



Regulation For the Annuities, Life Insurance and Funeral Insurance Fund

2020

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INTRODUCTION

The Institutional Trust of the Puerto Rico National Guard (FIGNA) is an instrumentality of the Government of Puerto Rico, created by Law No. 23 of July 23, 1991.

This Act authorizes the creation of a fund to contribute financial resources to the National Guard Institutional Trust and to provide life insurance, funeral insurance and annuities benefits for a certain period of time to members of the Puerto Rico National Guard who qualify, as stipulated in Law No. 23.

This Regulation provides for the administration, operation and financing of the Annuities, Life Insurance and Funeral Insurance Fund including income, expenses and related investments.

The Annuities, Life Insurance and Funeral Insurance Program and the fund created to implement it are intended to provide part of the benefits set out in Law No. 23, including the benefit of financial aid to be known as an annuity to supplement the income received by retired members of the Puerto Rico National Guard who have a minimum of twenty (20) years of honorable service and are between fifty-five (55) and fifty-nine years (59) with eleven (11) months of age. The goal is to help these retired members of the Puerto Rico National Guard supplement their income during the time period between their 55 to 60 years of age, part of the reduction their income suffers between the date of their military retirement and age sixty (60) when they will receive their retirement pension from the Armed Forces.

The benefits granted by the Annuities Program have proven to be of great help to those retired members of the Puerto Rico National Guard. The monthly amount of the annuity

payment may be reviewed from time to time by the Board of Directors of FIGNA in accordance with the requirements, limitations and other provisions contained in the Act.

Article 1 – Title.

This regulation will be known as Regulation for the Annuities, Life Insurance and Funeral Insurance Fund of the Institutional Trust of the Puerto Rico National Guard.

Article 2 - Legal Basis.

This Regulation is established under Law No. 23 of July 23, 1991, as amended, approved in the Fifth (5th.) Ordinary Session of the Thirteenth Legislative Session of Puerto Rico, known as the "Law of the Institutional Trust of the Puerto Rico National Guard".

Article 3 – Purpose.

This Regulation provides for the operation, administration and financing of the Annuities, Life Insurance and Funeral Insurance Fund; and to establish eligibility criteria for beneficiaries and how to distribute their resources.

Article 4 – Definitions.

The following words and terms, when used or referenced, shall have the meanings set forth in the Trust's regulations as follows:

- a. **"Administrator of the Annuity Assistance, Life Insurance and Funeral Insurance Program" or "Administrator"** - means the Executive Director of FIGNA, the officer, officers or official who is appointed by the Trust's Regulation to manage and implement the Annuities, Life Insurance and Funeral Insurance Fund under Law No. 23 of July 23, 1991, as amended.

- b. **"Annuities"** - means the benefit consisting of a monthly payment that eligible members honorably discharged from the Puerto Rico National Guard with twenty (20) years of service in the Puerto Rico National Guard, among the ages of fifty-five (55) and fifty-nine (59) years and eleven (11) months, will receive.
- c. **"Fiscal Year"** – means the period covering the state fiscal year from July 1 to June 30.
- d. **"Participant's Contribution"** - means the monthly financial contribution made by those active members of the Puerto Rico National Guard to the Trust, in order to apply to the benefits offered by the Trust, including Annuity Assistance, Life Insurance and Funeral Insurance Program. The original contribution instituted in Law No. 23 of July 23, 1991, as amended, may be evaluated and adjusted by the Board of Directors of FIGNA.
- e. **"Insured"** - means the eligible active member of the Puerto Rico National Guard who fulfills his or her contribution as a participant and the retired member of the Puerto Rico National Guard participating in the Program, and who is between fifty-five (55) and fifty-nine (59) years and eleven (11) months of age in the case of annuitants and until the age of sixty (60) years of age in the case of life insurance and funeral insurance benefits.
- f. **"Assistance"** - means all benefits of the Educational Fund and the Annuities, Life Insurance and Funeral Insurance Fund that will be received by eligible active or retired members of the Puerto Rico National Guard, their spouses and their

dependents in accordance with the provisions of the Trust Regulations and Law No. 23 of July 23, 1991.

- g. **"Beneficiary"** - means persons designated by the insured or his heirs, as the case may be, who shall be entitled to receive the corresponding payment of life insurance.
- h. **"Government of Puerto Rico"** - means the Government of Puerto Rico, its departments or instrumentalities.
- i. **"Institutional Trust of the Puerto Rico National Guard" or "FIGNA"** - will mean the public corporation and instrumentality of the Commonwealth, attached to the Puerto Rico National Guard, which constitutes an independent corporate body, owner and administrator of the real estate properties where military stores, canteens and similar services are operated according to the Military Code of Puerto Rico (25 L.P.R.A. secs. 2001 et seq.), which from time to time may be transferred to it by the Adjutant General of Puerto Rico, and administrator of annuity funds, education and funds for repairs and capital improvements and other purposes, as established by the Act.
- j. **"Fund" or "Annuity, Life Insurance and Funeral Insurance Fund"** - means the fund that is created under the Act for the purpose of defraying the monthly payment of the benefit annuities, and the costs for life insurance and funeral insurance for members of the Puerto Rico National Guard, active and retired, that meet the criteria and requirements to be eligible to receive the same.

- k. **"Military Forces of Puerto Rico"** – means the members of the Puerto Rico National Guard and those military forces, including the Puerto Rico State Guard, organized under Law No. 62 of June 1969, as amended, and known as the Military Code of Puerto Rico.
- l. **"Puerto Rico National Guard" or "PRNG"** - means that subdivision of the Puerto Rico Military Forces organized, according to Section 201 of Law No. 62 of July 23, 1969, as amended, and in accordance with the corresponding federal contributions prescribed by the President of the United States from time to time in accordance with the Laws of the Federal Congress.
- m. **"State Guard"** - means the organized voluntary military corps, as stipulated in Law No. 62 of June 23, 1969, as amended.
- n. **"Board"**- means the Board of Directors of the Institutional Trust of the Puerto Rico National Guard created under Article 4 of the Law.
- o. **"Law"** - means Law No. 23 of July 23, 1991, as amended, passed at the Fifth Ordinary Session of the Fifteenth Legislative Session of Puerto Rico, known as the "Law of the Institutional Trust of the Puerto Rico National Guard," as amended.
- p. **"Active Member of the Puerto Rico National Guard"** - means any member of the Puerto Rico National Guard assigned to a federal military unit (Army or Air Force branch).
- q. **"Funeral Insurance"** - means the reimbursement of the payment to cover the expenses incurred at the funeral of the insured up to a maximum of three thousand dollars (\$3,000). Funeral insurance shall be payable to the person who proves that

he/she incurred the expenses of the insured's funeral. In the event that funeral expenses total less than three thousand dollars (\$3,000), the difference between the amount approved for funeral insurance and those expenses will become part of the life insurance benefits and will be distributed, as instructed in the life insurance designation.

- r. **"Life Insurance"** - means a fixed term life policy for five thousand dollars (\$5,000) that FIGNA will defray from the Annuities, Life Insurance and Funeral Insurance Fund, which will be awarded until the insured person turns 60 years of age.
- s. **"Benefits Technician"** - means staff trained as a FIGNA resource to guide, assist, receive and process all benefit applications from eligible active members, their dependents, descendants and spouses.

Article 5 - Establishment of the mechanism or procedures for administering the Annuities, Life Insurance and Funeral Insurance Fund.

This regulation establishes the mechanisms and norms for the administration and distribution of the Annuities, Life Insurance and Funeral Insurance Fund of the Institutional Trust of Puerto Rico National Guard per Law No. 23 of July 23, 1991, as amended.

Article 6 – Source Funds.

The sources of funds available to the Annuities, Life Insurance and Funeral Insurance Fund are as follows:

- a. **Initial Resources:** At the beginning of the Trust, the minimum initial amount of two million five hundred thousand dollars (\$2,500,000) was deposited, which constituted the initial capitalization of the fund.

b. **Future Resources:** The fund will have future funds that will be provided from the following sources:

1. *Dividends generated by FIGNA Military Stores and other concessionaires.* The Board of Directors, in accordance with the provisions of the Act, shall assess annually the percentages received from the negotiated contracts of concessionaires operating the military stores and similar services; it shall approve and allocate the moneys assigned to this Fund. The FIGNA Board of Directors may vary through resolution the percentage, depending on the availability of accrued funds from the revenue received in each state fiscal year.
2. *Participant's contribution.* The entire contribution of the participant, as established by the Law and which may be adjusted periodically by the Board of Directors in the form and amount deemed necessary. This contribution by the participant may be discounted from the salary that they receive from the Puerto Rico National Guard or through direct debit from the financial account of the active members in the form or legal mechanisms provided by FIGNA when required; and the contributions of mobilized active members or in another "status" in which the deduction cannot be automatic and their contribution has been received by the Trust.
3. *Donations.* Donations from any natural or legal person including the Government of Puerto Rico and its public agencies and instrumentalities, municipalities and the Federal Government of the United States.

Article 7 - Limitation on the Use of the Annuities, Life Insurance and Funeral Insurance Fund.

- a. The Assistance Program Administrator may not commit funds in excess of the annual projected revenue in order for the initial resources contributed to FIGNA to maintain an appropriate real basis by taking into account an annual minimum inflation rate equivalent to three percent (3%).
- b. The necessary provisions will be taken for the payment of annuities, life insurance and funeral insurance.
- c. In the administration, operation, modification or extension of any type of benefit and the operations and other financial activities of the Annuities, Life Insurance and Funeral Insurance Fund, the Assistance Program Administrator shall observe the requirements established by law, FIGNA, its Board and the following general criteria:
 1. No contract shall be entered into in connection with the Fund with persons or entities that are not financially responsible and are not fully qualified and willing to fulfil their responsibilities under the contract.
 2. The necessary provisions will be taken for the timely payment of all obligations and benefits; and to create and maintain the required reserves in this regard, if any, that FIGNA can determine and to pay the costs incurred in connection with those obligations and benefits.
 3. The necessary provisions will be taken for the timely payment of obligations, including the payment of annuities, life insurance and funeral insurance.

- d. The Board of Directors of the Institutional Trust of the Puerto Rico National Guard may, from time to time, change the original benefits granted in this Article to cover inflationary effects, provided that a financial analysis is carried out and that the projected assets of the respective funds, excluding the first five (5) years of FIGNA's assistance operation, total at least a sum equal to the initial resources of all the respective funds created for the members' benefit while projecting an minimum annual inflation rate of three percent (3%).

Article 8 – Eligibility.

- a. *Active member of the Puerto Rico National Guard.* The active member of the Puerto Rico National Guard is eligible as long as he or she is up to date with his/her participant contribution and is meeting the standards of satisfactory participation established by the military organization, as certified by his commander or officer in charge.
- b. *Retired member of the Puerto Rico National Guard.* The honorably retired member of the Puerto Rico National Guard is eligible if he/she served a minimum of twenty (20) years in the Puerto Rico National Guard and at the time of his retirement from the Puerto Rico National Guard was directly debiting his monthly participant contribution for the past five (5) years.
- c. *Active member of the Puerto Rico State Guard.* The active member of the Puerto Rico State Guard is eligible for benefits specified in this Regulation as long as he/she meets the criteria for successful participation established by the Puerto Rico State Guard. Administrative personnel assigned to this component of the Military

Forces of Puerto Rico will certify that the member complies with all of their internal requirements and regulations.

Article 9 - Duties and Responsibilities of Eligible Members.

Each member eligible for a benefit delimited in this Regulation has the following duties and responsibilities:

- a. Members must meet the eligibility requirements as set forth in this Regulation.
- b. Members must keep copies of the documents necessary to demonstrate your compliance with eligibility requirements.
- c. Members must submit promptly the necessary documentation to FIGNA benefit technicians at their offices, service centers and various authorized activities, and through those authorized communication mechanisms, for their evaluation and approval of these Benefits.
- d. Members must familiarize their beneficiaries, dependents and/or descendants of the benefits covered by this regulation and the requirements for approval.

Article 10 - Benefits: Criteria and Requirements.

- a. *Annuities.*
 1. The annuity benefit shall consist of a monthly payment in the sum established by the Board and offered from fifty-five (55) years of age to fifty-nine (59) years and eleven (11) months or until the time of death, whatever happens first, to honorably retired members of the Puerto Rico National Guard with a minimum of twenty (20) years of service, who are eligible, as defined in Article 8 of this Regulation, and who apply to the Program.

2. The payment of annuities will be effective once the application filed with all the required documents is evaluated and approved by the administrative staff of FIGNA, in accordance with the requirements of the Law and the parameters of this Regulation, but in no case before a member's separation from military service and never retroactively. The monthly sum of annuities may be reviewed from time to time by the Board of Directors in accordance with the requirements, limitations and other provisions contained in the Law.
- b. *Life Insurance and Funeral Insurance.* Life insurance and funeral insurance will be offered to eligible active members; and, eligible retirees as defined in Article 8 of this Regulation, who are receiving annuity benefit from fifty-five (55) years of age until they turn sixty (60) years old.
1. *Life insurance.* A fixed-term life insurance policy of five thousand dollars (\$5,000) that will be effective as long as the insured is eligible as an active or retired member who is fifty-five (55) years of age and until he or she turns sixty (60) years of age. The life insurance policy, as a term, does not accumulate cash values. The life insurance policy will be payable to the beneficiaries duly designated by the insured or the heirs, as the case may be. The Board of Directors may vary the amount of such insurance when the strength and solvency of the Annuities, Life Insurance and Funeral Insurance Fund permits.
 2. *Funeral insurance.* This will consist of reimbursement of the payment to cover the expenses incurred at the insured's funeral up to a maximum of three thousand dollars (\$3,000). Funeral insurance shall be payable to the person

who proves that he incurred the expenses of the insured's funeral. In the event that the funeral expenses are less than three thousand dollars (\$3,000), the difference will become part of the life insurance benefit and will be distributed, as provided by the insured in its designation of beneficiaries for life insurance. The funeral insurance benefit does not apply to active members of the Puerto Rico State Guard.

Article 11 - Life Insurance for Active Members of the State Guard.

- a. The State Guard is a military body of volunteer professionals, who do not accrue financial remuneration for their services and provide support in areas such as security and medical services in their authorized structure and respond to the Adjutant General of Puerto Rico. Its purpose is for its personnel to join in providing full support to the Puerto Rico National Guard at the time it is called to active military service by the Governor of Puerto Rico and/or the President of the United States of America.
- b. The life insurance benefit granted by the FIGNA Board of Directors will cover only active members of the Puerto Rico State Guard and is granted in recognition of their contribution to the Puerto Rico National Guard and the people of Puerto Rico. They will be eligible, even if they have not made financial contribution known as the participant's contribution.
- c. The life insurance benefit will be five thousand dollars (\$5,000) and will expire with the insured's sixty (60) years of age, as set out in the terms of the policy.

Article 12 - Investment of Resources.

The administration of the economic resources earmarked for this Fund will be defined and outlined in the Internal Plan of Administration of the Funds of the Institutional Trust of the Puerto Rico National Guard.

Article 13 – Settlement (Liquidation).

In the event that the Annuities, Life Insurance and Funeral Insurance Fund is abolished or for fair cause FIGNA is stripped of the functions described by the Law, without a public body or entity in its functions , the movable and immovable property in this fund shall be under the control and custody of the Secretary of the Treasury to be used for the benefit of the Puerto Rico National Guard, as provided by Law.

Article 14 – Reports.

The Fund will submit to the Board of Directors of FIGNA after the close of each fiscal year of the Government of Puerto Rico, but prior to the end of the calendar year, the following reports:

- a. A financial statement that fully reflects the Fund's state of play for the previous year;
- b. A comprehensive report on the status and development of all investments, operations and activities since the establishment of the fund or from the date of its last report; and,
- c. A financial analysis of the Fund's economic situation.

Further safeguards will require that these reports cover in detail aspects of the use and control of funds and projections on the economic future of the fund, so that the Board of Directors is at all times in a position to proceed or act in the best public interest.

Article 15 - Repeal and Previous Provisions.

The "Regulation for the Annuities, Life Insurance and Funeral Insurance Fund" of 16 March 2016 is repealed. Any prior communication, verbal or written or part thereof that conflicts with this Regulation, is void after it enters into force.

Article 16 – Amendments.

The provisions of this Regulation may be amended at any time, as required by the Trust's operations and in accordance with the provisions of Law No. 38 of 2017, as amended, known as the " Law of Uniform Administrative Procedures of the Government of Puerto Rico."

Article 17 - Separability Clause.

If any part of this Regulation is annulled or declared unconstitutional, the decision, opinion or judgment to that purpose delivered shall not affect, prejudice or invalidate the remainder of this Regulation. The effect of that judgment shall be limited to the part thereof which has thus been annulled or declared unconstitutional. If the application to a person or a circumstance of any part of this Regulation is invalidated or declared unconstitutional, the decision, opinion or judgment to that effect given shall not affect or invalidate the application of the remnant of this Regulation to persons or circumstances in which it can be validly applied.

Article 18. – Effective Date.

Upon approval by the Board of Directors, this Regulation shall enter into force immediately upon its establishment at the State Department, in accordance with the provisions of Law

No. 38 of 2017, as amended, known as the "Law of Uniform Administrative Procedures of the Government of Puerto Rico".

APPROVED:

José J. Reyes Peredo
President
Board of Directors
Institutional Trust of the
Puerto Rico National Guard

I, Andrés Ruíz, Secretary of the Board of Directors of the Institutional Trust of the Puerto Rico National Guard (FIGNA), **certify** that this Regulation for the Annuities, Life Insurance and Funeral Insurance Fund of the Institutional Trust of the Puerto Rico National Guard was duly approved by the Board of Directors of FIGNA at the meeting held on February 12, 2020. As provided by the State Department, it shall enter into force immediately after its registration in the State Department, in accordance with the provisions of Law No. 38 of 2017, as amended, known as the "Law of Uniform Administrative Procedures of the Government of Puerto Rico".

Andrés Ruíz
Secretary
Board of Directors
Institutional Trust of the
Puerto Rico National Guard