

# **Bond Case Briefs**

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## **Fitch Downgrades Puerto Rico Pension Bonds to 'D'**

Fitch Ratings-New York-20 July 2017: Fitch Ratings has downgraded the rating on the following bonds issued by the Employees Retirement System of Puerto Rico (ERS) to 'D' from 'C' and removed from Rating Watch Negative, to reflect the failure to make timely payment of interest on its due date:

-Senior pension funding bonds, series 2008A, 2008B, 2008C.

As a result of the application of the automatic stay in the ERS' Title III bankruptcy-like proceedings under PROMESA, the ERS missed the scheduled July 1st interest payment, but will make the payment pursuant to a stipulation approved by an order from the U.S. District Court Judge overseeing the Title III proceeding. The 'D' rating reflects the failure to make payment on the scheduled due date under the contractual terms of the obligation. The stipulation requires payment of monthly interest from certain "pre-petition" funds through Oct. 1st. The stipulation further provides that the Commonwealth will cause certain amounts to be deposited on certain agreed-upon dates into a "post-petition" account, and the distribution of those amounts will be subject to the judge's future orders regarding the validity, perfection and enforceability of the ERS bondholders' liens.

The Commonwealth's Issuer Default Rating (IDR) remains 'RD', indicating that the issuer has defaulted on a select class of its debt.

### **RATING SENSITIVITIES**

The ratings on the bonds have reached the lowest level on Fitch's rating scale. Fitch expects to re-examine the commonwealth's credit profile once debt restructuring plans become more clear.

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