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**BY ELECTRONIC MAIL**

September 14, 2026

The Honorable Jenniffer A. González Colón
Governor of Puerto Rico

The Honorable Carlos Méndez Núñez
Speaker of the House of Representatives of Puerto Rico

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico

Dear Governor González Colón, Speaker Méndez Núñez, and President Rivera Schatz:

We write to address some of the pension-related measures introduced before the Legislative Assembly ("Legislature") during the current legislative term and in recent years. These measures propose to modify retirement benefits, eligibility requirements, and other elements of the Commonwealth's retirement system. Given the number and variety of these measures, it is important to underscore the broad fiscal and legal implications of any change to retirement benefits. Their cumulative effect requires that the Commonwealth evaluate any proposed changes for compliance with the Commonwealth Plan of Adjustment (the "POA" or the "Plan"),[1] PROMESA, and the Fiscal Plan for Puerto Rico.

Recent proposals have included, among other things, increases to pension payments and other retirement benefits, cost-of-living adjustments and special bonuses, expansions of the categories of employees eligible for enhanced or earlier retirement benefits, changes to retirement eligibility requirements, modifications to the circumstances under which retirement contributions or benefits may be accessed, and the establishment of new retirement benefit structures or mechanisms. Appendix A lists 18 of the most recent of these measures, two which were vetoed by you, the Governor last year. Although these measures vary in scope and purpose, each has near- and long-term fiscal, actuarial, budgetary, and legal implications that must be evaluated before any measure is enacted.

[1] *Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority*, No. 17-03283, ECF No. 19784 (D.P.R. Jan. 14, 2022).

The Oversight Board recognizes the significant financial challenges faced by many of Puerto Rico's retirees and understands the policy considerations underlying efforts to address retirement security. However, any such effort must be evaluated for compliance with the POA, which had the express support of the Legislature through the enactment of Act 53-2021, known as the "Law to End the Bankruptcy of Puerto Rico,"[2] and which was later confirmed by the U.S. District Court for the District of Puerto Rico through the Confirmation Order,[3] the Final Stipulation and Final Order, pursuant to PROMESA and the Fiscal Plan.

The POA, which sets forth the treatment of the Commonwealth's debt, as well as the treatment of pension holders, is premised on maintaining the Government's considerable pension liabilities at current levels. Section 83.4 of the POA and Paragraph 62 of the Confirmation Order prohibit the Government from enacting new legislation that increases "any defined benefit pension payment or obligation to current or future retirees from or related to any defined benefit plans over the benefits provided by the Plan" for a period of 10 years. The POA also limits any attempt to reverse prior pension reforms, including the elimination of defined benefit accruals and cost-of-living adjustments, except through a specific process that would require the Government—after the Oversight Board's termination—to seek relief from the U.S. District Court and demonstrate need, affordability, lack of financial risk, a reliable funding source, and the insufficiency of defined contribution plans. Any measure that would create or increase defined benefit pension payments or obligations must be evaluated against the POA requirements before enactment. The Confirmation Order is a federal court order binding on the three branches of the Commonwealth Government, and legislation inconsistent with its terms would expose the Commonwealth to unnecessary and costly litigation risk, with little to no chance of success, particularly given the Supremacy Clause of the U.S. Constitution. See U.S. Const. art. VI, cl. 2.

Changes to retirement benefits create long-term obligations and liabilities that compound over decades. This is why all 50 states and the District of Columbia follow rigorous fiscal analysis when considering legislation that impacts the cost of public pensions and retirement benefits. Many state jurisdictions specifically require actuarial notes to evaluate the permanent cost of such proposals. Puerto Rico law lacks pension-funding safeguards that are common practice in most states. Even modest-sounding proposals—an earlier retirement age, a minor adjustment to a benefit formula—can translate into hundreds of millions of dollars in costs over time, as the Commonwealth has painfully come to learn throughout the years. Actuarial notes prepared by independent, qualified actuaries quantify the full fiscal impact of a proposal and give legislators and the public critical information about its true cost before enactment. Requiring them is a necessary, permanent reform to protect the integrity of public pension funding for years to come.

Administration Bill A-152, introduced as Senate Bill 1428 and House Bill 1399 on August 19, 2026 (the "Bill"), together with the measures listed in Appendix A, illustrates these concerns. The Bill proposes the retroactive implementation of a pension increase starting on July 1, 2026. Less than 60 days after enactment of the Fiscal Year 2027 Commonwealth Budget (the "Budget"), the

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[2] *See* Statement of Motives of Act 53-2021, at page 2.

[3] *Order and Judgment Confirming Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority*, No. 17-BK-3283, ECF No. 19813 (D.P.R. Jan. 18, 2022).

Governor and the Legislature are advancing a measure with an immediate fiscal impact that the newly certified Budget does not account for, because the Bill was not considered during Budget development. Its enactment would create an unfunded expenditure not reflected in the Budget and would undermine the fiscal discipline required under PROMESA. It would also place further pressure on a Budget that already carries two areas of significant fiscal risk, given their scale, uncertainty, and structural characteristics: the Medicaid program and the Puerto Rico Department of Education.[4]

Considering these risks, any legislation that creates or increases pension benefits must be evaluated in the context of the permanent reforms necessary to sustain Puerto Rico's fiscal responsibility and financial stability beyond the Oversight Board's tenure. These reforms include institutionalizing multiyear financial planning, budgeting under modified accrual standards ("MAAS"), and ensuring that recurring expenditures are supported by recurring and sustainable revenues. Accordingly, any proposed legislation advanced by the Executive as an administration bill, or introduced by the Legislature, to increase pension benefits must be supported by a comprehensive independent actuarial analysis and fiscal scoring that identifies the full annual and long-term costs, including any retroactive costs, incorporates those costs into the Government's multiyear financial projections, and recognizes the resulting expenditures in the appropriate fiscal periods consistent with applicable MAAS requirements, together with a recurring and sustainable source of funding.

The availability of funds in a particular fiscal year is not sufficient to demonstrate that a permanent pension benefit is affordable or sustainable. Establishing a recurring pension obligation without fully accounting for and funding all its costs is fiscally irresponsible, hinders Puerto Rico's financial recovery, and risks returning Puerto Rico to the spending practices that led to its bankruptcy and the enactment of PROMESA. It would also undermine the implementation of the permanent fiscal reforms necessary to preserve balanced budgets and fiscal discipline after the Oversight Board's tenure ends, and potentially erase any progress attained to date.

The Oversight Board is willing to engage with the Government and the Legislature to explore opportunities to develop a responsible framework that addresses the financial challenges faced by Puerto Rico's retirees, while adhering to the restrictions established pursuant to the POA and ensuring consistency with PROMESA and the Fiscal Plan.

Please note that the Oversight Board reserves the right to take such actions as it deems necessary, consistent with PROMESA §§ 104(k), 108(a), and 204, including seeking remedies to prevent implementation and enforcement of legislation that is inconsistent with the POA, PROMESA, and the Fiscal Plan. We hope such action will be unnecessary.

We look forward to continuing to work together for the benefit of the people of Puerto Rico.

[4] *See* https://drive.google.com/file/d/1KymxgwlA_V7VOChic6ayKrQdoRDfMmbm/view.

Sincerely,

Robert F. Mujica, Jr.
Executive Director

CC: Ms. Norma E. Burgos Andújar
Ms. Vicky González Vega
Mr. Orlando Rivera Berríos
Mr. Arnaldo J. Ortiz Miranda

**APPENDIX A**

| Measure | Filing Date | Authors | Brief Summary | Structural Topic | Legislative Status |
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| P. de la C. 45 | January 2, 2025 | Hon. María de Lourdes Ramos Rivera and others | Safeguards public retirement annuities against inflation by applying an immediate 10% baseline increase, followed by matching annual federal COLA increments. | Retirement & Benefits | Pending (In House Committees) |
| P. de la C. 239 | January 14, 2025 | Hon. Wilson Román López | Establishes a tax-exempt annual bonus out of the General Fund to compensate public pensioners for inflation, anchored directly to federal COLA percentages. | Retirement & Finance | Pending (In House Committees) |
| P. de la C. 374 | February 28, 2025 | Hon. Omayra Martínez Vázquez | Amends Act 447-1951 to integrate 'Chiefs of Juvenile Institutions' into the 'High-Risk Public Servants' category for early retirement access. | Public Personnel & Benefits | Approved by House (Pending Senate Review) |
| P. de la C. 600 | May 6, 2025 | Hon. Pedro Santiago Guzmán | Amends Act 447-1951 to grant active-duty police officers and firefighters the right to voluntarily defer retirement and extend service up to age 66. | Public Safety & Labor | Approved by House (Pending Senate Committee) |
| P. de la C. 617 | May 9, 2025 | Hon. Carlos Méndez Núnez | Amends Act 160-2013 to mandate a unified, tax-exempt $600 annual Christmas bonus paid from the General Fund to all retired public school educators. | Retirement & Education | Pending (In House Committees) |
| P. de la C. 618 | May 9, 2025 | Hon. Carlos Méndez Núnez | Enacts an immediate structural boost of $500 monthly to all active teacher retirement pensions, with a mandated 3% COLA raise applied every three years. | Retirement & Education | Pending (In House Committees) |
| P. de la C. 661 | May 12, 2025 | Hon. Ensol Rodríguez Torres; José F. Aponte Hernández | Amends Act 447-1951 to classify field agents working under the SIB (NIE) as high-risk servants, allowing retirement at age 55 with 30 years of service. | Public Safety & Retirement | Pending (In House Committee) |

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| P. de la C. 784 | August 18, 2025 | Hon. Denis Márquez Lebrón; Carlos Méndez Núnez | Allows active government workers diagnosed with terminal or catastrophic medical conditions to draw a total or partial lump-sum advance of their individual savings. | Retirement & Healthcare | Approved by House. Senate made amendments House did not concur with. Conference Committee requested. |
| P. de la C. 801 | August 21, 2025 | Hon. Ramón A Torres Cruz | Extends the 'High-Risk Public Servants' early retirement classification to District Attorneys, Assistant Fiscal Prosecutors, and Juvenile/Family Advocates. | Judiciary & Public Personnel | Pending (In House Committee) |

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| P. de la C. 1043 | January 14, 2026 | Hon. Roberto López Román | Modifies Act 26-2017 to exempt civilian correction support staff from capped leave rules, boosting vacation leave accumulation to 2.5 days monthly. | Labor & Public Personnel | Pending (In Senate Committees) |
| P. de la C. 1064 | January 19, 2026 | Hon. José Torres Zamora; Héctor Ferrer Santiago | House companion bill classifying court marshals as High-Risk Public Servants at age 55, while elevating the mandatory retirement ceiling to age 62. | Judiciary & Safety | Approved by House (Pending Senate Review) |
| P. de la C. 1076 | January 26, 2026 | Hon. Edgar Robles Rivera | Designates Weights and Measures Inspectors under DACO as 'Law Enforcement Agents' authorized to carry firearms, granting high-risk retirement status. | Commerce & Public Safety | Pending (In House Committee) |
| P. del S. 362 | February 24, 2025 | Hon. María de Lourdes Santiago Negrón; Adrián Gómez Costa | Establishes a 10% baseline increase for public annuities under $3,000, and mandates annual raises tied directly to federal Social Security COLA adjustments. | Retirement & Benefits | Pending (In Senate Committee) |
| P. del S. 429 | March 19, 2025 | Hon. Rafael Santos Ortiz | Amends Act 447-1951 to permit workers who permanently separate from service to care for a child with a disability or terminal illness to access full retirement savings. | Labor & Family Care | Pending (In Senate Committee) |
| P. del S. 647 | May 22, 2022 | Hon. Thomas Rivera Schatz; Sen. Gregorio Matías Rosario | Exempts firefighters from Act 106-2017 to create a Trust Fund financed by a new fire prevention certification fee on short-term rentals (e.g., Airbnb). | Public Safety & Finance | Pocket vetoed |
| P. del S. 704 | May 22, 2025 | María de Lourdes Santiago Negrón; Adrián Gómez Costa | Amends Act 447-1951 to establish an expedited system allowing participants diagnosed with terminal or catastrophic conditions to receive total savings reimbursement. | Retirement & Health | Pending (In Senate Committee) |

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| P. del S. 1021 | January 29, 2026 | Hon. Thomas Rivera Schatz | Integrates court marshals into the statutory definition of High-Risk Public Servants under Act 447-1951, enabling voluntary retirement at age 55. | Judiciary & Retirement | Pocket vetoed |
| P. del S. 1428 | August 20, 2026 | Hon. Thomas Rivera Schatz | Amends Act 447-1951 and Act 160-2013 to establish a mandatory minimum monthly floor of $1,000 for all retired public employees and teachers. | Retirement & Finance | Pending (In Senate Committee) |