

***To increase by 3% the Pensions Granted Pursuant to the Provisions of
Act No. 447 of May 15, 1951***

Act No. 40 of June 13, 2001

To increase by three (3) percent, the pensions granted pursuant to the provisions of Act No. 447 of May 15, 1951, as amended, to become effective on January 1, 1998 or before; to provide the funds needed to cover the impact of said increase, and to provide that the municipalities and public corporations shall annually pay the cost of this increase to the annuities of those who were their employees prior to retiring.

STATEMENT OF MOTIVES

Act No. 447 of May 15, 1951, as amended, established a retirement and benefits system for public employees. According to the provisions of law in effect, the Retirement System is a trust of the public employees and its function is to invest and have custody of the periodic contributions made by employees and their respective employers in order to defray the corresponding pension payments for retirement or disability of the employees in the future.

It is recognized that with the passing of time, the rise in the cost of living entails a relative reduction in the value of the annuities of the pensioners. Therefore, it was established through Act No. 10 of May 21, 1992 and Act No. 62 of September 4, 1992, that effective January 1, 1992 and subsequently every three years, there would be a three (3) percent increase in all annuities paid by virtue of said acts for age, years of service or disability, and which had been received for the previous three years. In this way, the Government faces its moral obligation of helping to improve the condition of life of the pensioners, those persons who gave the best years of their life in service of the people of Puerto Rico.

Therefore, the Government has the obligation to attend to the needs of pensioners through this Act, by increasing the pensions granted pursuant to the provisions of Act No. 447 mentioned above, and which were granted prior to January 1, 1998, by three (3) percent.

With regard to government employers, the funds needed to cover the cost of this increase, shall be financed by the Employees Retirement System of the Government and its Instrumentalities during the 2000-2001 and 2001-2002 fiscal years. The sums financed by the Employees Retirement System of the Government and its Instrumentalities during the 2000-2001 and 2001-2002 fiscal year shall be consigned in the general budget for the 2002-2003 fiscal year to be reimbursed to said System. To such effects, the Retirement Systems Administration shall certify said cost to the Management and Budget Office so that it can be considered in the drafting of the general budget of expenses of the government of the Commonwealth of Puerto Rico. As of the 2002-2003 fiscal year, the funds to cover said increase shall be consigned in the general budget of expenses of the Commonwealth of Puerto Rico. The public corporations and the municipalities whose employees are covered by said Act shall annually pay to the Retirement System the cost that this Act represents for the pensioners of their corporation or municipality.

Be it enacted by the Legislature of Puerto Rico:

Section 1. — (3 L.P.R.A. § 761 note)

As of January 1, 2001, there shall be a three (3) percent increase in the annuities paid under Act No. 447 of May 15, 1951, as amended, for merit, age and years of service, or disability, that are in effect as of said date and have been granted to take effect on January 1, 1998, or before.

Section 2. — (3 L.P.R.A. § 761 note)

The Administration of the Employees Retirement System of the Government and its Instrumentalities shall cover the impact of this increase with respect to the pensioners of the Central Government, for the 2000-2001 and 2001-2002 fiscal years. The cost entailed by the increase in the pensions of employees of the Central Government in these years shall be consigned in the budget of fiscal year 2002-2003, and shall be reimbursed to the Retirement System. To such effects, the Retirement Systems Administration shall certify said costs to the Management and Budget Office so that it may be taken into account in the drafting of the budget. As of the 2002-2003 fiscal year, the funds to cover said increase shall be consigned in the general budget of expenses of the Government of the Commonwealth of Puerto Rico. The public corporations and the municipalities whose employees are covered by this Act, shall pay to the Retirement System annually the cost that this Act represents for the pensioners of their corporation or municipality.

Section 3. — (3 L.P.R.A. § 761 note)

This Act shall take effect as of its date of approval, but its provisions with regard to the three percent (3%) increase in the pensions every three years shall be retroactive to January 1, 2001.

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