Public pensions in Puerto Rico face possible insolvency

By Editor Test *Wed, Nov 28, 2012*

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After shortchanging its public retirement funds for years, Puerto Rico now has the weakest major public pension system in America, according to a report in yesterday's *New York Times*.

The main fund, which serves about 250,000 government workers, current and retired, is only 6% funded and could run out of money as early as 2014. Another fund, for about 80,000 teachers, which is 20% funded, is in almost as bad shape.

Police officers and teachers in Puerto Rico rely entirely on their pensions, having opted out of Social Security. The commonwealth itself has had trouble issuing bonds at attractive rates to cover its short-term financing needs.

"For now, I'm not totally shaken about the possibility of the fund going broke," said Jorge Ramón Román, a 78-year-old retired instructor for the island's Civil Air Patrol. "But I do fear for the future, when I'll be an even older person, more infirm and with less of a pension."

Héctor M. Mayol Kauffman, the executive director of the pension system, said it would be impossible to cut the benefits of retirees, citing court precedent. Puerto Rican officials were racing this fall to put together a rescue plan for the pension fund.

Voters, though, pushed out Gov. Luis Fortuño, who had tried austerity measures that included cutting tens of thousands of government workers along with a revamping of the fund. They elected Alejandro García Padilla, who promised to create 50,000 new jobs in the next 18 months.

After a close race, Fortuño requested a recount. García Padilla's party had dropped out of the retirement overhaul effort, but the governor-elect says he will deal with the looming pension crisis with "diligence and promptness" and has put together a task force of economists and financial advisers. "We will not leave retired government workers stranded at a bus stop in their older years," he said.

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