



Request for Proposals

Asset and Withdrawal Management Modeling Study

Blackout Period: Other than the RFP response itself and questions allowed in official RFP calls, as further described in the RFP document, any further communication related to this search with PRT Trustees or staff is strictly prohibited from 4/1/2025 until after selection of the finalist. Any violation of this standard may be grounds for elimination from the search.

SECTION I: OVERVIEW

The Commonwealth Plan of Adjustment Pension Reserve Trust (“PRT”) is soliciting proposals from nationally recognized actuarial firms to perform an asset and withdrawal management modeling study.¹ This study will require a combination of analyses of fiscal capacity, investment returns, and traditional actuarial modeling.

A. Overview of PRT

PRT was established through the execution of a Public Deed of Trust (the “Deed of Trust”) in accordance with the Order and Judgement confirming Modified Eight Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, The Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority. The Plan of Adjustment incorporates as a Plan Supplement the “Guidelines for the Governance and Administration of the Puerto Rico Plan of Adjustment Pension Reserve Trust and Monitoring of Plan of Adjustment Pension Benefits” (the “Guidelines”)² and the Deed of Trust incorporates the terms of the Guidelines. These Guidelines establish a means of governing the PRT as long as it exists.

As outlined in the Deed of Trust and Guidelines, PRT functions independently from the Commonwealth of Puerto Rico (the “Government”). The Government is required to make financial contributions to the Trust (based on the Government surplus) while remaining responsible for all pension payments, current and future. The PRT is expected to receive a Base Contribution and in some cases an Additional Contribution each year through Fiscal Year 2031. The Additional Contribution is based on the actual remaining surplus after funding certain obligations.

PRT is meant to provide alternate or subsidiary means to help fund pension obligations in the event the Government of Puerto Rico does not have sufficient funds to satisfy its obligation under the current “Pay as You Go” system. Beginning in July 2032, the Government may begin withdrawing funds from the PRT subject to certain conditions being met, based on a formula defined in the Guidelines, depending on the funded level of the PRT and the financial status of the Commonwealth.

For more information on PRT guidelines and our Investment Policy please click here, [Guidelines](#), [Investment Policy](#).

B. Scope of Services

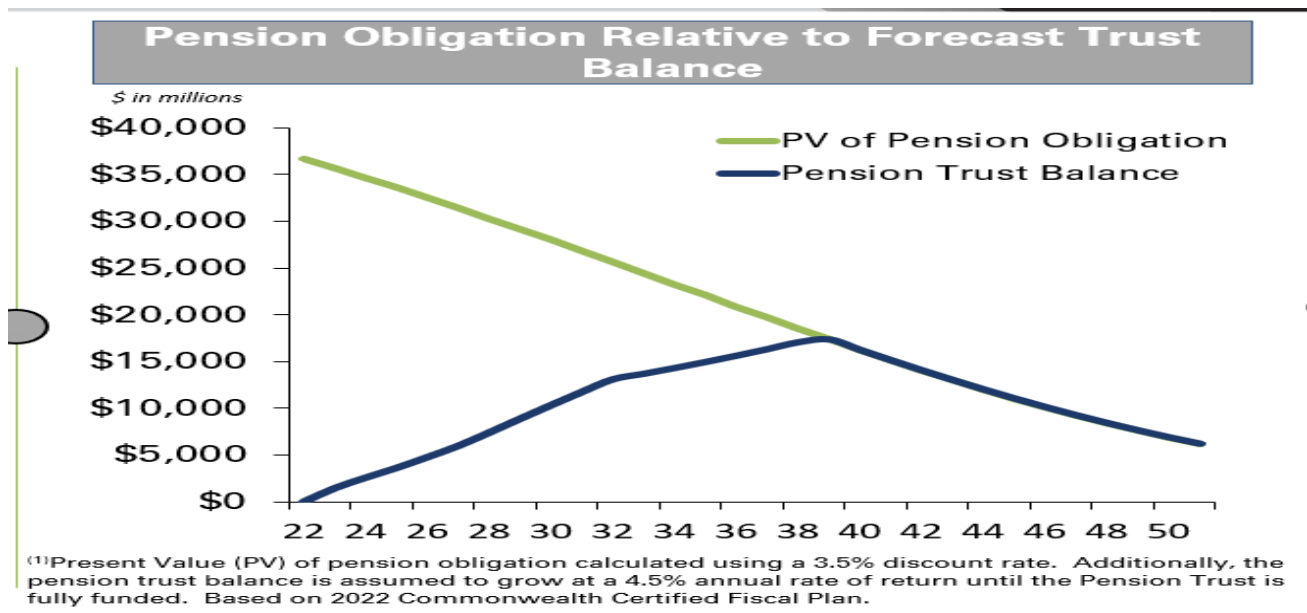
To help determine the appropriate investment policy, the Guidelines establish that the PRT must retain a nationally recognized actuarial firm at least once every three years to perform an asset and withdrawal management modeling (“AWM”) study to analyze future funding levels and withdrawal requirements. Consultants will be provided with the estimates from the Government’s most recent publicly available

¹ “...the Pension Reserve Board shall retain a nationally recognized actuarial firm to perform an asset and withdrawal management study (the “AWM Study”)” Guidelines 1.4(B)

² https://www.prtpr.org/_files/ugd/560602_0fd65326f7634c63b5dd84e069b1b28e.pdf

certified Fiscal Plan (“Fiscal Plan”) which is the base case for the analysis. They then will be responsible for developing alternative scenarios of cash inflows (contributions), stochastic modeling of investment returns under various asset allocations, and cash outflows (withdrawals) under alternative demographic and fiscal assumptions.

The purpose of this actuarial study is to assist the Trustees comprising the Pension Reserve Board with the evaluation of different investment strategies and adoption of appropriate investment policies.^{3,4} The original design of the PRT was based on a set of financial projections of (a) contributions by the government for a 10-year period, [2022-31], and a set of actuarial projections of pension disbursements that could begin July 1st, 2032. Under those projections, projected contributions from the Commonwealth Government, invested at an average rate of return of 4.5%, should be sufficient to meet the actuarially projected pension obligations.



The analysis should cover the three major sources of risk to the Trust’s mission:

- 1) **Contribution Risks** - Under the Guidelines, the Government’s contribution is determined by a formula that includes (a) an agreed annual amount and (b) an amount based on the availability of surplus funds after certain obligations are met. Should there be a force majeure event, either a major natural disaster, e.g., a major hurricane, or the cessation of extra Medicaid payments to Puerto Rico by the US government, a reduced contribution may be made by the Commonwealth Government. Analysis of these risks will require consideration of the fiscal capacity of the

³ “Asset and Withdrawal Modeling. To prudently invest the assets held in the Pension Reserve Trust in anticipation of future funding levels and withdrawals pursuant to Article V, the Pension Reserve Board shall retain a nationally recognized actuarial firm to perform an asset and withdrawal management study (the “AWM Study”) no less frequently than every three (3) years, which shall be presented to the Pension Reserve Board for consideration in the evaluation of different investment strategies.” *Guidelines 1.4 B.*

⁴ Under the Guidelines, the asset and withdrawal management modeling could be used to determine the amount of withdrawal if the most recent valuation report available from the govt is more than 18 months old, and there is no other available information.

Commonwealth Government under a variety of circumstances including the extraordinary events.

- 2) **Payout Risks** - Also under the Guidelines, the Commonwealth Government could request withdrawal of funds from the Trust solely to pay its employee pension obligations. The amount of those obligations will be based on Section 5.4 of the Guidelines and certain conditions established in Section 5.3 of the Guidelines are satisfied.⁵ This is a traditional actuarial analysis combined with analysis of prospective government fiscal capacity.
- 3) **Investment Risks** - The Trust was originally designed such that, under the original assumptions about contributions and withdrawals, a 4.5% nominal average rate of return would be sufficient to meet the Government's projected pension obligations. Based upon this, the Trustees determined the Trust's initial investment policy, a combination of 55% high quality fixed income securities, 10% riskier fixed income securities, 25% equities, and 10% commodities and other investments. Over time, the likely return from that portfolio may change, or the overall expected necessary financial return may change because of changes in likely contributions or payouts. This analysis will require stochastic modeling of various investment allocations.

C. Sources of Information

The Government and/or the Financial Oversight and Management Board of Puerto Rico ("FOMB"), or their consultants, will provide:

- 1) Most recent Fiscal Plan projections of cash inflows, outflows and projected cash flow surpluses or deficits.
- 2) Projected pension benefit payments (PayGo) certified by the Government or Government's actuaries.
- 3) Any other document or information deemed necessary to complete the AWM Study.

These sets of data will provide a base case for the asset and withdrawal management modeling study against which alternative scenarios will be compared.

Consults can and should access other data for the various analyses.

Contribution Scenarios

The Commonwealth Government's financial plan projects an operating surplus. The basic fiscal capacity analysis should consider possible deficits.

⁵ Withdrawals from the PRT by the Commonwealth shall be subject to (i) the latter generating an actual cash flow deficit after contractual debt service pursuant to the Certified Fiscal Plan then in effect, (ii) the sum of the cash balance in all TSA accounts plus the cash balances in the two TSA sweep accounts (the "Unrestricted Cash Balance of Puerto Rico") shall be lower than \$2.0 billion as of the end of the Applicable Fiscal Year, (iii) the municipalities and government entities obligated to pay PayGo Fees have satisfied at least 75% of those on an aggregate and cumulative basis during the period beginning as of July 1, 2017 (the inception of the PayGo System) and ending as of the last day of the Applicable Fiscal Year, (iv) the Commonwealth using offset and/or withholding rights against delinquent municipalities and/or government entities with respect to appropriations and payment obligation of the Commonwealth, CRIM remittances, special additional taxes, (v) diligently pursuing payment plans from all such delinquent municipalities and/or government entities.

In addition to various scenarios concerning the fiscal capacity of the Commonwealth Government, there should be analysis based on the impact of not receiving the current additional Medicaid payments beginning in the year 2028-2032, as the initial modeling by the PRT suggests that the Trust will be unable to meet its original target if the government's funding is reduced from the amount specified in the 2022 Certified Fiscal Plan. In addition, there should be analysis of the financial impact of potential hurricanes or other natural disasters, considering the Commonwealth Government's reserves for these contingencies.

Or what is the impact on the portfolio if there is a withdrawal beginning on July 1st, 2032.

For each scenario, there should be a projection of the year in which the accumulated assets are expected to be sufficient to fund the remaining projected benefit payments for the closed/frozen plans of ERS/JRS/TRS members and the average investment return necessary to meet those payments.

PRT hereby reserves the right to 1) discontinue the RFP in whole or in part, 2) reject any and all proposals, 3) waive and allow the correction of minor irregularities in any proposal, 4) request clarification of information submitted, 5) request additional information from any proposer, and 6) modify the proposed timeline.

SECTION II: MINIMUM ELIGIBILITY REQUIREMENTS

The following criteria are the minimum qualifications.

1. The firm as a whole is nationally recognized and has experience (including subcontractors) in studies of fiscal capacity, investment returns, and of actuarial liability assessment as described here.
2. The lead actuary on this engagement is a member of the Society of Actuaries.
3. The firm agrees that it shall comply with all board policies, required provisions of the Guidelines and the services agreement.

To be considered as a candidate in this search process, please provide by email with an electronic signature a notification of your interest in participating in the RFP process. Please identify the candidates that will join a conference call to discuss the scope of work and answer questions. The email shall be sent to Maria del Carmen Lopez, Executive Director, at the email address listed below. Interest must be received by the deadline established in Section III. Any communication received after the deadline may be disregarded by PRT.

Please send all documentation to:
Commonwealth Plan of Adjustment Pension Reserve Trust
Subject: PRT – Actuarial Firm Search
Email: rfp@prtpr.org

SECTION III: PROPOSAL REQUIREMENTS

All proposals must meet the following requirements. Proposals that do not may be disqualified by PRT without notice or explanation.

1. Proposals must be in Microsoft Word format for text. PDF or jpg or comparable formats may be used for diagrams, photographs and other exhibits.
2. Proposals must be received at RFP@PRTPR.org by the deadline.
3. Please describe your firm (and any partners' or subcontractors') experience with similar analyses.
4. Please describe the analyses you would expect to undertake and the approximate timeline.
5. Please include the qualifications and experience of the various people that will support PRT with the study.
6. Please disclose any potential conflicts of interest.
7. Please describe how you propose to be compensated. If you propose compensation based on professional hours worked, provide a schedule of the rates for each person or group and an estimate of the total compensation.
8. The terms of this RFP shall be subject to the Guidelines and the contract review requirements of the FOMB. All proposals must include the certifications described in Sections V and VI.
9. You must agree that exclusive jurisdiction regarding any dispute relative to any Agreement entered between PRT and the firm or any entity represented by the firm, shall be the United States District Court for the District of Puerto Rico; provided that said Agreement shall be interpreted pursuant to the laws of the Commonwealth of Puerto and the firm shall agree that jury trial be waived. For avoidance of doubt, this term precludes jurisdiction by any other court within the United States of America or elsewhere.
10. If you believe information in the proposal is commercially sensitive, then please mark that information as such. Any contracts awarded will be made public. PRT may choose to exempt from disclosure information it considers, in its sole discretion, to be commercially sensitive.

At the time of submission of the proposal, the respondent submitting an RFP must provide a written cover letter (a template for which is provided in Section IV) from its presiding officer confirming that the respondent meets all the minimum criteria set forth below. If your firm, with subcontractors, does not meet all the criteria, the proposal may not be considered. Please include in your submission the qualifications of the people who will be working with PRT if the firm is selected.

SECTION IV: TIMELINE AND SELECTION PROCESS

The following schedule has been established by the PRT Board and may be changed by the Board if necessary. If the schedule changes, all changes will be reflected on the PRT website at www.prtpr.org.

<i>Action</i>	<i>Date</i>
RFP issuance and advertising period	4/1/2025
Conference call to brief interested parties on the project and answer questions. ⁶	4/30/2025
Deadline for submission of a proposal.	5/31/2025
Finalists selected	When determined by the PRT board
Contract awarded	As soon as practical, following finalist selection and completion of contract negotiation

A. Question and Answers

Because this is an unusual analysis, PRT will conduct a briefing for interested parties and respond to questions at that time. After the meeting, questions may be submitted in writing to rfp@prtpr.org. All questions and answers will be posted on the PRT website (www.prtpr.org). The source of the questions will not be disclosed.

B. Evaluation and Selection Process

Proposals will be evaluated by the staff of the PRT Board of Trustees. During the evaluation process, PRT staff may contact proposers, orally or via email, with questions that, at PRT's option may be answered orally or in writing. Firms selected as finalists may be required to appear at a subsequent PRT board meeting for oral interviews.

The documents below will be required by PRT when you submit a proposal. All contracts with PRT may be subject to review by FOMB. To facilitate the review process, PRT has adopted some of the sections (see below) that are required by FOMB as part of this review. In addition, when submitting the proposal please declare in your firm's letterhead the certifications provided below. These are to be signed by the principals from the firms submitting the proposal. Lack of compliance with these requirements could result in the disqualification of the proposal.

PRT reserves the right to review and/or modify the RFP at any time and at its sole discretion.

⁶ Notice of Interest to participate in conference call should be sent prior to the call.

SECTION V: Cover Letter

Commonwealth of Puerto Rico Plan of Adjustment Pension Reserve Trust (PRT) Search for Actuarial Firm to Perform Asset and Withdrawal Management Modeling Study

PRT is soliciting proposals from nationally recognized, US domiciled actuarial firms to perform asset and withdrawal management modeling (“AWM”) study.

[Insert firm name] is hereby submitting notification to participate in the above stated proposal process. [Insert firm name] is submitting information for its proposed solution for the purposes of this Request for Proposal.

[Insert firm name] has read, understands, and agrees to abide by the proposal process as outlined in the complete Request for Proposal document.

Respondent’s organization is responsible for any taxes that may be assessed on the respondent as a result of providing the requested services in the Commonwealth of Puerto Rico.

Please disclose below any conflicts of interest or potential conflicts of interest that the submitting firm or its principals may have with the Pension Reserve Board or PRT. If you have nothing to disclose, please disregard this Section and proceed to sign the attached disclosure that your entity and as individual do not have a conflict.

I certify that the party submitting this RFP, and their principals abide by all the terms, requirements, and obligations required of vendors as set forth in the Guidelines, including all exhibits.

SECTION VI: Additional Required Information

Firm Certification Requirement

1. The expected firm contact(s) in connection with the proposed contract⁷ is (are) the following:

(Name of individual or firm, including names of principals, principal stakeholders, and owners of the latter)

(Principal terms and conditions of the contractual relation and role of the subcontractor, if any)

(Amount of proposed contract payable to each subcontractor, if any)

2. Neither the contractor nor any of its owners⁸, partners, directors, officials or employees, has agreed to share or give a percentage of the contractor's compensation under the contract to, or otherwise compensate, any third party, whether directly or indirectly, in connection with the procurement, negotiation, execution or performance of the contract, except as follows:

(Name of individual or firm, including names of principals, principal stakeholders, and owners of the latter)

(Principal terms and conditions of the compensation sharing arrangement and consideration for such benefit)

3. To the best knowledge of the signatory (after due investigation), no person has unduly intervened in the procurement, negotiation or execution of the contract, for its own benefit or that of a third person, in contravention of applicable law.

4. To the best knowledge of the signatory (after due investigation), no person has: (i) offered, paid, or promised to pay money to; (ii) offered, given, or promised to give anything of value to; or (iii) otherwise influenced any public official or employee with the purpose of securing any advantages, privileges or favors for the benefit of such person in connection with the contract (such as the execution of a subcontract with contractor, beneficial treatment under the contract, or the written or unwritten promise of a gift, favor, or other monetary or non-monetary benefit).

⁷ As used herein, the term "contract" is inclusive of any amendments, modifications, or extensions. The term contract does not guarantee acceptance of RFP or the contract. This schedule is a compliance requirement under the Guidelines.

⁸ For purposes of this certification, a contractor's "owner" shall mean any person or entity with more than a ten percent (10%) ownership interest in the contractor.

5. Neither the contractor, nor any of its owners, partners, directors, officials or employees or, to the best of its knowledge (after due investigation), its representatives or sub-contractors, has required, directly or indirectly, from third persons to take any action with the purpose of influencing any public official or employee in connection with the procurement, negotiation or execution of the contract, in contravention of applicable law.

6. Any incorrect, incomplete, or false statement made by the contractor's representative as part of this certification shall cause the nullity of the proposed contract and the contractor must reimburse immediately to the PRT any amounts, payments or benefits received from the PRT under the proposed contract.

The above certifications shall be signed under penalty of perjury by the Chief Executive Officer (or equivalent highest rank officer) in the following form:

"I hereby certify under penalty of perjury that the foregoing is complete, true and correct."

By:

Date:

Signature:

MINIMUM CRITERIA

1. [Insert firm name] acknowledges it has engaged in similar studies as described above.

YES _____ NO _____

2. [Insert firm name] acknowledges that the lead actuary on this engagement is a member of the Society of Actuaries.

YES _____ NO _____

3. [Insert firm name] agrees to comply with all PRT policies, terms and obligations required of vendors as set forth in the Guidelines, including all exhibits.

YES _____ NO _____

4. [Insert firm name] agrees to the following terms regarding governing law and jurisdiction:

5. Jurisdiction

The exclusive jurisdiction regarding any dispute relative to any Agreement entered between PRT and the firm or any entity represented by the firm, shall be the United States District Court for the District of Puerto Rico; provided that the firm agrees that jury trial shall be waived. For avoidance of doubt, the firm understands and agrees that the provision of this term precludes jurisdiction by any other court in the United States of America or elsewhere.

YES _____ NO _____

Note: The terms in this RFP shall be subject to the Guidelines, including all exhibits.

A principal of the firm must acknowledge by signature that the contractual language above shall be binding as a requirement for participation in this search process. The undersigned certifies that above statements are true and correct.

Signature

Date

[Insert Principal's title]

Primary RFP Contact Information

[Insert primary RFP contact name]

[Insert primary RFP contact mailing address]

[Insert primary RFP contact email address]

[Insert primary RFP contact phone number]