(H. B. 120)

(No. 7-2021)

(Approved June 9, 2021)

AN ACT

To create the "Dignified Retirement Act," in order to establish a uniform, strong, and robust public policy of zero pension cuts for the participants of the retirement systems and Puerto Rico public service retirees; create the legal framework necessary for the future creation of a Retirement Systems Joint Administration Trust that guarantees the payment of pensions to public servants; provide the public policy that shall govern the negotiations and representations of the Government of the Commonwealth of Puerto Rico, its municipalities, instrumentalities, and agents during any restructuring, adjustment, mediation, or negotiation process related to the creditors' claims against the retirement systems, and their participants or pensioners; propose a model to establish and manage the different creditors' classes under a Plan of Adjustment that is consistent with the aforementioned public policy; amend Sections 2, 3, 5, and 9 of Act No. 2-2017, as amended, known as the "Puerto Rico Fiscal Agency and Financial Advisory Authority Act"; amend Section 1-104 and add a new Section 1-111 to Act No. 447 of May 15, 1951, as amended, known as the "Act of the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico," amend Section 1.1 and add a new Section 2.6 to Act No. 160-2013, as amended, known as the "Commonwealth of Puerto Rico Teachers' Retirement System Act"; add a new Section 1-A and amend Section 2 of Act No. 12 of October 19, 1954, as amended, known as the "Judiciary Retirement Act," to conform them to the public policy established in this Act; amend Sections 1.4 and 1.7 of Act No. 106-2017, as amended, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees"; amend Section 2 of Act No. 104 of June 29, 1955, as amended, known as the "Act on Claims and Suits Against the Commonwealth," to create a judicial tool to enforce this public policy; and for other related purposes.

STATEMENT OF MOTIVES

"The dignity of the human being is inviolable." It is thus stated in Section 1 of our Bill of Rights. From the moment a government is formed with the consent of those governed, the universal presumption is that such government has been formed to be in the service and for the benefit of the People who directed its creation. Therefore, a constitutional government must be vested with the full and unwavering trust of the People represented thereby, and must understand its responsibility to work to achieve the aspirations which the People have declared in their constitution.

The "Puerto Rico Oversight, Management, and Economic Stability Act" (PROMESA) enacted by the United States Federal Government in the summer of 2016 created a government that is parallel to Puerto Rico's constitutional government in order to subvert the democratic criteria of Puerto Ricans with regards to our budget priorities, basic needs, and essential public services. This parallel government was officially named the Financial Oversight and Management Board for Puerto Rico (hereinafter, the FOMB).

The FOMB does not have the capacity to govern with empathy or love for the People it governs. Even more so when these officials live in a reality that is so distant from that lived by the People. For example, they ignore the history that preceded them and the long trajectory of losses suffered as well as sacrifices made by the People in an attempt to prevent the fall which led to the creation of an Act such as PROMESA.

This is the only way to explain the FOMB's initial proposal submitted on September 27, 2019, with the approval of a Plan of Adjustment, revised on February 28, 2020 and on March 9, 2021, to forcefully restructure the debt of the Government of Puerto Rico pursuant to Title III of PROMESA. Such proposal entails greater sacrifices for hundreds of thousands of public servants, almost half of which have retired after dedicating their lives to public service in the Island, as well as condemns

Puerto Rico to more decades of unsustainable debt, which, by its own admission, would lead to another insolvency event in the short term.

THE PLAN OF ADJUSTMENT IN CONTEXT

Title III of PROMESA provides the first mechanism available to the Government of Puerto Rico for the judicial restructuring of the debts of its instrumentalities due to insolvency since it was deprived of such power in 1984 after Puerto Rico was excluded from Chapter 9 of the U.S. Bankruptcy Code. This same chapter in PROMESA creates experimental procedures for Puerto Rico, vis-à-vis Chapter 9 of the Bankruptcy Code, which only allows cities and state instrumentalities to declare bankruptcy. Puerto Rico would become the first state government to restructure its public debt.

However, PROMESA divests Puerto Rico's constitutional government of the power to represent the interests of the People of Puerto Rico before the Federal Court that oversees the debt restructuring process under Title III. In fact, PROMESA delegates this power solely to the FOMB, an entity that is explicitly exempt from accountability mechanisms by virtue of its organic act. The FOMB also has the veto power as well as the power to oversee debt renegotiations under Title VI of PROMESA for the voluntary modification of bonds.

This strategy has resulted in two debt restructurings within the FOMB's three and a half years of existence without first exploring arguments for the discharge, invalidation, nullification, or cancellation of at least portions of such debts just as it is currently doing for some general obligation and Retirement System Administration bond issues. Even worse, such restructurings have been authorized under terms which seem to impose an unsustainable debt service; risk the constitutional government of Puerto Rico's capacity to guarantee the payment of government pensions and the essential services to the People of Puerto Rico;

increase the cost of electricity rates and services; and delay Puerto Rico's return to the bond market.

The first of such agreements, approved on November 8, 2018, consisted of the restructuring of approximately $4 billion in Government Development Bank Bond claims which would represent a repayment obligation of $2487.8 billion in cash and $2530.9 billion in payments-in-kind until 2040. The agreement, negotiated by virtue of the voluntary bond modification provisions under Title VI of PROMESA, ensures that bondholders shall recover, on average, 55 cents on the dollar of the bonds' face value. This represents a significant cut for those creditors that acquired the bonds at the time of the issue, as it is the case of savings and credit unions. However, the GDB agreement represents significant profits, to be defrayed by the People of Puerto Rico, for those hedge funds that acquired the debt during the last few years prior to the agreement, in some cases for as low as 12 cents on the dollar. Furthermore, with the approval of the agreement, the negotiating parties, including current and former GDB officials, agreed on mutual releases from any liability for past, present, or future claims related to the restructuring, even when the lawfulness of such transactions is challenged.

Moreover, on February 4, 2019, the Plan of Adjustment of the Puerto Rico Sales Tax Financing Corporation (COFINA, Spanish acronym) proposed the restructuring of $17.58 billion in COFINA bond claims through terms that compel the People of Puerto Rico to pay over $32.30 billion over the next forty (40) years. The COFINA bond issues have the same irregularities as several other general obligation bond issues that the FOMB itself challenged through a motion filed as part of the case under Title III of PROMESA on January 14, 2019; the bond issues were reported as revenues for the purpose of approving a balanced budget and COFINA's bonds, just as those of the Public Buildings Authority, were issued by an entity created by, dependent on, and for the benefit of the central government.

However, the FOMB opted not to promote the cancellation of these transactions and negotiated an agreement that guarantees the repayment of 93 cents on the dollar to COFINA senior bondholders, who own 44% of the entity's debt, and 54 cents on the dollar to junior or subordinated bondholders who own the remaining 56% of the public corporation's debt. Just as the agreement with the GDB, these figures represent substantial profits for the majority of COFINA's bondholders, whether senior or subordinated, since such bondholders, which are predominantly hedge funds, acquired these creditors' claims at a much lower cost than the amount to be paid now from 5.5% Sales and Use Tax (SUT) revenues pledged to COFINA.

The FOMB currently promotes the approval of a Joint Plan of Adjustment (POA) for the obligations of the Government of Puerto Rico, the Retirement System Administration for the Employees of the Government of Puerto Rico and the Judiciary, and the Public Buildings Authority. The first version of this plan was filed by the FOMB on September 27, 2019. The Court, however, ordered the parties to keep negotiating because the plan was only supported by approximately 18% of the holders of the bonds to be restructured. This led the FOMB to file a Plan Support Agreement (PSA) on February 9, 2020, and a subsequent amendment to the POA on February 28, 2020, which was endorsed by almost 58% of the holders of the bonds to be restructured, and rendered null the POA filed in September 2019. Likewise, another amendment to the POA was filed on March 9, 2021, which also increased bondholders' support.

The POA was filed by virtue of Section 312 of PROMESA. Furthermore, Section 314 of PROMESA states in detail the POA evaluation and confirmation procedure. Subsection (a) of Section 314 allows any creditor or special tax payer to object to the Plan. Moreover, subsection (b) details the criteria that the POA must meet to be confirmed by the Judge presiding over the case under Title III of PROMESA. Paragraph (5) of subsection (b) is particularly important given the fact that it requires that any legislative or regulatory approval necessary to carry out any provision of the plan be obtained prior to the POA's approval, and that the Plan be approved by the creditors of the debts to be adjusted. Therefore, contrary to some statements made the FOMB, PROMESA explicitly requires the approval of enabling legislation prior to the implementation of the POA insofar as the document requires the amendment of statutory or other regulatory provisions of the constitutional government of Puerto Rico, which it currently does, or if it seeks to authorize an exchange of restructured bonds which also requires legislative approval pursuant to Act No. 33 of December 7, 1942, as amended, known as the "Act to Authorize the Treasurer of Puerto Rico to Redeem or to Purchase, on the Open Market or Wherever They May Be Offered for Sale, Bonds or Other Certificates of Indebtedness of the People of Puerto Rico." In other words, the POA cannot be approved without the endorsement of the Legislative and Executive Branches of the constitutional government of Puerto Rico.

In turn, paragraph (6) of subsection (b) of Section 314 of PROMESA requires that the POA be feasible and in the best interest of creditors, and that no other remedies be available under the Constitution of Puerto Rico and other laws that would result in a greater recovery for the creditors than is provided by the POA. As we shall see, one of those remedies is to promote the cancellation of unlawful debt issued in violation of the Constitution and laws of Puerto Rico.

While the POA proposes to restructure close to $19 billion in general obligation and PBA bonds, including those bonds challenged in Court, the PSA also modifies approximately $16 billion more. In addition to the bonds of the Retirement System Administration for the Employees of the Government of Puerto Rico (hereinafter, the RSA), the Puerto Rico Highway and Transportation Authority (HTA), and other entities, the $16 billion include employee debts resulting from the lack of government contributions to the health plans as well as noncompliance with the financial clauses of collective bargaining agreements; Government contractor and supplier debts, which are mostly Puerto Rican companies, resulting from outstanding invoices; and debts on account judgements in actions brought against the Government for civil rights violations; among other outstanding claims.

The POA of March 9, 2021, proposes a significant recovery increase for bondholders that negotiated their terms with the FOMB. Coincidentally, they are the holders of the bonds that have been challenged in Court, even by the FOMB itself. By virtue of the POA submitted in September 2019, these holders of challenged bonds shall receive, on average, 30 cents on the dollar of the bond's face value. However, in the POA of February 28, 2020, the FOMB increased the offer for those bondholders to 71.4 cents on the dollar, and in the POA of March 9, 2021, it increased it again to 75.6 cents on the dollar. The recovery for the rest of the holders of central government and PBA bonds also improved from an average of 67 cents on the dollar in the POA of September 2019, to an average of 76 cents on the dollar in the POA of February 2020, and lastly, to an average of 98 cents on the dollar in the POA of March 2021. The recovery on the bonds of the Retirement System Administration for the Employees of the Government of the Commonwealth of Puerto Rico (hereinafter, the RSA), which are also challenged bonds, were offered an increase from 12.7 cents on the dollar, in the POAs of September 2019 and February 2020, to 17 cents on the dollar in the POA of March 2021. In the aggregate, the average cut for bondholders under the POA is 30 cents on the dollar. This represents a significant recovery increase for these bondholders despite the fact that most of them are hedge funds which acquired these bonds for a price well below what they would receive through the POA.

Meanwhile, the workers, pensioners, contractors, suppliers, and parties who prevailed in judicial claims against the government, most of which are residents of Puerto Rico, are the most affected by the POA. To claim substantial savings in the debt to be restructured, the FOMB has imposed the most severe cuts in this agreement on the residents of Puerto Rico, who own debt of the Government of Puerto Rico that has never been challenged, while increasing the recovery of hedge funds that not only hold bonds whose lawfulness has been challenged, but also acquired the creditors' claims at a much lower cost than what the PSA proposes the People of Puerto Rico should pay.

The POA shall have a substantial impact on the Treasury because it would increase the debt service to $1.15 billion over the next 25 years. The overwhelming majority of economists who have evaluated the agreement, within and outside of Puerto Rico, have deemed this amount to be unsustainable. In this sense, it is difficult to execute a POA that returns Puerto Rico to debt payment levels in times where it is already facing great economic difficulties and hardships.

The payment of the debt proposed to be restructured by the POA over the next 25 years, in turn, would amount to over $21 billion. Furthermore, the FOMB offers a small group of hedge funds, and their attorneys and consultants, a cash advance in excess of $7.4 billion upon the consummation of the POA. Such payments are chargeable to the General Fund, from the revenues of the Government of Puerto Rico.

Moreover, the POA of March 2021 essentially keeps intact one of the proposals that has the greatest impact on the People of Puerto Rico, that is, the pension benefit accrual freeze for participants and the pension benefit cuts for the beneficiaries of the Central Government Retirement Systems, and of the Judiciary and the Teachers' Retirement Systems. It shall be an 8.5% cut to be imposed on pensions exceeding $1,500 a month, upon adding the Christmas, summer, and Medicine bonuses. Over 47,000 Government retirees, or two out of five, would experience a significant reduction in their pensions as a result of this proposal. This pension benefit cut is the result of an agreement reached on June 7, 2019, and amended on November 2020, between the FOMB and the Official Committee of Retirees (hereinafter, the OCR), the body designated by the Office of the United States Trustee of the U.S. Department of Justice to represent the pensioners of the Retirement System for Employees of the Government of Puerto Rico and the Judiciary, and the Teachers' Retirement System.

This new proposal to cut pension benefits should be analyzed in context. The pensioners of the three retirement systems affected by the POA have already seen how, prior to the filing of the bankruptcy petition under Title III of PROMESA, their contributions to such systems were gradually increased while their pensions were reduced. According to the report on the retirement systems drafted by Ernst & Young and published by the FOMB on September 27, 2019, pensioners do not receive cost-of-living adjustments (COLAs) since the approval of Act No. 35-2007, as amended, known as the "Pension Increase Act." This means that, on average, pensioners had endured a 19% reduction in purchasing power between 2007 and 2019. By 2037, ten (10) years before the POA expires, the lack of cost-of-living adjustments would constitute a reduction of over 39% of their purchasing power.

Likewise, according to the Ernst & Young report, pensioners had suffered substantial benefit reductions due to the approval of Act No. 3-2013. In the case of pensioners of the defined benefits programs under Act No. 447 of May 15, 1951, as amended, known as the "Retirement System for Employees of the Government of the Commonwealth of Puerto Rico," (hereinafter, Act No. 447), they have suffered reductions of up to 42% of the aggregate value of their pensions, benefits, and other retirement rights after the approval of Act No. 3-2013. The pensioners of the defined benefits program under Act No. 447 who enrolled as participants after April 1, 1990, suffered benefit cuts of up to 31% of the aggregate value of their pensions, benefits, and other retirement rights. Lastly, pensioners of the Retirement Savings Account Program (hereinafter, System 2000) under Act No. 447 who enrolled as participants after January 1, 2000, suffered benefit cuts of up to 15% of the aggregate value of the pensions, benefits, and other retirement rights.

Finally, the Government of Puerto Rico approved Act No. 106-2017, as amended, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees," to direct the liquidation and transfer of the assets of all the Retirement System accounts to a segregated account in the General Fund in order to pay the accrued pensions. Although the legislation had an impact on retirees, it sought to provide an alternative to guarantee the payment of their pensions at a time when the systems were about to collapse. Pensioners covered by Act No. 447 suffered a cumulative reduction of up to 44% in the aggregate value of their pensions, benefits, and other retirement rights if they had enrolled as participants before April 1, 1990, and of up to 53% if they enrolled as participants after said date. System 2000 participants experienced a cumulative reduction of up to 82% in the aggregate value of their pensions, benefits, and other retirement rights.

The history is there and makes it clear that any Plan of Adjustment cannot continue to punish the same population that has already endured so many cuts.

PLAN OF ADJUSTMENT CRITICISMS

The actions of the FOMB show a substantial noncompliance with its obligations under PROMESA, specifically pertaining to the management of Puerto Rico's public finances.

Firstly, Section 201(b)(1) of PROMESA requires the FOMB to approve fiscal plans that provide a method to achieve fiscal responsibility and access to the capital markets, ensure the funding of essential public services, as well as provide adequate funding for public pension systems. However, when certifying the fiscal plans of the Government of Puerto Rico and its public corporations, as well as promoting the approval of restructuring agreements and plans of adjustment to which amend the fiscal plans, the FOMB has categorically refused to define which public services are essential, thus depriving such services of the protection required under PROMESA.

In the case of pensions, far from identifying mechanisms to ensure their funding, the fiscal plans of the Government of Puerto Rico certified by the FOMB have provided for different variations of cuts to the vested rights of this population. The most recent example of this is the 8.5% cut included in the POA of September 2019 which was later reiterated in the POA of February 28, 2020 and March 9, 2021. Through these actions, not only does the FOMB fails to comply with its obligations under Section 201(b)(1)(C) of PROMESA, but it also fails to consider reasonable alternatives, such as those adopted herein, which would ensure the payment of the pensions of our current retirees, and the future pensions of our active workers.

Furthermore, Section 413 of PROMESA compels the FOMB to not restrict the ability of the Puerto Rico Commission for the Comprehensive Audit of the Public Credit, an entity created by Act No. 97-2015, to file its reports, or the review and consideration of its findings. The aforementioned commission was eliminated under Act No. 22-2017, but not before it published two pre-audit survey reports. The first of such reports was published in June 2016, and identifies potential constitutional violations in connection with issues which are being restructured by the PSA. The FOMB has employed a few of these arguments when promoting the cancellation of the debt issued through 2012 Series A and B of March 2012, and 2014 Series A of March 2014, for they exceed the constitutional debt limits established in Article VI, Section 2 of the Constitution of Puerto Rico. However, the arguments presented in this report, and adopted by the FOMB, are equally applicable to other general obligation bond issues, as well as to the PBA and COFINA bond issues, to name a few. Thus, the amount of debt that the FOMB should be challenging is much greater than the one currently being challenged before the Federal Court. Unfortunately, instead of broadening the debt portions to be cancelled in light of the findings included in the reports submitted by the Puerto Rico Commission for the Comprehensive Audit of the Public Credit, the FOMB is actively promoting a PSA that intends to pay the holders of illegal debt to the detriment of our pensioners and active workers.

Despite these and other violations, both the Congress and the President of the United States have been incapable of requiring the FOMB to comply with PROMESA's mandate, and the courts have been unwilling to review their actions or omissions. For example, Section 206(a)(2) of PROMESA requires that, prior to any restructuring, the FOMB publish the audited financial statements of the covered entity, as well as make public other information sufficient for any interested person to make an informed decision with respect to such transactions. Likewise, Section 211 of PROMESA directs the FOMB to conduct an analysis prepared by an actuary of any retirement system that, in its sole discretion, is materially underfunded. However, despite the multiple demands made and the hearings held by the United States Congress to assess the FOMB's compliance with its obligations under PROMESA, the FOMB actively promotes a POA that restructures the debts of the Government of Puerto Rico, the PBA, the Retirement System for Employees of the Government of Puerto Rico, as well as the Judiciary and Teachers' Retirement Systems without having produced the audited financial statements of the Government of Puerto Rico, the PBA, or the retirement systems. The FOMB also continues refusing to produce the actuarial valuations for the fiscal years prior to the filing of the bankruptcy petition under Title III of PROMESA.

Furthermore, the FOMB has sought to benefit from the ambiguity concerning its nature as an entity appointed by the Government of the United States, but attached to the Government of Puerto Rico. On the one hand, the FOMB defends its identity as an entity that is part of the Government of Puerto Rico for the purpose of evading any arguments with regards to the applicability of the constitutional provisions on federal officials or entities, that is, the constitutionality of its appointments, and the alleged inapplicability of the Appointments Clause of Article II, Section 2 of the Constitution of the United States. On the other hand, when it has to assume its obligations as an entity within the Government of Puerto Rico, the FOMB argues that it is a federally-created entity whose actions are not governed by Puerto Rico's constitutional law or public policy. An example of the foregoing is the FOMB's continuous refusal to comply with its obligation to submit reports to the Office of the Comptroller of Puerto Rico, and to meet the requirements of the "Puerto Rico Government Ethics Act," as well as its promotion of lack of government transparency by unsuccessfully arguing that the constitutional right of access to information, which has been recognized in our jurisdiction since *Soto v. Secretario de Justicia*, 112 D.P.R. 477 (1982), does not apply thereto. The FOMB has made this argument in the two complaints filed by the Center for Investigative Journalism. *Centro de Periodismo Investigativo v. Financial Oversight and Management Board,* Civ. No. 17-1743; *Centro de Periodismo Investigativo v. Financial Oversight and Management Board,* Civ. No. 19-1936.

Moreover, the FOMB's most flagrant violation of the provisions of PROMESA must be considered, which is its inability to develop a restructuring model that incorporates a debt sustainability analysis of the aggregate debt service, to wit, a determination of the level of debt service that is sustainable for Puerto Rico in order to prevent future defaults and bankruptcies, based on the macroeconomics rather than on optimistic and politically-charged projections.

Conducting such analyses is not an optional task for the FOMB. Section 201(b)(1)(I) of PROMESA provides that the fiscal plans certified by the FOMB shall include a debt sustainability analysis. Likewise, such an analysis is inherently tied to the requirement of Section 314(b)(6) of PROMESA, that any POA negotiated by the FOMB shall be confirmed if it is feasible.

A study conducted by economists Martín Guzmán and Pablo Gluzmann, published in May 2019, questions precisely that, the lack of a debt sustainability analysis for Puerto Rico's aggregate debt service by the FOMB. The report examines the contents of the fiscal plans certified by the FOMB for the Government of Puerto Rico in March 2017 and October 2018, as well as the COFINA Plan of Adjustment approved in February 2019, and concludes that, among other things, the FOMB has yet to determine a sustainable debt service for Puerto Rico based on reasonable premises and the best practices of macroeconomic analysis. Moreover, the study harshly criticizes the FOMB's fragmentation of the debt analysis and concludes that a debt sustainability analysis would require, at least, a reduction of 70% of the total debt. However, the authors stress that, due to the approval of the COFINA Plan of Adjustment, if the FOMB wants to prevent Puerto Rico from defaulting a second time and being exposed to a new bankruptcy proceeding, the remaining bonds pending restructuring would have to suffer an average haircut between 85% and 95%. As stated previously, however, in the POA of March 9, 2021, the FOMB proposes a haircut of less than 30% for the bonds of the Government of Puerto Rico and the PBA, which include those bonds challenged in the case under Title III of PROMESA.

Even when employing the FOMB's fragmented debt analysis to measure the sustainability of the central government's debt, as presented in the most recent Fiscal Plan certified on May 9, 2019, the agreement entered into with the hedge funds through the POA far exceeds the general fund's maximum capacity to comply with the debt service. The FOMB concludes in its debt sustainability analysis that the maximum debt service that the Government of Puerto Rico would tolerate within a period of thirty (30) years, and at a fixed interest rate of 4%, does not exceed $13.385 billion, or an average annual debt service of $446 million. In order to fulfill PROMESA's requirement to provide Puerto Rico with access to the capital markets, such debt service must take into account not only the payment of the existing debt at the time of PROMESA's approval, but also the issuance of new debt. We must keep in mind that the POA commits us to interest rates that can reach up to 5.375% (at a time when jurisdictions with junk bonds achieve rates below 4%), as well as to a total debt service of $21 billion over 25 years, and in some of those years we shall have to allocate $1.15 billion solely to pay debt which existed prior to the approval of PROMESA. There is no doubt that the FOMB's intention is to lead Puerto Rico towards a second bankruptcy in less than 20 years, and to prevent it from freeing itself from the restrictions imposed under PROMESA.

In addition, COFINA's restructured debt service over the next 40 years exceeds $32.3 billion, for an average annual debt service of over $807.5 million for such debt, plus an additional $5.018 billion for the Government Development Bank's restructured debt service, which amounts to an additional average annual debt service of $167.3 million to be paid up to August 2040.

A second bankruptcy would be devastating for Puerto Rico's most vulnerable populations which include our public servants and pensioners. This would once again face off these bondholders, whose creditor's claims are now more protected, against pensioners and public servants who would be considered unsecured creditors and be in a worst position than they are currently in. Under such circumstances, market access would be contingent on greater pension cuts in order to assuage concerns regarding a new default and fund insufficiency. The Government of Puerto Rico cannot allow this to happen.

Furthermore, the positions of the bondholders and the pensioners are very different. On the one hand, the payment agreements of within the POA are entered into with persons and entities, such as the hedge funds, who recently acquired the creditors' claims at prices much lower than the recovery margin they are now negotiating with the FOMB, therefore, such agreements represent significant gains for them rather than losses. In fact, some of these companies have dramatically increased their purchase of Puerto Rican bonds after the passage of hurricanes Irma and Maria while the number of bondholders in Puerto Rico has decreased. For example, the reports from the Office of the Commissioner of Financial Institutions reveal that, between September 2018 and June 2019, licensed investment brokers in Puerto Rico reported that their clients' Puerto Rico bond portfolios had shrunk by more than $1.381 billion, while local investment companies reported that their clients had reduced their Puerto Rico bond holdings by more than $600 million.

On the other hand, in contrast to the bondholders, most of whom shall suffer no losses, but rather profit from the POA, these multiple violations entail an immense social cost that affects the lives of the residents of Puerto Rico, particularly the lives of our pensioners. As stated previously, the pensioners of the Government of Puerto Rico Retirement Systems, and of the Judiciary and the Teachers' Retirement Systems, have already suffered significant cuts to their pensions, benefits, and other retirement rights both before and after the start of the bankruptcy proceedings under Title III of PROMESA. They are now at risk of suffering even more cuts. This is unsustainable.

Moreover, according to the analysis conducted by Ernst & Young in its report on Puerto Rico's retirement systems, the FOMB's measures only provide twenty (20) years of funding for the pensions, given that Puerto Rico shall face fiscal deficits as of 2038, as recognized in the fiscal plan of the Government of Puerto Rico, certified by the FOMB on May 9, 2019. From this point of view, through the POA, the FOMB intends to issue new bonds payable over the next twenty (20) years with annual payments in excess of $1.425 billion, despite the fact that the Government of Puerto Rico shall experience fiscal deficit by the end of such period.

In fact, this reality ruins another aspect of the agreement negotiated between the FOMB and the Official Committee of Retirees (OCR). One of the distinctive elements of such agreement is the potential restoration of the Christmas, Summer and Medicine bonuses for the pensioners who had such benefits cut, if the Government of Puerto Rico achieves a surplus in excess of $100 million over the projections contained in the fiscal plan certified by the FOMB. Likewise, it shall create a reserve to meet pension obligations during deficit years. Such pension reserve shall be funded solely by a portion of any annual surplus in excess of $1.75 billion achieved by the Government of Puerto Rico. However, the commitments made to bondholders in the POA significantly hinder the Government's capacity to achieve a budget surplus sufficient enough to provide such relief. Several economists have classified the FOMB's projections as extremely optimistic, specifically because they do not take seriously the projected population decline resulting from the combined effects of the fiscal and economic crisis, the passage of hurricanes Irma and Maria, and, more recently, the earthquake of January 7, 2020, and its multiple aftershocks. When you add that the FOMB itself projects budget deficits for Puerto Rico as of 2038, it is difficult to celebrate a benefit restoration measure or a pension reserve that has zero chance of taking effect.

The reaction to the FOMB violating PROMESA, abandoning its responsibility to ensure the pensions of our retirees of the Government of Puerto Rico Retirement Systems, and of the Judiciary and the Teachers' Retirement Systems, jeopardizing our essential services, promoting payments to the holders of illegal debt, and agreeing to a debt service that is unsustainable for Puerto Rico, has been made known.

Specifically, on November 7, 2019, this Legislative Assembly approved House Concurrent Resolution No. 114. Through the resolution we expressed our

> complete and forceful rejection to the Financial Oversight Board's Plan of Adjustment whereby it recommends that the Federal Court reduce by eight point five percent (8.5%) the retirement benefits received by the Retirees of the Government of Puerto Rico."

Furthermore, we

> unequivocally express[ed] that no legislation shall be passed enabling said plan of adjustment [the PAO] or the reduction of the retirement benefits to which active and retired government employees (central government, municipalities, and public corporations) are currently entitled so that, upon retirement, none of their benefits are reduced.

Lastly, Section 3 of the Concurrent Resolution provides that we:

> support and authorize the Speaker of the House of Representatives and the President of the Senate of Puerto Rico to take any actions as are necessary as well as to employ the resources of the Legislative Assembly to defend us from the actions of the Financial Oversight Board, which are detrimental to the best interests of Puerto Ricans

Therefore, this bill is the logical continuation of the work that began with the aforementioned Concurrent Resolution.

The aggregate pension cut furthered by the FOMB under Title III of PROMESA, which includes those provided in the agreement entered into with the OCR as well as the freezes and cuts contained in the agreements entered into with labor unions such as Servidores Públicos Unidos, and the Puerto Rico Teachers' Association-Local Union, would exceed $12.5 billion during the same period in which the Government of Puerto Rico would be paying for the restructuring agreement contained in the COFINA Plan of Adjustment. Depriving the most vulnerable residents, who are also the local economy's main consumers, of $12.5 billion shall have a devastating effect on Puerto Rico's economy which is being grossly underestimated by the FOMB.

The International Monetary Fund (hereinafter, the IMF), in its economic analyses on the multiplier effect that austerity policies have on the economy, usually estimates that for every dollar ($1.00) in budget cuts furthered as an austerity measure, the local economy loses approximately one dollar and fifty cents ($1.50).

However, past experience in countries such as Greece, where the IMF has opted to implement multiple rounds of budget cuts, including pensions and essential public services, the IMF have had to acknowledge that it grossly underestimated the multiplier effect that its austerity measures would have on the national economy. According to the analysis conducted by the experts on sovereign debt, such as economist and current Minister of Economy of Argentina, Martín Guzmán, past experiences with these processes indicate that the economy loses nearly three dollars and fifty-four cents ($3.54) per dollar ($1.00) of budget cuts. Meanwhile, the FOMB intends to challenge both experiences making projections that suppose that the negative impact on Puerto Rico's economy shall never exceed one dollar and thirty-four cents ($1.34) per dollar ($1.00) of budget cuts.

In other words, international experience would indicate that a $12.5 billion pension cut in Puerto Rico could cause Puerto Rico's economy to lose over $44.25 billion over the next 40 years. Puerto Rico's economy would lose $18.75 billion over 40 years if we apply, to the pension benefit cuts proposed for Puerto Rico, the standard fiscal multiplier employed by the IMF, which, by the IMF's own admission, underestimates the real impact that austerity has had on the economies to which it has been applied. Meanwhile the FOMB supposes that the impact shall never be less than $16.75 billion. Basing our analysis solely on the multiplier effect of the proposed pension benefit cuts, the FOMB's calculations could be off by up to $27.5 billion. They are gambling away the lives and futures of all those living in Puerto Rico.

Moreover, the POA's proposed recovery for the hedge funds as well as its proposed cuts for pensioners and active workers fail to properly factor in Puerto Rico's demographic trends. According to the Census data, Puerto Rico's population shrunk by more than 14% or over 525,000 persons, between 2010 and 2019. In addition, between July 1, 2018, and July 1, 2019, there were 7,393 more deaths than births. Demographic projections assure that this trend of population decline shall not only continue, but is actually accelerating as a result of the combined effects of the fiscal and economic crisis, the passage of hurricanes Irma and Maria, and, more recently, the earthquake of January 7, 2020, and its multiple aftershocks. Thus, while the fiscal plan for the Government of Puerto Rico certified by the FOMB, and the POA commit the Island to an unsustainable debt service, the population responsible for generating the Government's revenues is leaving Puerto Rico.

Puerto Rico's population is ageing according to Census data. The average age of Puerto Rico's population increased from 36.9 to 42.8 years between 2010 and 2018, a six (6)-year or sixteen percent (16%) increase. During that same period, the number of persons older than sixty-five (65) years of age increased from 604,594 to 747,314. In other words, the number of persons older than sixty-five (65) years of age increased by 142,720, or 24%, during a period in which Puerto Rico's total population fell by 500,000. Nevertheless, the FOMB intends to cut this population's pensions while demanding that they keep consuming and contributing to maintain Puerto Rico's revenues at an optimal level in order to pay hedge funds that seek to earn millions in profits from Puerto Rico's bankruptcy. The FOMB's ambitions are not only irrational, but also loathsome.

As the number of persons older than the age of sixty-five (65) keeps rising, it is the duty of the Government of Puerto Rico to protect the quality of life and protect the dignity of this population. The right to a dignified retirement cannot be considered separate from the dignity of the human being, which is enshrined in the Constitution of Puerto Rico as the first fundamental right of those of us who have made this Island our home.

Lastly, we cannot ignore that on February 22, 2020, approximately 1,000 pensioners of all the retirement systems convened at a Pensioners National Assembly where the pensioners' community rejected the works of and agreements entered into by the FOMB, and expressed their clear and outright rejection of any new pension benefit cuts. The Assembly was called by the *Frente en Defensa de las Pensiones* which groups pensioners from the Retirees Chapter of the Puerto Rico Teachers' Federation, the Retirees Chapter of UNETE, the *Federación de Pensionados y Jubilados de Puerto Rico*, the *Comité Especial de Jubilados del Colegio de Profesionales de Trabajo Social de Puerto Rico*, and the *Construyamos Otro Acuerdo* Campaign. Due to its relevancy to this bill, we have transcribed the Resolution approved in this Assembly in its entirety:

Pensioners National Assembly Resolution to Set Forth their Intent to Fight for a Dignified Retirement

WHEREAS: The Puerto Rico Oversight, Management, and Economic Stability Act enacted by the government of the United States places the debt above the essential services required by the people, and intends to cut and destabilize the payment of present and future pensions.

WHEREAS: The laws of the government of Puerto Rico have imposed cuts on the pensions of the Government of Puerto Rico, and have changed from a defined benefit system to a defined contribution system which leads pensioners, pre-retirees, and retirement system participants to poverty.

WHEREAS: The Financial Oversight Board created by virtue of PROMESA has imposed cuts on essential services, including the University of Puerto Rico, and seeks to eliminate the University of Puerto Rico Retirement System Trust, reduce pensions, and change it to savings plans and defined contribution plans.

WHEREAS: The Trustee from the U.S. Bankruptcy Court created and imposed on us, through a highly undemocratic process, the Official Committee of Retirees

(OCR) as the entity to represent the pensioners of the central government, and the judiciary and teachers' retirement systems, in the bankruptcy case, but such entity has serious conflicts of interests and has betrayed the pensioners class by negotiating pension cuts.

THEREFORE: We pensioners raise our voices in unison today to demand a dignified retirement. These claims are the starting point for the Puerto Rico we demand today. Such claims are essential at this historical juncture as the bankruptcy proceedings and the Financial Oversight Board threaten the quality of life and dignity in our Island. In light of the foregoing, the first National Assembly for a Dignified Retirement expresses its intent to fight to:

1. Demand a comprehensive debt audit with broad citizen participation, the cancellation of all illegal debts which have generated no benefit for the People and prosecute all those responsible for Puerto Rico's bankruptcy.

2. Reject the Plan of Adjustment the Financial Oversight Board filed with the Federal Court which includes an 8.5% cut to the pension of the pensioners of the Central Government, the Judiciary, and the Teachers' Retirement Systems.

3. Deprive the Official Committee of Retirees (OCR) of its authority as the legal representatives of the pensioners of the Central Government, the Judiciary, and the Teachers' Retirement Systems with respect to any determination, process, or action relating to the pensioners because they are representatives appointed and imposed by the Federal Court rather than elected representatives.

4. Defend the University of Puerto Rico and oppose any measure directed at reducing the pensions of the employees of the UPR, or destroying the defined benefit plan and the University of Puerto Rico Retirement System Trust.

5. Reject the proposed agreement with PREPA's bondholders which seeks to privatize the agency and increase the electricity rate to up to 50%, which would have *a disproportionate impact on the pensioner class because it entails an additional cut to their pensions.*

6. Demand that the incumbent Governor and the Legislative Assembly establish as the public policy of the government of Puerto Rico: Zero cuts to present and future pensions, and the cancellation of any government debt as necessary to ensure pension payments and essential services.

7. Demand that the incumbent Governor and the Legislative Assembly define the essential services: public education (basic and university), health, housing, security, communications, water, electric power, and pensions; and the allocation of funds as necessary to guarantee pension payments and the rendering of essential services in our Island.

8. Educate the pensioner class, workers, and the People to NOT vote for candidates for elective office in the 2020 General Election who fail to take action to support the claims of pensioners or remain silent with regards to such demands. Their commitment and actions must be directed at discarding the Plan of Adjustment and any measure that threatens the essential services and cuts present and future pensions of retirees and public employees.

9. Demand that the United States Congress immediately repeal PROMESA, eliminate any Financial Oversight Board, and instead, approve the United States Territorial Relief Act (H.R. 2526-S.1312) which discharges unsecured bonds in order to allocate our public funds so as to guarantee the payment of pensions, a just recovery, and the strengthening of our essential services and economic development.

10. Demand that a dignified retirement be guaranteed, which consists of enjoying a lifetime and defined benefit pension that protects each person from poverty at old age, with access to proper medical services and cost-of-living adjustments. Due to being inconsistent with a dignified retirement, We hereby reject the unwarranted cost-of-living increases in Puerto Rico resulting from the *privatization of public services, the unsustainable debt, the tax increases for debt service, the low salaries, less job security and benefits, gender-based violence against women, the toll increases, the increases in the water and electricity bills without receiving more or better quality services, more expensive education, more expensive and less accessible healthcare, the squandering of recovery funds, the unmaintained roads and housing, the closing of schools and hospitals, and the neglect of our island municipalities. All of the foregoing worsens our quality of life and that of our children, and grandchildren. We want to live in peace and leave a better Puerto Rico for future generations.*

Approved on February 22, 2020, in San Juan, Puerto Rico

As the elected representatives of the Government of Puerto Rico, we cannot ignore these voices. We are compelled to act.

OUR ALTERNATIVE

When we evaluate the projections of FAFAA for the revenues of the Government of Puerto Rico over the next forty (40) years, all of them indicate that there would be enough money to comply with the payment of 100% of the pensions and other obligations of the Retirement Systems to their pensioners and participants, with adequate funding to ensure the payment thereof in the short-and long-term, and there would still be a budget surplus. The FOMB's problem is that no projections indicate that there shall be sufficient funds to fulfill the commitments made to a handful of hedge funds with whom the FOMB has opted to negotiate the new POA as long as it has to pay for the pensions and other essential public services.

The FOMB's priorities are distorted and completely divorced from the economic reality of the taxpayers, residents, and public servants of Puerto Rico. If the Government of Puerto Rico has to choose between paying 100% of the pensions of those who have worked and contributed to both their Island and the Retirement Systems throughout all their lives, or making payments to a group of opportunists who purchased, at bargain bin prices, the debt of a government that went bankrupt after multiple natural disasters, or paying one cent of a debt that was issued and serviced in a flagrant violation of the laws and Constitution, the Government's duty is to protect its constituents and always make them a priority.

The mechanisms available to the Government of Puerto Rico in order to achieve them [sic] under PROMESA were delegated, almost completely, to the FOMB through the budgetary powers granted thereto under Title II and its sole representation of the Government of Puerto Rico as debtor under Title III. Section 315 of PROMESA prevents the Government of Puerto Rico from representing itself as debtor during the bankruptcy proceeding. Thus, the Government is also prevented from submitting its own proposal for a Plan of Adjustment to the Court. It is clear, however, that the FOMB would not complete a restructuring process with the confirmation of a Plan of Adjustment under Title III without the support of the Government of Puerto Rico.

The Legislative Assembly made it clear through House Concurrent Resolution 114, its refusal to collaborate or further the proposed POA as long as it entails cuts to the benefits of present and future pensions. Now, through this Act, we wish to clarify also under which circumstances the Government of Puerto Rico would be willing to collaborate with the FOMB to quickly resolve the Government's bankruptcy. For such purposes, we introduce the "Dignified Retirement Act," to establish a clear public policy that outlines the elements of a model Plan of Adjustment that takes into account the sacrifices made by the pensioners and participants of the Retirement Systems for decades, as well as provides a fair outlook of how those who helped build present-day Puerto Rico should be treated in the face of speculators who seek to profit from their collective misery.

To fulfill our commitment to a public policy of zero pension cuts, it is necessary: (1) to create a Retirement Systems Joint Administration Trust (hereinafter, FACSiR, Spanish acronym), which shall prudently invest its resources and assume its obligations to its participants and pensioners; (2) to fund such Trust with the individual and employer contributions of its participants, in addition to the savings achieved through a Plan of Adjustment which safeguards 100% of the pensioners' and participants' benefits existing at the time the bankruptcy petition was filed on May 3, 2017, completely eliminates the debt service of any government bond issued in violation of the laws and Constitution of Puerto Rico, and reduces the remaining debt as necessary to achieve the savings required to properly fund the new trust; (3) to return to the trust the revenues from the individual contributions and the interests that were not generated in the past decades on account of defined contribution programs; (4) to enforce the right to recover from the financial institutions responsible for providing advice on and issuing the unlawful public debt, those amounts generated from profits, commissions, or sales related to such challenged debt; and (5) to grant the pensioners and participants of the Retirement Systems an ownership right over the assets and revenues of the trust to ensure the payment of their pensions, just as the obligations of COFINA and the GDB have been secured in their respective restructurings.

It is very unlikely for this type of restructuring to be supported by the hedge funds with which the FOMB has negotiated up to this point. However, Section 1129(a)(10) of the U.S. Bankruptcy Code, which was incorporated into the bankruptcy proceeding under Title III through Section 301 of PROMESA, allows for the confirmation of a Plan of Adjustment provided, that at least one of the impaired classes under the Plan has accepted the Plan. Likewise, Section 1129(b) of the Bankruptcy Code authorizes the Court to confirm the Plan notwithstanding the opposition from the remaining class of claims. This mechanism makes it possible to promote the approval of a Plan of Adjustment which does not impose additional cuts to the pensions and could be imposed on the other creditors if approved by pensioners of the different Retirement Systems; specifically, on the hedge fund companies that seek to generate millions in profit through the POA submitted by the FOMB on March 9, 2021.

The possibility of restructuring bonds and other creditors' claims during a government bankruptcy proceeding without imposing additional pension cuts is not a myth, but a reality. This is exactly what happened in the bankruptcy proceedings for the cities of Vallejo, Stockton, and San Bernardino, all cities of the State of California, by virtue of Chapter 9 of the Bankruptcy Code. The plans of adjustment approved by the Bankruptcy Court for these cities authorized the restructuring of their debt without imposing pension cuts in recognition of the cuts to the pensions, benefits, and other retirement rights that pensioners had already endured before the bankruptcy filing.

In the case of Puerto Rico, the pensioners of the Government of Puerto Rico have experienced significant cuts to their pensions, benefits, and other retirement rights both before and after the bankruptcy filing. In all these instances, the cuts were not negotiated with the pensioners, but imposed thereon by the Government of Puerto Rico. As stated before, the FOMB commissioned Ernst & Young to prepare a report which revealed that as a result of the approval of Act No. 3-2013, the pensioners under the defined benefit plan of Act No. 447 suffered significant reductions of up to 42% of the aggregate value of their pensions, benefits, and other retirement rights. Furthermore, the pensioners under the defined benefit plan of Act No. 447 who enrolled as participants after April 1, 1990, suffered benefit cuts of up to 31% of the aggregate value of their pensions, benefits, and other retirement rights. Lastly, the pensioners under the System 2000 who enrolled as participants as of January 1, 2000, suffered benefit cuts of up to 15% of the aggregate value of the pensions, benefits, and other retirement rights.

The situation faced by the pensioners of the Teachers' and Judiciary Retirement Systems is no different than that of the pensioners of the Government of Puerto Rico. Before filing for bankruptcy in May 2017, active workers had already suffered cuts to their vested rights to pensions, benefits, and other retirement rights granted by virtue of Act No. 160-2013 and Act No. 162-2013 and, after the filing for bankruptcy, both pensioners and active workers suffered cuts to their pensions, benefits, and other retirement benefits granted by virtue of Act No. 106-2017.

Lastly, the pensioners of the three retirement systems do not receive cost-of-living adjustments (COLA) since the approval of Act No. 35-2007. This means that, on average, pensioners had suffered a 19% reduction in purchasing power from 2007 to 2019, and a 39% reduction is projected by 2037.

The bondholders whose claims are now privileged by the FOMB have benefitted financially from all the cuts imposed before and after the Government of Puerto Rico filed the bankruptcy petition. All of these measures which imposed cuts on our active workers and pensioners provided a false sense of liquidity to our Retirement Systems which did not properly address their problems, but enabled the Government to continue servicing its debts to bondholders and other creditors. In other words, with these payments to bondholders and other creditors after the imposition of the aforementioned pension cuts, the Government of Puerto Rico has consistently favored these bondholders over our active workers and pensioners. Failing to consider the cuts already imposed on active workers and pensioners, both before and after filing for bankruptcy, for the purposes of classifying them as an affected creditor class under a Plan of Adjustment, because the cuts already imposed are not deemed to be sufficient therefor is turning a blind eye to the fact that said cuts were precisely what allowed the Government of Puerto Rico to continue paying bondholders and creditors before filing for bankruptcy, without having to modify their rights as creditors. It is time for these sectors' sacrifices to entail tangible consequences that inure to their benefit.

This Act reiterates the public policy adopted through House Concurrent Resolution No. 114 that it is not acceptable to impose additional cuts on pensioners when approving a new Plan of Adjustment or a debt restructuring agreement as part of the proceedings under Titles III and VI of PROMESA. This would compel the Administrators of the Government of Puerto Rico Retirement Systems, and of the Judiciary and Teachers' Retirement Systems to certify the impact that all the laws and regulatory provisions of our code of laws which impose cuts on the pensions, benefits, and other retirement rights have had both before and after the start of the bankruptcy proceedings under Title III of PROMESA.

Even after the approval of this Act, there is a long road ahead to achieve the results that the pensioners and participants of the Retirement Systems deserve, but such a road is charted by the body of this legislation. This shall require to direct all the resources of the Government of Puerto Rico, FAFAA, the Office of Management and Budget, the Department of the Treasury, and the Retirement Board, created by virtue of Act No. 106-2017, towards supporting the efforts of the FOMB, whether directly or indirectly, in the proceedings under Title III. Such resources should concentrate exclusively in efforts that further the design, planning, conversations, and eventual transition towards the implementation of the Public Policy provided herein. This includes exercising FAFAA's powers to ensure unity of purpose and investment in the efforts made through the various government entities, as well as to streamline collaboration efforts, open data, and analysis between the Legislative Branch and the Executive Branch.

The journey we embarked on to challenge the bonds issued in violation of the laws of Puerto Rico has yielded the expected results and we must maximize them as part of a governmental strategy to do justice to the pensioners and participants of the

Retirement Systems involved in the bankruptcy process. As recently as January 30, 2020, the United States Court of Appeals for the First Circuit ruled in favor of challenging over $3 billion in bonds issued through the Retirement System Administration for the Employees of the Government of Puerto Rico (hereinafter, the RSA) for which employer contributions were offered as the sole method of payment. The holders of these bonds intended to exercise an ownership right that was never conferred upon them, over the employer contributions made by the Government of Puerto Rico to the Retirement Systems. This fact was demonstrated through the approval and implementation of Act No. 106-2017 which eliminated the employer contributions to the RSA. In doing so, they not only demonstrated that the bondholders of the RSA had no such ownership right over the employer contributions, which effectively transformed their bonds into unsecured debt, but also opened the door to reestablish and direct employer contributions to a new trust, free from encumbrances other than the payment of the pensions.

The challenge of the ownership right claimed by the RSA's bondholders is the second in a series or challenges made against such bonds. The challenge of the legality of the bond as such is still a pending resolution given that the RSA lacked the legislative authorization necessary to make such bond issue in the first place, much less to use the RSA's employer contribution to service such debt. The RSA's are not the only challenged bonds. There are over a dozen general obligation bond issues and public corporation bond issues that have also been challenged which are payable from other general fund or from other general revenues generated by the Legislative Assembly. If the United States Court discharges the entirety of the debt challenged by the FOMB, the Government, and various creditors, it would provide a significant relief to the government's coffers. Such savings may be allocated to a trust for the payment of the pensions with a sound investment policy and greater protections against the misappropriation of such funds which would help meet all the obligations projected by the FOMB on account of the payment of pensions, without any cuts thereto, up to 2058.

Among other things, this Act requires a new investment policy design to be adopted for the trust to reflect the best practices adopted by the 10 biggest defined benefit government retirement systems in the United States, to wit: the California Public Employees Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTERS), the New York State Common Retirement Fund, the New York City Retirement Systems, the Florida Retirement System Pension Plan administered by the State Board of Administration (SBA), the Texas Teachers Retirement System, the New York State Teachers Retirement System, the Wisconsin Retirement System administered by the State of Wisconsin Investment Board, the Ohio Public Employees Retirement System, and the New Jersey Division of Investment. Moreover, it shall require the immediate adoption of the expanded fiduciary duty standards by the retirement systems so as to provide for equal liability between those financial advisors and other external advisors who may play a decisive role in FACSiR's capacity to meet its pension obligations, as provided in Sections 2509, 2510, and 2550 of Title 29 of the Code of Federal Regulations, regulation identifier number (RIN) 1210-AB32. The aforementioned standards were adopted by the United States Department of Labor and shall be applicable to FACSiR even after they are rendered ineffective for the purpose of the federal regulations pertaining to the private sector retirement systems through an order of the President of the United States.

The aggregate effect of the financial and administrative reform we propose for the pensions, through FACSiR, would not only ensure the capacity to meet up to 120% of existing pension obligations until 2058, it would also represent savings between 33% and 37% in the Government of Puerto Rico's annual cash flow vis-à-vis the current pay-as-you-go framework created through Act No. 106-2017, guarantee the accumulation of sufficient resources to restore the pensioner and participant benefits that were eliminated in the past, and opens the door to broaden expansion benefits and beneficiaries in the future. With this Act, we amend the public policy established through Act No. 106-2017 and, for the first time in history, we provide the Retirement Systems with a public policy, in their respective organic acts, that reflects these aspirations and the commitment of the Government of Puerto Rico to its public servants and retirees.

The POA proposal included herein does not consume the entirety of the savings achieved for FACSiR through the proposed sustainable debt cut. Such proposal also wagers that there shall be additional savings that should be invested, as a priority, on improving essential public services and thus on the public servants who render them. Investing in the recovery and reconstruction of Puerto Rico's ailing economy is the only way we may really recover our capacity to balance budgets as well as the trust of the capital markets. If we have the necessary resources to make these investments in the short-term, we have a duty to work hard towards achieving it using all of the powers bestowed upon the Government of Puerto Rico.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:

CHAPTER I – GENERAL PROVISIONS

Section 1.01.-Title

This Act shall be known as the "Dignified Retirement Act."

Section 1.02.- Supremacy of this Act

This Act is enacted by virtue of the State's police power and the constitutional authority conferred on the Legislative Assembly under Article II, Section 19 of the Constitution of Puerto Rico to enact laws for the protection of the life, health, and general welfare of the people. Therefore, this Act shall have supremacy over any other state law.

Immediately after the date of approval of this Act, every organic act, general or special law, article or section of law, guideline, terms and/or provisions of collective bargaining agreements, agreements, supplementary agreements, administrative orders, policies, employment handbooks, circular letters, certifications, regulations, rules, and conditions of employment, policy letters, classification or compensation plans, contract letters, professional service agreements, consulting agreement, and/or provisions applicable solely to the fringe benefits that may be enjoyed by unionized or non-unionized public officials or employees of the Government of the Commonwealth of Puerto Rico, including every unionized or non-unionized public employee of the Public Corporations of the Government of the Commonwealth of Puerto Rico and the Municipalities that is inconsistent with the provisions of this Act shall be void. This does not preclude the right of labor unions to negotiate working, economic and non-economic conditions, which are not contained in this Act in accordance with the code of laws in effect.

Section 1.03.- Applicability of this Act

This Act shall apply immediately to the Government of the Commonwealth of Puerto Rico, the Public Corporations of the Government of the Commonwealth of Puerto Rico, the Municipalities, and any other public entity or instrumentality created under the laws or the Constitution of Puerto Rico, including, but not limited to, the Puerto Rico Fiscal Agency and Financial Advisory Authority, the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico, the Teachers Retirement System of the Government of the Commonwealth of Puerto Rico, and the Retirement System for the Judiciary of the Government of the Commonwealth of Puerto Rico.

Section 1.04.- Declaration of State of Emergency

It is hereby determined and declared that the Government of the Commonwealth of Puerto Rico, the Retirement System for Employees of the

Government of the Commonwealth of Puerto Rico, the Retirement System for the Judiciary, and the Teachers Retirement System of the Government of the Commonwealth of Puerto Rico, are in a state of fiscal emergency. A plan of adjustment of the obligations of the Government of the Commonwealth of Puerto Rico and the Retirement Systems is expected to be implemented in 2021, which shall lead to additional and permanent cuts to the benefits of the beneficiaries and active participants of the Retirement Systems, commit the Government of the Commonwealth of Puerto Rico to pay unsustainable obligations for thirty (30) years with the capital market, condemn Puerto Rico to a second insolvency and bankruptcy in the short term, and place the pension benefits of public employees at the risk of another event of default in less than twenty (20) years.

On May 3, 2017 the Financial Oversight and Management Board for Puerto Rico (FOMB) assumed representation of the Government of the Commonwealth of Puerto Rico pursuant to Section 315 of the Puerto Rico Oversight Management and Economic Stability Act (PROMESA) and filed a petition under Section 304 of PROMESA in order for the Government of the Commonwealth of Puerto Rico to file for bankruptcy under Title III of PROMESA. On May 21, 2017, the FOMB did the same for the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico and the Judiciary to also file for bankruptcy under Title III of PROMESA. The filing of the petition under Title III of PROMESA started a restructuring process for the obligations of the Government of the Commonwealth of Puerto Rico and the Retirement Systems under the supervision of the United States District Court for the District of Puerto Rico. Section 315 of PROMESA exclusively designates the FOMB as the representative of the interests of the Government of the Commonwealth of Puerto Rico, as well as the instrumentalities thereof that filed for bankruptcy under Title III of PROMESA before the United States District Court for the District of Puerto Rico; consequently, the Government of the Commonwealth of Puerto Rico has been unable to properly represent the best interests of the people in this process.

The FOMB has been incapable of producing a plan of adjustment of the obligations of the Government of the Commonwealth of Puerto Rico, the Retirement Systems, and other instrumentalities that meet the feasibility requirements set forth in Section 314(b)(6) of PROMESA, and has been unable to ensure the funding of essential public services and adequate funding for public pension systems of the Government of the Commonwealth of Puerto Rico, as required in Section 201(b)(1)(B) and Section 201(b)(1)(C) of PROMESA, respectively.

In view of this situation, we must immediately take reasonable and necessary measures to ensure that pensioners continue receiving their pension benefits and that the individual contributions and the future of our public employees are protected.

The three Retirement Systems must continue meeting their obligations to their beneficiaries uninterruptedly. In order to prevent an irreparable harm after the approval of an unfeasible plan of adjustment under Title III of PROMESA, we hereby declare that the Government of the Commonwealth of Puerto Rico and the Retirement Systems are in a state of serious emergency that clearly impairs health and public safety of more than a tenth of Puerto Rico's population and the essential public services for the People.

Section 1.05.-Definitions

The following words and terms, when used or referred to in this Act, shall have the meaning indicated below unless another meaning clearly arises from the context. The present tense shall also include the future and, if the male gender is used herein as a general rule, it shall be deemed amended to include a word or words importing the masculine and the feminine gender as well as non-binary in the language, except in those cases in which said interpretation would be absurd. The singular number shall include the plural and vice versa.

(a) FAFAA: the Puerto Rico Fiscal Agency and Financial Advisory Authority created under Act No. 2-2017.

(b) HTA: the Highways and Transportation Authority created by Act No. 74 of June 23, 1965, as amended.

(c) Restructuring Support Agreement: means any agreement between: (1) the Government of the Commonwealth of Puerto Rico, as defined in this Act; (2) the FOMB; (3) the bondholders of the Government of the Commonwealth of Puerto Rico; (4) bond insurers, whether or not they are subrogated to the rights of the bondholders of the Government of the Commonwealth of Puerto Rico; in relation to, or in support of, any transaction involving a Qualifying Modification, as this concept is defined in Title VI of PROMESA or an Adjustment, as this concept is used in Title III of PROMESA, of the bonds of the Government of the Commonwealth of Puerto Rico.

(d) CCDA: the Puerto Rico Convention Center District Authority created by Act No. 142-2001, as amended.

(e) Retirement Systems Administrators: the Administrator of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, and the Executive Director of the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, as amended.

(f) PBA: the Puerto Rico Public Building Authority created by Act No. 56 of June 19, 1958, as amended.

(g) IFA: the Infrastructure Finance Authority created by Act No. 44 of June 21, 1988, as amended.

(h) Challenged Bonds: collectively, all bond issues made by the Government of the Commonwealth of Puerto Rico, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of the Commonwealth of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

(i) Series A of *Senior Pension Funding Bonds* issued by the Administration of the Employees Retirement System of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that include one billion five hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital, and Wachovia Capital Markets, LLC*, originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(ii) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that include eight hundred sixteen million one hundred thousand dollars (816,100,000) in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities*, offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(iii) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three hundred million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(iv) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal in term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.;*

(v) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and

745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(vi) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(vii) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(viii) Series S of *Government Facilities Revenue Bonds* issued by PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62 and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(ix) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities* and *UBS Financial Services Puerto Rico;*

(x) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand (538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand (43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

(xi) Series A of *General Obligation Bonds* issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue and subscribed by *Barclays, Morgan Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;*

(xii) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88, 74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(xiii) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000) dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

(xiv) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;*

(xv) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9, 74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(xvi) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico*

Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;

(xvii) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services of Puerto Rico;*

(xviii) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety three million eight hundred thirty-five thousand (93,835,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley and JP Morgan;*

(xix) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(xx) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch*

& Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico, FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities; and,

(xxi) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2, 74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;*

(i) Unchallenged Bonds: collectively, all bond issues (i) made by the Government of the Commonwealth of Puerto Rico, whose legal guarantees, guaranteed amounts, pledged sources of revenue or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of the Commonwealth of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

(j) Bankruptcy Code: means Title 11 of the United States Code, which establishes mechanisms for the composition or adjustment of debt for individuals, corporations, and government entities.

(k) Adequate Funding Ratio: is a ratio equal to 1.2 of the total own assets of the Retirement Systems Joint Administration Trust relative to its total liabilities, as annually determined through an independent actuary study based on the aggregate actuarial cost and valuation method and the actuarial funding method used by the Office of the New York State Comptroller for the administration of the state's government retirement systems, in order to achieve an adequate pension funding level.

(l) Collateral Substitute: means all or a portion of a contribution of general application across Puerto Rico that is legislated to substitute the total FACSiR Income or that would otherwise constitute a similar or comparable collateral for the payment of pensions, annuities, benefits, and other claims of public servants Participants and Pensioners of the Retirement Systems or FACSiR, as such pensions, annuities, benefit structures, or claims were in effect prior to the filing of the bankruptcy petition on May 3, 2017.

(m) CUSIP: means the Committee on Uniform Securities Identification Procedures, whose numbering system allows for the assignment of a unique identification number to all stocks and bonds registered in the capital markets of the United States and Canada, and is used to create a concrete distinction between the securities that are traded on public markets. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system.

(n) ERISA: means the Employee Retirement Income Security Act of 1974, codified in Title 29 of the United States Code.

(o) Children's Trust: the Children's Trust created by Act No. 173-1999, as amended.

(p) Retirement Systems Joint Administration Trust: hereinafter FACSiR (Spanish acronym), is the new Retirement System designed and promoted in this Act, and which would administer a new trust whereinto the resources and obligations of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter the TRS shall be consolidated and the administrative transactions and expenses thereof shall be centralized upon the confirmation of a feasible, just, and equitable Plan of Adjustment for the People and the Pensioners and Participants of the Retirement Systems.

(q) Government of the Commonwealth of Puerto Rico or Government: means all the components of the Government of the Commonwealth of Puerto Rico created by virtue of the Constitution of Puerto Rico, including but not limited to, its departments, public corporations, instrumentalities, commissions, boards, divisions, bureaus, offices, trusts, municipalities, agencies, and entities. This concept shall be broadly construed to include, without it constituting a limitation, any entity that is funded from the General Fund and issues public debt. For the purposes of this Act, this term includes any governmental or nongovernmental entities whose employees are currently enrolled in the Retirement Systems or the New Defined Contribution Plan created under Act No. 106-2017, as amended, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees."

(r) Trust Income or FACSiR Income: shall include the following, without it constituting a thorough list or a limitation:

(i) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

(ii) one hundred percent (100%) of the Participants' individual contributions;

(iii) one hundred percent (100%) of the employer contributions of the Government of the Commonwealth of Puerto Rico;

(iv) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

(v) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the Retirement Savings Account Program and Act No. 447 of May 15, 1951, as amended, in an amount that shall never be less than that provided in Section 3.13 of this Act;

(vi) one hundred percent (100%) of the judgments, and its rights and those of the Government of the Commonwealth of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice of the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

(vii) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment

Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

(viii) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

(ix) one hundred percent (100%) of its own income that FACSiR may generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

(x) whichever amount is the greater of: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service of Unchallenged Bonds, or (ii) the total of the annual savings as are necessary on account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through a Plan of Adjustment under Title III of PROMESA.

(s) FOMB: The Financial Oversight and Management Board for Puerto Rico, created pursuant to Titles I and II of PROMESA.

(t) Retirement Board: a board created under the provisions of Chapter 4 of Act No. 106-2017, as amended, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees."

(u) Sarbanes-Oxley Act: means the Sarbanes-Oxley Act of 2002, Public Law 107-204, approved by the Government of the United States on July 30, 2002.

(v) Best Accounting Practices: means the establishment of an accounting control system consistent with the generally accepted accounting principles (GAAP), ERISA, and the Sarbanes-Oxley Act. Moreover, it shall include the following, without it constituting a thorough list or a limitation: (1) the creation of an internal auditors team; (2) the quarterly and permanent publication of an itemized list of income, expenditures, investments and yield, the natural or juridical persons that administer the assets or advise on asset investment, and the fees and other charges collected by the natural or juridical persons that manage the assets or advise on asset investment; (3) the annual and permanent publication of audited financial statements, and actuarial valuation reports; (4) the quarterly and permanent publication of a summary statistics of Participants and Pensioners, itemized by age group, salary scale or benefits, and the respective retirement program; (5) compliance and performance audits and the regular and permanent publication thereof, pursuant to the standards of the U.S. Government Accountability Office (GAO), also known as the Yellow Book; (6) the translation into Spanish and English of all of the periodic reports required under this Act; (7) the regular and permanent delivery of true and exact copies of any periodic reports required by law, regulation, administrative bulletin, circular letter, the generally accepted accounting principles, or internal policies, for retirement systems in Puerto Rico, or in accordance with the rules of the Government of the United States of America, the Legislative Assembly, and the legislative committees with jurisdiction over the Retirement Systems and the Budget of the Government of the Commonwealth of Puerto Rico; and (8) the adoption and publication of investment policies.

(w) Participants: active employees of the Government of the Commonwealth of Puerto Rico, the Teachers and Members of the Puerto Rico Teachers' Retirement System, the employees of the Municipalities, the judges and members of the Puerto Rico Retirement System for the Judiciary, and the employees of the Public Corporations, except for the employees of the University of Puerto Rico and the Electric Power Authority. Furthermore, it includes the employees who avail themselves of the provisions of Act No. 211-2015, as amended, known as the "Voluntary Pre-Retirement Program Act," and those who have been transferred or are transferred to a Public-Private Partnership, and any member of the Retirement

System for Employees of the Commonwealth of Puerto Rico who have made contributions to said System and whose contributions have not been reimbursed. This term includes former employees of the Government of the Commonwealth of Puerto Rico who separated from public service and whose contributions and/or any benefit accumulated as of the date of separation were not reimbursed.

(x) Pensioner: any person who receives a pension, annuity, or benefit pursuant to the provisions of this Act or the laws that create the different Retirement Systems, except for the Retirement System of the University of Puerto Rico and the Electric Power Authority Employee Retirement System.

(y) Plan of Adjustment: the plan proposed by the FOMB to reduce the debt of the Government of the Commonwealth of Puerto Rico, through Tittle III of PROMESA, pursuant to Section 312 of PROMESA.

(z) Pre-retiree: any person who availed himself of the Voluntary Pre-Retirement Program created under Act No. 211-2015, as amended, known as the "Voluntary Pre-Retirement Program Act."

(aa) PROMESA: Public Law 114-187, also known as the "Puerto Rico Oversight, Management, and Economic Stability Act," approved by the Government of the United States of America.

(bb) Bankruptcy: the debt restructuring process filed by the FOMB for the Government of the Commonwealth of Puerto Rico on May 3, 2017, with the United States District Court for the District of Puerto Rico, under Title III of PROMESA.

(cc) Collateral Substitution Requirements: (1) the approval of legislation providing for a Collateral Substitute, which in turn provides that: (A) the Collateral Substitute in an amount equal to the FACSiR Income has been irrevocably transferred to and is the sole and exclusive property of FACSiR to the same extent as provided in Section 3.5 of this Act; (B) after such transfer, the Collateral Substitute in an amount equal to the FACSiR Income shall not be nor constitute "available resources" or "available income" of the Government of the Commonwealth of Puerto Rico, as such term is used in Section 8 of Article VI of the Constitution of Puerto Rico or otherwise in the Constitution of Puerto Rico (regardless of whether it is an interpretation of the Spanish or English version of the Constitution of Puerto Rico), (C) the attachment of a lien on the Collateral Substitute in favor of the trust under FACSiR's administration and custody for the benefit of the Participants and Pensioners of the Retirement System and FACSiR to the same extent as provided in Section 3.6 of this Act; and (D) the Government of the Commonwealth of Puerto Rico and the governmental entities shall continue to provide the guarantees established in Section 3.4 of this Act with respect to such FACSiR Income and Collateral Substitute; and (2) that prior to presentation of the Collateral Substitute, the qualification requirements established under the agreement incorporated into the Plan of Adjustment with respect to the Collateral Substitute are met.

(dd) Unpaid Debt Service on Challenged Bonds: the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government of the Commonwealth of Puerto Rico shall make in accordance with bond issues that have yet to mature or expire, or be cancelled, exchanged, refinanced, or restructured from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each bond issue.

(ee) Retirement System: the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act

No. 160-2013, hereinafter, the TRS. For purposes of this Act, neither the Retirement System of the University of Puerto Rico nor the Electric Power Authority Employee Retirement System are included.

CHAPTER 2 – PUBLIC POLICY

Section 2.01- Declaration of Public Policy

It shall be the public policy of the Government of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems:

(a) to protect the present and future of our public servants to prevent them from falling into poverty after dedicating their lives to the service of their Island and to recruit and retain the best talent possible now and always in Puerto Rico's public service;

(b) to express the absolute and strongest rejection to any Plan of Adjustment or Restructuring Support Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits, and other current claims of public servants who are Pensioners and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, or diminished prior to the filing of the bankruptcy petition on May 3, 2017;

(c) to define as unfeasible and to absolutely reject any Plan of Adjustment that results in an unsustainable restructuring of the bonds of the Government of the Commonwealth of Puerto Rico, its Public Corporations, and the Retirement Systems, and fails to prevent a second insolvency or bankruptcy event for the public finances;

(d) to recognize that an unsustainable restructuring of the bonds of the Government of the Commonwealth of Puerto Rico, its Public Corporations, and the Retirement Systems, or any subsequent insolvency or bankruptcy event for the public finances constitutes a direct and intolerable threat to the essential public services on which the People of Puerto Rico depend, and to the pensions and other claims of public servants who perform such services, whether they are Pensioners or Participants of the Retirement Systems;

(e) to measure and promote the sustainability of Puerto Rico's debt payable with public funds, in an aggregate manner and as determined through a debt sustainability analysis that takes into account the purchasing power in Puerto Rico and the net spending necessary to satisfy the payment of the pensions and render essential public services;

(f) to recognize that the FOMB needs the Government of the Commonwealth of Puerto Rico to take decisive actions that allow it to meet all the requirements of Section 314 of PROMESA to confirm the Plan of Adjustment, including, but not limited to, authorizing the bond issues that shall be exchanged as a result of a Plan of Adjustment and amending any laws that are inconsistent with the agreement reached between the FOMB and the groups of creditors;

(g) to condemn the Joint Plan of Adjustment for the Government of the Commonwealth of Puerto Rico, the Retirement System Administration for the Employees of the Government of the Commonwealth of Puerto Rico and the Judiciary, and the Puerto Rico Public Building Authority submitted by the FOMB on September 27, 2019, amended on February 28, 2020 and on March 9, 2021, to the United States District Court for the District of Puerto Rico for being irremediably incompatible with the Public Policy described in this Act;

(h) to reject any Plan of Adjustment that seeks to utilize Section 1129(b) of the United States Bankruptcy Code to impose additional cuts on public servants Pensioners and Participants of the Retirement Systems;

(i) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires increasing or establishing regressive taxes, rates, or other mechanisms that render the water, electricity, transportation, education, and other essential public services more expensive in order to collect public revenues from the pockets of Puerto Rico's working families and pensioners;

(j) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires the cutting of essential public services provided by the Government of the Commonwealth of Puerto Rico, its Public Corporations, and the Municipalities, including but not limited to, education, health, environmental protection, housing, sanitation and solid waste management, security and emergency management, sewage and water treatment, electricity, highway infrastructure, and mass transportation;

(k) to recognize that any attempt to cut the budget available for essential public services rendered by the Government of the Commonwealth of Puerto Rico, its Public Corporations, and the Municipalities, or to reduce the payroll or the number of public servants entitled to enroll in the Retirement Systems, is also an attempt to cut the resources available for pensions, annuities, benefits, and other claims that Retirement System Pensioners and Participants may have, and any losses it may entail on account of individual or employer contributions must be compensated to ensure the actuarial solvency of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR) created in Chapter 3 of this Act;

(l) to clearly and unequivocally express that no action whatsoever shall be taken that allows for the confirmation of any Plan of Adjustment that is inconsistent with this Public Policy, including but not limited to, the elimination of statutory or regulatory barriers, the creation of legislation or regulation or any authorizations as are necessary to allow for the Plan of Adjustment of the FOMB to meet the requirements of Section 314(b)(3) and Section 314(b)(5) of PROMESA;

(m) to recognize that the claims of Retirement System Pensioners and Participants against the Government of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems have already been affected in the years prior to the filing of the bankruptcy petition, in amounts exceeding:

(1) forty-two percent (42%) of the aggregate value of the pensions, benefits, and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants prior to April 1, 1990;

(2) thirty-one percent (31%) of the aggregate value of the pensions, benefits and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after April 1, 1990, but before January 1, 2000; and

(3) fifteen percent (15%) of the aggregate value of the benefits and other retirement rights for the average beneficiary of the Retirement Savings Account Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after January 1, 2000.

(n) to ensure that no portion of the funds or resources of the state government set aside for activities related to the participation of the Government of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems in the proceedings under Title III of PROMESA be allocated for the implementation of any Plan of Adjustment that is inconsistent with this Act;

(o) to promote the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits to which our public servants are currently entitled as provided in Chapter 3 of this Act, in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants covered by this Act;

(p) to guarantee the right to a dignified retirement as a fundamental part of a decent life, and as a corollary of the principle of the inviolability of human dignity enshrined in Section 1 of the Bill of Rights of the Constitution of Puerto Rico;

(q) to recognize that dignified retirement consists of enjoying a lifetime pension that protects each person against falling into poverty in their old age, restoring the rights and benefits that Retirement System Pensioners and Participants have lost through legislation approved in times of fiscal constraint or serious public finances emergency, and broadening the rights and benefits of FACSiR Pensioners and Participants upon reaching the Adequate Funding Ratio;

(r) to safeguard the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems to prevent the loss of public funds, which may hinder the capacity of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, the Retirement Systems, and FACSiR to achieve the objectives set forth in this Public Policy.

(s) to define any recognition or repayment of any portion of any of the Challenged Bonds, without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico, as an attempt on the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems;

(t) to protect FACSiR Income from any diversion, default, or other noncompliance that may be detrimental to a possible contractual relationship between the Government of the Commonwealth of Puerto Rico and FACSiR, which is created in Chapter 3 of this Act.

(u) to guarantee to the University of Puerto Rico a recurring annual appropriation sufficient to timely comply with the employer and actuarial contributions required to protect the solvency of the University of Puerto Rico Retirement System Trust and preserve all the benefits of the participants and beneficiaries thereof.

Section 2.02.- Section 2 of Act No. 2-2017, known as the "Puerto Rico Fiscal Agency and Financial Advisory Authority Act," is hereby amended to read as follows:

"Section 2.- Public Policy

It is hereby declared as the public policy of the Government of Puerto Rico that the Puerto Rico Fiscal Agency and Financial Advisory Authority be the leading public corporation and instrumentality responsible for coordinating the sustainable use of resources and presenting a coordinated and global vision of the capital needs of the instrumentalities of the Government of Puerto Rico. It is the public policy of the Government to take measures that enable Puerto Rico to overcome the current crisis and to provide the residents of the Island with essential services, all of which requires, in part, taking the following actions:

(a) With respect to the public debt:

(1) Recovering access to capital markets under affordable prices and reasonably sustainable repayment conditions.

(2) Planning and stabilizing public finances in the long term to prevent future events of insolvency or risk of default, and thus regain the trust of traditional investors;

(3) Addressing the budget imbalance between income and expenses;

(4) Timely publishing, but never at intervals in excess of thirty (30) days, information on income and expenses, the relation thereof to the forecast of income and expenses at the time of the approval of the budget, an itemization of the liquidity and cash flow in the accounts of the Government of the Commonwealth of Puerto Rico;

(5) Producing and timely publishing, but never in a period that exceeds one hundred (120) days after the close of a fiscal year, the audited reports of the financial statements of the Government of the Commonwealth of Puerto Rico;

(6) Negotiating the terms of the debt repayment to reduce the debt amortization cost and eliminate or minimize as much as possible any financial speculation mechanisms that are prejudicial to the stability of Puerto Rico's public finances, including, but not limited to, interest rate swap agreements, floating-rate or variable-rate bonds, capital appreciation or compound interest bonds, among other financial products or the derivatives thereof that pose a high risk for the financial stability of Puerto Rico; and

(7) Reducing the principal of the debt and the unpaid aggregate debt service to a sustainable level in accordance with the purchasing power of Puerto Rico's population, in order to restabilize our public finances and regaining the trust of the traditional capital markets.

(b) With respect to the pensions and benefits of the participants, pensioners, and pre-retirees that are beneficiaries of the Retirement Systems:

(1) Protecting all the pensions, annuities, benefits, and other claims of public servants, whether they are participants, pensioners or pre-retirees against any Plan of Adjustment or Creditors' Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits or other claims of public servants, Pensioners, and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, subordinated, or

diminished prior to the filing the bankruptcy petition under Title III of PROMESA on May 3, 2017.

(2) Planning the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits according to the same rights our public servants had at the time of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017, that allows to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants of the Retirement Systems;

(3) Reaching and maintaining an adequate funding ratio for FACSiR which shall never be less than 1.2, by establishing an independent trust whereby the Government of Puerto Rico is contractually obligated to:

(A) Timely transfer all of FACSiR Income as agreed;

(B) Refrain from taking any action that hinders the right of the trust to receive and administer all of FACSiR Income; and,

(C) Refrain from taking action that limits or alters the rights and autonomy of the trust to pay the pensions, annuities, benefits, and other current claims of the Pensioners and Participants of the Retirement Systems at the time of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017, and the Participants and Pensioners of FACSiR."

Section 2.03- Section 3 of Act No. 2-2017 is hereby amended, to read as follows:

"Section 3.- Definitions

a) ...

b) ...

c) ...

d) 'Challenged Bonds': collectively, all bond issues made by the Government of the Commonwealth of Puerto Rico, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, the FOMB, the official committee of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or persons with standing to intervene by the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

1) Series A of *Senior Pension Funding Bonds* issued by the Retirement System Administration for Employees of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that includes one billion five hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

2) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that includes eight hundred sixteen million one hundred thousand

(816,100,000) dollars in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities,* offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

3) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three hundred million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

4) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal in term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.;*

5) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred

fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and 745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

6) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

7) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD,* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

8) Series S of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62 and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD* and *VAB Financial*;

9) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities* and *UBS Financial Services Puerto Rico;*

10) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand (538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand

(43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

11) Series A of *General Obligation Bonds* issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue and subscribed by *Barclays, Morgan Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;*

12) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88,

74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

13) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000) dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

14) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers

CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;*

15) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9, 74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

16) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of*

Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;

17) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities*, and *UBS Financial Services of Puerto Rico*;

18) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety three million eight hundred thirty-five thousand (93,835,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley* and *JP Morgan*;

19) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

20) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan*

Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch & Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico, FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities; and,

21) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2, 74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;*

e) 'Unchallenged Bonds'- collectively, all bond issues made by the Government of Puerto Rico, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code, or persons with standing to intervene by the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

f) 'Government of Puerto Rico' - means all the entities comprising the Government of Puerto Rico including, but not limited to, its public corporations, instrumentalities, commissions, boards, and political subdivisions. Said concept shall be broadly construed to include, but not be limited to, any entity that receives funds from the general fund and issues public debt.

g) 'Trust Income or FACSiR Income'- shall include the following, without it constituting a thorough list or a limitation:

1) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

2) one hundred percent (100%) of the Participants' individual contributions;

3) one hundred percent (100%) of the employer contributions of the Government of Puerto Rico;

4) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

5) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the Retirement Savings Account Program, and Act No. 447 of May 15, 1951, as amended;

6) one hundred percent (100%) of the judgments, and its rights and those of the Government of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice by the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

7) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

8) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

9) one hundred percent (100%) of its income that FACSiR is able to generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

10) whichever amount is greater between: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service on Unchallenged Bonds, or (ii) the total of the annual savings as are necessary on account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through the Plan of Adjustment under Title III of PROMESA.

h) 'Board' or 'Board of Directors'- means the Board of Directors of the Authority.

i) 'Act' - means this Government of Puerto Rico Fiscal Agency and Financial Advisory Authority Act.

j) 'Act No. 21' - means Act No. 21-2016, as amended, known as the 'Puerto Rico Emergency Moratorium and Rehabilitation Act.'

k) 'Person' - means any natural or juridical person including, but not limited to, any government agency, department, instrumentality, public corporation, municipality, board, office, commission, or entity, or any public or private person, business, association, society, company, limited liability company, partnership, or corporation organized and existing under the laws of Puerto Rico, the United States of America or any state thereof, or any foreign country or any combination thereof.

l) 'Plan of Adjustment' - the plan proposed by the FOMB to reduce the debt of the Government of Puerto Rico, pursuant to Section 312 of PROMESA.

m) 'PROMESA' - means Public Law 114-187 of June 30, 2016, known as the *"Puerto Rico Oversight, Management, and Economic Stability Act."*

n) 'Unpaid Debt Service' - the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government of the Commonwealth of Puerto Rico shall make in accordance with the issuance of the Challenged Bonds from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each Challenged Bonds issue.

o) 'Retirement Systems' - the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS. For the purposes of this Act, neither the Retirement System of the University of Puerto Rico nor the Electric Power Authority Employee Retirement System are included."

Section 2.04.- Section 5 of Act No. 2-2017 is hereby amended to read as follows:

"Section 5.- Purposes, Authorities, and Powers of the Authority

(a) …

(b) To such effect, the Authority is hereby empowered to collaborate in conjunction with the Governor of Puerto Rico and his representatives in the creation, execution, supervision, and oversight of any Fiscal Plan and any Budget, as well as any Plan of Adjustment or Restructuring Support Agreement, as such terms are defined in PROMESA that are consistent with the Public Policy set forth in this Act. Likewise, the Authority shall be the government entity charged with supervising, executing, and administering the Fiscal Plan approved and certified in accordance with PROMESA and shall ensure that all the entities of the Government of Puerto Rico comply with the duly approved Fiscal Plan. In that sense, the Authority shall develop a comprehensive operational, managerial and/or administrative audit program aimed at overseeing compliance by every entity of the Government of Puerto Rico with the Fiscal Plan approved in accordance with PROMESA. The Authority shall not be empowered to contribute with the creation, performance, supervision, and oversight of any Fiscal Plan, Budget, Debt Adjustment Plan, or Restructuring Support Agreement, as such terms are defined in PROMESA, that is contrary to the Public Policy set forth in Section 2 of this Act. When a Fiscal Plan, Budget, Debt Adjustment Plan, or Restructuring Support Agreement is contrary to the Public Policy set forth in Section 2 of this Act, the Authority shall provide such information required therefrom through a formal request for production of documents and make public the contents of any document or information provided to comply with a duly served request in accordance with PROMESA.

(c) …

(d) In order to achieve its purposes, the Authority is hereby conferred, and shall have and may exercise, all the rights and powers as are necessary or convenient to carry out such purposes including, but not limited to, the following:

(1) …

(2) …

(3) …

(4) to determine the nature of, and need for, all of its expenses, and the manner in which the same shall be incurred, authorized, and paid, insofar as such expenses are consistent with the Public Policy set forth in Section 2 and the Purposes, Authorities, and Powers of the Authority provided in Section 5 of this Act under penalty of nullity, without taking into consideration any provision of law that regulates the spending of public funds and such determination shall be final and binding for all officials of the Government of Puerto Rico, but shall adopt rules for the use and disbursement of its funds and shall be subject to the intervention of the Office of the Comptroller of Puerto Rico, the Committee on Ways and Means and on Budget of the House of Representatives, the Committee on Labor Affairs and Transformation of the Pension System for a Dignified Retirement of the House of Representatives, the Committee on Ways and Means, Federal Affairs and Financial Oversight Board of the Senate, and the Committee on Government of the Senate;

(5) ...

...

(e) While performing its role as fiscal agent, financial advisor, reporting agent, or representative of the Government of Puerto Rico in the renegotiation or restructuring of the public debt, the Authority shall not be authorized to:

(1) propose, support, create, recommend, or otherwise use its powers or authorities to further any Plan of Adjustment or Restructuring Support Agreement that is contrary to the Public Policy set forth in Section 2 of this Act;

(2) propose, support, create, recommend or otherwise use its powers or authorities to further any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of the debt service requires increasing or establishing taxes, tariffs, or other mechanisms that have a regressive effect, increase the price of, or reduce the resources available for services such as water, electricity,

transportation, education, and all other essential public services in impairs of the economic welfare of working families and pensioners in Puerto Rico; and

(3) propose, support, create, recommend or otherwise use its powers or authorities to further any Plan of Adjustment or Restructuring Support Agreement that includes the recognition or repayment of any portion of the Challenged Bonds without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico."

Section 2.05.- Section 9 of Act No. 2-2017 is hereby amended to read as follows:

"Section 9.- Authority to Revise Contracts and Transactions

(a) …

(b) If a contract is inconsistent with the Fiscal Plan approved pursuant to PROMESA, or the Public Policy set forth in this Act, the Authority shall take any actions it deems necessary to guarantee that said contract does not adversely affect the Government of Puerto Rico's compliance with the Fiscal Plan or the Public Policy of this Act, including, prohibiting the performance, suspension, or termination thereof.

(c) …"

Section 2.06.- New subsections 43 through 64 are hereby added to Section 1-104 of Act No. 447 of May 15, 1951, as amended, to read as follows:

"Section 1-104.- Definitions.

The following terms and phrases, as used in this Act, shall have the meaning stated below, except when the context clearly indicates otherwise:

(1) …

(2) …

…

(43) FAFAA.- the Puerto Rico Fiscal Agency and Financial Advisory Authority created under Act No. 2-2017.

(44) Restructuring Support Agreement.- means any agreement between (1) the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; (2) the FOMB; (3) the bondholders of the Government of the Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; (4) bond insurers, whether or not they are subrogated to the rights of the bondholders of the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; in relation to, or in support of, any transaction involving a Qualifying Modification, as this concept is defined in Title VI of PROMESA or an Adjustment, as this concept is used in Title III of PROMESA, of the bonds of the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems.

(45) PBA.- the Puerto Rico Public Building Authority created by Act No. 56 of June 19, 1958, as amended.

(46) Challenged Bonds.- collectively, all bond issues made by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

(a) Series A of *Senior Pension Funding Bonds* issued by the Retirement System Administration for Employees of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that includes one billion five hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(b) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that include eight hundred sixteen million one hundred thousand (816,100,000) dollars in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities*, offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(c) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three hundred million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(d) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal of term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.;*

(e) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and 745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(f) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(g) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(h) Series S of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62, and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA*

Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD and VAB Financial;

(i) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities and UBS Financial Services Puerto Rico;*

(j) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand (538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand (43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

(k) Series A of *General Obligation Bonds* issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue, and subscribed by *Barclays, Morgan Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;*

(l) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88, 74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(m) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000) dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

(n) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;*

(o) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9, 74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(p) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(q) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez &*

Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services of Puerto Rico;

(r) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety-three million eight hundred thirty-five thousand (93,835,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley and JP Morgan*;

(s) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(t) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch & Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico, FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities;* and,

(u) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2,

74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;*

(47) Unchallenged Bonds.- collectively, all bond issues made by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, whose legal guarantees, guaranteed amounts, pledged sources of revenue or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, , its Public Corporations, Municipalities, or Retirement Systems, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

(48) Bankruptcy Code.- means Title 11 of the United States Code, which establishes mechanisms for the composition or adjustment of debt for individuals, corporations, and government entities.

(49) Adequate Funding Ratio.- is a ratio equal to 1.2 of the total own assets of the Retirement Systems Joint Administration Trust relative to its total liabilities, as annually determined through an independent actuary study based on the aggregate actuarial cost and valuation method and the actuarial funding method used by the Office of the New York State Comptroller for the administration of the state's

government retirement systems, in order to achieve an adequate pension funding level.

(50) CUSIP.- means the Committee on Uniform Securities Identification Procedures, whose numbering system allows for the assignment of a unique identification number to all stocks and bonds registered in the capital markets of the United States and Canada, and is used to create a concrete distinction between the securities that are traded on public markets. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system.

(51) ERISA.- means the 'Employee Retirement Income Security Act of 1974,' codified in Title 29 of the United States Code.

(52) Retirement Systems Joint Administration Trust.- hereinafter FACSiR, is the new Retirement System designed and promoted in this in this Act, and which would administer a new trust whereinto the resources and obligations of the Retirement System for Employees of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS shall be consolidated and the administrative transactions and expenses thereof shall be centralized upon the confirmation of a feasible, just, and equitable Plan of Adjustment for the People and the Pensioners and Participants of the Retirement Systems.

(53) Trust Income or FACSiR Income.- shall include the following, without it constituting a thorough list or a limitation:

(a) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

(b) one hundred percent (100%) of the Participants' individual contributions;

(c) one hundred percent (100%) of the employer contributions of the Government of the Commonwealth of Puerto Rico;

(d) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

(e) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the Retirement Savings Account Program and Act No. 447 of May 15, 1951, as amended, in an amount that shall never be less than that provided in Section 3.13 of this Act;

(f) one hundred percent (100%) of the judgments, and its rights and those of the Government of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice of the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

(g) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

(h) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

(i) one hundred percent (100%) of its own income that FACSiR may generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

(j) whichever amount is the greater of: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service on Unchallenged Bonds, or (ii) the total of the annual savings as are necessary on account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through a Plan of Adjustment under Title III of PROMESA.

(54) FOMB.- The Financial Oversight and Management Board, created under Titles I and II of PROMESA.

(55) Sarbanes-Oxley Act.- means the Sarbanes-Oxley Act of 2002, Public Law 107-204, approved by the Government of the United States on July 30, 2002.

(56) Best Accounting Practices.- means the establishment of an accounting control system consistent with the generally accepted accounting principles (GAAP), ERISA, and the Sarbanes-Oxley Act. Moreover, it shall include the following, without it constituting a thorough list or a limitation: (1) the creation of an internal auditors team; (2) the quarterly and permanent publication of an itemized list of income, expenditures, investments and yield, the natural or juridical persons that administer the assets or advise on asset investment, and the fees and other charges collected by the natural or juridical persons that manage the assets or advise on asset investment; (3) the annual and permanent publication of audited financial statements, and actuarial valuation reports; (4) the quarterly and permanent publication of a summary statistics of Participants and Pensioners, itemized by age group, salary scale or benefits, and the respective retirement program; (5) compliance and performance audits and the regular and permanent publication

thereof, pursuant to the standards of the U.S. Government Accountability Office (GAO), also known as the Yellow Book; (6) the translation into Spanish and English of all of the periodic reports required under this Act; (7) the regular and permanent delivery of true and exact copies of any periodic reports required by law, regulation, administrative bulletin, circular letter, the generally accepted accounting principles, or internal policies, for retirement systems in Puerto Rico, or in accordance with the rules of the Government of the United States of America, the Legislative Assembly, and the legislative committees with jurisdiction over the Retirement Systems and the Budget of the Government of Puerto Rico; and (8) the adoption and publication of investment policies.

(57) Participants.- active employees of the Government of Puerto Rico, the Teachers and Members of the Puerto Rico Teachers' Retirement System, the employees of the Municipalities, the judges and members of the Puerto Rico Retirement System for the Judiciary, and the employees of the Public Corporations, except for the employees of the University of Puerto Rico who are members or participants of the University of Puerto Rico Retirement System and the employees of the Electric Power Authority who are members or participants of the Electric Power Authority Retirement System. Furthermore, it includes employees who avail themselves of the provisions of Act No. 211-2015, as amended, known as the 'Voluntary Pre-Retirement Program Act,' and those who have been transferred or are transferred to a Public-Private Partnership, and any member of the Retirement System for Employees of the Government of Puerto Rico who has made contributions to said System and whose contributions have not been reimbursed. This term includes former employees of the Government of the Commonwealth of Puerto Rico who separated from public service and whose contributions and/or any benefit accumulated as of the date of separation were not reimbursed.

(58) Pensioner.- any person who receives a pension, annuity, or benefit pursuant to the provisions of this Act or the laws that create the different Retirement Systems, except for the University of Puerto Rico Retirement System and the Electric Power Authority Employee Retirement System.

(59) Plan of Adjustment.- the plan proposed by the FOMB to reduce the debt of the Government of Puerto Rico, its Public Corporations, Municipalities or Retirement Systems through Tittle III of PROMESA, pursuant to Section 312 of PROMESA.

(60) Pre-retiree.- any person who has availed himself of the Voluntary Pre-Retirement Program created under Act No. 211-2015, as amended, known as the 'Voluntary Pre-Retirement Program Act.'

(61) PROMESA.- Public Law 114-187, also known as the 'Puerto Rico Oversight, Management, and Economic Stability Act,' approved by the Government of the United States of America.

(62) Bankruptcy.- the debt restructuring process filed by the FOMB for the Government of Puerto Rico, its Public Corporations, Municipalities or Retirement Systems, on May 3, 2017, with the United States District Court for the District of Puerto Rico, under Title III of PROMESA.

(63) Unpaid Debt Service on Challenged Bonds.- the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government of Puerto Rico, its Public Corporations, Municipalities or Retirement Systems shall make in accordance with bond issues that have yet to mature or expire, or be cancelled, exchanged, refinanced, or restructured from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each bond issue

(64) Retirement System.- the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS. For the purposes of this Act, neither the Retirement System of the University of Puerto Rico nor the Electric Power Authority Employee Retirement System are included."

Section 2.07.- A new Section 1-111 is hereby added to Act No. 447 of May 15, 1951, as amended, to read as follows:

"Section 1-111.- Public Policy

It shall be the public policy of the System:

(a) to protect the present and future of our public servants to prevent them from falling into poverty after dedicating their lives to the service of their Island and to recruit and retain the best talent possible now and always in Puerto Rico's public service;

(b) to express the absolute and strongest rejection to any Plan of Adjustment or Restructuring Support Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits, and other current claims of public servants who are Pensioners and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, or diminished prior to the filing of the bankruptcy petition on May 3, 2017;

(c) to define as unfeasible and to absolutely reject any Plan of Adjustment that results in an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, and fails to prevent a second insolvency or bankruptcy event for the public finances;

(d) to recognize that an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, or any subsequent insolvency or bankruptcy event for the public finances constitutes a direct and intolerable threat to the essential public services upon which the People of Puerto Rico depend, and to the pensions and other claims of public servants who perform such services, whether they are Pensioners or Participants of the Retirement Systems;

(e) to measure and promote the sustainability of Puerto Rico's debt payable with public funds, in an aggregate manner and as determined through a debt sustainability analysis that takes into account the purchasing power in Puerto Rico and the net spending necessary to satisfy the payment of the pensions and render essential public services;

(f) to condemn the Joint Plan of Adjustment for the Government of Puerto Rico, the Retirement System Administration for Employees of the Government of Puerto Rico and the Judiciary, and the Puerto Rico Public Building Authority submitted by the FOMB on September 27, 2019, amended on February 28, 2020 and on March 9, 2021, to the United States District Court for the District of Puerto Rico for being irremediably incompatible with the Public Policy described in this Act;

(g) to reject any Plan of Adjustment that seeks to utilize Section 1129(b) of the United States Bankruptcy Code to impose additional cuts on public servants Pensioners and Participants of the Retirement Systems;

(h) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires increasing or establishing regressive taxes, rates, or other mechanisms that render the water, electricity, transportation, education, and other essential public services more expensive in order to collect public revenues from the pockets of Puerto Rico's working families and pensioners;

(i) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires the cutting of essential public services provided by the Government of Puerto Rico, its Public Corporations, and the Municipalities, including but not limited to, education, health, environmental protection, housing, sanitation and solid waste management, security and emergency management, sewage and water treatment, electricity, highway infrastructure, and mass transportation.

(j) to recognize that any attempt to cut the budget available for essential public services rendered by the Government of Puerto Rico, its Public Corporations, and the Municipalities, or to reduce the payroll or the number of public servants entitled to enroll in the Retirement Systems, is also an attempt to cut the resources available for pensions, annuities, benefits, and other claims that Retirement System Pensioners and Participants may have, and any losses it may entail on account of individual or employer contributions must be compensated to ensure the actuarial solvency of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR);

(k) to recognize that the FOMB needs the Government of Puerto Rico to take decisive actions that allow it to meet all the requirements of Section 314 of PROMESA to confirm the Plan of Adjustment, including, but not limited to, authorizing the bond issues that shall be exchanged as a result of a Plan of Adjustment and amending any laws that are inconsistent with the agreement reached between the FOMB and the groups of creditors;

(l) to clearly and unequivocally express that no action whatsoever shall be taken that allows for the confirmation of any Plan of Adjustment that is inconsistent with this Public Policy, including but not limited to, the elimination of regulatory barriers, the creation of regulations or any authorizations as are necessary to allow for the Plan of Adjustment of the FOMB to meet the requirements of Section 314(b)(3) and Section 314(b)(5) of PROMESA;

(m) to recognize that the claims of Retirement System Pensioners and Participants against the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems have already been affected in the years prior to the filing of the bankruptcy petition, in amounts exceeding:

(i) forty-two percent (42%) of the aggregate value of the pensions, benefits, and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants prior to April 1, 1990;

(ii) thirty-one percent (31%) of the aggregate value of the pensions, benefits and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after April 1, 1990, but before January 1, 2000; and

(iii) fifteen percent (15%) of the aggregate value of the benefits and other retirement rights for the average beneficiary of the Retirement Savings Account Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after January 1, 2000.

(n) to ensure that no portion of the funds or resources of the System set aside for activities related to the participation of the System in the proceedings under Title III of PROMESA be allocated for the implementation of any Plan of Adjustment that is inconsistent with this Act;

(o) to promote the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits to which our public servants are currently entitled in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants covered by this Act;

(p) to guarantee the right to a dignified retirement as a fundamental part of a decent life, and as a corollary of the principle of the inviolability of human dignity enshrined in Section 1 of the Bill of Rights of the Constitution of Puerto Rico;

(q) to recognize that dignified retirement consists of enjoying a lifetime pension that protects each person against falling into poverty in their old age, restoring the rights and benefits that Retirement System Pensioners and Participants have lost through legislation approved in times of fiscal constraint or serious public finances emergency, and broadening the rights and benefits of FACSiR Pensioners and Participants upon reaching the Adequate Funding Ratio;

(r) to safeguard the integrity, sound administration, and Best Accounting Practices of all public funds available to the System to prevent the loss of public funds, which may hinder the capacity of the System and FACSiR to achieve the objectives set forth in this Public Policy;

(s) to define any recognition or repayment of any portion of any of the Challenged Bonds, without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico, as an attempt on the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems;

(t) to protect FACSiR Income from any diversion, default, or other noncompliance that may be detrimental to a possible contractual relationship between the Government of Puerto Rico and FACSiR, and to work, in conjunction with FAFAA, the Legislative Assembly, and the committees thereof with jurisdiction over the Retirement Systems and Budget of the Government of Puerto

Rico, other Retirement Systems, and the Board, in the planning, necessary legislation, creation and orderly transition to a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits according to the same rights our public servants had at the time of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017, in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants of the Retirement Systems."

Section 2.08.- Article 1.1 of Act No. 160-2013, as amended, known as the "Commonwealth of Puerto Rico Teachers' Retirement System Act," is hereby amended, to read as follows:

"Article 1.1.- Definitions.

The following words and terms, when used or referred to in this Act, shall have the meaning indicated hereinbelow unless another meaning clearly arises from the context. The present tense shall also include the future and, if the male gender is used herein as a general rule, it shall be deemed amended to include a word or words importing the masculine and the feminine gender as well as non-binary in the language, except in those cases in which said interpretation would be absurd. Words importing the singular shall include the plural and vice versa.

(a) FAFAA.- The Puerto Rico Fiscal Agency and Financial Advisory Authority created under Act No. 2-2017.

(b) Restructuring Support Agreement - means any agreement between (1) the Government of Puerto Rico, its Public Corporations, Municipalities or Retirement Systems; (2) the FOMB; (3) the bondholders of the Government; (4) bond insurers, whether or not they are subrogated to the rights of the bondholders of the Government of the Commonwealth of Puerto Rico; in relation to, or in support of, any transaction involving a Qualifying Modification, as this concept is defined in Title VI of PROMESA or an Adjustment, as this concept is used in Title III of PROMESA, of the bonds of the Government.

(c) PBA: the Puerto Rico Public Building Authority created by Act No. 56 of June 19, 1958, as amended.

(d) Annual Additional Contribution.- The annual contribution certified by the external actuary of the System, prepared within at least one hundred twenty (120) days before the beginning of Fiscal Year 2018-2019, and every two (2) years thereafter until fiscal year 2041-2042, as necessary to prevent the value of the projected gross assets of the System from falling below three hundred million dollars ($300,000,000) during any subsequent fiscal year, subject to the provisions of Section 7.1 of this Act. If for any reason, the Certification of such Annual Additional Contribution for the corresponding fiscal year is not available within the established one hundred twenty (120)-day period, or before, with the consent of the Office of Management and Budget, the Annual Additional Contribution for said fiscal year shall be equal to that of the immediately preceding fiscal year, subject to the provisions of Section 7.1 of this Act.

(e) Individual Contributions.- The amounts deducted or to be deducted from the participant's salary, to be credited to the Fund Contribution Account or Defined Contribution Account, as applicable.

(f) Teachers Justice Uniform Contribution.- The annual contribution to be made to the System equal to $30 million in fiscal year 2016-2017, to $30 million in fiscal year 2017-2018, and to $60 million in fiscal year 2018-2019, and thereafter until fiscal year 2041-2042.

(g) Challenged Bonds.- collectively, all bond issues made by the Government, whose legal guarantees, guaranteed amounts, pledged sources of revenues, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, its Public Corporations, Municipalities, Retirement Systems, the FOMB, the official committee of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

(1) Series A of *Senior Pension Funding Bonds* issued by the Administration for Employees of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that include one billion five hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital and Wachovia Capital Markets, LLC*, originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(2) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that includes eight hundred sixteen million one hundred thousand (816,100,000) dollars in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated*

of Puerto Rico, Popular Securities, Santander Securities, offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(3) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(4) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal of term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.;*

(5) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and 745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez*

& Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;

(6) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(7) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD,* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(8) Series S of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes

two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62 and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(9) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities and UBS Financial Services Puerto Rico;*

(10) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand (538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand (43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and

subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

(11) Series A of *General Obligation* Bonds issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue, and subscribed by *Barclays, Morgan Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;*

(12) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88, 74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed

by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(13) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000) dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

(14) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of*

America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;

(15) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9, 74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(16) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(17) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services of Puerto Rico;*

(18) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety-three million eight hundred thirty-five thousand (93,835,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley and JP Morgan*;

(19) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(20) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch & Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico,*

FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities; and,

(21) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2, 74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;*

(h) Unchallenged Bonds.- collectively, all bond issues made by the Government of Puerto Rico whose legal guarantees, guaranteed amounts, pledged sources of revenue or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

(i) Bankruptcy Code.- means Title 11 of the United States Code, which establishes mechanisms for the composition or adjustment of debt for individuals, corporations, and government entities.

(j) Adequate Funding Ratio - is a ratio equal to 1.2 of the total own assets of the Retirement Systems Joint Administration Trust relative to its total liabilities, as annually determined through an independent actuary study based on the aggregate actuarial cost and valuation method and the actuarial funding method used by the Office of the New York State Comptroller for the administration of the state's government retirement systems, in order to achieve an adequate pension funding level.

(k) Defined Contribution Account.- account created as of August 1, 2014, in the name of each participant, as provided in Article 5.4 of this Act.

(l) Fund Contribution Account.- the account which registers the balance of the individual contributions credited to the Fund on behalf of the participant as of July 31, 2014.

(m) CUSIP.- means the Committee on Uniform Securities Identification Procedures, whose numbering system allows for the assignment of a unique identification number to all stocks and bonds registered in the capital markets of the United States and Canada, and is used to create a concrete distinction between the securities that are traded on public markets. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system.

(n) Executive Director.- the person or entity designated by the Retirement Board created under the 'Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees,' to exercise the duties of the System Administrator.

(o) System Employee.- any system employee who agreed to transfer his contributions and years of creditable service to the System from the Retirement System for Employees of the Government of the Commonwealth of Puerto Rico or any other retirement system of the Commonwealth of Puerto Rico. It shall also mean any other employee who entered the System on or after March 29, 2004.

(p) ERISA.- means the Employee Retirement Income Security Act of 1974, codified in Title 29 of the United States Code.

(q) Retirement Systems Joint Administration Trust, FACSiR.- hereinafter FACSiR, is the new Retirement System designed and promoted in this in this Act, and which would administer a new trust whereinto the resources and obligations of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS shall be consolidated and the administrative transactions and expenses thereof shall be centralized upon the confirmation of a feasible, just, and equitable Plan of Adjustment for the People and the Pensioners and Participants of the Retirement Systems.

(r) Fund.- the System Contribution Fund, as designated in Article 4.1.

(s) Government.- means the Government of the Commonwealth of Puerto Rico and any political subdivision thereof including, all of the municipalities of Puerto Rico, and such government organizations that shall avail themselves of the provisions of this Act.

(t) Trust Income or FACSiR Income - shall include the following, without it constituting a thorough list or a limitation:

(1) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

(2) one hundred percent (100%) of the Participants' individual contributions;

(3) one hundred percent (100%) of the employer contributions of the Government of Puerto Rico;

(4) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

(5) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the Retirement Savings Account Program and Act No. 447 of May 15, 1951, as amended;

(6) one hundred percent (100%) of the judgments, and its rights and those of the Government of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice of the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

(7) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

(8) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

(9) one hundred percent (100%) of its own income that FACSiR may generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

(10) whichever amount is the greater of: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service on Unchallenged Bonds, or (ii) the total of the annual savings as are necessary on account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through a Plan of Adjustment under Title III of PROMESA.

(u) Compound Interest.- nine point five percent (9.5%) annually for purposes of the payment of uncredited services rendered on or before July 31, 2014, and two percent (2%) annually for purposes of reimbursement of individual contributions.

(v) FOMB.- The Financial Oversight and Management Board for Puerto Rico, created pursuant to Titles I and II of PROMESA.

(w) Board of Trustees.- the Retirement Board created under the 'Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees,'

(x) Sarbanes-Oxley Act.- means the Sarbanes-Oxley Act of 2002, Public Law 107-204, approved by the Government of the United States on July 30, 2002.

(y) Teacher.- the professionals who teach in the classrooms, School Principals and Vice Principals, and other teacher classifications and categories that exist or may exist within the nomenclature of the Department of Education of the Government of the Commonwealth of Puerto Rico, the Secretary of Education and assistant officers, and other employees or officials who avail themselves of the benefits of this Act, pursuant to the provisions thereof, provided they hold a valid certificate to work as teachers.

(z) Best Accounting Practices.- means the establishment of an accounting control system consistent with the generally accepted accounting principles (GAAP), ERISA, and the Sarbanes-Oxley Act. Moreover, it shall include the following, without it constituting a thorough list or a limitation: (1) the creation of an internal auditors team; (2) the quarterly and permanent publication of an itemized list of income, expenditures, investments and yield, the natural or juridical persons that administer the assets or advise on asset investment, and the fees and other charges collected by the natural or juridical persons that manage the assets or advise on asset investment; (3) the annual and permanent publication of audited financial statements, and actuarial valuation reports; (4) the quarterly and permanent publication of a summary statistics of Participants and Pensioners, itemized by age group, salary scale or benefits, and the respective retirement program; (5) compliance and performance audits and the regular and permanent drafting and publication thereof, pursuant to the standards of the U.S. Government Accountability Office (GAO), also known as the Yellow Book; (6) the translation into Spanish and English of all of the periodic reports required under this Act; (7) the regular and permanent delivery of true and exact copies of any periodic reports required by law, regulation, administrative bulletin, circular letter, the generally accepted accounting principles, or internal policies, for retirement systems in Puerto Rico, or in accordance with the rules of the Government of the United States of America, the Legislative Assembly, and the legislative committees with jurisdiction over the Retirement Systems and the Budget of the Government of Puerto Rico; and (8) the adoption and publication of investment policies.

(aa) Participant in Active Service.- any participant who makes an individual monthly contribution to the System. The period during which a participant has availed himself/herself of a leave without pay officially authorized by the employer shall also be considered as active service.

(bb) Inactive Participant.- any participant who at some point made a contribution to the System and separated from service without subsequently requesting a reimbursement of contributions.

(cc) Participants.- the System's teachers and employees, as provided in Article 3.1 of this Act.

(dd) Pension.- the amount to which a participant is entitled upon retirement, in accordance with the provisions of this Act.

(ee) Pensioner.- any participant who receives a pension from the System, in accordance with the provisions of this Act.

(ff) Plan of Adjustment.- the plan proposed by the FOMB to reduce the debt of the Government, through Tittle III of PROMESA, pursuant to Section 312 of PROMESA.

(gg) Defined Contribution Program.- the program established in Chapter 5 of this Act.

(hh) Defined Benefit Program.- the program established in Chapter 4 of this Act.

(ii) PROMESA.- Public Law 114-187, also known as the 'Puerto Rico Oversight, Management, and Economic Stability Act,' approved by the Government of the United States of America.

(jj) Bankruptcy.- the debt restructuring process filed by the FOMB for the Government on May 3, 2017, with the United States District Court for the District of Puerto Rico, under Title III of PROMESA.

(kk) Salary.- the total compensation earned by a participant. When calculating the compensation, all bonuses granted in addition to the salary as well as all payment for overtime work shall be excluded.

(ll) Average Salary.- an average of the thirty-six (36) highest monthly salaries that the participant has earned. This does not apply to the calculation of pensions for disability.

(mm) Unpaid Debt Service on Challenged Bonds.- the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government shall make in accordance with bond issues that have yet to mature or expire, or be cancelled, exchanged, refinanced, or restructured from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each bond issue.

(nn) System.- the Commonwealth of Puerto Rico Teachers' Retirement System.

(oo) Retirement System.- means the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS. For the purposes of this Act, neither the Retirement System of the University of Puerto Rico nor the Electric Power Authority Employee Retirement System are included."

Section 2.09.- A new Section 2.6 is hereby added to Act 160-2013, as amended, to read as follows:

"Section 2.06.- Public Policy

It shall be the public policy of the System:

(a) to protect the present and future of our public servants to prevent them from falling into poverty after dedicating their lives to the service of their Island and to recruit and retain the best talent possible now and always in Puerto Rico's public service;

(b) to express the absolute and strongest rejection to any Plan of Adjustment or Restructuring Support Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits, and other claims of public servants who are Pensioners and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, or diminished prior to the filing of the bankruptcy petition on May 3, 2017;

(c) to define as unfeasible and to absolutely reject any Plan of Adjustment that results in an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, and fails to prevent a second insolvency or bankruptcy event for the public finances;

(d) to recognize that an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, or any subsequent insolvency or bankruptcy event for the public finances constitutes a direct and intolerable threat to the essential public services on which the People of Puerto Rico depend, and to the pensions and other claims of public servants who perform such services, whether they are Pensioners or Participants of the Retirement Systems;

(e) to measure and promote the sustainability of Puerto Rico's debt payable with public funds, in an aggregate manner and as determined through a debt sustainability analysis that takes into account the purchasing power in Puerto Rico and the net spending necessary to satisfy the payment of the pensions and render essential public services;

(f) to condemn the Joint Plan of Adjustment for the Government of Puerto Rico, the Retirement System Administration for Employees of the Government of Puerto Rico and the Judiciary, and the Puerto Rico Public Building Authority submitted by the FOMB on September 27, 2019, amended on February 28, 2020 and on March 9, 2021, to the United States District Court for the District of Puerto Rico for being irremediably incompatible with the Public Policy described in this Act;

(g) to reject any Plan of Adjustment that seeks to utilize Section 1129(b) of the United States Bankruptcy Code to impose additional cuts on public servants Pensioners and Participants of the Retirement Systems;

(h) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires increasing or establishing regressive taxes, rates, or other mechanisms that render the water, electricity, transportation, education, and other essential public services more expensive in order to collect public revenues from the pockets of Puerto Rico's working families and pensioners;

(i) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires the cutting of essential public services provided by the Government of Puerto Rico, its Public Corporations, and the Municipalities, including but not limited to, education, health, environmental protection, housing, sanitation and solid waste management, security and emergency management, sewage and water treatment, electricity, highway infrastructure, and mass transportation;

(j) to recognize that any attempt to cut the budget available for essential public services rendered by the Government of Puerto Rico, its Public Corporations, and Municipalities, or to reduce the payroll or the number of public servants entitled to enroll in the Retirement Systems, is also an attempt to cut the resources available for pensions, annuities, benefits, and other claims that Retirement System Pensioners and Participants may have, and any losses it may entail on account of individual or employer contributions must be compensated to ensure the actuarial solvency of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR);

(k) to recognize that the FOMB needs the Government of Puerto Rico to take decisive actions that allow it to meet all the requirements of Section 314 of

PROMESA to confirm the Plan of Adjustment, including, but not limited to, authorizing the bond issues that shall be exchanged as a result of a Plan of Adjustment and amending any laws that are inconsistent with the agreement reached between the FOMB and the groups of creditors;

(l) to clearly and unequivocally express that no action whatsoever shall be taken that allows for the confirmation of any Plan of Adjustment that is inconsistent with this Public Policy, including but not limited to, the elimination of regulatory barriers, the creation of regulations or any authorizations as are necessary to allow for the Plan of Adjustment of the FOMB to meet the requirements of Section 314(b)(3) and Section 314(b)(5) of PROMESA;

(m) to recognize that the claims of Retirement System Pensioners and Participants against the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems have already been affected in the years prior to the filing of the bankruptcy petition, in amounts exceeding:

(i) forty-two percent (42%) of the aggregate value of the pensions, benefits, and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants prior to April 1, 1990;

(ii) thirty-one percent (31%) of the aggregate value of the pensions, benefits and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after April 1, 1990, but before January 1, 2000; and

(iii) fifteen percent (15%) of the aggregate value of the benefits and other retirement rights for the average beneficiary of the Retirement Savings Account Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after January 1, 2000.

(n) to ensure that no portion of the funds and resources of the System set aside for activities related to the participation of the System in any judicial proceeding or the proceedings under Title III of PROMESA be allocated for the implementation of any Plan of Adjustment that is inconsistent with this Act;

(o) to promote the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits to which our public servants are currently entitled in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants covered by this Act;

(p) to guarantee the right to a dignified retirement as a fundamental part of a decent life, and as a corollary of the principle of the inviolability of human dignity enshrined in Section 1 of the Bill of Rights of the Constitution of Puerto Rico;

(q) to recognize that dignified retirement consists of enjoying a lifetime pension that protects each person against falling into poverty in their old age, restoring the rights and benefits that Retirement System Pensioners and Participants have lost through legislation approved in times of fiscal constraint or serious public finances emergency, and broadening the rights and benefits of FACSiR Pensioners and Participants upon reaching the Adequate Funding Ratio;

(r) to safeguard the integrity, sound administration, and Best Accounting Practices of all public funds available to the System to prevent the loss of public funds, which may hinder the capacity of the System and FACSiR to achieve the objectives set forth in this Public Policy;

(s) to define any recognition or repayment of any portion of any of the Challenged Bonds, without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico, as an attempt on the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems;

(t) to protect FACSiR Income from any diversion, default, or other noncompliance that may be detrimental to a possible contractual relationship between the Government of Puerto Rico and FACSiR;

(u) to work, in conjunction with FAFAA, the Legislative Assembly, and the committees thereof with jurisdiction over the Retirement Systems and Budget of the Government of Puerto Rico, other Retirement Systems, and the Retirement Board created under Act No. 106-2017, as amended, known as the 'Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees,' in the planning, necessary legislation, creation, and orderly transition to a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits according to the same rights our public servants had at the time of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017, in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants of the Retirement Systems."

Section 2.10.- A new Section 1-A is hereby added to Act No. 12 of October 19,1954, as amended, to read as follows:

"Section 1-A.- Public Policy

It shall be the public policy of the System:

(a) to protect the present and future of our public servants to prevent them from falling into poverty after dedicating their lives to the service of their Island and to recruit and retain the best talent possible now and always in Puerto Rico's public service;

(b) to express the absolute and strongest rejection to any Plan of Adjustment or Restructuring Support Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits, and other claims of public servants who are Pensioners and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, or diminished prior to the filing of the bankruptcy petition on May 3, 2017;

(c) to define as unfeasible and to absolutely reject any Plan of Adjustment that results in an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, and fails to prevent a second insolvency or bankruptcy event for the public finances;

(d) to recognize that an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, or any subsequent insolvency or bankruptcy event for the public finances constitutes a direct and intolerable threat to the essential public services on which the People of Puerto Rico depend, and to the pensions and other claims of public servants who perform such services, whether they are Pensioners or Participants of the Retirement Systems;

(e) to measure and promote the sustainability of Puerto Rico's debt payable with public funds, in an aggregate manner and as determined through a debt sustainability analysis that takes into account the purchasing power in Puerto Rico and the net spending necessary to satisfy the payment of the pensions and render essential public services;

(f) to condemn the Joint Plan of Adjustment for the Government of Puerto Rico, the Retirement System Administration for Employees of the Government of Puerto Rico and the Judiciary, and the Puerto Rico Public Building Authority submitted by the FOMB on September 27, 2019, amended on February 28, 2020 and on March 9, 2021, to the United States District Court for the District of Puerto Rico for being irremediably incompatible with the Public Policy described in this Act;

(g) to reject any Plan of Adjustment that seeks to utilize Section 1129(b) of the United States Bankruptcy Code to impose additional cuts on public servants Pensioners and Participants of the Retirement Systems;

(h) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires increasing or establishing regressive taxes, rates, or other mechanisms that render the water, electricity, transportation, education, and other essential public services more expensive in order to collect public revenues from the pockets of Puerto Rico's working families and pensioners;

(i) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires the cutting of essential public services provided by the Government of Puerto Rico, its Public Corporations, and Municipalities, including but not limited to, education, health, environmental protection, housing, sanitation and solid waste management, security and emergency management, sewage and water treatment, electricity, highway infrastructure, and mass transportation;

(j) to recognize that any attempt to cut the budget available for essential public services rendered by the Government of Puerto Rico, its Public Corporations, and Municipalities, or to reduce the payroll or the number of public servants entitled to enroll in the Retirement Systems, is also an attempt to cut the resources available for pensions, annuities, benefits, and other claims that Retirement System Pensioners and Participants may have, and any losses it may entail on account of individual or employer contributions must be compensated to ensure the actuarial solvency of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR);

(k) to recognize that the FOMB needs the Government of Puerto Rico to take decisive actions that allow it to meet all the requirements of Section 314 of PROMESA to confirm the Plan of Adjustment, including, but not limited to, authorizing the bond issues that shall be exchanged as a result of a Plan of Adjustment and amending any laws that are inconsistent with the agreement reached between the FOMB and the groups of creditors;

(l) to clearly and unequivocally express that no action whatsoever shall be taken that allows for the confirmation of any Plan of Adjustment that is inconsistent with this Public Policy, including but not limited to, the elimination of regulatory barriers, the creation of regulations or any authorizations as are necessary to allow for the Plan of Adjustment of the FOMB to meet the requirements of Section 314(b)(3) and Section 314(b)(5) of PROMESA;

(m) to recognize that the claims of Retirement System Pensioners and Participants against the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems have already been affected in the years prior to the filing of the bankruptcy petition, in amounts exceeding:

(i) forty-two percent (42%) of the aggregate value of the pensions, benefits, and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants prior to April 1, 1990;

(ii) thirty-one percent (31%) of the aggregate value of the pensions, benefits and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after April 1, 1990, but before January 1, 2000; and

(iii) fifteen percent (15%) of the aggregate value of the benefits and other retirement rights for the average beneficiary of the Retirement Savings

Account Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after January 1, 2000.

(n) to ensure that no portion of the funds and resources of the System set aside for activities related to the participation of the System in any judicial proceeding or the proceedings under Title III of PROMESA be allocated for the implementation of any Plan of Adjustment that is inconsistent with this Act;

(o) to promote the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits to which our public servants are currently entitled in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants covered by this Act;

(p) to guarantee the right to a dignified retirement as a fundamental part of a decent life, and as a corollary of the principle of the inviolability of human dignity enshrined in Section 1 of the Bill of Rights of the Constitution of Puerto Rico;

(q) to recognize that dignified retirement consists of enjoying a lifetime pension that protects each person against falling into poverty in their old age, restoring the rights and benefits that Retirement System Pensioners and Participants have lost through legislation approved in times of fiscal constraint or serious public finances emergency, and broadening the rights and benefits of FACSiR Pensioners and Participants upon reaching the Adequate Funding Ratio;

(r) to safeguard the integrity, sound administration, and Best Accounting Practices of all public funds available to the System to prevent the loss of public funds, which may hinder the capacity of the System and FACSiR to achieve the objectives set forth in this Public Policy;

(s) to define any recognition or repayment of any portion of any of the Challenged Bonds, without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico, as an attempt on the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems;

(t) to protect FACSiR Income from any diversion, default, or other noncompliance that may be detrimental to a possible contractual relationship between the Government of Puerto Rico and FACSiR;

(u) to work, in conjunction with FAFAA, the Legislative Assembly, and the committees thereof with jurisdiction over the Retirement Systems and Budget of the Government of Puerto Rico, other Retirement Systems, and the Retirement Board created under Act No. 106-2017, as amended, known as the 'Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees,' in the planning, necessary legislation, creation, and orderly transition to a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits according to the same rights our public servants had at the time of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017, in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants of the Retirement Systems."

Section 2.11.- Section 2 of Act No. 12 of October 19, 1954, as amended, is hereby amended, to read as follows:

"Section 2.- Definitions.

The following terms or phrases as used in this Act shall have the meaning stated hereinbelow, except when the context clearly indicates otherwise:

(1) FAFAA - the Puerto Rico Fiscal Agency and Financial Advisory Authority created under Act No. 2-2017.

(2) Restructuring Support Agreement - means any agreement between (1) the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; (2) the FOMB; (3) the bondholders of the Government of the Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; (4) bond insurers, whether or not they are subrogated to the rights of the bondholders of the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems; in relation to, or in support of, any transaction involving a Qualifying Modification, as this concept is defined in Title VI of PROMESA or an Adjustment, as this concept is used in Title III of PROMESA, of the bonds of the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems.

(3) Administrator - Shall mean the person or entity designated by the Retirement Board created through the 'Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees,' to discharge the duties of Administrator of the System.

(4) PBA - the Puerto Rico Public Building Authority created by Act No. 56 of June 19, 1958, as amended.

(5) Fiscal Year - Shall mean the period beginning July 1 and of any year and ending on June 30 of the next year.

(6) Beneficiary - Shall mean each and every person or persons so designated by a participant or pensioner in the last written order duly recognized and filed with the Administrator. In the case that no such designation has been made, or if the person so designated does not survive the participant or pensioner, his legal heirs shall be deemed to be the beneficiaries.

(7) Challenged Bonds - collectively, all bond issues made by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

(a) Series A of *Senior Pension Funding Bonds* issued by the Retirement System Administration for Employees of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that include one billion five hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(b) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that includes eight hundred sixteen million one hundred thousand (816,100,000) dollars in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities,* offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(c) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(d) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal of term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.*;

(e) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and 745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(f) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(g) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(h) Series S of *Government Facilities Revenue Bonds* issued by PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62 and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(i) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities and UBS Financial Services Puerto Rico;*

(j) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand

(538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand (43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

(k) Series A of *General Obligation Bonds* issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue, and subscribed by *Barclays, Morgan Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;*

(l) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88, 74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(m) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000) dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

(n) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;*

(o) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9, 74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(p) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch,* *Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(q) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services of Puerto Rico;*

(r) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety-three million eight hundred thirty-five thousand (93,835,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley and JP Morgan;*

(s) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(t) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch & Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico, FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities;* and,

(u) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2, 74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;*

(8) Unchallenged Bonds - collectively, all bond issues made by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case

filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

(9) Bankruptcy Code - means Title 11 of the United States Code, which establishes mechanisms for the composition or adjustment of debt for individuals, corporations, and government entities.

(10) Adequate Funding Ratio - is a ratio equal to 1.2 of the total own assets of the Retirement Systems Joint Administration Trust relative to its total liabilities, as annually determined through an independent actuary study based on the aggregate actuarial cost and valuation method and the actuarial funding method used by the Office of the New York State Comptroller for the administration of the state's government retirement systems, in order to achieve an adequate pension funding level.

(11) CUSIP - means the Committee on Uniform Securities Identification Procedures, whose numbering system allows for the assignment of a unique identification number to all stocks and bonds registered in the capital markets of the United States and Canada, and is used to create a concrete distinction between the securities that are traded on public markets. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system.

(12) ERISA - means the Employee Retirement Income Security Act of 1974, codified in Title 29 of the United States Code.

(13) Operative Date of the System - Will be July 1, 1954.

(14) Retirement Systems Joint Administration Trust - hereinafter FACSiR (Spanish acronym), is the new Retirement System designed and promoted in this Act, and which would administer a new trust whereinto the resources and obligations of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954,

as amended, hereinafter the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS, shall be consolidated and the administrative transactions and expenses thereof shall be centralized upon the confirmation of a feasible, just, and equitable Plan of Adjustment for the People and the Pensioners and Participants of the Retirement Systems.

(15) Government - shall mean the Commonwealth of Puerto Rico.

(16) Actuarial Guidelines - during the first five (5) years of operation of the system, shall mean the Combined Annuity and Mortality Tables for males, and thereafter, the tables or norms adopted by the Board of Trustees based on the system's experience and in accordance with the recommendations of the actuary.

(17) Trust Income or FACSiR Income - shall include the following, without it constituting a thorough list or a limitation:

(a) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

(b) one hundred percent (100%) of the Participants' individual contributions;

(c) one hundred percent (100%) of the employer contributions of the Government of Puerto Rico;

(d) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

(e) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the

Retirement Savings Account Program and Act No. 447 of May 15, 1951, as amended;

(f) one hundred percent (100%) of the judgments, and its rights and those of the Government of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice of the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

(g) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

(h) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

(i) one hundred percent (100%) of its own income that FACSiR may generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

(j) whichever amount is the greater of: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service on Unchallenged Bonds; or (ii) the total of the annual savings as are necessary on account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through a Plan of Adjustment under Title III of PROMESA.

(18) Interest - shall mean two-and-one-half percent (2.5%) annually, compounded annually, or any other rate as may subsequently be prescribed by the Board based on the System's experience.

(19) FOMB - The Financial Oversight and Management Board for Puerto Rico, created pursuant to Titles I and II of PROMESA.

(20) Judge - shall mean any person who holds a position as Justice of the Supreme Court, or Judge of the Court of First Instance, or the District Court of the Commonwealth of Puerto Rico.

(21) Board - means the Retirement Board created through the 'Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees.'

(22) Sarbanes-Oxley Act - means the Sarbanes-Oxley Act of 2002, Public Law 107-204, approved by the Government of the United States on July 30, 2002.

(23) Best Accounting Practices - means the establishment of an accounting control system consistent with the generally accepted accounting principles (GAAP), ERISA, and the Sarbanes-Oxley Act. Moreover, it shall include the following, without it constituting a thorough list or a limitation: (1) the creation of an internal auditors team; (2) the quarterly and permanent publication of an itemized list of income, expenditures, investments and yield, the natural or juridical persons that administer the assets or advise on asset investment, and the fees and other charges collected by the natural or juridical persons that manage the assets or advise on asset investment; (3) the annual and permanent publication of audited financial statements, and actuarial valuation reports; (4) the quarterly and permanent publication of a summary statistics of Participants and Pensioners, itemized by age group, salary scale or benefits, and the respective retirement program; (5) compliance and performance audits and the regular and permanent publication thereof, pursuant to the standards of the U.S. Government Accountability Office (GAO), also known as the Yellow Book; (6) the translation into Spanish and English of all of the periodic reports required under this Act; (7) the regular and permanent delivery of true and exact copies of any periodic reports required by law, regulation,

administrative bulletin, circular letter, the generally accepted accounting principles, or internal policies, for retirement systems in Puerto Rico, or in accordance with the rules of the Government of the United States of America, the Legislative Assembly, and the legislative committees with jurisdiction over the Retirement Systems and the Budget of the Government of Puerto Rico; and (8) the adoption and publication of investment policies.

(24) Participant - shall mean any judge who is a member of this System, as specified in Section 3 of this Act.

(25) Pension - shall mean a series of monthly payments during the lifetime of the pensioner, payable at the end of each calendar month. The first pension payment shall be made for that part of the elapsed month until the end of the first month, and the last payment shall be made for the part of a month elapsed up to the death of the pensioner.

(26) Pensioner - shall mean any person who is receiving a pension from the System.

(27) Plan of Adjustment - the plan proposed by the FOMB to reduce the debt of the Government of Puerto Rico, its Public Corporations, Municipalities, or Retirement Systems, through Tittle III of PROMESA, pursuant to Section 312 of PROMESA.

(28) Hybrid Program - shall mean the retirement program in which any employee who enrolls for the first time in the Judiciary Retirement System of the Commonwealth of Puerto Rico after July 1, 2014, shall participate. The Hybrid Program is a combined plan of defined benefits and contributions. As to defined benefits, upon retirement, hybrid program participants shall be entitled to receive an annuity computed in accordance with the provisions in Section 4-C and 4-D of this Act. As to the defined contribution, upon retirement, these participants shall be

entitled to receive an annuity in accordance with the provisions of Sections 10-A and 10-B of this Act.

(29) PROMESA - Public Law 114-187, also known as the 'Puerto Rico Oversight, Management, and Economic Stability Act,' approved by the Government of the United States of America.

(30) Bankruptcy - the debt restructuring process filed by the FOMB for the Government of the Commonwealth of Puerto Rico, before the United States District Court for the District of Puerto Rico, under Title III of PROMESA.

(31) Unpaid Debt Service - the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government of Puerto Rico shall make in accordance with the issuance of the Challenged Bonds from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each Challenged Bonds issue.

(32) Services - shall mean the services rendered starting on the first day that any person is appointed judge or enters the service for the first time at any agency, department or division of the Government of Puerto Rico, regardless of whether that date is prior to or after the effective date of this Act and ending on date of separation from the service. All the intervening periods following a resignation, separation or expiration of any term by election or appointment during which a participant was not in government service, shall be excluded and no credit shall be given for them. No credit shall be given for any service rendered to the Government in a capacity other than judge unless:

(a) They have rendered services as a judge for eight (8) years, and

(b) the participant returns to the System the contributions refunded to him/her as of the effective date of this act by any other Retirement System under which he/she has rendered services, including any interest that said contributions may have accrued up to the date of the refund at the rate prescribed by said System, except that, to be eligible for a non-occupational disability pension exclusively, services rendered to the Government in a capacity other than as a judge shall be credited at any time, subject to the provisions of this subsection. Provided, that the contribution established in Section 10 of this Act shall increase by one fourth of one percent (0.25%) for participants who have enrolled for the first time in the System on or before June 30, 2014, in order to cover the cost of said benefit on the effective date of this Act. The services rendered during any fraction of a month shall be considered as a whole month of service; however, no more than one month of service shall be credited for all the services rendered during any calendar month.

For any new participant who enrolls in the Judiciary Retirement System of the Commonwealth of Puerto Rico after July 1, 2014 and is a Hybrid Program participant, it shall mean the services rendered as of the first day in which a person is appointed for the first time as a Judge of the General Court of Justice. For new System participants, services rendered to the Government in any capacity other than as a judge shall not be credited.

(33) System - shall mean the Judiciary Retirement System of the Commonwealth of Puerto Rico.

(34) Retirement Systems - the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS. For the purposes of this Act, neither the Retirement System of the University of Puerto Rico nor the Electric Power Authority Employee Retirement System are included.

(35) Salary - shall mean the annual compensation received by a judge for his services as such."

Section 2.12.- Section 1.4 of Act No. 106-2017, as amended, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees," is hereby amended to read as follows:

"Section 1.4- Public Policy

It is hereby declared as the public policy of the Government of Puerto Rico the protection of the pension benefits of all government retirees who were Participants of the aforementioned three Retirement Systems. Therefore, beginning July 1, 2017, pursuant to House Joint Resolution No. 188 of 2017, as certified by the Financial Oversight Board on July 13, 2017, the Government of Puerto Rico became the direct payer of our retirees' pension benefits while the United States District Court for the District of Puerto Rico resolves the controversy regarding the legal guarantees and authorizations, or lack thereof, of the three bond issues made by the Retirement System Administration (RSA) in 2008. Among other considerations, the debt service of these three bond issues represents a risk of insolvency for the Retirement Systems and an unlawful diversion of employer contributions made thereto since the bond issues. Given the burden it poses on the General Fund, which is estimated in thousands of millions of dollars annually, employer contributions that had been made until then to the three Retirement Systems, as well as the Uniform Additional Contribution were eliminated provisionally, as provided in House Joint Resolutions 186, 187, 188 of 2017. The Retirement Systems shall contribute their available funds as well as the net proceeds from the liquidation of their assets to the General Fund to help cover the payment of accumulated pension benefits, except for the building that serves as the headquarters of the Teachers' Retirement System, known as the Capital Center Building, North Tower, located in Hato Rey, Puerto

Rico, which shall not be liquidated. Once the assets of the Retirement Systems are depleted, the Accumulated Pension Benefits Payment Account, which shall be mostly funded from the General Fund, as provided in this Act, shall assume and guarantee the payment of the Accumulated Pension Benefits in accordance with this Act. However, the Municipalities, the Legislative Branch, the Public Corporations, the Government, and the Court Administration shall be required to pay their respective Pay-Go Fee to fund the Accumulated Pension Benefits Payment Account.

Furthermore, the protection of the future of our public servants is hereby declared as public policy. Through this Act, we shall ensure that they have a dignified retirement free from uncertainties, guaranteeing the pensions and establishing a new trust or similar instrument.

Consistent with the foregoing, it shall be the public policy of the Government of Puerto Rico, its Public Corporations, the Municipalities and the Retirement Systems:

(a) to protect the present and future of our public servants to prevent them from falling into poverty after dedicating their lives to the service of their Island and to recruit and retain the best talent possible now and always in Puerto Rico's public service;

(b) to express the absolute and strongest rejection to any Plan of Adjustment or Restructuring Support Agreement that reduces, impairs, threatens, subordinates, or diminishes the current pensions, annuities, benefits, and other claims of public servants who are Pensioners and Participants of the Retirement Systems, beyond what they have already been reduced, impaired, threatened, or diminished prior to the filing of the bankruptcy petition on May 3, 2017;

(c) to define as unfeasible and to absolutely reject any Plan of Adjustment that results in an unsustainable restructuring of the bonds of the Government of

Puerto Rico, its Public Corporations, and the Retirement Systems, and fails to prevent a second insolvency or bankruptcy event for the public finances;

(d) to recognize that an unsustainable restructuring of the bonds of the Government of Puerto Rico, its Public Corporations, and the Retirement Systems, or any subsequent insolvency or bankruptcy event for the public finances constitutes a direct and intolerable threat to the essential public services on which the People of Puerto Rico depend, and to the pensions and other claims of public servants who perform such services, whether they are Pensioners or Participants of the Retirement Systems;

(e) to measure and promote the sustainability of Puerto Rico's debt payable with public funds, in an aggregate manner and as determined through a debt sustainability analysis that takes into account the purchasing power in Puerto Rico and the net spending necessary to satisfy the payment of the pensions and render essential public services;

(f) to recognize that the FOMB needs the Government of the Commonwealth of Puerto Rico to take decisive actions that allow it to meet all the requirements of Section 314 of PROMESA to confirm the Plan of Adjustment, including, but not limited to, authorizing the bond issues that shall be exchanged as a result of a Plan of Adjustment and amending any laws that are inconsistent with the agreement reached between the FOMB and the groups of creditors;

(g) to condemn the Joint Plan of Adjustment for the Government of Puerto Rico, the Retirement System Administration for Employees of the Government of Puerto Rico and the Judiciary, and the Puerto Rico Public Building Authority submitted by the FOMB on September 27, 2019, amended on February 28, 2020 and on March 9, 2021, to the United States District Court for the District of Puerto Rico for being irremediably incompatible with the Public Policy described in this Act;

(h) to reject any Plan of Adjustment that seeks to utilize Section 1129(b) of the United States Bankruptcy Code to impose additional cuts on public servants Pensioners and Participants of the Retirement Systems;

(i) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires increasing or establishing regressive taxes, rates, or other mechanisms that render the water, electricity, transportation, education, and other essential public services more expensive in order to collect public revenues from the pockets of Puerto Rico's working families and pensioners;

(j) to reject any Plan of Adjustment or Restructuring Support Agreement whose feasibility or guarantee of payment of debt service requires the cutting of essential public services provided by the Government of Puerto Rico, its Public Corporations, and Municipalities, including but not limited to, education, health, environmental protection, housing, sanitation and solid waste management, security and emergency management, sewage and water treatment, electricity, highway infrastructure, and mass transportation.

(k) to recognize that any attempt to cut the budget available for essential public services rendered by the Government of Puerto Rico, its Public Corporations, and Municipalities, or to reduce the payroll or the number of public servants entitled to enroll in the Retirement Systems, is also an attempt to cut the resources available for pensions, annuities, benefits, and other claims that Retirement System Pensioners and Participants may have, and any losses it may entail on account of individual or employer contributions must be compensated to ensure the actuarial solvency of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR);

(l) to clearly and unequivocally express that no action whatsoever shall be taken that allows for the confirmation of any Plan of Adjustment that is inconsistent with this Public Policy, including but not limited to, the elimination of regulatory barriers, the creation of regulations or any authorizations as are necessary to allow for the Plan of Adjustment of the FOMB to meet the requirements of Section 314(b)(3) and Section 314(b)(5) of PROMESA;

(m) to recognize that the claims of Retirement System Pensioners and Participants against the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems have already been affected in the years prior to the filing of the bankruptcy petition, in amounts exceeding:

(i) forty-two percent (42%) of the aggregate value of the pensions, benefits, and other retirement rights for the average Pensioner or beneficiary of the Defined Benefit Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants prior to April 1, 1990;

(ii) thirty-one percent (31%) of the aggregate value of the pensions, benefits and other retirement rights for the average Pensioner or beneficiary of the Retirement Savings Account under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after April 1, 1990, but before January 1, 2000; and

(iii) fifteen percent (15%) of the aggregate value of the benefits and other retirement rights for the average beneficiary of the Retirement Savings Account Program under Act No. 447 of May 15, 1951, as amended, who enrolled as Participants after January 1, 2000.

(n) to ensure that no portion of the funds and resources of the System set aside for activities related to the participation of the Commonwealth of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems in any judicial proceeding or the proceedings under Title III of PROMESA be allocated for the implementation of any Plan of Adjustment that is inconsistent with this Act;

(o) to promote the creation of a Retirement Systems Joint Administration Trust (FACSiR) to be the custodian, and to collect, administer, and adequately guarantee the resources set aside for the payment of all pensions and benefits to which our public servants are currently entitled in order to protect, capitalize, and guarantee in perpetuity the retirement rights and benefits of the Pensioners and Participants of the Retirement Systems;

(p) to guarantee the right to a dignified retirement as a fundamental part of a decent life, and as a corollary of the principle of the inviolability of human dignity enshrined in Section 1 of the Bill of Rights of the Constitution of Puerto Rico;

(q) to recognize that dignified retirement consists of enjoying a lifetime pension that protects each person against falling into poverty in their old age, restoring the rights and benefits that Retirement System Pensioners and Participants have lost through legislation approved in times of fiscal constraint or serious public finances emergency, and broadening the rights and benefits of FACSiR Pensioners and Participants upon reaching the Adequate Funding Ratio;

(r) to safeguard the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems to prevent the loss of public funds, which may hinder the capacity of the Government of Puerto Rico, its Public Corporations, the Municipalities, the Retirement Systems, and FACSiR to achieve the objectives set forth in this Public Policy;

(s) to define any recognition or repayment of any portion of any of the Challenged Bonds, without the judgment of a competent court holding that said bonds were issued in accordance with the laws and appropriate regulations, including the Constitution of Puerto Rico, as an attempt on the integrity, sound administration, and Best Accounting Practices of all public funds available to the Government of Puerto Rico, its Public Corporations, the Municipalities, and the Retirement Systems; and

(t) to protect FACSiR Income from any diversion, default, or other noncompliance that may be detrimental to a possible contractual relationship between the Government of Puerto Rico and FACSiR."

Section 2.13.- Section 1.7 of Act No. 106-2017, is hereby amended to read as follows:

"Section 1.7- Definitions.

The following words and terms, when used or referred to in this Act, shall have the meaning indicated hereinbelow unless another meaning clearly arises from the context. The present tense shall also include the future and, if the male gender is used herein as a general rule, it shall be deemed amended to include a word or words importing the masculine and the feminine gender as well as non-binary in the language, except in those cases in which said interpretation would be absurd. The singular number shall include the plural and vice versa.

(a) …

(b) Restructuring Support Agreement: means any agreement between (1) the Government of Puerto Rico, as defined in this Act; (2) the FOMB; (3) the bondholders of the Government of the Commonwealth of Puerto Rico; (4) bond insurers, whether or not they are subrogated to the rights of the bondholders of the Government of Puerto Rico; in relation to, or in support of, any transaction involving a Qualifying Modification, as this concept is defined in Title VI of PROMESA or an Adjustment, as this concept is used in Title III of PROMESA, of the bonds of the Government of Puerto Rico.

(c) Retirement Systems Administrators: the Administrator of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, and the Executive Director of the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013.

(d) PBA: The Puerto Rico Public Building Authority created by Act No. 56 of June 19, 1958, as amended.

(e) Contributions Owed: amounts that the Government, Municipalities, Public Corporations, and other entities deemed as employers under any of the Retirement Systems covered under this Act, owe to the Retirement Systems, the Accumulated Pension Benefits Payment Account, and/or the New Defined Contribution Plan.

(f) Individual Contributions: those amounts that have been deducted or are to be deducted from the participant's base compensation to be credited to his defined contribution account, as defined in Section 1.7(kk).

(g) [sic] any person who receives any pension, annuity, or benefit as provided in this Act.

(h) Challenged Bonds: collectively, all bond issues made by the Government of Puerto Rico, whose legal guarantees, guaranteed amounts, pledged sources of revenue, or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA. It includes, but is not limited to:

(1) Series A of *Senior Pension Funding Bonds* issued by the Retirement System Administration for Employees of the Government and the Judiciary (RSA) on January 31, 2008, in the aggregate amount of one billion five hundred eighty-eight million eight hundred ten thousand seven hundred ninety-nine dollars and sixty cents (1,588,810,799.60) of principal, that include one billion five

hundred forty-three million seven hundred seventy thousand (1,543,770,000) dollars in term bonds, and forty-five million forty thousand seven hundred ninety-nine dollars and sixty cents (45,040,799.60) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, TCM Capital, and Wachovia Capital Markets, LLC,* originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(2) Series B of *Senior Pension Funding Bonds* issued by the RSA on June 2, 2008, in the aggregate amount of one billion fifty-eight million six hundred thirty-four thousand six hundred thirteen dollars and five cents (1,058,634,613.05) of principal, that includes eight hundred sixteen million one hundred thousand dollars (816,100,000) in term bonds and two hundred forty-two million five hundred thirty-four thousand six hundred thirteen dollars and five cents (242,534,613.05) in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities,* offered originally for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(3) Series C of *Senior Pension Funding Bonds* issued by the RSA on June 30, 2008, in the aggregate amount of three hundred million two hundred two thousand nine hundred thirty (300,202,930) dollars of principal, that includes two hundred ninety-eight million (298,000,000) dollars in term bonds and two million two hundred two thousand nine hundred thirty (2,202,930) dollars in capital appreciation bonds, and subscribed by *UBS Financial Services Incorporated of Puerto Rico, Popular Securities, Santander Securities, BBVAPR MSD, Citi, Eurobank MSD, Lehman Brothers, Merrill Lynch & Co., Oriental Financial Services Corporation, Samuel A. Ramírez & Co., Inc., Scotia Capital, and*

Wachovia Capital Markets, LLC originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(4) Series K of *Government Facilities Revenue Refunding Bonds* issued by the Public Building Authority (PBA) on July 1, 2009, in the amount of fifty million (50,000,000) dollars of principal of term bonds identified by the number CUSIP 745235L82 at the time of the issue, and subscribed by *Merrill Lynch & Co. and Ramírez & Co., Inc.;*

(5) Series P of *Government Facilities Revenue Refunding Bonds* issued by the PBA on July 1, 2009, in the aggregate amount of three hundred thirty million nine hundred thirty-five thousand (330,935,000) dollars of principal, that includes two hundred fifteen million one hundred sixty thousand (215,160,000) dollars in term bonds identified by the numbers CUSIP 745235K75, 745235K83, 745235K91, 745235L25, and 745235L33 at the time of the issue and one hundred fifteen million seven hundred seventy-five thousand (115,775,000) dollars in series bonds identified by the numbers CUSIP 745235L41, 745235L58, 745235L66, and 745235L74 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc., Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(6) Series Q of *Government Facilities Revenue Refunding Bonds* issued by the PBA on October 28, 2009, in the aggregate amount of one hundred fifty-two million five hundred forty thousand (152,540,000) dollars of principal, that includes one hundred forty-four million three hundred forty thousand (144,340,000) dollars in term bonds identified by the numbers CUSIP 745235M24, 745235M32, and 745235M40 at the time of the issue, and eight million two hundred thousand (8,200,000) dollars in series bonds identified by the number CUSIP 745235L90 at the time of the issue, and subscribed by *Merrill Lynch & Co., Ramírez & Co., Inc.,*

Barclays Capital, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;

(7) Series R of *Government Facilities Revenue Bonds* issued by the PBA on August 24, 2011, in the aggregate amount of seven hundred fifty-six million four hundred forty-nine thousand (756,449,000) dollars of principal identified by the numbers CUSIP 745235 M57, 745235 M73, 745235 M65, and 745235 M81 at the time of the issue, and subscribed by *Popular Securities, Bank of America Merrill Lynch, Santander Securities, UBS Financial Services Incorporated of Puerto Rico, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD* and originally offered for resale exclusively to residents of Puerto Rico in Puerto Rico's capital market;

(8) Series S of *Government Facilities Revenue Bonds* issued by PBA on August 24, 2011, in the aggregate amount of three hundred three million nine hundred forty-five thousand (303,945,000) dollars of principal, that includes two hundred eight million nine hundred forty-five thousand (208,945,000) dollars in term bonds identified by the numbers CUSIP 745235P62 and 745235P70 at the time of the issue, and ninety-five million (95,000,000) dollars in series bonds identified by the numbers CUSIP 745235M99, 745235N23, 745235N31, 745235N49, 745235N56, 745235N64, 745235N72, 745235N80, 745235N98, 745235P21, 745235P39, 745235P47, 745235P54, and 745235P88 at the time of the issue, and subscribed by *Ramírez & Co., Inc., RBC Capital Markets, Barclays Capital, BMA Capital Markets, Bank of America Merrill Lynch, Citigroup, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Morgan Stanley, Raymond James, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR*

MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;

(9) Series T of *Government Facilities Revenue Bonds – Qualified Zone Academy Bonds* issued by the PBA on December 22, 2011, in the aggregate amount of one hundred twenty-one million five hundred twenty-eight thousand (121,528,000) dollars of principal identified by the number CUSIP 745235Q20 at the time of the issue, and subscribed by *Santander Securities and UBS Financial Services Puerto Rico;*

(10) Series U of *Government Facilities Revenue Refunding Bonds* issued by the PBA on June 21, 2012, in the aggregate amount of five hundred eighty-two million three hundred forty-five thousand (582,345,000) dollars of principal, that includes five hundred thirty-eight million six hundred seventy-five thousand (538,675,000) dollars in term bonds identified by the number CUSIP 745235R37 at the time of the issue, and forty-three million six hundred seventy thousand (43,670,000) dollars in series bonds identified by the numbers CUSIP 745235S51, 745235R45, 745235R52, 745235R60, 745235R78, 745235R86, 745235R94, 745235S28, 745235S36, 745235S44, and 745235S69 at the time of the issue, and subscribed by *Goldman Sachs & Co., BMO Capital Markets, RBC Capital Markets, Barclays, Bank of America Merrill Lynch, Citigroup, Jefferies, J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James Morgan Keegan, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, UBS Financial Services Puerto Rico, and VAB Financial;*

(11) Series A of *General Obligation Bonds* issued by the Government of Puerto Rico on March 17, 2014, in the amount of three billion five hundred million (3,500,000,000) dollars of principal in term bonds identified by the number CUSIP 74514LE86 at the time of the issue and subscribed by *Barclays, Morgan*

Stanley, RBC Capital Markets, Bank of America Merrill Lynch, Goldman Sachs & Co., J.P. Morgan, Ramírez & Co., Inc., FirstBank PR Securities, Jefferies, Mesirow Financial, Inc., Oriental Financial Services, Popular Securities, Santander Securities, and UBS Financial Services Puerto Rico;

(12) Series A of *Public Improvement Refunding Bonds – General Obligation Bonds* issued by the Government of Puerto Rico on April 3, 2012, in the aggregate amount of two billion three hundred eighteen million one hundred ninety thousand (2,318,190,000) dollars of principal, that includes one billion six hundred seventy-eight million seven hundred forty-five thousand (1,678,745,000) dollars in term bonds identified by the numbers CUSIP 74514LD20, 74514LB63, 74514LB71, and 74514LB89 at the time of the issue, and six hundred thirty-nine million four hundred forty-five thousand (639,445,000) dollars in series bonds identified by the numbers CUSIP 74514LA31, 74514LC47, 74514LA49, 74514LC54, 74514LA56, 74514LC62, 74514LD46, 74514LC70, 74514LA64, 74514LD53, 74514LC88, 74514LA72, 74514LD61, 74514LA80, 74514LD79, 74514LD38, 74514LC96, 74514LA98, 74514LB22, 74514LD87, 74514LB30, 74514LB48, 74514LB97, 74514LB55, 74514LC21, and 74514LC39 at the time of the issue, and subscribed by *Barclays Capital, J.P. Morgan, Goldman Sachs & Co., Jefferies, BMO Capital Markets, Bank of America Merrill Lynch, Citigroup, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank PR Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(13) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 29, 2012, in the aggregate amount of four hundred fifteen million two hundred seventy thousand (415,270,000) dollars of principal, that includes forty-nine million six hundred ten thousand (49,610,000)

dollars in term bonds identified by the number CUSIP 74514LA23, and three hundred sixty-five million six hundred sixty thousand (365,660,000) dollars in series bonds identified by the numbers CUSIP 74514LZS9, 74514LZT7, 74514LZU4, 74514LZV2, 74514LZW0, 74514LZX8, 74514LZY6, 74514LZZ3, and subscribed by *UBS Financial Services Puerto Rico, Bank of America Merrill Lynch, Popular Securities, Santander Securities, Barclays Capital, BBVAPR MSD, Citigroup, FirstBank PR Securities, Oriental Financial Services, Ramírez & Co., Inc., Raymond James, and Scotia MSD;*

(14) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on March 17, 2011, in the aggregate amount of four hundred forty-two million fifteen thousand (442,015,000) dollars of principal, that includes one hundred twenty-seven million fifteen thousand (127,015,000) dollars in term bonds identified by the number CUSIP 74514LXH5, and three hundred fifteen million (315,000,000) dollars in series bonds identified by the numbers CUSIP 74514LWY9, 74514LXD4, 74514LXE2, 74514LXA0, 74514LXB8, 74514LXF9, 74514LWZ6, 74514LXC6, 74514LXG7, and 74514LWX1, and subscribed by *Morgan Stanley, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, J.P. Morgan, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, and VAB Financial;*

(15) Series D of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of fifty-two million one hundred ninety thousand (52,190,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LYX9, 74514LYY7, 74514LYZ4, 74514LZA8, 74514LB6, 74514LZC4, 74514LZH3, 74514LZF7, 74514LZD2, 74514LZJ9,

74514LZG5, and 74514LZE0, and subscribed by *J.P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(16) Series E of *Public Improvement Bonds* issued by the Government of Puerto Rico on July 12, 2011, in the amount of two hundred forty-five million nine hundred fifteen thousand (245,915,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LZK6, 74514LZL4, 74514LZM2, 74514LZN0, 74514LZP5, and 74514LZQ3, and subscribed by J.*P. Morgan, Barclays Capital, BMO Capital Markets, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., Jefferies & Company, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, Santander Securities, Scotia MSD, and VAB Financial;*

(17) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of three million four hundred twenty-five thousand (3,425,000) dollars of principal in term bonds identified by the number CUSIP 74514LVV6, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services of Puerto Rico;*

(18) Series 2007 A-4 of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on September 17, 2009, in the amount of ninety-three million eight hundred thirty-five thousand (93,835,000) dollars of principal in

series bonds identified by the numbers CUSIP 74514LVT1 and 74514LVU8, and subscribed by *Morgan Stanley and JP Morgan;*

(19) Series B of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on November 17, 2009, in the amount of three hundred seventy-two million six hundred eighty-five thousand (372,685,000) dollars of principal in term bonds identified by the numbers CUSIP 74514LVX2, 74514LVY0, 74514LVZ7, and 74514LVW4, and subscribed by *Morgan Stanley, JP Morgan, Barclays Capital, Goldman Sachs, Merrill Lynch, Ramírez & Co., Inc., Popular Securities, Santander Securities, and UBS Financial Services Incorporated of Puerto Rico;*

(20) Series C of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on December 16, 2009, in the amount of two hundred ten million two hundred fifty thousand (210,250,000) dollars of principal in term bonds identified by the number CUSIP 74514LWA1, and subscribed by *Morgan Stanley, Citi, JP Morgan, Barclays Capital, Goldman Sachs & Co., Merrill Lynch & Co., Ramírez & Co., Inc., UBS Financial Services Incorporated of Puerto Rico, FirstBank Puerto Rico Securities, Popular Securities, and Santander Securities;* and

(21) Series A of *Public Improvement Refunding Bonds* issued by the Government of Puerto Rico on February 17, 2011, in the amount of three hundred fifty-six million five hundred twenty thousand (356,520,000) dollars of principal in series bonds identified by the numbers CUSIP 74514LWN3, 74514LWJ2, 74514LWP8, 74514LWK9, 74514LWL7, 74514LWM5, 74514LWQ6, 74514LWT0, 74514LWR4, and 74514LWS2, and subscribed by *Barclays Capital, Jefferies & Company, Bank of America Merrill Lynch, Citi, Goldman Sachs & Co., J.P. Morgan, Morgan Stanley, Ramírez & Co., Inc., Raymond James, RBC Capital Markets, UBS Financial Services Incorporated of Puerto Rico, Wells Fargo*

Securities, BBVAPR MSD, FirstBank Puerto Rico Securities, Oriental Financial Services, Popular Securities, and Santander Securities;

(i) Unchallenged Bonds: collectively, all bond issues made by the Government of Puerto Rico whose legal guarantees, guaranteed amounts, pledged sources of revenue or legal authorizations have been challenged before the United States District Court for the District of Puerto Rico or before the General Court of Justice by the Government of Puerto Rico, the FOMB, the official committees of creditors and retirees, any other Interested Parties, as such term is defined in the United States Bankruptcy Code or by persons with standing to intervene upon the filing of a bankruptcy petition, memorandum of law, motion, lawsuit, or adversary proceeding pursuant to any case filed and pending final disposition under Title III of PROMESA; and (ii) are still pending payment.

(j) Administrative Fee: a fee that the Retirement Board or its designee may establish and collect, and that shall be paid by the Government, Judicial Branch, Legislative Branch, Public Corporations, and such other entities deemed as employers under the Retirement System for Employees of the Government of Puerto Rico and the Teachers' Retirement System in accordance with this Act, to fund the operations of the New Defined Contribution Plan and/or the Accumulated Pension Benefits Payment Account; except for municipalities.

(k) Pay-Go Fee: A fee to be established and imposed by FAFAA and that shall be paid by the Government, municipalities, Judicial Branch, Legislative Branch, public corporations, and such other entities deemed as employers under the Retirement System for Employees of the Government of Puerto Rico and the Teachers' Retirement System in accordance with Chapter 2 of this Act. This fee shall be collected by the Secretary of the Treasury or his designee, as provided in this Act.

(l) Code: Act No. 1-2011, as amended, known as the 'Internal Revenue Code for a New Puerto Rico.'

(m) Bankruptcy Code: means Title 11 of the United States Code, which establishes mechanisms for the composition or adjustment of debt for individuals, corporations, and government entities.

(n) Adequate Funding Ratio: is a ratio equal to 1.2 of the total own assets of the Retirement Systems Joint Administration Trust relative to its total liabilities, as annually determined through an independent actuary study based on the aggregate actuarial cost and valuation method and the actuarial funding method used by the Office of the New York State Comptroller for the administration of the state's government retirement systems, in order to achieve an adequate pension funding level.

(o) Defined Contribution Account: an account held in trust, separate from the general assets and accounts of the Government to be created as of July 1, 2017, in the name of each Participant, as provided in Chapter 3 of this Act.

(p) Accumulated Pension Benefits Payment Account: a account held in trust, separate from the general assets and accounts of the Government for the payment of Pension Benefits Accumulated by the Retirement System for Employees of the Government of Puerto Rico, the Teachers' Retirement System, and the Judiciary Retirement System under the pay-as-you-go system established in Chapter 2 of this Act. This account, held in trust, shall be centralized and segregated from the general assets and accounts of the Government, administered by the Department of the Treasury, and devoted solely and exclusively to achieve the purposes set forth in this Act, and subject to the terms and conditions established herein.

(q) CUSIP: means the Committee on Uniform Securities Identification Procedures, whose numbering system allows for the assignment of a unique identification number to all stocks and bonds registered in the capital markets of the United States and Canada, and is used to create a concrete distinction between the securities that are traded on public markets. The Committee on Uniform Securities Identification Procedures (CUSIP) oversees the entire CUSIP system.

(r) Public Enterprise or Corporation: Any government instrumentality of the Government of Puerto Rico heretofore or hereafter created. It shall not include, however, those subsidiary enterprises of government instrumentalities whose employees, in the judgment of the Retirement Board, do not have a clear employee-employer relationship with the Government of Puerto Rico. Any official or employee who is a Participant of the Retirement Systems and becomes or has become an official or employee of a subsidiary enterprise of any public enterprise or corporation without interruption in service shall continue to have the same rights and privileges as System participants, even if said subsidiary enterprise is not covered by the three Retirement Systems.

(s) Managing Entity: Juridical person or entity selected by the Retirement Board to manage the Accumulated Pension Benefits Payment Account and/or the New Defined Contribution Plan. The Managing Entity shall be a recognized entity with at least ten (10) years of experience in retirement plan management and good standing in the financial industry, and that guarantees the Government, under a contract, that it shall reduce the current operating expenses of the Retirement Systems by at least twenty-five percent (25%). The foregoing shall not preclude the Government or any of the instrumentalities thereof from assuming and performing the duties of the Managing Entity, if deemed necessary and appropriate, always safeguarding the best interests of participants, Retirees, and Beneficiaries as well as protecting and guaranteeing the balance of their Individual Contributions.

(t) ERISA: means the 'Employee Retirement Income Security Act of 1974,' codified in Title 29 of the United States Code.

(u) Retirement Systems Joint Administration Trust: hereinafter FACSiR, is the new Retirement System designed and promoted in this Act, and which would administer a new trust whereinto the resources and obligations of the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, hereinafter, the ERS; the Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, hereinafter, the RSJ; the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013, hereinafter, the TRS, shall be consolidated and the administrative transactions and expenses thereof shall be centralized upon the confirmation of a feasible, just, and equitable Plan of Adjustment for the People and the Pensioners and Participants of the Retirement Systems.

(v) Government of Puerto Rico or Government: the Government of Puerto Rico, and all of its departments, divisions, bureaus, offices, agencies, and instrumentalities; the Department of Education of Puerto Rico is included for purposes of this definition. For purposes of this Act, this term includes other governmental and nongovernmental entities whose employees are currently enrolled in the Retirement Systems.

(w) Trust Income or FACSiR Income: shall include the following, without it constituting a thorough list or a limitation:

(1) the transfer of one hundred percent (100%) of the balance deposited in the Accumulated Pension Benefits Payment Account created by virtue of Act No. 106-2017, as amended;

(2) one hundred percent (100%) of the Participants' individual contributions;

(3) one hundred percent (100%) of the employer contributions of the Government of Puerto Rico;

(4) one hundred percent (100%) of the annual savings generated by the discharge, cancellation, or reduction of the Unpaid Debt Service on Challenged Bonds;

(5) the restoration of one hundred percent (100%) of the individual contributions withheld to the Participants of the Retirement Savings Account Program created under Chapter 3 of Act No. 447 of May 15, 1951, and the damages in connection with the return on investment not received as a result of the noncompliance of the ERS Administrator with Sections 3-103 and 3-105 of the Retirement Savings Account Program and Act No. 447 of May 15, 1951, as amended, in an amount that shall never be less than that provided in Section 3.13 of this Act;

(6) one hundred percent (100%) of the judgments, and its rights and those of the Government of Puerto Rico to seek and receive restitution for damages suffered by the public treasury as a result of malpractice, negligence, recklessness, or malice of the underwriting banks and their representatives, or professional consultants in the issuance, purchase, and sale of Challenged Bonds;

(7) one hundred percent (100%) of the proceeds from the FACSiR's investments and assets, including the assets of the Retirement Systems that have not been liquidated or transferred to the Accumulated Pension Benefits Payment Account, upon the approval of Act No. 106-2017, as amended, the ownership of which shall be also transferred to FACSiR without liquidating the assets;

(8) one hundred percent (100%) of the net savings generated through the administration of FACSiR and its assets;

(9) one hundred percent (100%) of its own income that FACSiR may generate without risking the Adequate Funding Ratio, in accordance with the fiduciary duties provided in Section 3.08 of this Act, and which are consistent with the powers conferred to the Trust by law; and

(10) whichever amount is the greater of: (i) fifty percent (50%) of the annual savings generated upon the discharge or reduction of the debt service on Unchallenged Bonds, or (ii) the total of the annual savings as are necessary on

account of the debt service of Unchallenged Bonds to reach the Adequate Funding Ratio within a period not to exceed fifteen (15) years, through a Plan of Adjustment under Title III of PROMESA.

(x) FOMB: The Financial Oversight and Management Board for Puerto Rico, created pursuant to Titles I and II of PROMESA.

(y) Retirement Board: a board created under the provisions of Chapter 4 of Act No. 106-2017, as amended, known as the 'Act to Guarantee the Payment of Pension Benefits to our Retirees, and to Establish a New Defined Contribution Plan for Public Employees.'

(z) Sarbanes-Oxley Act: means the Sarbanes-Oxley Act of 2002, Public Law 107-204, approved by the Government of the United States on July 30, 2002.

(aa) Teacher: the professionals who teach in the classrooms, School Principals and Vice Principals, and other teacher classifications and categories that exist or may exist within the nomenclature of the Department of Education of the Government of Puerto Rico, the Secretary of Education and alternate officers, and other employees or officials who avail themselves of the benefits of Act No. 160-2013, pursuant to the provisions thereof, provided they hold a valid certificate to work as teachers.

(bb) Best Accounting Practices: means the establishment of an accounting control system consistent with the generally accepted accounting principles (GAAP), ERISA, and the Sarbanes-Oxley Act. Moreover, it shall include the following, without it constituting a thorough list or a limitation: (1) the creation of an internal auditors team; (2) the quarterly and permanent publication of an itemized list of income, expenditures, investments and yield, the natural or juridical persons that administer the assets or advise on asset investment, and the fees and other charges collected by the natural or juridical persons that manage the assets or advise on asset investment; (3) the annual and permanent publication of audited financial statements, and actuarial valuation reports; (4) the quarterly and permanent publication of a summary statistics of Participants and Pensioners, itemized by age group, salary scale or benefits, and the respective retirement program; (5) compliance and performance audits and the regular and permanent publication thereof, pursuant to the standards of the U.S. Government Accountability Office (GAO), also known as the Yellow Book; (6) the translation into Spanish and English of all of the periodic reports required under this Act; (7) the regular and permanent delivery of true and exact copies of any periodic reports required by law, regulation, administrative bulletin, circular letter, the generally accepted accounting principles, or internal policies, for retirement systems in Puerto Rico, or in accordance with the rules of the Government of the United States of America, the Legislative Assembly, and the legislative committees with jurisdiction over the Retirement Systems and the Budget of the Government of the Commonwealth of Puerto Rico; and (8) the adoption and publication of investment policies.

(cc) New Defined Contribution Plan: a new defined contribution plan in which Participants shall enroll, as provided in Chapter 3 of this Act.

(dd) Participants: active employees of the Government of Puerto Rico, the Teachers and Members of the Puerto Rico Teachers' Retirement System, the employees of the Municipalities, the judges and members of the Puerto Rico Retirement System for the Judiciary, and the employees of the Public Corporations, except for the employees of the University of Puerto Rico and the Electric Power Authority. Furthermore, it includes the employees who avail themselves of the provisions of Act No. 211-2015, as amended, known as the 'Voluntary Pre-Retirement Program Act,' and those who have been transferred or are transferred to a Public-Private Partnership, and any member of the Retirement System for Employees of the Government of Puerto Rico who have made contributions to said System and such contribution has not been reimbursed. This term includes former employees of the Government of Puerto Rico who separated from public service and whose contributions and/or any benefit accumulated as of the date of separation were not reimbursed.

(ee) Accumulated Pension Benefit: an annuity, a benefit, or a defined benefit to which participants would be entitled upon retirement from service according to the contributions and rules applicable to their respective Retirement Systems, computed until the effective date of this Act.

(ff) Retiree: any person who receives a pension or annuity in accordance with the provisions of this Act or the laws that created the various Retirement Systems.

(gg) Plan of Adjustment: the plan proposed by the FOMB to reduce the debt of the Government of Puerto Rico, through Tittle III of PROMESA, pursuant to Section 312 of PROMESA.

(hh) Pre-retiree: Any person enrolled in the Voluntary Pre-Retirement Program, created under Act No. 211-2015, as amended, known as the 'Voluntary Pre-Retirement Program Act.'

(ii) PROMESA: means Public Law 114-187 of June 30, 2016, known as the 'Puerto Rico Oversight, Management, and Economic Stability Act.'

(jj) Bankruptcy: the debt restructuring process filed by the FOMB for the Government of Puerto Rico, before the United States District Court for the District of Puerto Rico, pursuant to Title III of PROMESA.

(kk) PROMESA: Public Law 114-187, also known as the "Puerto Rico Oversight, Management, and Economic Stability Act," approved by the Government of the United States of America.

(ll) Unpaid Debt Service on Challenged Bonds: the amortization cost, including the payment of interest and the portion corresponding to the principal or the annual public fund transfers that the Government of Puerto Rico shall make in accordance with bond issues that have yet to mature or expire, or be cancelled, exchanged, refinanced, or restructured from the effective date of Section 405 of PROMESA or the effective date of Section 362 of the United States Bankruptcy Code as applicable to Puerto Rico through Section 301(a) of PROMESA, and until the respective maturity dates of each bond issue.

(mm) Retirement Systems: means the Retirement System for Employees of the Government of Puerto Rico, as established in Act No. 447 of May 15, 1951, as amended, and the Puerto Rico Teachers' Retirement System, as established in Act No. 160-2013.

(nn) Retirement System for the Judiciary: The Retirement System for the Judiciary, created under Act No. 12 of October 19, 1954, as amended, known as the 'Retirement System for the Judiciary Act.'

Section 2.14.- Compliance with the Public Policy

(a) The Government of the Commonwealth of Puerto Rico shall only act to enable a Plan of Adjustment that is consistent with the provisions of this Act.

Such actions shall include, but not be limited to:

(1) approve, amend, or repeal any laws, regulations, resolutions, executive orders, administrative orders, memoranda of law, circular letters, or any other as are necessary, to be approved, amended or repealed to facilitate the confirmation of a Plan of Adjustment;

(2) issue any authorization as appropriate to confirm a Plan of Adjustment, including, but not limited to, the authorization of any law or resolution for a bond issue that may be used to substitute or restructure the obligations of the Government of the Commonwealth of Puerto Rico in accordance with the provisions of a Plan of Adjustment; and,

(3) provide advice or any financial, technical, administrative, or judicial report to the FOMB which facilitates the formulation, negotiation, or

confirmation of a Plan of Adjustment, unless a court order has been issued by a competent court requiring compliance with the provisions of PROMESA for the production of documents or information, in which case the information thus produced and provided to the FOMB shall be fully disclosed by FAFAA and the entity of the Government of the Commonwealth of Puerto Rico that received a formal and detailed request from the FOMB or the court for such purposes. The formal request shall also be disclosed by FAFAA and the concerned government entity.

(b) FAFAA shall direct all of the resources, specialized personnel and contractors thereof which are currently committed to matters related to Title II, Title III or Title IV of PROMESA, to draft a Plan of Adjustment proposal and the appropriate disclosure document consistent with the provisions of this Act. Said proposal shall be submitted to the Legislative Assembly and the legislative committees with jurisdiction over the Retirement Systems and Budget of the Government of the Commonwealth of Puerto Rico, within a period not to exceed one hundred and twenty (120) days as of the effective date of this Act, and shall make available to the legislative committees any information, communication, and documentation as appropriate for an independent evaluation and analysis of the data included in the proposal, including information or documentation under the custody of the FAFAA's personnel or contractors, who may be interviewed by the personnel of the legislative committees. FAFAA shall relinquish any privilege that may hinder access to or the availability of information, communication, documentation, personnel or contractors for the purposes of this Act.

(c) The Retirement Board shall direct all of the resources, specialized personnel and contractors thereof which are currently committed to matters related to Title II, Title III, or Title IV of PROMESA, to draft a transition plan for the Retirement Systems, the programs and retirement plans, Participants and Pensioners, and financial assets thereof, including, but not limited to accounts, funds, trusts, investments, and personal and real property for the eventual joint administration of the Retirement Systems through FACSiR, to substitute the Pay-As-You-Go structure, created by virtue of Act No. 106-2017, known as the "Act to Guarantee the Payment of Pension Benefits to our Retirees and to Establish a New Defined Contribution Plan for Public Employees." The Retirement Board shall submit a report to the Legislative Assembly and the legislative committees with jurisdiction over the Retirement Systems within a period not to exceed one hundred and twenty (120) days as of the effective date of this Act stating in detail its proposed transition plan and its recommendations on the legislative changes required for the implementation of the transition plan into FACSiR. It shall also direct its resources to assist FAFAA and the legislative committees with jurisdiction over the Retirement Systems in the drafting of a Plan of Adjustment proposal and the appropriate disclosure document consistent with the provisions of this Act. The Retirement Board or the officials, agents, or employees onto whom it delegates shall make available to the legislative committees any information, communication, and documentation as appropriate for an independent evaluation and analysis of the data used in the preparation of actuarial valuation studies, audited financial statements, return on investment reports, among other detailed information, on its administrative expenses, internal accounting controls, and investment policies for an independent evaluation and analysis of the data included in the Plan of Adjustment proposal and the transition plan to FACSiR, including information or documentation under the custody of the FAFAA's personnel or contractors, who may be interviewed by the personnel of the legislative committees. The Retirement Board shall relinquish any privilege that may hinder access to or the availability of information, communication, documentation, personnel or contractors for the purposes of this Act.

Section 2.15.- Subsection (b) of Section 2 of Act No. 104 of June 29, 1955, as amended, known as the "Claims and Suits Against the Commonwealth," is hereby amended to read as follows:

"Section 2.- Authorization

Authorization is hereby granted to sue the Commonwealth of Puerto Rico before the Court of First Instance of Puerto Rico for the causes set forth in the following actions:

(a) ...

(b) Actions to recover real or personal property or rights thereon, with or without compensation for damages sustained by said property or on account of revenues or profits therefrom and for the demarcation of rural property. These actions, including extraordinary writs, may be brought by public servants and officials, participants and pensioners of the Retirement Systems, and by employees of governmental and nongovernmental entities whose employees contribute to the Retirement Systems, on their behalf or in representation of the members of their class, to enforce the public policy and other responsibilities of the Commonwealth of Puerto Rico provided in the 'Dignified Retirement Act,' whose ultimate purpose is to defend the proprietary rights of the participants and pensioners of the Retirement Systems over their pensions, and over the income and other assets of the Retirement Systems and the Retirement Systems Joint Administration Trust (FACSiR).

(c) ..."

CHAPTER 3 - RETIREMENT SYSTEMS JOINT ADMINISTRATION TRUST

Section 3.01.-Design and Creation of the Retirement Systems Joint Administration Trust

The Government of the Commonwealth of Puerto Rico shall use all of its powers and authorities within the limits allowed under PROMESA, for the design, planning, and future creation of a retirement system to be known as the Retirement Systems Joint Administration Trust (hereinafter, FACSiR), which shall be composed by the Retirement System for Employees of the Government of Puerto Rico, created by Act No. 447 of May 15, 1951, as amended; the Puerto Rico Teachers' Retirement System created by Act No. 160-2013, as amended, and the Commonwealth of Puerto Rico Judiciary Retirement System, created by Act No. 12 of October 19, 1954, as amended, together with the Programs and Plans thereof. The powers and authorities conferred to the Retirement Systems under their respective enabling acts, as amended, shall be consolidated into FACSiR, although shared during the transition period.

FACSiR shall be created as a retirement system and instrumentality of the Government of the Commonwealth of Puerto Rico that constitutes a body politic and corporate independent and separate from the Government of the Commonwealth of Puerto Rico, similar to the Puerto Rico Sales Tax Financing Corporation created through Act No. 91-2006, as amended, known as the "Dedicated Sales Tax Fund Act." FACSiR shall exist by virtue of its organic act once the authorization of a Plan of Adjustment is legislated, modeled in accordance with Chapter 4 of this Act, which shall serve as the cornerstone for the establishment, financing, and sustainability of FACSiR. FACSiR is and shall be recognized for all intents and purposes as a legal entity independent and separate from the Government of Puerto Rico and any other Government Entity. It shall be operated independently and its business and affairs shall be directed by, or be under the direction of, its Board of Directors, and shall be administered by its Administrator.

Section 3.02.- Transfer of Obligations and Preservation of Benefits Structure.

FACSiR shall assume all of the lawful obligations of the Retirement Systems, including, but not limited to, paying the pensions, annuities, benefits, and other claims of the public servants, pensioners, and participants of the Retirement

Systems, without prejudice to the pension, annuity, benefit, claims, and responsibility structures in effect as of the filing of the bankruptcy petition under Title III of PROMESA on May 3, 2017. FACSiR shall not assume or allow the use of any portion of the Trust Income or the assets thereof to pay illegitimate, unlawful, or otherwise void or voidable obligations of the Retirement Systems including, but not limited to, any of the Challenged Bonds.

Section 3.03.- Agreement Related to the Transfer of FACSiR Income

The Government of the Commonwealth of Puerto Rico, with the intent to be contractually obligated, agrees and covenants with FACSiR and any Participant or Pensioner of the Retirement Systems or FACSiR, and authorizes FACSiR to include said covenant in the agreement with the Government of the Commonwealth of Puerto Rico, that it shall not, or that no government entity shall be authorized, to:

(a) take any action that:

(1) impairs FACSiR's right to receive the FACSiR Income;

(2) hinders or alters FACSiR's rights in accordance with the Plan of Adjustment of the Government of the Commonwealth of Puerto Rico, as modeled in Chapter 4 of this Act to comply with the terms of any agreement with the public servants Participants and Pensioners of the Retirement Systems;

(3) materially or adversely impairs the collection of FACSiR Income in any fiscal year; or,

(4) impairs the rights, remedies or collaterals of all Participants and Pensioners of the Retirement Systems under the Plan of Adjustment modeled in Chapter 4 of this Act.

(b) reduces FACSiR Income to rates lower than those agreed upon under the Plan of Adjustment modeled in Chapter 4 of this Act; provided, however, that if FACSiR Income rates were reduced to rates lower than those agreed upon, the

Government of the Commonwealth of Puerto Rico shall substitute any resulting loss of income in accordance with the Substitution Requirements;

(c) impairs, limits, restricts, rescinds, delays or modifies the rights of powers of FACSiR or its agents, trustees, representatives, and beneficiaries under this Act or in relation to FACSiR Income or the ability of FACSiR to meet its obligations to its beneficiaries, who are its Participants and Pensioners.

(d) amends this Act to impair, limit, restrict, rescind, delay or modify any obligation or agreement entered into by FACSiR with the Participant and Pensioners of the Retirement Systems or FACSiR; and,

(e) limits or restricts the rights and powers of the pertinent officials of the Government of the Commonwealth of Puerto Rico to impose, maintain, receive or collect the FACSiR Income; provided, that the foregoing shall not prevent the Government of the Commonwealth of Puerto Rico from exercising its power, though a change of law, to substitute such portion of the FACSiR Income for the Collateral Substitute in accordance with the Substitution Requirements.

Section 3.04.- Ownership of FACSiR Income.

(a) Any and all ownership and rights over FACSiR Income were, had been, or are hereby transferred to FACSiR.

(b) The transfer described in subsection (a) of this Section is an absolute transfer of every right in law and equity, title or interest and not a pledge or other financing.

(c) FACSiR is and shall be the only and exclusive owner of the FACSiR Income in perpetuity and the right of ownership shall follow the source of repayment notwithstanding the modifications in the origination, collection, disbursement or remission form or mechanism thereof.

(d) Natural or juridical persons, including the Government of the Commonwealth of Puerto Rico and any governmental entities designated as withholding agents for purposes of any of the sources of income of the FACSiR Income shall be deemed to collect, in the name of FACSiR, any portion of the FACSiR Income in which FACSiR has a proprietary interest. Said withholding agents shall continue to be subject to any and all obligation and responsibility imposed by the laws and agreements applicable to withholding agents in relation to the imposition and collection of the FACSiR Income.

(e) FACSiR Income does not constitute "available resources" or "available income" of the Government of the Commonwealth of Puerto Rico as such term is used in Article VI, Section 8 of the Constitution of Puerto Rico or otherwise in the Constitution of Puerto Rico (regardless of whether the Spanish or the English version of the Constitution of Puerto Rico is interpreted.)

Section 3.05.-Statutory Lien

The pensions, annuities and benefits of every Participant and Pensioner under any of the Retirement Systems Plans or Programs shall be automatically guaranteed upon the approval of the model Plan of Adjustment, provided for in Chapter 4 of this Act, by a first priority statutory lien on all rights, titles, interests, assets and FACSiR Income, including any real or personal property, money, income, revenue, account, contractual or intangible right derived therefrom, for the benefit of current or future Participants and Pensioners. Said first priority statutory lien shall be automatic and shall be created, perfected, and shall be valid and enforceable automatically as of the effective date of the Plan of Adjustment. No instrument needs to be executed, registered or recorded in an official record, government registry or office in order to perfect or continue the first priority statutory lien or to establish or maintain the priority thereof. No contact of the FACSiR Income with any property of the Government of the Commonwealth of Puerto Rico, of any other governmental entity or any other natural or juridical person shall limit, thwart, hinder, or interfere with such statutory lien. Said statutory lien shall be valid, binding, perfected and enforceable against any natural or juridical person that may have any type of claim, extra-contractual, contractual, or otherwise, against FACSiR and the assets thereof, regardless of whether said person was notified of the lien.

Section 3.06.- Board of Directors

The Board of Directors shall exercise the powers of FACSiR.

(a) Composition of the Board of Directors

The FACSiR Board of Directors shall be composed of seventeen (17) regular members, to wit: the Executive Director of FAFAA or his representative; the Secretary of the Department of the Treasury or his representative; the Director of the Office of Management and Budget or his representative; three (3) representatives of the Participants of the former Retirement System for Employees of the Government of the Commonwealth of Puerto Rico elected by a direct vote of their peers; three (3) representatives of the Pensioners of the former Retirement System for Employees of the Government of the Commonwealth of Puerto Rico elected by a direct vote of their peers; three (3) representatives of the Participants of the former Teachers Retirement System of Puerto Rico elected by a direct vote of their peers; three (3) representatives of the Pensioners of the former Teachers Retirement System of Puerto Rico elected by a direct vote of their peers; one (1) representative of the Participants of the former Judiciary Retirement System of Puerto Rico elected by a direct vote of his peers; and one (1) representative of the Pensioners of the former Judiciary Retirement System of Puerto Rico elected by a direct vote of his peers.

(b) General Provisions Regarding the Board of Directors

(1) each director shall be appointed for a three (3)-year term and may serve up to a total of three (3) terms;

(2) any representative of the Participants to the Board of Directors who retires during his term of office shall no longer be eligible for holding office in the Board of Directors and his office shall be declared vacant;

(3) participants and pensioners may remove any elected director before the expiration of his term of office, by filing sworn petitions totaling three percent (3%) of the votes cast for his election, if said director fails to comply with the duties of his office, the Public Policy set forth in this Act, or for engaging in gross negligence, deceit, fraud, a felony or breach of duty;

(4) no person may be a member of the Board of Directors if he or she: (1) has been appointed or designated to the Official Committee of Retirees (OCR) as part of Title III of PROMESA; (2) has been an OCR legal representative, consultant, advisor or contractor; (3) has served as trustee, director or official of the Retirement Systems before the filing of the bankruptcy petition on May 3, 2017; (4) represents an investment fund that negotiates or has negotiated bonds of Puerto Rico.

(5) each member of the Board of Directors shall be entitle to one (1) vote;

(6) all the decisions and actions of the Board of Directors shall require the affirmative vote of a majority of the members thereof; however, the corporate charter of FACSiR may require a higher number of votes for certain purposes;

(7) the Chair of the Board of Directors shall be elected from among the elected members of the Board of Directors; and

(8) FACSiR's Administrator shall be elected by the Board of Director and be an ex-officio member thereof. The administrator shall not have voting rights nor shall his attendance be decisive at the time of constituting a quorum.

(c) Vacancies

The office of a member of the Board of Directors shall become vacant automatically, without the need to be declared or recognized by any person, if a board member is unable to hold office and discharge his duties because of death, removal, resignation, legal disability or otherwise, other than the expiration of his term. Any vacancy in the office of a member of the Board of Directors shall be filled by his successor who shall be elected in the same manner as the previous member, as soon as practicable, and never later than thirty (30) days after the vacancy occurred.

(b) Compensation

None of the members of the Board of Directors shall receive any compensation whatsoever other than what they receive for holding their corresponding offices, to be members of the Board of Directors. The work performed by the members elected to the Board of Directors who represent the Participants of the Retirement Systems or FACSiR during business hours shall be compensated as if they were on detail from their regular positions in the Government of the Commonwealth of Puerto Rico; therefore, they shall not receive any additional compensation, other than what they receive as regular employees of the Government of the Commonwealth of Puerto Rico and FACSiR shall reimburse the appropriate government entity the cost of the detail.

(e) Approval and amendments to these rules

As soon as practicable after the swearing in of all directors and the election of the Chair of the Board of Directors, FACSiR shall adopt rules and procedures to govern the activities thereof under this Act. The Board of Directors may amend such rules and procedures from time to time.

(f) *Quorum*

A majority of regular members of the Board of Directors shall constitute a *quorum* to make decisions or exercise any power or duty of FACSiR. One (1) or more members may attend a meeting of the Board of Directors via teleconference or similar communications equipment. Virtual attendance shall be deemed as in-person attendance. Any necessary or allowed action at any meeting of the Board of

Directors shall be authorized without holding a meeting; provided, that all members of the Board of Directors give their consent to such action in writing.

(g) Delegation

The Board of Directors may delegate to one (1) or more members, the Administrator, or the officials, agents, and employees of FACSiR such powers and responsibilities as the Board of Directors deem appropriate.

Section 3.07.- Investment Policy

(a) FACSiR shall invest its funds in accordance with the provisions of this Act, and the rules and procedures prescribed by the Board of Directors through regulations.

(b) The regulations, rules, and procedures approved shall adhere to all the restrictions established in the investment guidelines for government retirement plans to be adopted and promulgated jointly by the Office of the Comptroller of Puerto Rico, created by virtue of Act No. 9 of July 24, 1952, as amended, and the Office of the Commissioner of Financial Institutions (OCIF), created by virtue of Act No. 4 of October 11, 1985, as amended, known as the "Financial Institutions Commissioner's Office Act."

(c) The Board of Directors shall adopt policies for the administration of the investments authorized by the provisions of this Act. The investment policy shall include, but not be limited to, the following:

(1) the criteria, requirements, and conditions for the request for proposals, award of contracts, and evaluation of the performance of investment managers and advisors and the custodian banks to be hired to make the investments authorized by the provisions of this Act;

(2) the policy for investing the resources of FACSiR in the capital markets, modeled after the investment policies adopted by the ten (10) largest government funds, trusts, or retirement plans in the United States whose

administration of assets for defined benefits plans represent ninety (90) percent or more of the total administered assets;

(3) the rules for the administration, lease, sale, encumbrance, or foreclosure of real property acquired to generate income;

(4) provisions related to the ordering of actuarial investigations to determine the financial solvency of the trusts under its custody and administration, adopt rules as are necessary to guarantee the payment of pensions, annuities, benefits, and other claims of the Participants and Pensioners, and approve the appropriate mortality tables for the actuarial valuation of all pensions and other benefits administered by FACSiR; and

(5) provisions related to the internal controls, audits, ethical rules, and conflicts of interest, preservation and systematization of printed or digital documents and minutes that evidence the deliberation of the Board of Directors and the Committees thereof with regard to the management of FACSiR's investments, and the public disclosure of financial, statistical, and actuarial information and any other official documents of FACSiR.

(d) Types of Investments Authorized

(1) FACSiR shall be authorized to invest every available resource not required for its ordinary operations.

(2) Investments made under the provisions of this Act shall require the exercise of caution and care as a prudent, reasonable, and experienced person would exercise in the management of his own affairs, not in regard to speculation, but in regard to investment, considering also, the balance that must exists between risk and return. FACSiR shall not invest more than (10%) percent of its portfolio in alternative instruments.

(3) FACSiR shall not be authorized to issue bonds nor be obligated or forced by the Government of the Commonwealth of Puerto Rico, or its officers,

agents, representatives, investment managers, and creditors to invest in the bonds thereof.

(e) Return on Investment

(1) The investment policies and strategies adopted by FACSiR shall seek an average yearly return, which shall never be less than four point fourteen hundredths (4.14) percent.

Section 3.08.- Fiduciary Duties

The Retirement Systems and FACSiR shall adopt and be governed by the definitions of the terms fiduciary and their duties as provided in 2509, 2510, and 2550 of Title 29 of the Code of Federal Regulations, Regulation Identifier Number (RIN) 1210-AB32; however, the effectiveness or applicability thereof under ERISA notwithstanding. Moreover, the following shall be deemed to be fiduciary duties: (1) to ensure the adequate funding ratio in the Retirement Systems and FACSiR; (2) to protect the capacity to pay the existing benefits; (3) to notify the Legislative Assembly when the realized or projected funding ratio allows for the reestablishment or expansion of benefits, beneficiaries, or participants; (4) to provide financial advice to Participants and Pensioners to maximize their rights and benefits in the Retirement Systems and FACSiR; and (5) to provide true, correct, and timely information to Participants, Pensioners, the Government of the Commonwealth of Puerto Rico, and the public in general as to the economic and financial conditions of the Retirement Systems and FACSiR.

Section 3.09.- Conservation of Existing Benefits Prior to the Bankruptcy

The Government of the Commonwealth of Puerto Rico, with the intent to be contractually bound, agrees and covenants with FACSiR and any Participant or Pensioner of the Retirement Systems or FACSiR, and authorizes FACSiR to include said covenant in the agreement with the Government of the Commonwealth of Puerto Rico, and that:

(a) the Pensioners of the Retirement System shall maintain one hundred percent (100%) of the pensions, annuities, benefits, and other claims Retirement Systems that were in effect prior to the filing of the bankruptcy petition on May 3, 2017;

(b) the Participants shall keep their right to accrue and other benefits to which they are entitled as members of the Retirement Systems, as these were in effect prior to the filing of the bankruptcy petition on May 3, 2017; and

(c) the public employees who are receiving Social Security benefits after May 3, 2017 shall continue to enjoy this benefit.

Section 3.10.- The Restoration of Forcibly Eliminated Benefits and Broadening of Eliminated Benefits to Participants and Pensioners

Once the Adequate Funding Ratio is achieved; provided, that the actuarial valuation studies do not forecast that it could jeopardize the solvency nor limit the FACSiR's capacity to sustain the Adequate Funding Ratio, the Government of the Commonwealth of Puerto Rico, with the intent to be contractually bound, agrees and covenants with FACSiR and any Participant or Pensioner of the Retirement Systems or FACSiR, and authorizes FACSiR to include said covenant in the agreement with the Government of the Commonwealth of Puerto Rico, and:

(a) to restore the accrual rights of defined benefit programs Participants whose rights were eliminated or adversely modified through mandatory and non-voluntary programs legislation, or the retroactive adverse modification of the programs to which they were eligible or in which they participated;

(b) to restores the right to the cost-of-living adjustment, health insurance plan, summer bonus, medicine bonus, and Christmas bonus to Pensioners whose rights were eliminated or adversely modified through mandatory and non-voluntary programs legislation, or the retroactive adverse modification of the programs to which they were eligible or of which they were beneficiaries;

(c) to broaden the rights and responsibilities of defined contributions programs or defined benefits and contribution hybrid programs, who had not opted to be transferred to a defined contributions program or a defined benefits and contribution hybrid program, in order to: (1) reduce the retirement age; (2) to grant them an irrevocable right to participate in a defined benefits retirement program with an annuity that shall never be less that one point five (1.5) percent of the median compensation, multiplied by the number of credited service years up to twenty (20) years, plus two (2) percent of the median compensation multiplied by the number of credited service years in excess of twenty (20) years; or (3) to grant them a combination of benefits (1) and (2);

(d) to broaden the right to the cost-of-living adjustment, health insurance plan, summer bonus, medicine bonus, and Christmas bonus for Pensioners and Participants whose retirement programs, in which they have accumulated creditable years of service, do not provide therefor;

(e) to broaden the rights and responsibilities of defined contributions programs or defined benefits and contribution hybrid programs Participants, or a defined benefits programs whose benefits were reduced compared to those in effect at the time they began accumulating creditable service years as a result of the mandatory and non-voluntary program modifications legislated, to enable them to make contributions as necessary, if any, to qualify for a defined benefits program that is similar to or better than the one in effect at the time they began accumulating creditable service years;

(f) to broaden the eligibility of FACSiR Participants to include transitory public employees, irregular public employees, employees of private-sector companies contracted by the Government of the Commonwealth of Puerto Rico, FACSiR, and any private-sector companies contracted by FACSiR, and any private-sector companies that have other investments, grants, exemptions, concessions, or interests in the Government of the Commonwealth of Puerto Rico, and to provide for the employer responsibilities in each case;

Section 3.11.- Participants' Individual Contributions

Participants shall be responsible for making individual contributions based on the salary earned at the time the individual contribution is withheld. Individual contributions shall be made in accordance with progressive rates whereby those who earn a higher salary shall make a greater contribution and those who earn a lower salary shall make a lower contribution. Individual contributions, in the aggregate, must generate for FACSiR an income equivalent to the average value of ten percent (10%) of the regular payroll expenses of the Government of the Commonwealth of Puerto Rico.

Section 3.12.- Employer Contributions of the Government of the Commonwealth of Puerto Rico

The Government of the Commonwealth of Puerto Rico, in its capacity as employer, shall be responsible for making employer contributions to the pensions of its employees who are eligible to accrue creditable years of service in the Retirement Systems, and shall make such contributions based on the salary earned by the employees at the time their individual contributions are withheld and the employer contribution is remitted to the Trust. Employer contributions shall be remitted simultaneously with individual contributions. In addition to being subject to lawsuits and other civil actions by the Trust, the Participants, and the Pensioners, those public officials who willfully fail to comply with the simultaneous remittance of individual and employer contributions, as provided herein, shall be guilty of embezzlement of public funds, as such offense is defined in Article 264 of Act No. 146-2012, as amended, known as the "Puerto Rico Penal Code."

Employer contributions shall me made in accordance with progressive rates where the Government of the Commonwealth of Puerto Rico shall make lower employer contributions for those who earn higher salaries, and higher employer contributions for those who earn lower salaries. Employer contributions, in the aggregate, must generate for FACSiR an income equivalent to the average value of ten percent (10%) of the regular payroll expenses of the Government of the Commonwealth of Puerto Rico.

Section 3.13.- Restitution of Individual Contributions and Recognition of Damages for Unearned Interest under the Retirement Savings Account Program

The Government of the Commonwealth of Puerto Rico, with the intent to be contractually bound, agrees and covenants with FACSiR and any Participant or Pensioner of the Retirement Systems or FACSiR, and authorizes FACSiR to include said covenant in the agreement with the Government of the Commonwealth of Puerto Rico, to remit to FACSiR immediately after the approval of an Adjustment Plan that is consistent with this Act, the amount of two billion, sixty-three million, three hundred thousand seventy-six dollars ($2,063,376,000) on account of restitution of the individual contributions withheld and not remitted to the individual accounts of the Participants of the defined contribution programs, from January 1, 2000 up to the filing of the bankruptcy petition on May 3, 2017. Moreover, the Government of the Commonwealth of Puerto Rico shall recognize a credit as compensation for the compound interests not credited in the individual accounts of Participants of these programs during the period in question, in the aggregate amount of two hundred thirty-two million, one hundred sixty-three thousand dollars ($232,163,000).

For such purposes, FACSiR shall be allocated one billion, four hundred million dollars ($1,400,000,000) earmarked in Joint Resolution 46-2019. Likewise, an allocation in the amount of eight hundred ninety-five million five hundred thirty-nine thousand dollars ($895,539,000) shall be made chargeable to the revenues of the General Fund in excess of the amount included in the Certified Budget for fiscal year 2018-2019 and fiscal year 2019-2020, to be deposited in the unencumbered funds of the State Treasury as certified by FAFAA in the weekly cash flow reports of the Treasury Single Account. The Office of Management and Budget, the Department of the Treasury, and the Puerto Rico Fiscal Agency and Financial Advisory Authority are hereby authorized to take any actions as are necessary and appropriate to carry out these transfers.

CHAPTER 4.- PLAN OF ADJUSTMENT

Section 4.01.- Plan of Adjustment's Consistency with the Public Policy

The creditors' classes, under a Plan of Adjustment that is consistent with the Public Policy set forth in this Act, shall be constituted in accordance with Section 1122 of the Bankruptcy Code, as follows:

(a) Claims for Challenged Bonds: every natural or juridical person holding a creditor's claim on the debt service attributable to any of the Challenged Bonds shall be consolidated under the same creditors' class. These claims shall not be recoverable under any of the provisions of said Plan of Adjustment. This creditors' class shall be affected and it shall be presumed that they are opposed to the Plan of Adjustment, just as the opposition of the Unsecured Creditors under the Plan of Adjustment of the Sales Tax Financing Corporation, confirmed on February 4, 2019 by the United States District Court for the District of Puerto Rico, was presumed. The total value of said claims, prior to the filing of the bankruptcy petition on May 3, 2017, amounts to not less than twenty-eight billion, five hundred thirty-one million, one hundred twenty-one thousand, five hundred fifty-eight dollars (28,531,121,558), distributed in the annual payment of principal and interests from fiscal year 2016-2017, the effective date of Section 405 of PROMESA, to fiscal year

2057-2058, the last maturity date of the Challenged Bonds identified in paragraphs (i), (ii), and (iii) of subsection (e) of Section 1.05 of this Act.

(b) Claims for Unchallenged Bonds: any natural or juridical persons holding a creditor's claim on the debt service attributable to any of the Unchallenged Bonds shall be distributed between two claim classes. These claims shall have a maximum aggregate recovery of the total amortization cost of their bonds equivalent to fifty-eight percent (58%), to be distributed as follows:

(i) Claims for Unchallenged Bonds payable from general revenues of the State Treasury for which the full faith and credit of the Government of the Commonwealth of Puerto Rico was pledged: any natural or juridical persons holding a creditor's claim on the debt service attributable to any of the Unchallenged general obligation Bonds, or that would otherwise would be payable from general revenues legislated by the Government of the Commonwealth of Puerto Rico, revenues deposited in the State Treasury or for which the full faith and credit of the Government of the Commonwealth of Puerto Rico was pledged, shall be consolidated under the same creditors' class. These claims do not include claims for Unchallenged Bonds of the PBA for the repayment of which the full faith and credit of the Government of the Commonwealth of Puerto Rico was pledged, and shall have a seventy-eight percent (78%) recovery if the class votes to accept the Plan of Adjustment. If the class does not vote to accept, or votes not to accept the Plan of Adjustment, the recovery shall be nineteen percent (19%). The Government of the Commonwealth of Puerto Rico shall comply with the recovery provided in the Plan of Adjustment for this class shall be made through one (1) new bond issue to substitute the Unchallenged Bonds payable from the general revenues of the State Treasury, including the clawback of any general revenues that would have been set aside for the unpaid debt service of HTA, CCDA, PRIFA, and the Children's Trust, applying the recovery rate to the same cash flow it would have had under the terms and installments originally agreed upon for the amortization. The total value of these claims, prior to the filing of the bankruptcy petition on May 3, 2017, amounts to not more than six billion, one hundred eighty-one million, four hundred fifty-eight thousand, and forty-seven dollars ($6,181,458,047) distributed in the annual payment of the principal and interests from fiscal year 2016-2017, the effective date of Section 405 of PROMESA, to fiscal year 2042-2043, last maturity date of the Unchallenged Bonds payable from the general revenues of the State Treasury.

(ii) Claims for Unchallenged Bonds payable from the own revenues of the Public Entity: any natural or juridical persons holding a creditor's claim on the debt service attributable to any of the Unchallenged Bonds payable from the own revenues of the Public Entity generated in the regular course of its commercial activities authorized by law, shall be consolidated under the same creditors' class. These claims shall have a twenty-five percent (25%) recovery if the class votes to accept the Plan of Adjustment in accordance with Section 1126 of the Bankruptcy Code. If the class does not vote to accept, or votes not to accept the Plan of Adjustment, the recovery shall be ten percent (10%). Compliance by the Government of the Commonwealth of Puerto Rico with the recovery provided in the Plan of Adjustment for this class through (1) a new bond issue to substitute the Unchallenged Bonds payable from the own revenues of the Public Entity, applying the recovery rate to the same cash flow it would have had under the terms and installments originally agreed upon for the amortization. The total value of these claims, prior to the filing of the bankruptcy petition on May 3, 2017, amounts to not more than three billion, six hundred seventy-eight million, three hundred seventy-four thousand, four hundred sixty-two dollars ($3,678,374,462) distributed in the annual payment of the principal and interests from fiscal year 2016-2017, the effective date of Section 405 of PROMESA, to fiscal year 2040-2041, the last maturity date of the Unchallenged Bonds payable from the own revenues of the PBA.

(c) Claims of Pensioners and Participants of the Retirement Systems: every natural or juridical person holding a creditor's claim on pensions, annuities, benefits or other claims against the Retirement Systems, and therefore, against the Accumulated Pension Benefits Payment Account and the Defined Contribution Account shall be distributed between two claim classes. Pensioners and Participants of the Retirement Systems contributed with substantial reductions to adjust the debt of the Government of the Commonwealth of Puerto Rico, before and after the filing of the bankruptcy petition on May 3, 2017, hence, their affected and modified claims shall be recognized as follows:

(i) Claims of Pensioners and Participants of the Retirement Systems who have Retirement Savings Account: every natural or juridical person holding a creditor's claim on pensions, annuities, benefits or other claims against the Retirement Systems, including annuities and distributions pertaining to their participation in any of the defined contribution programs, defined contributions hybrid programs, or retirement savings account programs under Act No. 447 of May 15, 1951, as amended, or Act No. 160-2013, as amended, shall be consolidated under the same creditors' class. The cuts forcibly made to the rights of each person within this class to their to pensions, annuities, bonuses, benefits, accruals, distributions, and other claims, prior to the filing of the bankruptcy petition on May 3, 2017, as well as the loss of the cost-of-living adjustments after the fiscal year 2006-2007, shall be recognized as damages in order for this Plan of Adjustment to comply with Section 1124 and Section 1129(a)(10) of the Bankruptcy Code. Moreover, the following shall be recognized as damages: (1) the Retirement Systems liquidation and the subsequent downgrading of such portion corresponding to their claim, from a claim secured by the assets of the Retirement System to a claim not secured by the general revenues of the State Treasury under a pay as you go structure, that took place after the filing of the bankruptcy petition, with the approval of Act No 106-2017 on August 23, 2017; and (2) the reduction in the yields and interest accrual rate on those individual contributions made under the appropriate defined contribution program, defined contribution hybrid programs, or retirement savings account programs upon the freezing or liquidation of these programs without the subsequent recognition of an individual distribution of the yields to be generated in the segregated bank account of the General Fund for the payment of the accumulated pensions to which their contributions and the unearned interests were transferred upon the approval of Act No. 106-2017; and (3) if they vote to accept the Plan of Adjustment, the conversion of their individual creditors' right over their contributions and the yield thereof, secured by a figurative individual account, to a collective creditors' claim that would be prorated and secured by the aggregated assets of FACSiR. No persons included in this class shall see reductions, in addition to those recognized in this paragraph, in their pensions, annuities, benefits, distributions, or other claims or guarantees. The Government of the Commonwealth of Puerto Rico shall comply with the recovery provided in the Plan of Adjustment for this class as follows: (1) by establishing FACSiR and its contractual relationship with the Government of the Commonwealth of Puerto Rico for the irrevocable transfer of ownership of the FACSiR Income, as created in Chapter 3 of this Act; and (2) by authorizing FAFAA, the OMB, and the Department of the Treasury to disburse in cash, not later than July 1 of every year after the confirmation of the Plan of Adjustment, the amounts pertaining to FACSiR Income for said year, and the disbursement in cash of the amounts necessary to compensate nonrecurring claims corresponding to FACSiR Income, not later than June 30 of the fiscal year in which the Plan of Adjustment is confirmed. The disbursements in cash shall be made chargeable to the revenues of the General Fund in excess of the amount included in the Certified Budget for fiscal year 2018-2019 and fiscal year 2019-2020, and any subsequent fiscal year, deposited in the unencumbered funds of the State Treasury as certified by FAFAA in the weekly cash flow reports of the Treasury Single Account. The total value of these claims shall be provided and certified under oath by the Administrators of the Retirement Systems.

(ii) Claims of Pensioners and Participants of the Retirement Systems without Retirement Savings Accounts: every natural or juridical person holding a creditors' claims on pensions, annuities, benefits or other claims against the Retirement Systems, including annuities and distributions pertaining to their participation in any of the defined contribution programs, defined contribution hybrid programs, or retirement savings account programs under Act No. 447 of May 15, 1951, as amended, or Act No. 160-2013, as amended, shall be consolidated under the same creditors' class. The cuts forcibly made to the rights of each person within this class to their to pensions, annuities, bonuses, benefits, accruals, distributions, and other claims, prior to the filing of the bankruptcy petition on May 3, 2017, as well as the loss of the cost-of-living adjustments after the fiscal year 2006-2007, shall be recognized as damages in order for this Plan of Adjustment to comply with Section 1124 and Section 1129(a)(10) of the Bankruptcy Code. Moreover, it shall be recognized as damages the Retirement Systems liquidation and the subsequent downgrading of such portion corresponding to their claim, from a claim secured by the assets of the Retirement System to a claim not secured by the general revenues of the State Treasury under a pay as you go structure, that takes place after the filing of the bankruptcy petition, with the approval of Act No 106-2017 on August 23, 2017. No persons included in this class shall see reductions, in addition to those recognized in this paragraph, to their pensions, annuities, benefits, distributions, or other claims or guarantees. The Government of the Commonwealth of Puerto Rico shall comply with the recovery provided in the Plan of Adjustment for this class as follows: (1) by establishing FACSiR and its contractual relationship with the Government of the Commonwealth of Puerto Rico for the irrevocable transfer of ownership of the FACSiR Income, as created in Chapter 3 of this Act; and (2) by authorizing FAFAA, the OMB, and the Department of the Treasury to disburse in cash, not later than July 1 of every year after the confirmation of the Plan of Adjustment, the amounts pertaining to FACSiR Income for said year, and the disbursement in cash of the amounts necessary to compensate nonrecurring claims corresponding to FACSiR Income, not later than June 30 of the fiscal year in which the Plan of Adjustment is confirmed. Cash disbursements shall be made chargeable to the revenues of the General Fund in excess of the amount included in the Certified Budget for fiscal year 2018-2019 and fiscal year 2019-2020, and any subsequent fiscal year, deposited in the unencumbered funds of the State Treasury as certified by FAFAA in the weekly cash flow reports of the Treasury Single Account. The total value of these claims shall be provided and certified under oath by the Administrators of the Retirement Systems.

(d) General Claims of Unsecured Creditors: every natural or juridical person holding an unsecured claim on against the general revenues of the State Treasury, and which have not been included in the creditor classes listed in subsections (a), (b), and (c) of this Section shall be consolidated in the same creditors class. FAFAA shall conduct a cash flow and debt sustainability analysis, in accordance with the Public Policy of this Act, to determine the amount of recovery that could be reasonably provided to compensate the general claims of the unsecured creditors of the Government of the Commonwealth of Puerto Rico, whose claims are based on the appropriate compensation owed on account of supplied goods or services rendered to the Government of the Commonwealth of Puerto Rico, labor disputes, and judgments or causes of action against the Government of Puerto Rico.

Section 4.02.- Prohibition Against Imposing a Plan of Adjustment on Pensioners and Participants

If the Plan of Adjustment fails to comply with Section 1129(a)(8) of the Bankruptcy Code for it fails to achieve a vote to approve the creditor classes that group the claims of the Pensioners and Participants of the Retirement Systems, the Government of the Commonwealth of Puerto Rico shall be prevented from beginning negotiations to design, propose, advance, or implement any Plan of Adjustment that contemplates using the mechanism provided in Section 1129(b) of the Bankruptcy Code to the detriment of any creditor classes which group the claims of Pensioners and Participants.

CHAPTER 5.- MISCELLANEOUS PROVISIONS

Section 5.01- Severability

This Act shall be interpreted in accordance with the Constitution of Puerto Rico and the Constitution of the United States of America. If any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Act were held to be null or unconstitutional, holding, to such effect shall not affect, impair, or invalidate the remainder of this Act. The effect of said holding shall be limited to the clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Act thus held to be null or unconstitutional. If the application to a person or a circumstance of any clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Act were held to be null or unconstitutional, the ruling, holding, or judgment to such effect shall not affect or invalidate the application of the remainder of this Act to such persons or circumstances where it may be validly applied. It is the express and unequivocal will of this Legislative Assembly that the courts enforce the provisions and application thereof even if it renders ineffective, nullifies, invalidates, impairs, or holds to be unconstitutional any part thereof, or even if it renders ineffective, invalidates, or holds to be unconstitutional the application thereof to any person or circumstance. If any item, clause, paragraph, subparagraph, sentence, word, letter, article, provision, section, subsection, title, chapter, subchapter, heading, or part of this Act were held to be unconstitutional based on the preemption doctrine, the supremacy clause, or the plenary powers of the Constitution of the United States embodied in PROMESA, or otherwise nullified for it is inconsistent with the powers granted or delegated to the FOMB under Titles I, II, III, and VI of PROMESA, the effectiveness of the portions of this Act thus held to be unconstitutional shall be suspended until the Expiration of the FOMB, under Section 209 of PROMESA.

Section 5.02.-Supremacy

The provisions of this Act shall prevail over any other general or specific statutory or regulatory provision of the Government of Commonwealth Puerto Rico that is inconsistent with this Act.

Section 5.03.-Effectiveness

This Act shall take effect immediately after its approval.