



PRESS RELEASE

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**Fortuño to name Special Commission to Reform the
Government's Retirement System**

*Administration's Fiscal and Economic Reconstruction plan on schedule, GDB's
García tells hundreds of investors, credit rating agency analysts and
financial industry professionals gathered for Puerto Rico Credit Conference
2010*

SAN JUAN, PR--Governor of Puerto Rico, Luis Fortuño, today announced he will name a Special Commission to come up with a plan in six months to reform the Government's Retirement System.

The news was music to the ears of hundreds of investors, analyst from credit rating agencies and other financial industry professionals gathered at the Sheraton Puerto Rico Convention Center for the Puerto Rico Credit Conference 2010.

"Even as we continue to implement our plan of Fiscal and Economic Reconstruction to fix the finances of our central government and public corporations...for the job is not yet done...we've decided to tackle NOW the most serious challenge to our long term financial and economic stability...I'm referring to the huge unfunded liability of our Commonwealth Retirement System," Fortuño told the 400-strong crowd during a lunch keynote address.

Over the years, the Government's Retirement System has accumulated a huge unfunded liability, currently estimated at \$14 billion. That means that the system is short by that amount if it were to pay out all the retirement benefits it will owe all its retirees over the years. That situation has prompted credit and financial experts to warn that unless Puerto Rico fixes its retirement system, it could face very serious financial difficulties.

"For too many years politicians and administrators have decided to pass the buck on this one...oblivious or indifferent to the fact that in so doing they were mortgaging away the economic well-being of future generations. Well, the buck stops here...," Fortuño said.

"That's why in the coming days I will appoint a Special Commission for the Reform of the Commonwealth Retirement System, with broad representation, including labor leaders from the public sector, to present to me in 6 months a full report on how to revamp our public pension system to make sure that we both safeguard the financial viability of the central government in the years to come and at the same time honor the commitments that we've made to our retired public workers," the Governor explained.

Puerto Rico's Fiscal and Economic Reconstruction Plan on target

During his keynote, the governor told the audience that his Administration is on target with the goals of its Fiscal Reconstruction Plan to deliver a completely balanced budget by Fiscal Year 2013. "I also hope you start looking at Puerto Rico with a more positive outlook, not just because we ask you to but because you become convinced by the results that we have already delivered," the Governor said.

The Governor's statement followed a point blank request by Government Development Bank president Carlos García to credit rating agencies that they should consider later on this year improving the credit rating on the Commonwealth's general obligations or, at the very least, improving their outlook from "stable" to "positive".

According to García, the progress made by the Fortuño Administration in implementing its Fiscal and Economic Reconstruction Plan more than justifies that the island's credit outlook be considered "positive" and perhaps even that its rating be upped a notch.

"When we last met as a group a year ago, we gave you a full accounting of the dismal state of the government's finances as we found them coming into office. We recognized before you, the investor and credit analyst communities, the enormous fiscal and financial challenges that we faced. We presented to you, both here in San Juan and in individual meetings stateside, the details of our Fiscal and Economic Reconstruction Plan to pull ourselves out of the tough situation we were in. And we asked you for time...to implement that plan," García recalled.

"Now, a year later, I'm very proud to present in this Puerto Rico Credit Conference 2010 the results of a long year of very hard work...concrete, measurable results that encourage us to press on to tackle the work still ahead," the GDB president told the audience. In his morning presentation, García highlighted that the Administration is on target in its commitment to reduce expenses, with 60% of the \$2 billion dollars in savings it needs to accomplish already implemented or identified.

It is also on target in cash flow, with revenue collection and expense reduction ahead of its September 2009 estimate and December 2009 cash on hand \$91 million dollars above its September 2009 estimate. And it is also on target in Treasury revenue collections, with revenue for the last 6 months of Fiscal Year 2009 surpassed by \$10 million dollars; collections for the first 6 months of Fiscal Year 2010 above budget estimates; and a tax oversight and compliance program already under implementation.

García reiterated the Fortuño Administration's commitment to restructuring the finances of the central government and its public corporations; safeguarding and improving the government's credit rating; and jumpstarting the island's economy out of the four-year-long recession it has endured.

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