



PENSION
RESERVE TRUST

Introduction to the Pension Reserve Trust

Presentation by the Pension Reserve Trustees

February 22, 2023

Our Goals

- **Pensions owed by the Government can be paid**
- **Funds are invested prudently, but make enough for likely pension needs**
- **Prevent trust funds misuse**
- **Be transparent. Report frequently & clearly**

The Pension Reserve Trust: Protecting Funds for Pension Payments



Independent public trust created to fund pensions when necessary



Government contributions required by court order.

Enforced by Pension Benefits Council



Funds invested by independent trustees & investment professionals with extensive experience.



Trustees chosen by Committee of Retirees, AFSCME, FOMB, & Government. Not removable for 6 years.

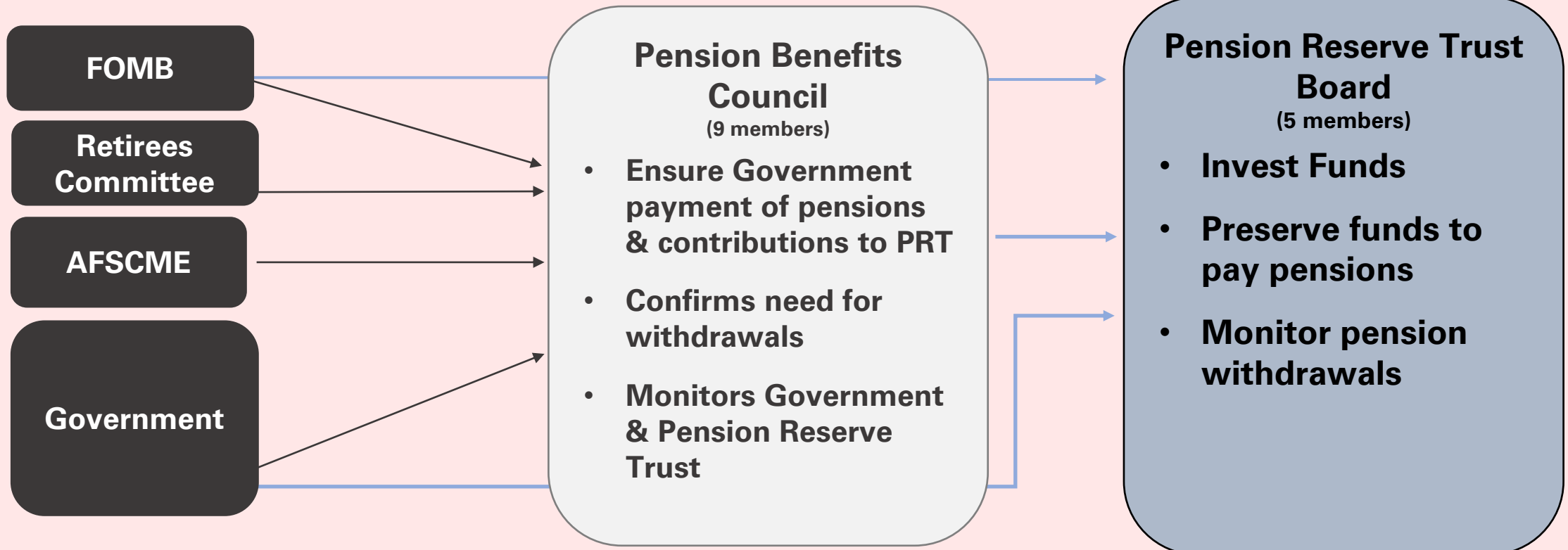


Disagreements decided by US Court for the District of Puerto Rico

Pensions protected by the US Federal Court, Pension Benefits Council & Pension Reserve Trust Board

US Federal Court Oversees & Enforces Pension Trust

Pension Reserve Trust



PRT Board: Independent Experts

- **Decades of Investing, Banking, Economic, & Accounting Experience**
- **Experience both in Puerto Rico & mainland**
- **Represent all constituencies: workers, retirees, government, FOMB**



Desiree Miseses-Llavat, MBA
Managing Member
Lumiere Bay, LLC



Gabriel Olivera-Magraner, JD, LLM
Chairman and Co-Founder
Preferred Capital Fund Management LLC



Jason Fichtner, PhD
VP & Chief Economist
Bipartisan Policy Center



Michael Finke, PhD
Professor of Wealth
Management



Hon. Joshua Gotbaum
JD, MPP
Chair Maryland Small Business
Retirement Savings Board

Our Investment Plan & Timetable

- ✓ **Board hires expert staff and professional advisors** **September 2022**
- ✓ **Invests initial contribution in safe US government bonds.** **September 2022**
- Decide investment policies, choose investment managers, hire custodian bank and reinvest initial contribution. Invest annual contributions.** **Summer 2023 & each year thereafter**
- Report to Pension Benefits Council, Act 106 Board, Government, FOMB, & the People of Puerto Rico** **Quarterly**
- Review investments to ensure funds can meet likely pension needs** **Every 3 years**
- Government proposed withdrawals reviewed by Pension Benefits Council with PRT Board Support** **2032 & after**

Our Team



- **CEO: Maria del Carmen Lopez**
- **CFO: Julian Bayne Hernandez**
- **Investment Advisor: NEPC**
- **Custodian Bank: Northern Trust**
- **Legal Counsel: Marichal and Pillsbury**
- **Investment Managers: [to be chosen]**

PRT Management Team



Maria del Carmen Lopez, CTP

▶ **Executive Director / CEO**

▶ **Previous Experience**

- Former Director within the Financial Oversight Management Board of Puerto Rico, including pensions
- Former Executive Director and Chief Investment Officer University of Puerto Rico Retirement System

▶ **Education**

- Questrom School of Business, Boston University, BSBA in Finance
- Universidad Interamericana de PR., MBA



Julian Bayne Hernandez

▶ **Chief Financial Officer**

▶ **Previous Experience**

- Former Chief Legal Officer and Chief Financial Officer of the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF)
- Former Chief Financial Officer for the Puerto Rico Ports Authority

▶ **Education**

- University of Puerto Rico, BBA in Accounting
- Inter American University School of Law, Juris Doctor

Our Investment Advisor: NEPC



Advises over 400 funds with assets over \$1.4 trillion



Provides expert advice & investment management only. No competing businesses.



**Founded 1986.
Still owned by employee-professionals**

Until we have an agreed investment policy, we're investing only in US government bonds

Initial government
contribution
received
September 30, 2022

Invested in safe US
government
securities

Investment returns
to date:
\$17,000,000+

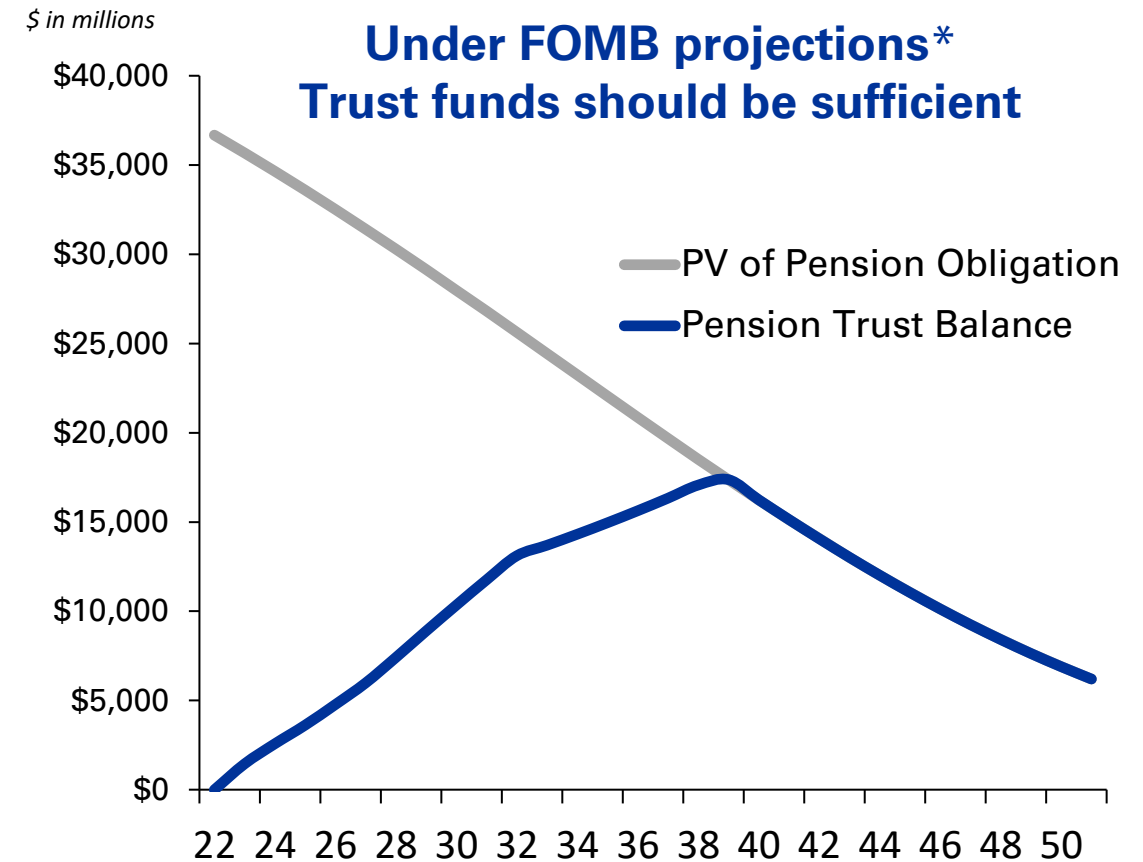
How We'll Decide Trust Investment Policies

Factors to Consider

- **What returns will be needed for pensions?**
- **What combination of investments can meet return targets with least risk?**
- **What safeguards are necessary to preserve independence in investment decisions?**

If Trust fund needs can be met with less risky investments, that's how we'll invest

- If all Government pension payments and contributions to the Trust are made as planned, a conservative investment strategy should be enough.*
- FOMB projections assumed Trust funds would average 4.5% annual return. Most pension funds depend on higher, riskier returns than that.



* Based on 22 Commonwealth Certified Fiscal Plan. Present Value (PV) of pension obligation calculated using a 3.5% discount rate. Additionally, the pension trust balance is assumed to grow at a 4.5% annual rate of return until the Pension Trust is fully funded, after which the annual return is assumed to be 3.5%.

For more information:

Maria del Carmen Lopez, Director Ejecutivo

Maria.Lopez@PRTPR.org

Trustee Biographies

Pension Reserve Board Trustee: Jason Fichtner, PhD



Jason J. Fichtner, PhD
Vice President & Chief
Economist
Bipartisan Policy Center

Other Positions / Affiliations

- Senior Fellow, Alliance for Lifetime Income
- Research Fellow, Center for Financial Security, University of Wisconsin
- Board of Directors, National Academy of Social Insurance
- Member, Pension Benefits Council of the Pension Reserve Trust of Puerto Rico

Editorial Service

- Editorial Advisory Board, Retirement Management Journal
- Reviewer, Journal of Pension Economics and Finance

Previous Professional Experience

- Chief Economist, U.S. Social Security Administration
- Deputy Commissioner for Social Security (Acting), U.S. Social Security Administration
- International Economics & Associate Director, John Hopkins University – Paul H. Nitze School of Advanced International Studies
- Senior Research Fellow, Mercatus Center at George Mason University
- Senior Consultant, Arthur Andersen LLP – Office of Federal Tax Services – Economic Analysis Group
- Economist, U.S. Department of Treasury – Internal Revenue Service

Pension Reserve Board Trustee: Michael Finke, PhD CFP



Michael Finke, PhD, CFP®
Professor of Wealth
Management

Other Positions / Affiliations

- Professor of Wealth Management
- Director for the Granum Center for Financial Security
- Frank M. Engle Distinguished Chair in Economic Security

Areas of Expertise

- Financial Planning
- Investments
- Portfolio Management
- Retirement Planning
- Wealth Management

Previous Professional Experience

- Professor, PhD Coordinator in Department of Personal Financial Planning at Texas Tech University
- Associate Professor and Director of Graduate Studies at University of Missouri
- Author and Public Speaker on topics related to retirement income planning

Pension Reserve Board Trustee: Hon. Joshua Gotbaum



Hon. Joshua Gotbaum, MPP, JD
Chair
Maryland Small Business
Retirement Savings Board

Other Positions / Affiliations

- Guest Scholar in Economic Studies, Brookings Institution
- Director, Thornburg Investment Management
- Fellow, National Academy of Public Administration
- Fellow, National Academy of Social Insurance

Areas of Expertise

- Corporate Governance
- Government Management
- ESG
- Pension Investing
- Retirement Security
- Restructuring
- Infrastructure

Previous Professional Experience

- Director (CEO), U.S. Pension Benefit Guaranty Corp.
- Investor/ Business Consultant
- Ch 11 Trustee (CEO), Hawaiian Airlines
- CEO, The September 11th Fund
- Senior U.S. government official in Defense, Treasury, Office of Management & Budget
- U.S. Senate Budget Committee
- Partner, Lazard

Pension Reserve Board Trustee: Desiree Mieses-Llavat, MBA



Desiree Mieses-Llavat, CIMA,
MBA

Managing Member
Lumiere Bay, LLC
Registered Investment Advisor

Other Positions / Affiliations

- Director of the Board, Secretary, Case de Ninos Manuel Fernandez Juncos
- Director of the Board, Chairman of Investment Committee, Puerto Rico Community Foundation
- Director of the Board of Alumni, Bentley University
- Adviser to Musica PA Culebra
- Board of Advisors, Friends of Puerto Rico – Building the Future

Areas of Expertise

- Asset Management for Institutions
- Asset Allocation & Investment Policy
- Diversity and Inclusion
- Product Development
- Non-Profit Leadership
- Social and Governance Issues

Previous Professional Experience

- Vice President Institutional Advisory Services, Santander Asset Management
- Chief Investment Officer, The Bank & Trust of Puerto Rico

Pension Reserve Board Trustee: Gabriel Olivera-Magraner, JD, LLM



Gabriel Olivera-Magraner, JD,
LLM

Chairman & Co-Founder
Preferred Capital Private Equity
Fund
Preferred Capital Fund
Management LLC

Other Positions / Affiliations

- Co-founder Vice Chairman of Board, Arevilo Capital Management LLC
- Board Director, VAPR Federal Credit Union
- Board of Directors, Colegio San Ignacio - Jesuit High School

Areas of Expertise

- Capital and Investment Management
- Auditing and Accounting
- Corporate Law and Tax
- Strategic Planning
- Banking and Credit Underwriting

Previous Professional Experience

- President/CEO FDIC insured local bank with \$1B AUM
- Director of the Board, AAFAF
- Director and Vice Chairman, Government Development Bank of Puerto Rico
- Attorney at Law, LLM- Tax Law
- Law clerk at Supreme Court of PR
- Auditor- Arthur Andersen & Co