Puerto Rico Supreme Court Rejects Administrative Agency Deference Standard

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Plan sponsors of employee benefit plans that are subject to Puerto Rico law should be aware of a recent decision issued by the Puerto Rico Supreme Court (the "***PR Supreme Court***") in *Vázquez v. Consejo de Titulares*, which provides that courts should not grant administrative agencies judicial deference when interpreting ambiguous statutes (the "***PR Decision***"). The PR Decision is consistent with the U.S. Supreme Court's 2024 decision in *Loper Bright Enterprises v. Raimondo, Secretary of Commerce* in which the U.S. Supreme Court overturned 40 years of precedent regarding the review and interpretation of administrative agencies' determinations, as we previously reported here. The *Loper* decision particularly impacted the employee benefits area, as the DOL, IRS, and Treasury Department routinely issue guidance in this area concerning statutory interpretations and enforcement policies.

As background, the PR Decision concerned a determination by the Puerto Rico Department of Consumer Affairs regarding worker classifications under a real estate statute. The PR Supreme Court determined that, even if a statute's language may be ambiguous, the final interpretation of such statute is ultimately under the courts' purview and not administrative agencies.

Similar to U.S. law, Puerto Rico courts are no longer required to provide deference to administrative agencies. This change in the law will likely result in additional challenges to determinations and interpretations by Puerto Rico administrative agencies, including the Puerto Rico Department of Treasury (commonly referred to as the Hacienda), which interprets and enforces laws governing employee benefit plans. We will continue to monitor developments in this area as it relates to plan sponsors of Puerto Rico plans.

The case is *Vázquez et al. v. Consejo de Titulares y Junta de Directores del Condominio Los Corales*, 2025 TSPR 56 (May 21, 2025).

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