

Bond Case Briefs

Municipal Finance Law Since 1971

Labor Unions File Pension Lawsuit Against Puerto Rico.

CHICAGO — Puerto Rico violated a law meant to safeguard the pensions of its public-sector workers who have been unable to invest the more than \$300 million they contributed to a new retirement plan, according to a lawsuit filed against the U.S. commonwealth's government and others by two labor unions on Thursday.

The litigation, filed in U.S. District Court in San Juan, joins a long list of adversary cases in a form of bankruptcy Puerto Rico's federally created oversight board initiated in May 2017 to restructure the island's \$120 billion of debt and pension obligations.

It is also the latest chapter in a fraught relationship between Puerto Rico and its government employees, particularly teachers.

In the latest lawsuit, the American Federation of Teachers and the American Federation of State, County & Municipal Employees point to Law 106, enacted in August 2017 to require wage deductions from workers participating in a new retirement plan to be placed into segregated employee-controlled, 401(k)-style accounts that they said have not been created.

The unions claim that while workers' contributions totaled \$316 million as of July 31, employees have been unable to invest the money, missing out on "historically high stock market returns."

"For all intents and purposes, the commonwealth is seizing employees' own funds and hiding them under a mattress – in this case, upon information and belief, government bank accounts at Banco Popular earning virtually zero interest," the lawsuit claimed.

The unions, which represent thousands of teachers and government workers in Puerto Rico, asked the court to find the defendants in violation of Law 106 and of their fiduciary duties and require the creation of accessible retirement accounts by yearend. The lawsuit also seeks an undetermined amount of compensation for lost investment income.

Defendants in the lawsuit include Banco Popular, Puerto Rico's governor, chief financial officer, treasurer, fiscal and financial advisory authority, retirement board, as well as the oversight board. The latter, an entity established by a federal law known as PROMESA, failed to force the commonwealth government's compliance with the law, according to the lawsuit.

"We agree the government of Puerto Rico should set up the defined contribution accounts as soon as possible; however, we won't comment on the lawsuit at this time," Natalie Jaresko, the oversight board's executive director, said in a statement.

There was no immediate comment on the litigation from the other defendants.

By Reuters

Nov. 16, 2018

(Reporting by Karen Pierog in Chicago; Additional reporting by Luis Valentin Ortiz in San Juan;
Editing by Matthew Lewis)

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com