

Puerto Rico Exits Bankruptcy, Solidifying the Protection of Retirees' Interests

News

February 7, 2022

On January 18, 2022, US District Court Judge Laura Taylor Swain confirmed the Plan of Adjustment for the Commonwealth of Puerto Rico in the Commonwealth's restructuring case under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), ending the largest public-sector restructuring case in US history, and one of the most complex restructuring cases of any kind. The Title III cases of the Commonwealth and affiliated debtors address approximately \$80 billion of public debt and \$55 billion of pension liabilities.

The plan reduces the Commonwealth's hard debt from approximately \$34 billion to \$7.5 billion, with additional recoveries available pursuant to "contingent value instruments" if certain economic performance metrics exceed fiscal projections. Against the backdrop of this massive discharge of debt, the accrued pension benefits of 167,000 government retirees are fully protected from any reductions. This result is particularly remarkable considering the Commonwealth's three retirement systems were essentially completely broke (average of 1.5% funding level) as of the commencement of the Title III case. And during the more than four and a half years of the Title III case, no pension payments were missed; all were paid timely out of the central government's cash flow.

Led by Robert D. Gordon, Jenner & Block served as counsel for the Official Retiree Committee and its constituency. The team achieved significant milestones along the way, including negotiating the maximum pension cut from 25 percent to 8.5 percent; protecting the retirees' assets from bondholders; and securing a favorable settlement to protect the interests of the retirees. In addition to Mr. Gordon, the core restructuring team includes Partners Catherine L. Steege, Melissa M. Root, Richard Levin, Landon S. Raiford, and Marc B. Hankin, and Special Counsel Carl N. Wedoff.

The achievements obtained for the retirees would also not be possible without the counsel of Partners Ian Heath Gershengorn, Lindsay C. Harrison, Adam G. Unikowsky, Tassity Johnson, and Keri Holleb Hotaling; Of Counsel Carter H. Klein; Special Counsel Laura E. Pelanek; Associates William A. Williams, Adam T. Swingle, Katie Rosoff, and Anna Windemuth; and many, many others who have worked on the matter over the years.

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