

***“The Retired Teachers of the Commonwealth of Puerto Rico Pension
Adjustment Act”***

Act No. 62 of September 4, 1992

To direct the Teachers Retirement System, created by virtue of Act No. 218 of May 6, 1951, as amended, to adjust the pensions awarded or to be awarded by said system by three percent (3%) every three years as of the first of January of 1992.

STATEMENT OF MOTIVES

Those persons who depend on a pension or a relatively low fixed income suffer most rigidly and harshly from the loss of purchasing power of their income.

Such is the case of approximately fourteen thousand pensioners of the Teachers Retirement System, where 35% receive pensions of less than \$400 a month. Taking into account payroll discounts for life insurance, medical insurance and other loan payments, most of these pensions are reduced to practically indigent levels, and even more so, given the fact that these teachers do not have Federal Social Security benefits.

During the last six years, several measures were approved by this Government to alleviate the financial burden of said pensioners. Among them, the following are most outstanding: the Christmas Bonus of the pensioners was increased from one hundred (100) to one hundred and fifty (150) dollars; pensioned teachers less than sixty years of age were exempted from the payment of taxes up to five thousand (5,000) dollars, and those over sixty (60) were exempted up to eight thousand (8,000) dollars, and those whose only income proceeds from the above mentioned pensions were relieved from the filing of a tax return; the Government contribution to the health plans of its employees and pensioners was increased to forty (40) dollars; it was determined that no pensioner would receive a pension under two hundred (200) dollars; the minimum pension of teachers was fixed at three hundred (300) dollars, and an increase of fifty (50) dollars was added, which raised the minimum pensions for teachers to three hundred and fifty (350) dollars; 41,342 pensioners of the central system and its beneficiary spouses or minor or impaired children were granted an increase of twenty-five (25) dollars per month, for an expenditure of \$15,000,000 for the Central Retirement System.

Notwithstanding the approval of all these laws and others that likewise benefit our pensioned teachers, we understand that it is our duty to make sure that the pensions are adjusted by at least three percent (3%) every three years to compensate for the rise in the cost of living, somewhat.

Said standard already exists at the federal level, since pensions granted under the provisions of the Social Security, in the United States as well as in Puerto Rico, are adjusted annually according to the registered increase in the cost of living.

This Act is an equitable measure, and to a certain extent, it constitutes an acknowledgment of the last productive years of thousands of former teachers of the public education system.

Be it enacted by the Legislature of Puerto Rico: (18 L.P.R.A. § 384)

Section 1. — Short Title. (18 L.P.R.A. § 384 note)

This Act shall be known as the "The Retired Teachers of the Commonwealth of Puerto Rico Pension Adjustment Act".

Section 2. — Definitions. (18 L.P.R.A. § 384)

Unless otherwise implied from the context of this chapter, the following terms shall have the meaning set forth hereinbelow:

(a) *System.* — The Teachers' Retirement System, created by virtue of Act No. 218 of May 6, 1951, or by virtue of legislation approved in the future.

(b) *Adjusted Pension.* — The resulting pension after applying three percent (3%) to the gross pension.

Section 3. — Delegation of Responsibility. (18 L.P.R.A. § 384a)

The System is hereby directed, as of the first of January of 1992, and every three (3) years subsequently, to adjust by three percent (3%) all the annuities in effect as of January 1 of the year of the increase and which have been received for at least three (3) years prior to the date of the increase. If in any given year the System only has reserves for twenty-four (24) months or less, no increase may be granted in the pensions.

Section 4. — Final Computation of the Adjusted Pension. (18 L.P.R.A. § 384b)

The System shall have the power to increase to the highest dollar those adjusted pensions with amounts in fractions of a dollar.

Section 5. — Cost. (18 L.P.R.A. § 384c)

The cost of the adjustment in pensions or life annuities authorized by this Act shall proceed from the reserves in the Puerto Rico Teachers Annuity and Pension Fund, from the interest produced by the new investments made by the Puerto Rico Teachers Retirement Board as authorized by Section 35 of the "Teachers Retirement Act" , from employer and individual contributions in effect and from possible increases in the future; and from those special appropriations contributed by the Commonwealth Government with the purpose of maintaining the financial solvency of the system and which are consigned in the General Expense Budget of the Commonwealth of Puerto Rico, for the year in which the pension adjustment takes effect.

Section 6. — Effectiveness. (18 L.P.R.A. § 384d)

Retroactive to January 1, 1992, and subsequently every three (3) years, all annuities paid under this chapter for age, years of service or disability, which are effective as of said date and which have been received at least three years before, shall be increased by three percent (3%). In years subsequent to 1992, the triennial increase shall be subject to a prior favorable recommendation of the Teachers Retirement System's Actuary. Upon compliance with said requirements, the Teachers Retirement Board shall submit the increase proposal to the Legislature of Puerto Rico for its approval. The triennial increase in years subsequent to 1992 shall cover all annuities paid under this chapter for age, years of service and disability which are in effect as of January 1 of the year in which the increase is granted, and which have been received at least three (3) years before.

Section 7. — Rules. (18 L.P.R.A. § 384e)

The System shall promulgate the rules and regulations that shall govern the administration of this Act.

Section 8. — Effectiveness. (18 L.P.R.A. § 384 note)

This Act shall have immediate effectiveness as of the date of its approval, but its economic effect shall be retroactive to January 1, 1992.

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