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Puerto Rico Seeks Bankruptcy Protection.

Puerto Rico is seeking protection from creditors so it can continue paying bills and address a \$7.6 billion budget deficit, Gov. Ricardo Rossello announced Wednesday at a San Juan press conference.

Detroit, D.C. offer clues to the future of Puerto Rico's public pension funds

The governor also notified the federal fiscal oversight board created by last year's PROMESA law, which includes provisions for actions that mirror bankruptcy protection.

Mr. Rossello said he also expects other government entities to seek restructuring agreements under another provision of Title VI of the Puerto Rico Oversight, Management and Economic Stability Act.

That protection complicates efforts by several groups of bondholders to restructure at least \$70 billion in debt, who until May 1 were under a litigation stay created by PROMESA.

"We remain committed to maintaining negotiations in good faith to reach agreements with creditors," Mr. Rossello said, pointing to a recent restructuring agreement with creditors of the Puerto Rico Electric Power Authority. "However, given the deficit that we have inherited, it is my responsibility to guarantee the best interests of the Puerto Rican people."

Puerto Rico's fiscal plan, approved March 13 by the oversight board and expected to be finalized by June 30, calls for it to pay creditors nearly \$800 million per year, 80% less than previous administrations committed to debt service.

Mr. Rossello acknowledged insufficient progress in negotiations with bondholders, and said that Title III of PROMESA will allow a special court to restructure its debt "to a sustainable level," adding that he hoped that it would accelerate the negotiation process, "leading to as much creditor consensus where possible and achieving where necessary a prompt and efficient judicial resolution of any issues or disputes."

Ted Hampton, vice president at Moody's Investors Service, said in a statement that invoking Title III "marks a positive step for bondholders overall" because while it will cost bondholders time and money, "it will be an orderly process that should be better for creditors in the aggregate than a chaotic and uncertain period involving proliferating lawsuits among holders of the commonwealth's numerous debt types."

PENSIONS & INVESTMENTS

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