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## Puerto Rico Oversight Board Files New Debt Plan.

### **The revised plan eliminates cuts to public-sector retiree benefits, but changes benefits for working teachers and judges**

A federal board overseeing Puerto Rico's bankruptcy this week filed a new plan for restructuring the U.S. territory's debt that preserves pension benefits for retired public-sector employees, a point of contention that had threatened to derail the debt-restructuring deal.

Hearings on the revised plan are scheduled to start Monday in U.S. Bankruptcy Court in San Juan. Puerto Rico's debt adjustment would reduce the island's \$33 billion in bonds and other debt to \$7 billion in the largest-ever U.S. municipal bankruptcy case.

The oversight board and Puerto Rico's government had been at odds until last week on provisions in the restructuring plan.

The latest version of the plan is in line with a law enacted by the island's government last week. The oversight board and the island's government had been negotiating for weeks over the law, which authorizes the territory to raise new debt on the condition that it makes no cuts to retired government employees' pension benefits.

The new plan takes out cuts to retired workers' benefits that had been in a previous version of Puerto Rico's plan of adjustment.

At the same time, the amended plan keeps language from a previous version that freezes defined-benefit pension plans for working teachers and judges. Under the plan, these employees would get the defined-benefit pensions they have already earned from the government, but their subsequent pension benefits will be defined-contribution plans, meaning the employees will be setting aside money from their paychecks, according to a spokesman for the oversight board.

The amended plan also specifies that there will be no cost-of-living adjustments for judges starting Jan. 1, according to a Wednesday court filing by Natalie Jaresko, executive director of the oversight board.

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The bill signed into law last week by Gov. Pedro Pierluisi allows the island to raise new debt needed to complete its restructuring.

Days before the legislation was enacted, the oversight board had asked the bankruptcy judge overseeing the case to delay the start of confirmation hearings, because it was at loggerheads with the legislature over the bill.

The oversight board had agreed to drop the cuts to retiree pension plans in September, but had other objections to the legislation. Last week, Judge Laura Taylor Swain, who is presiding over Puerto Rico's bankruptcy case, ordered the government and the board to enter into negotiations

along with a court-appointed mediator. Last week, the oversight board announced that it had reached agreement with Puerto Rico's government over the new legislation.

## **The Wall Street Journal**

By Soma Biswas

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