

Puerto Rico's public pensioners hire Clark Hill and Professional Services Corp.

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by Xavira Neggers Crescioni and Simone Baribeau



Bob Gordon,
Clark Hill Attorney

Retirees from Puerto Rico's five public pension funds have hired Clark Hill attorney Bob Gordon and former Employment Retirement System (ERS) Administrator Hector Mayol to represent them during the island's \$105B restructuring, said coalition spokesman Jose Marin Martinez.

The coalition, which represents 180,000 retirees, is known as Puerto Rico's Pro Pensioner Movement (Movimiento Pro Pensionado). It formed two weeks ago to combat any further cuts to retirees' benefits that may be part of the island's restructuring, said Martinez, who is a retired policeman.

The group is seeking meetings with Governor Ricardo Rossello, members of the Puerto Rico's Financial Oversight and Management Board, as well as administrators of the island's five public pension funds: ERS, Teachers Retirement System, Judicial Retirement System, University of Puerto Rico's retirement system, and the Puerto Rico Electric Power Authority's retirement system, Martinez said.

"As things now stand, the trustees of these systems have not been defending retirees, and that is why we hired Gordon and Mayol," Martinez said, adding that 39% of the island's retired government workers receive \$500 a month or less in pensions.

Last week, the oversight board recommended Rossello cut public employees' pension benefits by 10%, and in 2013, Governor Alejandro Garcia Padilla passed a Law which cut retirees' summer and Christmas bonus payments by \$500 a year.

Gordon is a restructuring attorney who counts among his specialties safeguarding creditor rights, Clark Hill reported. He was Special Restructuring Counsel to the Detroit Retirement Systems in the City of Detroit Chapter 9 bankruptcy proceedings.

Mayol, attorney for Professional Services Corp., is a veteran financial advisor who headed the island's public pension funds under former Governor Luis Fortuño.

Both Gordon and Mayol said they are confident they can work out a solution to the commonwealth's cash-strapped pensions funds.

"We look forward to working with the Ad Hoc committee to provide a voice to the protection of accrued public pensions and other retirement benefits in Puerto Rico's historic financial restructuring," Gordon said, sentiments Mayol echoed.

Former and current interim ERS Administrators Pedro Ortiz and Natalia Palmer welcomed the move by pensioners to protect their rights.

"It's great that pensioners are actually unifying their voices on this issue. At the same time, the retirement system is making every effort to ensure that pensions get paid," said Palmer, who noted DLA Piper is representing the ERS "with everything that has to do with the possible restructuring of our debt."

The governor is not, at this point, agreeing with the oversight board over the reduction in pension that they had suggested. Efforts from the governor and the administration are to ensure that pensions retain their current state, Palmer said.

The system is making "every effort to guarantee that our retirees have a very dignified retirement," Palmer said.

A \$140.3M tranche of 2008 senior pension funding bonds issued at 99 and 6.55% that mature in 2058 last traded in odd lots at 41.85 to yield 15.648% on 17 January, reported *Electronic Municipal Market Access*. Moody's Investors Service last rated the issue at Ca on 1 July 2016, while S&P Global gave it a CC rating on 10 September 2016 and Fitch a C rating on 24 June 2016.

Robert D. Gordon is a member of Clark Hill's Corporate Restructuring & Bankruptcy Practice Group. Robert focuses his practice in the areas of corporate and public-sector reorganization, bankruptcy and insolvency-related matters, debtor and creditor rights, workouts, and related commercial litigation.

Contact Robert at 248.988.5882 or rgordon@clarkhill.com.

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