

(Substitute for S.B. 732
and S.B. 518)
(Reconsidered)

(No. 168)

(Approved December 30, 2005)

AN ACT

To amend Sections 1, 2, 4, 5 and 7 of Act No. 97 of July 2, 2002, as amended, in order to reestablish granting a payment plan to participants in the active service including those who were active and withdrew the contributions they had made to the Retirement System of the Employees of the Government of Puerto Rico and its Instrumentalities, for the interest accrued on account of contributions owed for the unaccounted years of service and the devolution of withdrawn contributions, at a simple special interest rate of six percent (6%), in the case of the devolution of contributions the same shall be of two and half percent (2 ½%) if they avail themselves of the plan within the six (6) months following the date of effectiveness of this Act.

STATEMENT OF MOTIVES

Act No. 447 of May 15, 1951, as amended, created the Retirement System of the Employees of the Government of Puerto Rico and its Instrumentalities so as to establish a retirement and benefits system for the public employees of the Government of Puerto Rico. As all laws of our body of laws, said Act has been amended on multiple occasions to adjust the same to the changing needs of our public employees. Likewise, Act No. 97 of July 2, 2002, grants a payment plan to the participants in active service of the Retirement System of the Employees of the Government of Puerto Rico and its Instrumentalities for the interest accrued on account of contributions

owed for the unaccounted years of service. This Act opens a window of six (6) months as of its date of effectiveness so that the public employees may benefit of the services the Retirement System of the Government of Puerto Rico offers. Even though at this time the Government of Puerto Rico is looking for a mechanism that will allow those public servants who have the time required to retire, so as to achieve economies in the recurrent budget of the country, many find it impossible to get credit for the years of service that have not been credited by the Retirement System of the Employees of the Government of Puerto Rico because of the onerous burden they would sustain by having to pay the high interest accrued in their respective retirement accounts. The purpose of this Act is to provide a feasible alternative to the active participants of the Retirement System so they would be able to avail themselves of a reasonable payment plan for the interest owed without impairing the economic solvency of the Retirement System.

In order to be able to accredit the unaccounted years of service or return the withdrawn contributions, the public employees who participate in this system are obligated to pay such high interest rates, that they find it impossible to do so because of the onerous burden this entails. In an act of justice towards the public employees affected, we therefore provide a reasonable mechanism for paying the sums owed. With the approval of this Act participants shall be able to pay the principal within a period of six months and the interest through a payment plan in installments subject to an interest rate considerably low which the participants shall begin to pay once they begin to receive their pension.

We must also take into consideration that the creation of an Early Retirement Program has been announced under which many employees, who have not yet been able to satisfy their debt at such a high interest rate,

would qualify if were able to return their contributions to the System or have the services they have rendered accredited.

With the present Act this Legislature intends to give fair treatment to the public servants as well as to the Retirement System of the Employees of the Government of Puerto Rico.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.-Section 1 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 1.-A payment plan is hereby granted to the participants in active service of the Retirement System of the Employees of the Government of the Commonwealth of Puerto Rico and its Instrumentalities for interest accrued on contributions owed corresponding to unaccounted years of service or the return of contributions withdrawn so they may avail themselves of the retirement benefit the participants had by the date in which they withdrew their contributions. Any payment plan solicited to the Retirement System of Employees of the Government of the Commonwealth of Puerto Rico and its Instrumentalities shall be granted at a simple special interest rate as provided in Section 3 of this Act if the petitioner avails him/herself of the same within the six (6) months following the effective date of this Act.”

Section 2.-Section 2 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 2.-Participants who opt to avail themselves of the payment plan granted by Section 1 of this Act may not have more than ten (10) years of service left to be eligible to a pension for merit.”

Section 3.-Section 3 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 3.-The simple interest percentage applicable to the payment plan for interest accrued on unaccounted services shall be at the simple interest rate of six (6) percent and of two and a half (2 ½) percent annually for the return of contributions withdrawn to qualify for the retirement benefits, as provided in Act No. 447 of May 15, 1951, as amended, and said benefits shall be in effect from the date the participants avail themselves of the payment plan as of the date of liquidation of the debt. If they avail themselves of Act No. 305 of September 24, 1999, the interest to be paid shall be as provided by the Board of Trustees of the System.”

Section 4.-Section 4 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 4.-In order for a participant to avail him/herself of the payment plan for interest accrued on unaccounted services, or the return of withdrawn contributions, he or she shall pay the principal of the contributions owed in its totality within one (1) year from the date of approval of the payment plan by the Retirement System or from the date of notice of the cost for unaccounted services, whichever occurs later, while still in active service.”

Section 5.-Section 5 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 5.-Installments of the payment plan for interest accrued on unaccounted services or the return of withdrawn contributions shall be made from the date on which the participant begins to receive his/her pension and has paid off the principal. The payments shall be made by means of a discount from the payroll while in active service and shall continue to be made by means of a discount on the annuity while receiving the pension. The Retirement System shall have the power to make the corresponding discounts. It is hereby provided that this payment plan shall not be extended

for more than sixty (60) months as of the date of approval of the payment plan or the date of notice of the cost for unaccounted services or the return of the withdrawn contributions, whichever occurs later.”

Section 6.-Section 7 of Act No. 97 of July 2, 2002, as amended, is hereby amended to read as follows:

“Section 7.-The Retirement System of the Employees of the Government of the Commonwealth of Puerto Rico shall disclose this Act, by publishing the same at least three (3) times in at least two (2) newspapers of general circulation in Puerto Rico. The System shall also disclose this Act through the Agency Coordinator of Retirement Affairs and by a Circular Letter to the agencies and the municipalities. The Office of Human Resources of the Commonwealth of Puerto Rico (ORHEL, Spanish acronym) is hereby directed to become part of the efforts to disclose the purposes of this Act.”

Section 7.-The effects of Act No. 97 of July 2, 2002 are hereby reestablished pursuant to the provisions of this Act and the terms shall be in effect as of the date of approval of the same. Those employees who are enjoying the same benefits of the payment plan established in this Act before the approval of the latter shall not be affected by the same until the expiration of the plan previously approved pursuant to Act No. 97 of July 2, 2002.

Section 8.-This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 168 (Substitute for S.B. 732 and S.B. 518) (Reconsidered) of the 2nd Session of the 15th Legislature of Puerto Rico:

AN ACT to amend Sections 1, 2, 4, 5 and 7 of Act No. 97 of July 2, 2002, as amended, in order to re-establish granting a payment plan to participants in the active service including those who were active and withdrew the contributions they had made to the Retirement System of the Employees of the Government of Puerto Rico and its Instrumentalities, for the interest accrued on account of contributions owed for the unaccounted years of service and the devolution of withdrawn contributions, at a simple special interest rate of six percent (6%), in the case of the devolution of contributions the same shall be of two and half percent (2 ½%) if they avail themselves of the plan within the six (6) months following the date of effectiveness of this Act,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 1st of March of 2006.

Francisco J. Domenech
Director