquidity and insolvent. In addition, due to the current profound and serious fiscal crisis we are undergoing, the Government finds itself impeded from making solvent the three Retirement Systems. For this reason, this Joint Resolution promotes the *pay as you go* system as a new method to guarantee pensions to Government retirees.

BE IT RESOLVED BY THE PUERTO RICO LEGISLATURE:

1 Section 1.- The sum of three hundred ninety million four hundred eighty thousand dollars
2 (\$390,480,000) is allocated for the payment of the retirees of the Retirement Systems of the
3 Central Government and the Judiciary is assigned under the custody of the Office of
4 Management and Budget; and the Teachers Retirement System from the sale of assets or funds
5 available from the Retirement Systems of the Central Government and the Judiciary; and the
6 Teachers Retirement System. This allocation will be part of the Consolidated Budget charged to
7 the General Fund for Fiscal Year 2017-2018.

1 Section 2.-The Retirement Systems of the Central Government and the Judiciary and the
2 Teachers Retirement System are ordered to sell their assets and transfer the net proceeds, as well
3 as any available funds, to the account of the Secretary of the Treasury.

4 Section 3.- The Secretary of the Department of the Treasury is authorized to enter and
5 account for as part of the General Fund for Fiscal Year 2017-2018 the proceeds from the sale of
6 the assets or funds available from the Retirement Systems of the Central Government and the
7 Judiciary and the Teachers Retirement System, to be used as provided in Section 1, of this Joint
8 Resolution.

9 Section 4.-With the approval of this Joint Resolution, the following is established and
10 adopted, as it is necessary and reasonable:

- 11 1) that the General Fund, through the system of *pay as you go* assumes the payments
12 that the three Retirement Systems cannot make;
- 13 2) that the three Retirement Systems continue fulfilling their obligations to their
14 beneficiaries and retirees by contributing to the General Fund their available
15 funds and the funds from the liquidations of their assets;
- 16 3) the elimination of the employer's contributions of the Central Government, the
17 Public Corporations, and the Municipalities to the Government of Puerto Rico
18 Employees Retirement System and to the Teachers Retirement System Teachers
19 due to the burden assumed on the General Fund of making the corresponding
20 payments to these systems' retirees;
- 21 4) that the obligation to pay the Additional Uniform Contribution be eliminated; and
- 22 5) that the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF,
23 by its Spanish acronym) establish and implement all the necessary mechanisms so

1 that the Central Government, he Municipalities, and the Public Corporations
2 contribute to the financing of the *pay as you go* system..

3 The provisions of this Section are approved in accordance with the police power of the
4 State and in protection of the life, health, and wellbeing of the people of Puerto Rico during the
5 fiscal emergency that we are experiencing. In addition, they are approved pursuant to the actions
6 required under the protection of the Federal *Puerto Rico Oversight, Management, and Economic*
7 *Stability Act* (PROMESA) and of the Fiscal Plan approved and certified by the Fiscal Oversight
8 Board. For this reason, these provisions will prevail and they suspend the validity of any other
9 that is contrary thereto.

10 Section 5.-This Joint Resolution shall be known as the “Joint Resolution on Other
11 Allocations for Fiscal Year 2017-2018.”

12 Section 6.- This Joint Resolution will enter into effect on July 1, 2017.