

**FOMB SUMMARY OF PROVISIONS OF PROPOSALS FOR UNION NEGOTIATIONS**

*In re Commonwealth of Puerto Rico, Title III Case No. 17 BK 3283-LTS*

*May 14, 2019*

THIS SUMMARY OF TERMS IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A PLAN OF ADJUSTMENT FOR PURPOSES OF PROMESA, SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR OTHERWISE. ANY SUCH OFFER OR SOLICITATION WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF PROMESA AND THE BANKRUPTCY CODE. NOTHING CONTAINED IN THIS SUMMARY OF TERMS SHALL BE AN ADMISSION OF FACT OR LIABILITY OR, UNTIL THE OCCURRENCE OF THE AGREEMENT EFFECTIVE DATE ON THE TERMS DESCRIBED HEREIN, DEEMED BINDING ON ANY OF THE PARTIES HERETO.

Below is a summary of provisions of proposals for Union negotiations for the American Federation of Teachers (“AFT”), AMPR, and AMPR-LS regarding:

- Collective Bargaining Agreements (“CBAs”)
- Freeze of TRS defined benefits
- Upside Fiscal Plan Surplus Sharing Agreement

Additional details can be found in the appendix, including definitions and timing for each of the proposals.

The word “lawfully” as used in this Agreement (e.g. “lawfully” amended, “lawfully” provided, “lawfully” implemented, etc.) shall mean terms of employment not barred from implementation by a court of competent jurisdiction.

The parties agree that the terms of all aspects of this Agreement shall not be made available to employees represented by any other exclusive representative other than to employees represented by an exclusive representative that has:

1. expressly agreed to the provisions of this Agreement; and
2. expressly pledged to support the Plan of Adjustment.

If the Government proposes more beneficial economic terms of employment for unrepresented employees, or employees represented by an exclusive representative certified in accordance with Act 45, and such more beneficial economic terms are lawfully implemented, such more beneficial economic terms shall be provided to AFT, AMPR, and AMPR-LS bargaining unit employees.

The parties also agree that the Oversight Board will reimburse AFT, AMPR and AMPR-LS’s reasonable professional fees and expenses incurred to represent the interests of AFT, AMPR and AMPR-LS in connection with the negotiation and implementation of this Agreement and the resolution of issues pertaining to pensions. For the avoidance of doubt, such reasonable professional fees and expenses not to include any fees and expenses relating to AFT’s/AMPR’s membership on the Official Creditors’ Committee.

This summary is for settlement purposes only and is not a commitment by any party to enter into a transaction. The agreement of the parties shall be subject to execution and delivery of definitive documentation. If executed, the terms of such definitive documentation shall control.

This summary and related discussions are confidential and entitled to the protection of Rule 408 of the Federal Rules of Evidence and any other applicable statutes or doctrines protecting the use or disclosure of confidential information or settlement discussions. The proposed terms remain subject to further negotiation and analysis, and nothing herein shall be an admission of fact or any liability, a waiver of any right or claim, or be deemed binding on any party.

In exchange for the Commonwealth agreeing to this term sheet, AFT, AMPR and AMPR-LS agree to support and take any and all commercially reasonable, necessary, or appropriate actions to facilitate, implement, and consummate a plan of adjustment proposed by the Oversight Board on behalf of the Commonwealth and any retirement system applicable to AFT, AMPR and AMPR-LS represented employees (a “POA”), which complies with the provisions of PROMESA, including, without limitation, by working cooperatively with the Oversight Board to prepare and execute any documentation necessary and by giving any notices, orders, instructions, or directions to its active and retired members that are commercially reasonable, necessary, or appropriate to support, facilitate, solicit acceptance of, implement, or consummate, or otherwise give effect to the POA, including, without limitation, inclusion of a letter from AFT, AMPR and AMPR-LS in the solicitation package for the POA recommending its acceptance by active and retired members entitled to vote. AFT, AMPR and AMPR-LS further agree not to take any action that would reasonably be expected to prevent, interfere with, delay, or impede the confirmation, implementation, and consummation of the POA.

In turn, the Oversight Board will propose terms in the Commonwealth POA, subject to definitive documentation, to the effect of:

To the maximum extent allowed by law, and the Oversight Board having consented for all purposes including PROMESA section 305, all payment and other obligations under the Plan of Adjustment, including those under the CBA shall remain, until satisfied, enforceable by any and each of the Oversight Board and the obligees, and the Plan of Adjustment shall not be changed by the Commonwealth other than with the consent of the obligees or pursuant to a new Title III case and confirmed and effective Plan of Adjustment. The Commonwealth expressly waives any legal claims it may have that the CBAs are invalid under Puerto Rico law.

This Agreement shall be binding upon the Commonwealth and the Oversight Board and any of their respective successors or assigns. The Oversight Board will use reasonable efforts to obtain the consent of any successor Oversight Board to this Agreement. AFT, AMPR and AMPR-LS shall not be required to adhere to the Agreement in the event that any laws required to effectuate the terms of the Agreement are not implemented or in the event that laws that would actually and materially impair the ability of either party to perform its obligations under the Agreement are implemented.

The Oversight Board will consult with AFT, AMPR and AMPR-LS during its negotiation of the terms of the POA and its drafting of the POA and confirmation order to solicit AFT, AMPR and AMPR-LS’s suggestions and input regarding debt service and applicable confirmation standards. To this end, the Oversight Board will provide AFT, AMPR and AMPR-LS with a briefing of its projected annual debt service obligations and the standards or benchmarks used in the development of such projected payments within ten (10) days of the execution of this term sheet. Such briefing shall include, but not be limited to, identification of annual aggregate projected debt service payments, by fiscal year, through 2050 or such longer period as developed by the Oversight Board and its professionals. Relevant data such as projections of revenue, economic forecast assumptions and projected expenditures for government services shall be included in such briefings. The Oversight Board shall notify and brief AFT, AMPR and AMPR-LS of any material changes in contemplated annual debt service payments and factors bearing on the determination of such payments, as the Oversight Board position changes. In all

discussions, the Oversight Board agrees to consider AFT, AMPR and AMPR-LS's input prior to making a final determination of future debt service payments. All consultation and exchange of information provided for or contemplated by this provision will be subject to a non-disclosure agreement reasonably acceptable to the parties, including appropriate limitations on recipients of such information.

Similar to states' best practices regarding the gradual funding of pension plans, the Oversight Board will propose terms in the Commonwealth POA and, as applicable, any relevant retirement system POA, subject to definitive documentation, to the effect of:

The Oversight Board having consented for all purposes including PROMESA section 305, all payment and other obligations under the Plan of Adjustment, including the Commonwealth's PayGo obligations, shall remain, until satisfied, enforceable by any and each of the Oversight Board and the obligees, and the Plan of Adjustment shall not be changed by the Commonwealth other than with the consent of the obligees or pursuant to a new Title III case and confirmed and effective Plan of Adjustment.

The Commonwealth shall establish a Pension Reserve Fund. Such Pension Reserve Fund will be held in trust for the sole benefit of the beneficiaries of PayGo, and managed by a third-party investment adviser mutually agreeable to the Board and the independent pension oversight entity, selected via RFP.

The Plan of Adjustment for the Commonwealth will provide that the Commonwealth shall make annual contributions to the Pension Reserve Fund from the Commonwealth General Fund until FY2027 in an amount no less than \$175 million per year; provided further that for any fiscal year ending post-effective date contained in the Certified Fiscal Plan in effect as of the effective date for the Plan of Adjustment for the Commonwealth in which the projected Fiscal Plan Surplus is at least \$1.750 billion, the Commonwealth shall make a contribution to the Pension Reserve Fund from the Commonwealth General Fund in an amount equal to 25% of the projected Fiscal Plan Surplus that year.

Amounts from the Pension Reserve Fund, including investment returns, will be withdrawn in a formula to be determined to reduce the Commonwealth cash outlays from the General Fund for annual PayGo expense. Any withdrawals from the Pension Reserve Fund will require approval of the independent pension oversight entity and shall only be used by the Commonwealth for the payment of PayGo.

**APPENDIX I  
PROPOSED CHANGES TO COLLECTIVE BARGAINING AGREEMENTS**

Below is a summary of proposed changes to the CBAs for the AFT, AMPR and AMPR-LS for the Commonwealth of Puerto Rico. Only those Union affiliate CBAs listed in the Definitions table below were reviewed.

<b>Definitions</b>	
<b>Administration</b>	The management for the division (agency/grouping) in which the employee is assigned.
<b>Department</b>	The division (agency/grouping) in which the employee is assigned.
<b>Union affiliates</b>	Teachers' Association of Puerto Rico and Department of Education <sup>1</sup> .

<b>Timing</b>	
<b>Terms</b>	Five (5) year CBAs effective as of the POA Effective Date.
<b>Implementation</b>	Commonwealth Plan of Adjustment

<b>More detailed provisions of the proposal</b>	
<b>Terminations / Layoffs</b>	<p><b>Section 1</b> In the event that the Administration needs to carry out downsizing of personnel (layoffs) to comply with the provisions of the approved Fiscal Plan, the parties agree to the following:</p> <p style="margin-left: 40px;">A. <b>Temporary Suspension.</b> The immediate commencement of the layoff plan will entail the automatic suspension of any clause, precept and/or provision applicable to employees and/or positions covered by this agreement, contained in laws, collective bargaining agreements, agreements, supplementary agreements, policies, employment handbooks, circulars, contract letters, certifications, regulations, rules and conditions of employment, regulatory letters, classification plans and/or retribution plans, regarding:</p> <ul style="list-style-type: none"> <li>a. Promotions, demotions, relocations and/or transfers.</li> <li>b. Retention and layoff, which conflicts with what is adopted in this provision.</li> <li>c. Downsizing of workforce or layoff, as well as any other provisions that require observing certain necessary measures prior to the implementation of any downsizing of workforce or layoff.</li> <li>d. Any provision that impedes assigning corresponding tasks to a group of employees, class of positions, levels, union unit, or appropriate unit.</li> </ul>

<sup>1</sup> The CBA dated 8/12/16 was a summarized version and did not include all economic terms due to current legislation.

- e. Any provision that impedes consolidating tasks in positions, classes of positions, or levels.
- f. Provisions as to limitations of the Administration’s administrative rights; except in that which is not in conflict with this provision.
- g. Provisions or clauses where the Administration agrees to faithfully comply with what is agreed or covenanted, with respect to the issues that are in conflict with the provisions of this article.
- h. Procedures for resolving disputes, complaints and grievances, revisions, arbitration, and/or appeal that are in conflict with the provisions that, with respect to those areas, are provided in this provision.
- i. The suspension of the clauses and provisions described in subsection (a) of this Article will be for a term of five (5) years, and the Administration may reduce this period after the Financial Oversight Board certifies compliance with the objectives of the Administration and/or Department’s Fiscal Plan.

**B. Layoffs.**

- a. In view of the state of fiscal emergency, the scarcity of fiscal resources, the gravity of the problems that the Administration faces, and the urgency required to correct the fiscal problems, it is exempted from exhausting measures such as relocation of personnel, retraining employees, the enjoyment of accrued vacations, the enjoyment of unpaid leave, a reduction in work hours, or demotions, prior to implementing the layoffs.
- b. The Administration will notify in the first place the termination to all employees of the appropriate unit who as of the date of effectiveness of this Agreement have a temporary or irregular appointment (if any), so that it will not be necessary to observe, with respect to these employees, the criterion of seniority. The notification will be made by hand delivery or by certified mail, return receipt requested, to the address that appears in the Administration’s files.
- c. Prior to any layoffs of bargaining unit members, temporary or irregular appointments shall first be terminated. The layoffs of employees with permanent or career appointment will be carried out observing exclusively the criterion of seniority by the Department of Education’s occupational classification affected by the layoff and consonant with the need to ensure the continuity and quality of Administration services, so that those who have less seniority in each affected occupational classification will be laid off in the first place.
- d. In order to determine the seniority of affected employees, the collective bargaining agreements, regulations, circulars, and other normative documents will control.
- e. The Administration will notify the layoffs at least thirty (30) calendar days in advance of the date of effectiveness, through written communication addressed to the employee and to the Union, indicating the date of effectiveness thereof.

	<p>f. The affected employee and Union may request a review of the final determination made by the Administration, only as to their seniority and the occupational classification, within a period no greater than thirty (30) calendar days from receipt of the notification from the Administration.</p>																														
<p><b>Healthcare plan / Medical services</b></p>	<p><b>Section 1</b> The Administration shall cover the cost of Basic Coverage, equal to \$170.00 per month or such greater amount that the Administration may lawfully authorize, including Pharmacy services and all employees, regardless of marital status or relationship, shall be entitled to the contribution. The Administration shall recognize a single employer contribution per employee.</p> <p><b>Section 2</b> Employees have opted for syndication and shall be entitled to have a exclusive representative negotiate on their behalf regarding all matters concerning health benefits and the contracting of a health plan. The exclusive representative shall designate a Health Plans Evaluating Committee to represent the different sectors and interests of the members. This committee shall be responsible for the analysis and evaluation of all health plans in the market in order to select those that offer the lowest and most reasonable premiums, the best coverage and health services benefits and the best medication coverage.</p> <p><b>Section 3</b> The exclusive representative shall call the members to an Assembly in which he/she shall present the health plans selected by the Committee, so that the Assembly, by the express vote of the majority constituting quorum to such effects, selected the health plan that better suits its needs. Once the health plan has been selected in a legally convened Assembly, it shall be compulsory for all the members represented by said exclusive representative.</p>																														
<p><b>Holidays</b></p>	<p><b>Section 1</b> Holidays shall include all twenty-four (24) hours, after midnight, of the calendar day in question.</p> <p><b>Section 2</b> The Administration recognizes that the days listed below shall be paid holidays for employees covered by this Collective Bargaining Agreement. Provided, that the Administration shall have the right to assign work to the members of the Appropriate Unit in any of them, when the need for service so requires. The time worked shall be compensated in time and a half (1½) of the time worked. On years where general elections shall be held, Election Day shall be considered as included among the holidays listed below.</p> <table border="1" data-bbox="386 1375 1507 1864"> <thead> <tr> <th></th> <th><b>Date</b></th> <th><b>Holiday</b></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>January 1st</td> <td>New Year's Day</td> </tr> <tr> <td>2</td> <td>January 6th</td> <td>Three Kings' Day</td> </tr> <tr> <td>3</td> <td>Third Monday of January</td> <td>Dr. Martin Luther King Day</td> </tr> <tr> <td>4</td> <td>Third Monday of February</td> <td>George Washington / Presidents' Day</td> </tr> <tr> <td>5</td> <td>March 2nd</td> <td>American Citizenship Day</td> </tr> <tr> <td>6</td> <td>March 22nd</td> <td>Abolition of Slavery Day</td> </tr> <tr> <td>7</td> <td>Movable</td> <td>Good Friday</td> </tr> <tr> <td>8</td> <td>Last Monday of May</td> <td>Memorial Day</td> </tr> <tr> <td>9</td> <td>July 4th</td> <td>Independence Day</td> </tr> </tbody> </table>		<b>Date</b>	<b>Holiday</b>	1	January 1st	New Year's Day	2	January 6th	Three Kings' Day	3	Third Monday of January	Dr. Martin Luther King Day	4	Third Monday of February	George Washington / Presidents' Day	5	March 2nd	American Citizenship Day	6	March 22nd	Abolition of Slavery Day	7	Movable	Good Friday	8	Last Monday of May	Memorial Day	9	July 4th	Independence Day
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10	First Monday of September	Labor Day
11	October 12th	Race Day (Discovery of America)
12	November 11 <sup>th</sup>	Veteran’s Day
13	November 19 <sup>th</sup>	Discovery of Puerto Rico
14	Fourth Thursday of November	Thanksgiving
15	December 25 <sup>th</sup>	Christmas

**Section 3** The Administration recognizes that holidays that fall on a Sunday shall be enjoyed during the next day and holidays that fall on a Saturday shall be enjoyed on the previous business day.

**Section 4** Days or half days that by proclamations of the Governor of Puerto Rico or the President of the United States are declared as holidays to be observed in Puerto Rico, shall also be considered paid holidays and included as part of the previous list, as long as they are not discounted from ordinary leave.

**Sick leave**

**Section 1** All members of the Appropriate Unit covered by this CBA, which were hired prior to February 4, 2017 shall have the right to accrue sick leave at the rate of one and a half days (1½) for each month of service. Members hired after February 4, 2017 shall accrue at the rate of one (1) day for each month of service.

**Section 2** Sick leave may be accrued up to a maximum of ninety (90) business days at the end of each fiscal year. Accrual shall commence once the employee has provided services for a period of three (3) months, and will be effective retroactively until the date when the employee began in the public service.

**Section 3** Accrued sick leave days that have not been enjoyed shall not be liquidated in any way.

**Section 4** Sick leave shall be used:

- A. When the employee is sick, physically or mentally incapacitated, or exposed to a contagious disease which requires his absence from work to protect his or other persons’ health.
- B. A maximum of five (5) days a year may also be used for the following, provided that the employee has accrued a minimum balance of twelve (12) days:
  - a. The care and attention of his sick children.
  - b. Management of sick, elderly or disabled persons within his familiar nucleus, within the fourth degree of consanguinity, second of affinity, persons that live within the same household, persons over which employee has legal custody or guardianship.
  - c. First appearance of any petitioner, victim or complainant before the Department, Agency, Corporation or Public Instrumentality of the Commonwealth of Puerto Rico, in matters regarding alimonies, domestic violence, sexual harassment in the workplace or gender-based discrimination.

- B. The employee shall present evidence issued by the competent authority which credits such appearance.
- C. For the purposes of this Section, the following definitions shall apply:
  - a. “Elderly person”: any person sixty (60) years or older.
  - b. “Person with disabilities”: any person with a physical, mental or sensory disability that substantially limits one (1) or more essential activities in her life.

**Section 5** Only in sickness absences for more than three (3) consecutive days shall the employee submit a medical certificate justifying such absences. Notwithstanding, the employee or any of his relatives must notify his immediate supervisor of his absence. This shall be applied or interpreted in a manner consistent with the Americans with Disabilities Act, better known as ADA, the Family Medical Leave Act of 1993, or any other applicable law.

**Section 6** In the event that the employee exhausts his sick leave and remains ill, he may use the leave he has accrued, in accordance with the provisions of applicable law.

**Section 7** Sick leave charges shall be made on the basis of the working day’s daily work assigned to the employee, it being understood that it shall not be charged for days off in cases where the employee works rotating shifts or for holidays.

**Section 8** When a member of the Appropriate Unit covered by this Collective Bargaining Agreement is using his / her sick leave, he / she shall be entitled to the accrual of regular and sick leave for the time that he / she is enjoying sick leave, as long as he / she is reinstated to his / her job once such enjoyment is finished.

**Section 9** The Administration may advance sick leave up to a maximum of eighteen (18) working days, to any member of the Appropriate Unit covered by this CBA which requests it by presenting proper justification. He must have worked for the Administration for one (1) year or more. Advanced leave may only be granted after the accrued sick leave have been exhausted.

**Section 10**

- A. **Leave for Parents with Children with Physical and / or Mental Disabilities.** In an effort to project itself as an exemplary agency in the treatment of persons with disabilities, the Administration will authorize as official time one (1) day per month to the parents of children with disabilities in order for them to take their children to their appointments and treatments. The parents must notify the date of the appointment or treatment as soon as they become aware of it and in turn must provide a certificate from the health and / or therapeutic services provider of the minor who officially classifies him as a person with disabilities.

They must also submit a medical certificate that proves that the employee accompanied their child to the appointment or medical treatment. In case both parents or custodians are members of the Appropriate Unit, the license shall be shared between both, in the way that they prefer to do it.

	<p><b>B. Leave for Elderly Persons.</b> In the same way, the Administration shall authorize that this same day can be used for appointments and treatments for Elderly Persons. The person in charge must notify the date of the appointment or treatment as soon as he / she becomes aware. The employee in turn must provide a certificate of birth of the elderly person evidencing that he / she is sixty (60) years or more. They must comply with Section 11’s provisions.</p> <p><b>Section 11</b> The Administration shall authorize the father or mother of children with disabilities to stay with them when they are hospitalized. The father or mother must submit evidence of the hospitalization and the duration of the hospitalization. The Administration shall authorize that the days that the employee takes to take care of his / her sick child are discounted from his / her sick leave. So that the licenses are not affected in a dangerous manner, the member of the Appropriate Unit that requests this special license must leave accrue fifteen (15) or more days due to illness.</p>
<p><b>Vacation leave</b></p>	<p><b>Section 1</b> Employees will continue accruing vacation leave under the current accrual rates provided by the Department, currently accrued at 4 days per month.</p> <p><b>Section 2</b> Regular vacation leave days that have not been enjoyed during the 12 month school year period, as designated by the Department, in which they were accrued shall not be transferred to the next school year. Regular vacation leave shall be accrued up to a maximum of sixty (60) business days at the end of each school year.</p>
<p><b>Additional Language for Holidays, Sick and Vacation Leaves</b></p>	<p><b>Section 1</b> For the avoidance of doubt, to the extent there are inconsistencies between this Agreement and the provisions of Act 26-2017 regarding Holidays, Vacation Leave, Sick Leave and other Leaves, the provisions of Act 26 as enacted in 2017 shall apply for the duration of this Agreement, except that Union members shall retain Funeral Leave as provided in the CBA. Amendments to Act 26-2017 to improve Holidays, Sick, Vacation and other leaves leave benefits shall be incorporated into this Agreement if lawfully adopted by the Government.</p>
<p><b>Bonuses</b></p>	<p><b>Section 1</b> To comply with the Fiscal Plan in force and during the term of this Agreement, employees shall be entitled to only those bonuses that are provided for in the certified Budget for the Commonwealth or otherwise lawfully granted by the Administration.</p>
<p><b>Teachers’ day</b></p>	<p><b>Section 1</b> Teachers’ Day shall be dedicated to recognizing the work and dedication of teachers of all levels. This shall be established in the Department’s official school calendar.</p>
<p><b>Institutional representation</b></p>	<p><b>Section 1</b> The Administration will provide for appointment of a Union labor representation board, consisting of 4 individual members, appointed by the Union to represent labor.</p> <p><b>Section 2</b> The members may be appointed for terms of 12 months, and may be reappointed by the Union.</p> <p><b>Section 3</b> The members will meet with representatives of Department of Education management three (3) times a year to discuss and share perspectives on Department status, actions and proposed future plans, to include school closures, restructuring actions and future identification and development of new schools and transition plans.</p> <p><b>Section 4</b> For the avoidance of doubt, these three (3) meetings a year with the Department are not a substitution for collective bargaining.</p>

	<p><b>Section 5</b> The members will meet with representatives of the Financial Oversight and Management Board on an annual basis to discuss and share perspectives on the Commonwealth fiscal plan and budget.</p> <p><b>Section 6</b> The three (3) meetings with the Department and annual meeting with representatives of the Financial Oversight and Management Board will be provided for members by allowing members to attend with a half day of paid time off, in addition to their normal vacation time.</p>
<p><b>Full Agreement</b></p>	<p>The provisions of the term sheet combined with both the current CBA and the protections currently afforded the members pursuant to existing statute and/or Department of Education regulation shall constitute the CBA commencing on the POA Effective Date, (the “Operative CBA”) [unless the AMPR-LS has entered into a Board approved CBA with the governor prior to that date, which shall, in such case, serve as the Operative CBA .] For illustrative purposes and pending completion of the Operative CBA, attached is a schedule (“Schedule A”) that AFT/AMPR asserts contain the aforesaid protections for members, to the extent identified by AFT/AMPR as of this date (the “Laws”). Only those Laws that meet the criteria of the first sentence of this paragraph and are mutually agreed upon by the Board and AFT/AMPR will become part of the Operative CBA. Nothing contained herein shall prohibit changes to the Operative CBA by mutual agreement of the parties to the term sheet. For the avoidance of doubt, to the extent there are inconsistencies between the term sheet and any provision of the Laws, the provisions of the term sheet shall apply.</p>
<p><b>Dues Deduction, Charges</b></p>	<p><b>Section 1</b> During the term of this Agreement and during any extension thereof, the Department shall deduct from the salary of each bargaining unit employee who authorizes payroll deduction of union dues or payments on a form provided by the union the regular dues that the Union certifies in accordance with its regulations and the applicable provisions of Act 45 as amended. The dues amount shall be reported to the Department by the Union. For such purposes, the Department shall notify the Department of the Treasury of dues charges to be deducted from employees included in the Appropriate Unit within thirty (30) working days from the date on which the Union informs the Department regarding the amount to be deducted.</p> <p><b>Section 2</b> The Department shall send a copy to the Union on a monthly basis of the list provided by the Department of the Treasury, reflecting the name of each employee included in the Appropriate Unit, with Social Security number and amount deducted for dues charges.</p> <p><b>Section 3</b> The Department shall inform new employees of the right conferred by Act No. 45 as amended at the moment the employee is named to a position included in the Appropriate Unit and shall provide the union with an opportunity to meet with new employees or, at the union’s option, with a welcome document prepared by the Union in which are explained the rights of union members under Act 45 of February 25, 1998, as amended. The Administration shall not discourage union membership</p> <p><b>Section 4</b> The Department shall have fifteen (15) working days to inform the Union in writing of the name, Social Security number, position, date of employment and salary of newly recruited employees and that come to occupy positions included in the Appropriate Unit.</p>

**Section 5** The authorization to deduct membership dues is in effect and irrevocable pursuant to the terms stated on the employee authorization, but employees must be permitted to rescind their authorization prior to any renewal at least annually.

**Section 6** In the event the Union ceases to be the exclusive representative of the Appropriate Unit, the deductions withheld from employees for dues shall automatically stop on the date the Union is no longer the exclusive representative.

**Section 7** The Department shall resume the deduction of dues for employees whose positions are included in the Appropriate Unit once they return from their unpaid leave and notify the Human Resources Office so that it can make the change in payroll and include said deduction within a period not greater than thirty (30) working days from the employee's return date.

**Section 8** In the event the Union requests the deduction of dues and it is determined that the dues are unlawfully set and/or deducted, the Union shall relieve the Department of any liability and make any orderly refund as soon as it is required. If it is determined that the error is attributable to the Department, the Union shall only reimburse what is erroneously deducted and will not be responsible for expenses and fees incurred.

**APPENDIX II<sup>2</sup>**  
**PROPOSED TERMS FOR FREEZE OF TRS OBLIGATIONS**

This is a summary of proposed indicative terms for a freeze of the outstanding benefits of the Teachers Retirement System for the Commonwealth of Puerto Rico (“TRS”).

TRS members hired prior to August 1, 2014, are currently accruing benefits under a defined benefit (“DB”) formula. To avoid creating future pension liabilities and to stabilize the system for the benefit of both taxpayers and future retirees, the TRS plan benefit accrual must be frozen by January 1, 2020. This applies to all members of TRS, regardless of title or job classification. Members will retain the benefits they have accrued to date, subject to the benefit reduction formula discussed in the separate benefit cut term sheet. Future benefits must be based on contributions and earnings in new segregated defined contribution (“DC”) retirement accounts funded by employee contributions. Going forward, employees should have the certainty that their contributions and investment returns will be safeguarded for the future, ensuring retirement security.

<b>Definitions</b>	
<b>Pension system</b>	The terms of this document and references to Pension System pertain to the freeze of pension obligations of the: <ul style="list-style-type: none"> <li>▪ Teachers Retirement System (TRS).</li> </ul>
<b>Retirement eligibility age</b>	Retirement Eligibility Age is the age at which a member may commence receipt of a monthly pension benefit.
<b>Retirement benefit</b>	The Retirement Benefit is the amount of benefit payable to a member each month.
<b>Creditable service</b>	The years and months of plan participation, during which contributions have been made, beginning on the date of the first original appointment for rendering services. For purposes of calculating Creditable Service, 15 calendar days of a school year month shall be equal to 1 calendar month worked during the school year for teachers; and 21 calendar days of a month shall be equal to 1 calendar month worked for all other members. Days and months worked after the effective date of the freeze will not be considered except as noted below under “Provisions of the Proposal.”
<b>Average compensation</b>	The average of the 36 highest months of compensation that the member has received for Creditable Service. Compensation earned after the effective date of the freeze will not be considered.
<b>Defined contribution account</b>	The notional individual account established for each new member as of August 1, 2014, and later. These accounts are credited with member contributions and interest. New accounts will be established effective January 1, 2020 <sup>1</sup> for members hired prior to August 1, 2014, in connection with the freeze of the DB formula.

<sup>2</sup> Milliman actuarial valuation report as of June 30, 2017, using July 1, 2016, Census data collection, which is the latest dataset currently available. If a new dataset from 2017 or 2018 becomes available, the values will be updated accordingly.

<sup>1</sup> See note to Pension freeze section

**SENSITIVE – CONFIDENTIAL – SUBJECT TO FRE 408**

<b>Timing</b>	
<b>Pension freeze</b>	TRS pension benefit accrual freeze becomes effective January 1, 2020. <sup>2</sup>
<b>Pension benefits date</b>	The data set used to calculate the freeze of pension benefits required is based on the July 1, 2016, retiree dataset provided by the Pension Systems, which is the latest dataset currently available. If a new dataset from 2017 or 2018 becomes available, the values will be updated accordingly.
<b>Implementation</b>	The freeze in the benefit amount described below will apply to benefits earned under and paid by the plan on or after January 1, 2020, also subject to the benefit reduction formula discussed in the separate benefit cut term sheet.

<b>Provisions of the proposal</b>	
<b>Freeze of benefit accruals and implementation of DC account</b>	Accrued benefit frozen as of freeze date, except that those within six months of eligibility for the 30-year service enhancement at the freeze, as noted below. New DC account balances to be funded with employee contributions will be established in connection with the freeze.
<b>Retirement eligibility enhancement if within 6 months of 30 years of service</b>	If not already eligible for enhanced benefits as of the freeze, members hired prior to August 1, 2014, will be permitted to grow into eligibility for enhanced benefits associated with 30 years of service, provided the member achieves 30 years of service within 6 months of the December 31, 2019, freeze (i.e. by June 30, 2020 <sup>3</sup> ). The value of the enhancement is reduced for those not yet eligible at the freeze who become eligible by June 30, 2020.
<b>Maintaining retirement eligibility for individuals over age 50</b>	Members hired prior to August 1, 2014, that were over age 50 as of January 1, 2020, but not eligible for retirement at the freeze (and do not attain 30 years of service by June 30, 2020) will have the opportunity to achieve the previous milestones for retirement eligibility (i.e. age 60 with 10 years of service, age 47 with 25 years of service or 30 years of service) and then would be eligible to retire upon achieving those milestones. The benefit payable upon commencement would be determined based on Average Compensation and Creditable Service as of the freeze date, and would not include the enhanced benefits associated with 30 years of service.
<b>Delay in retirement eligibility for all others</b>	<p>Members hired prior to August 1, 2014, who are neither eligible for retirement at the freeze nor within six months of eligibility for the 30-year service enhancement at the freeze, and were under age 50 as of the freeze date, retirement eligibility is delayed up to 3 years. Retirement is also delayed for terminated members that have not yet commenced.</p> <p>For members whose retirement eligibility was delayed as a result of this proposal, an “Early Retirement Option” will be added that allows the member to commence their benefit at their original eligibility date, however that benefit will be reduced by 7.00% per year (0.5833% per month) in which their commencement date under this option precedes their revised retirement eligibility date.</p>

<sup>2</sup> The “Pension Freeze Date” will be a date no earlier than the POA Effective Date. The date of January 1, 2020 is used throughout this term sheet to approximate the Pension Freeze Date.

<sup>3</sup> The date of June 30, 2020 is used throughout this term sheet to approximate a date that it is six months after the Pension Freeze Date.

**SENSITIVE – CONFIDENTIAL – SUBJECT TO FRE 408**

<b>Elimination of minimum benefit</b>	The \$400 monthly minimum benefit for members hired before August 1, 2014, will be eliminated for members retiring on or after January 1, 2020.
<b>Elimination of service purchase</b>	Active members hired prior to August 1, 2014, with eligible service from prior employment have been able elect to purchase service in TRS. This has been accomplished via transfer of assets or through contributions payable by the member. This provision will eliminate future service purchases on or after January 1, 2020.
<b>Suspension of benefits</b>	Retirees from TRS who are in receipt of pension benefits that return to the Department of Education or a charter school as a teacher will have their pension benefits suspended during their reemployment.
<b>Defined contribution transfer from prior plans</b>	After the freeze date of January 1, 2020, active new hires with pension benefits eligible for rollover from a previous employer will be eligible to transfer these amounts to their DC account, either as a single transfer upon enrolling in the plan or through an initial election defer compensation through payroll, subject to tax considerations.
<b>Disability benefits</b>	Active members hired prior to August 1, 2014 who terminate employment due to disability will continue to be eligible to receive an immediate monthly benefit equal to the unreduced accrued benefit of 1.8 percent of Average Compensation per year of Creditable Service with both determined as of the freeze date. Eligibility requirements and compensation averaging periods for Occupational and Non-Occupational disabilities will also be preserved.

**More detailed provisions of the proposal**

<b>Specific implications on retirement eligibility age if hired prior to August 1, 2014</b>	<p><b>Retirements after December 31, 2019:</b></p> <ul style="list-style-type: none"> <li>A. Members who meet the following age and service combinations prior to January 1, 2020, will continue to be eligible to retire at any time and members over age 50 as of January 1, 2020, will become eligible once they meet the following age and service combinations: <ul style="list-style-type: none"> <li>a. At least age 60 with at least 10 years of Creditable Service</li> <li>b. At least age 47 with at least 25 years of Creditable Service</li> </ul> </li> <li>B. Members who will attain 30 years of Creditable Service by June 30, 2020, including service during the period January 1, 2020, through June 30, 2020, will be eligible to retire at any time.</li> <li>C. Members under age 50 as of January 1, 2020 who are not eligible to retire as of January 1, 2020, and will not attain 30 years of Creditable Service by June 30, 2020, will be eligible to retire upon attaining 10 years of Creditable Service and reaching the age 63.</li> </ul> <p>For members whose retirement eligibility was delayed as a result of this proposal, an “Early Retirement Option” will be added that allows the member to commence their benefit at their original eligibility date, however that benefit will be reduced by 7.00% per year (0.5833% per month) in which their commencement date under this option precedes their revised retirement eligibility date.</p>
<b>Specific implications on</b>	<b>Retirements after December 31, 2019:</b>

<p><b>Retirement Benefit if hired prior to August 1, 2014</b></p>	<p>A. Minimum benefits will no longer apply to future retirees.</p> <p>B. The freeze also eliminates the ability to purchase additional service.</p> <p>C. If a member is at least age 50 as of January 1, 2020 and has attained at least 30 years of Creditable Service as of January 1, 2020, the accrued benefit equals 75 percent of Average Compensation as of December 31, 2019.</p> <p>D. If a member is under age 50 as of January 1, 2020 and has attained at least 30 years of Creditable Service as of January 1, 2020, the accrued benefit equals 65 percent of Average Compensation as of December 31, 2019.</p> <p>E. If a member is at least age 50 as of January 1, 2020, and will attain at least 30 years of Creditable Service as of June 30, 2020, including service during the period January 1, 2020, through June 30, 2020, the accrued benefit equals 60 percent of Average Compensation as of December 31, 2019.</p> <p>F. If a member is under age 50 and will attain at least 30 years of Creditable Service as of June 30, 2020, including service during the period January 1, 2020, through June 30, 2020, the accrued benefit equals 55 percent of Average Compensation as of December 31, 2019.</p> <p>G. If a member is at least age 50 as of January 1, 2020 and but has not attained 30 years of Creditable Service as of June 30, 2020, the accrued benefit equals 1.8 percent of Average Compensation as of December 31, 2019 multiplied by years of Creditable Service as of December 31, 2019.</p> <p>H. If a member is under age 50 as of January 1, 2020 and has not attained 30 years of Creditable Service as of June 30, 2020, the accrued benefit equals 95 percent of 1.8 percent of Average Compensation as of December 31, 2019 multiplied by years of Creditable Service as of December 31, 2019.</p>
<p><b>Implications if hired on or after August 1, 2014</b></p>	<p>There will be no change to Retirement Eligibility for members hired on or after August 1, 2014. Retirement Eligibility remains age 62 with 5 years of Creditable Service.</p> <p>The Retirement Benefit will be based on the value of the Defined Contribution Account as of January 1, 2020.</p> <ul style="list-style-type: none"> <li>▪ If the value of the Account is less than \$10,000, a lump sum is payable.</li> <li>▪ If the value of the Account is \$10,000 or more, the Account is converted to a monthly annuity payable for the lifetime of the member.</li> </ul>
<p><b>Miscellaneous</b></p>	
<p><i>Asociacion de Maestros de Puerto Rico v. Sistema de Retiro de Maestros de Puerto Rico 190 D.P.R. 854 (2014)</i></p>	<p>Nothing in this term sheet or the Agreement shall impact the precedential effect of this decision.</p>

**SENSITIVE – CONFIDENTIAL – SUBJECT TO FRE 408**

<b>Social Security</b>	The Oversight Board and Government will take appropriate actions to provide that all members hired after January 1, 2020 and all teachers under the age of 50 as of January 1, 2020 will be enrolled in Social Security and that such enrollment in Social Security for such members will be effective prior to the Pension Freeze Date.
<b>Law 160</b>	For the avoidance of doubt, any contributions made to Law 160 accounts will not be subject to any pension benefit cut.

**APPENDIX III  
PROPOSED TERMS FOR UPSIDE FISCAL PLAN SURPLUS SHARING AGREEMENT**

Below is a summary of proposed indicative terms for AFT, AMPR and AMPR-LS Upside Fiscal Plan Surplus Sharing Agreement.

<b>Definitions</b>	
<b>Fiscal Plan Surplus Sharing Agreement</b>	Agreement with Unions and Union member participants for each fiscal year of this Agreement to provide participation of Unions on sharing of any excess surplus above and beyond the Certified Fiscal Plan in effect as of the effective date for the Plan of Adjustment for the Commonwealth.
<b>Unions</b>	AFT, AMPR and AMPR-LS (“Union”)
<b>Union member participants</b>	All active Union members on record at the beginning for the fiscal year with continued employed and active status at the time annual measurement and payment period.
<b>Independent agent</b>	Certified Public Accounting firm licensed to provide accounting services.
<b>Cash basis</b>	Recording income and expenses as received or paid.
<b>Excess cash surplus formula</b>	<p>Excess Cash Surplus is defined as excess cash surplus above and beyond the projected Fiscal Plan surplus contained in the Certified Fiscal Plan in effect as of the Effective Date for the Plan of Adjustment for the Commonwealth.</p> <p>If the Excess Cash Surplus is lower than \$100 million, no amounts will be distributed. If the Excess Cash Surplus is \$100 million or higher, 25% of the Excess Cash Surplus will be allocated to the Upside Participation Bonus pool.</p>

<b>Timing</b>	
<b>Implementation</b>	To be aligned with the implementation of proposed changes to CBAs, as well as the freeze of the TRS defined benefit plan, currently targeted for January 1, 2020.
<b>Annual measurement</b>	Fiscal Plan surplus to be calculated on a cash basis no later than September 30 of each fiscal year by an Independent Agent.
<b>Payment period</b>	<p><b>For Sacrifice Recognition Bonus:</b> Payable to Union represented participants 60 days after the Effective Date of the Plan of Adjustment.</p> <p><b>For Upside Participation Bonus:</b> Payable December 1 to Union represented participants, based upon calculations from the prior period and completed by the Annual Measurement date.</p>

<b>Provisions of the proposal</b>	

SENSITIVE – CONFIDENTIAL – SUBJECT TO FRE 408

<b>Sacrifice Recognition Bonus</b>	One-time payment of \$200 million to the Union represented participants to be divided among the Union represented participants at the discretion of the Union for the purpose of recognizing the respective sacrifice that such Union represented participants made in connection with the freeze of their TRS defined benefits.
<b>Upside Participation Bonus</b>	For the term of this CBA, if Excess Cash Surplus formula is met or exceeded, a distribution will be made to all Union represented participants and all rank-and-file Commonwealth employees each year from the Upside Participation Bonus pool. All recipients of this Upside Participation Bonus will have the choice to allocate any portion of their Upside Participation Bonus to their Defined Contribution account; any remainder will be distributed in cash.

Schedule A

<b>LEY/REGLAMENTO (LAW/REGULATIONS)</b>	<b>TEMA/SUBJECT</b>
Ley 94 de 21 de junio de 1955, según enmendada.	Certificación de Maestros/Teacher certification/licenses
Ley 30 de 16 de mayo de 1972, según enmendada.	Entrada a las escuelas/ Access to schools
Ley 312 de 15 de mayo de 1938, según enmendada.	Permanencia de Maestros/ Regular tenure requisites
Ley 45 de 30 de mayo de 1972, según enmendada.	Deducción automática de pago del plan de salud/automatic deduction to pay for health plan
Ley 25 de 26 de abril de 1972, según enmendada.	Bonificación sueldo de maestros que trabajen en verano en escuelas superiores/Special bonus for teachers that work high school during summer time
Ley 37 de 25 de mayo de 1973, según enmendada.	Programa de bandas escolares/school band
Ley 66 de 31 de mayo de 1973, según enmendada.	Programa de licencia sabática/ sabbatical license
Ley 99 de 26 de junio de 1974, según enmendada.	Licencia de maternidad a maestras sustitutas/ maternity leave
Ley 194 de 23 de julio de 1974, según enmendada.	Bonificación por trabajo junio y julio y otros/ work bonus for june and july
Ley 211 de 23 de julio de 1974, según enmendada.	Prohíbe uso de altoparlantes frente a escuelas/Prohibits the use of loudspeakers in front of schools
Ley 30 de 7 de mayo de 1976, según enmendada.	Establece los dos meses de vacaciones con sueldo/ 2 month paid vacation
Ley 95 de 29 de junio de 1963, según enmendada.	Beneficios de salud para empleados públicos/ public employees health benefits
Ley 26 de 5 de junio de 1985, según enmendada.	Cuerpo de seguridad escolar/ School security program
Ley 84 de 13 de julio de 1998, según enmendada.	Reglamento de zonas escolares/school zone regulations

**SENSITIVE – CONFIDENTIAL – SUBJECT TO FRE 408**

Ley 81 de 27 de julio de 2986, según enmendada.	Igualdad de oportunidades en el empleo para personas con impedimento/Equal opportunity employment for disable
Ley 78 de 14 de agosto de 1997, según enmendada.	Pruebas de sustancias controladas/drug and substances testing
Ley 158 de 18 de julio de 1999, según enmendada.	Carrera Magisterial/ Career ladder
Ley 45 de 25 de febrero de 1998, según enmendada.	Ley de sindicación/syndication
Ley 134 de 19 de julio de 1960, según enmendada.	Autorización de descuento automático de cuotas/automatic discount for dues
Ley 109 de 11 de junio de 2008, según enmendada.	Salario básico /basic salary
Ley 115 de 30 de junio de 1955, según enmendada.	Procedimiento disciplinario y suspensión sumaria
Ley 84 de 6 de agosto de 2017, según enmendada.	Ley para asegurar permanencias/ to assure regular tenure
Ley 117 de 30 de junio de 1965, según enmendada.	Ley de madres obreras/working moms
Ley 427 de 16 de diciembre de 2000, según enmendada.	Periodo de lactancia/breast feeding period
<b>REGLAMENTOS/REGULATIONS</b>	
Reglamento 37 del Departamento de Hacienda, Reglamento 7501 de 8 de mayo de 2008 ante el Departamento de Estado	Dieta y millaje de empleados públicos/ Diet and mileage
Reglamento de Personal Docente, Reglamento 6743 de 23 de diciembre de 2003, según enmendado, ante el Departamento de Estado	Asuntos de personal/Human resources for teachers
Reglamento de Certificaciones del Personal Docente de Puerto Rico que deroga el reglamento num. 6760 de 5 de febrero de 2004	Certificaciones/Licencia de maestro Teacher certification/licenses
Reglamento para la clasificación de los programas de maestros en Puerto Rico conforme a los requisitos del programa de título II, secciones 207 y 208 de la Ley Federal de Educación Superior	Clasificación programas de maestros/ classification of programs from teachers

Nuevo reglamento num 8638 de consejos escolares en las escuelas de la comunidad del departamento de educación de Puerto Rico	Consejos escolares/school councils

This list is not exhaustive and we reserve the Right to amend it and include any benefit contained in other Laws, Regulations, Rules, Circular Letters, Compendiums and / or any other rule or source of Law, that is in the benefit of the teaching community and the appropriate unit. For the avoidance of doubt, only those Laws, Regulations, Rules, Circular Letters, Compendiums and / or any other rule or source of Law that are mutually agreed upon by the Board and AFT/AMPR will become part of the Operative CBA

