



PENSION
RESERVE TRUST

Working to Preserve Pension Benefits

Quarterly Report of the Pension Reserve Trust

February 22, 2024

Agenda

- **Steps Since Our Last Meeting**
- **Investments**
 - Investment Performance
 - Investment Policy & Planned Investments
- **Financial Report**
- **Operations & Expenses**
- **Communications**
- **Next Steps**

Since our Last Meeting

- **Continued transition from initial investments to planned allocation for 2nd contribution.**
- **Issued the first two RFPs for investment managers:**
 - IG Corporate Credit (\$660M)** [IG CORPCREDIT RFP](#)
 - Multi-Asset (\$130M)** [MULTI ASSET RFP](#)
- **Provided additional funding to PBC for elections.**
- **Completed FY22 Audit. Completing FY23 Audit.**

Investments

Investment Summary

- **PRT's investment portfolio earned \$121M during this quarter (Oct. – Dec. 2023).**
- **Currently on track to be fully invested in passive management by the beginning of March.**
- **Started public RFPs process. First two RFPs were issued.**
- **Expect to identify managers by May 2024.**

Our asset allocation is conservative.

Asset Class	Initial %	Current* %	Planned %
Low Risk Bonds	100%	72%	55%
Bonds with More Risk	0%	6%	10%
Stocks & Other Equities	0%	16%	25%
Other Diversified Investments	0%	6%	10%

“Low Risk Bonds:” US Treasuries, US federal agency debt, discount notes, money market funds and similar instruments, investment grade corporate bonds, cash equivalents

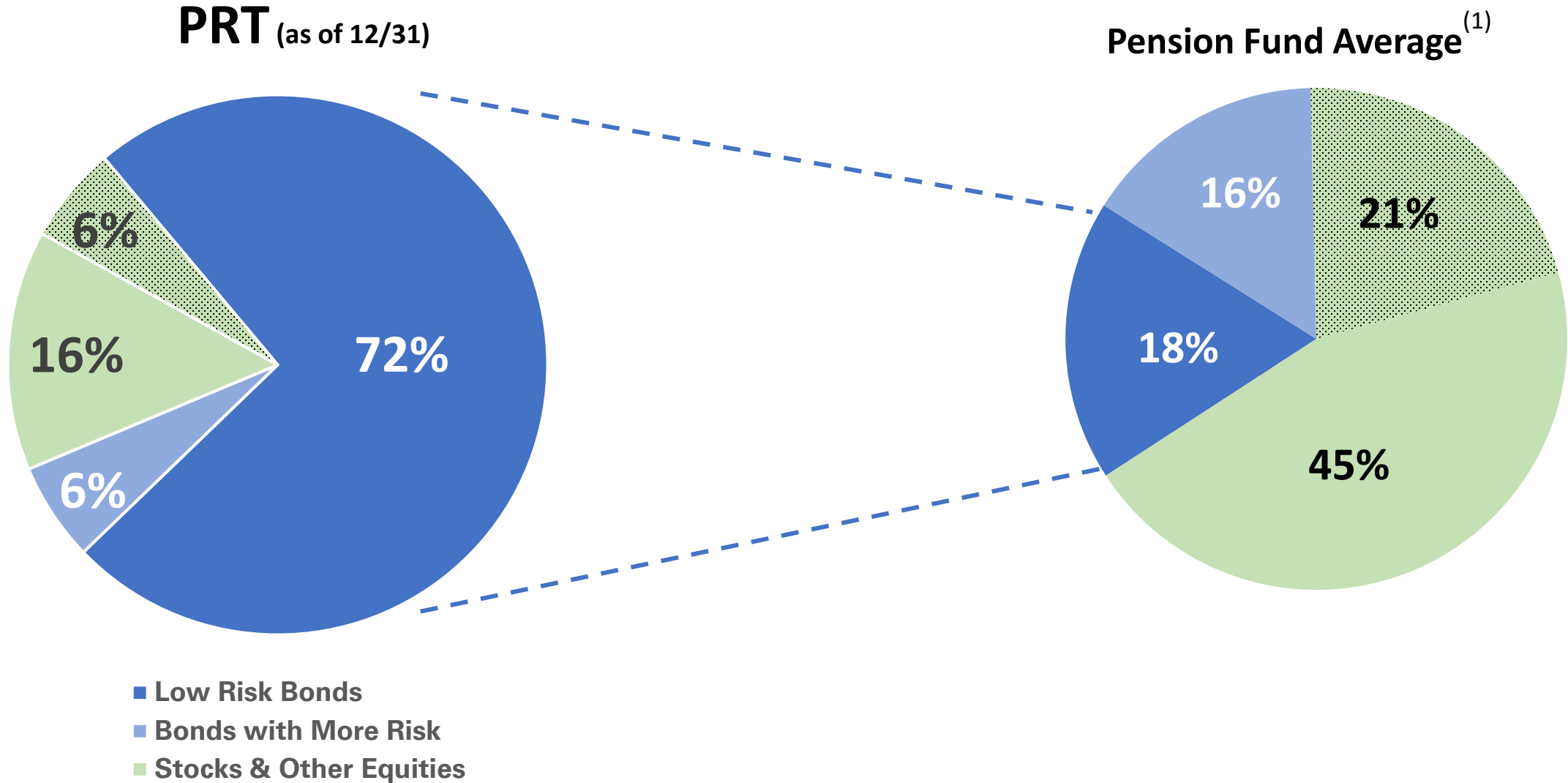
“Bonds with More Risk:” Global fixed income, below investment grade corporate bonds, and private credit

“Stocks & Other Equity:” Principally public market stocks

“Other Diversified Investments:” Includes real estate, tactical asset allocation strategies, etc. with different risks than stocks

* “Current” is made up of approximate values as of December 31, 2023.

PRT will remain more conservatively invested than pension funds

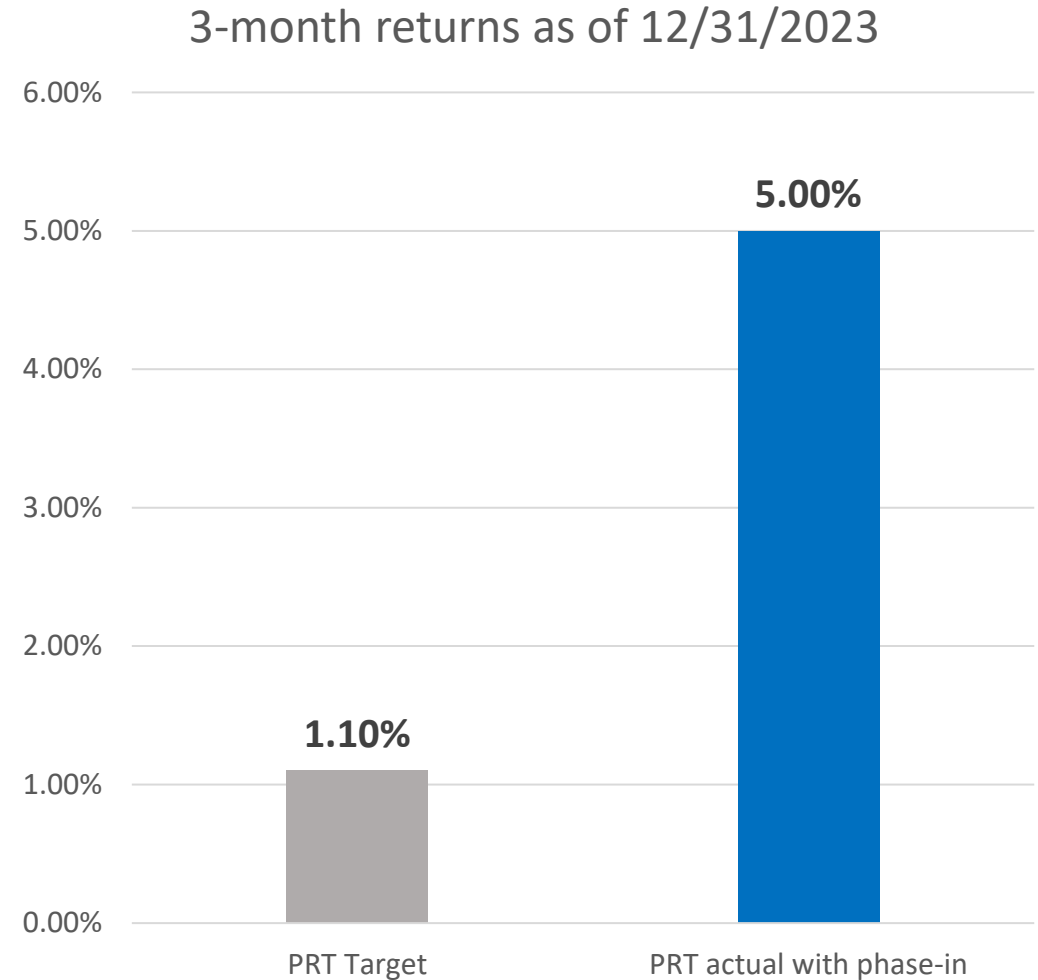


(1) InvestMetrics Public DB Universe as of June 30, 2023.



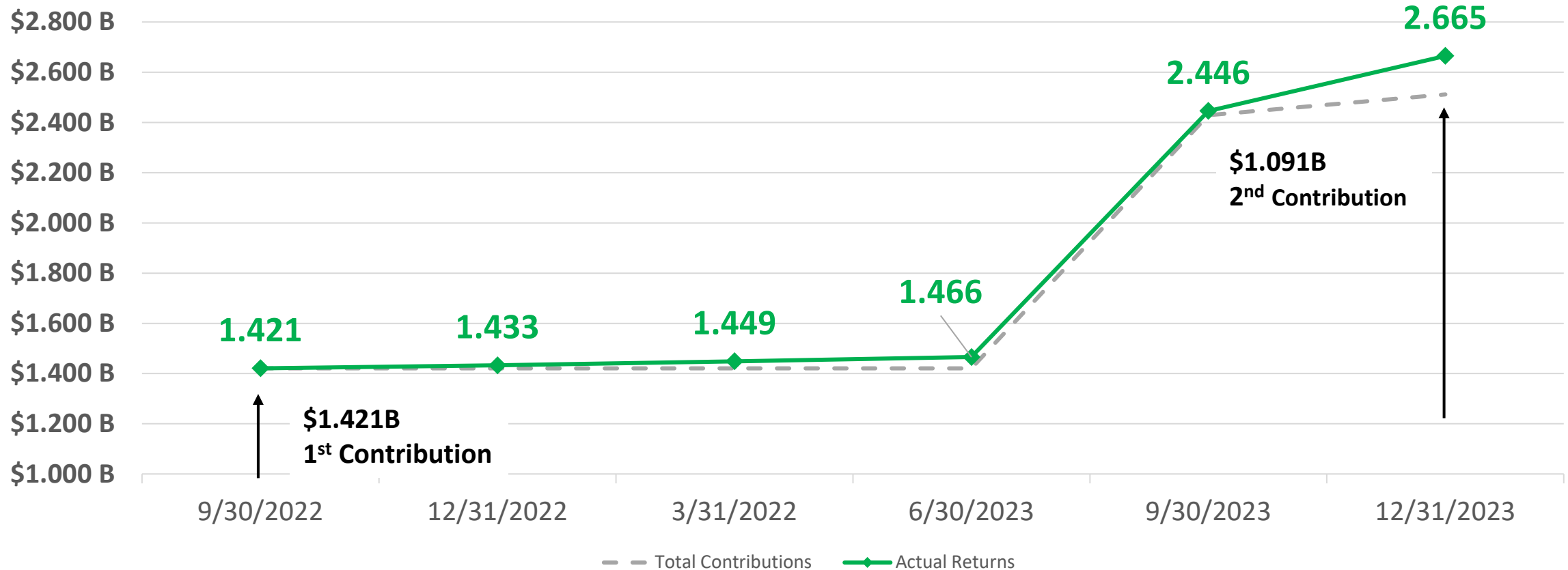
Market conditions were favorable during this quarter.

- **PRT total return for the quarter was 5% vs the target which is 1.1%.**



PRT assets are on track for projected target

PRT Contributions vs. Actual Returns



Operations & Budget

We continue to operate within budget limits.

Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of budget spent YTD
Administrative and Operating Expenses	1,512,000	650,752	43%
Investment Expenses	7,350,000	1,750,052	24%
Start-Up Expenses	445,000	228,665	51%
Total Expenses ⁽¹⁾	9,307,000	2,629,470	28%

For more detailed information regarding these expenses, please refer to the Appendix B.

As of December 31, 2023 ⁽¹⁾

⁽¹⁾ Unaudited.

Next Steps

A Investments

- **RFP in process. Evaluation and interviews.**

B Operations

- **Complete financial and internal controls.**
- **Complete the implementation of new accounting platform.**
- **Continue accounting shared services for PBC.**

C Governance & Accountability

- **Government approval on Guideline's amendments and suggested clarifications.**
- **Publish FY23 Annual Report & Audits.**



PENSION
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For further information contact:

Maria del Carmen Lopez, Executive Director

(787) 474-9744

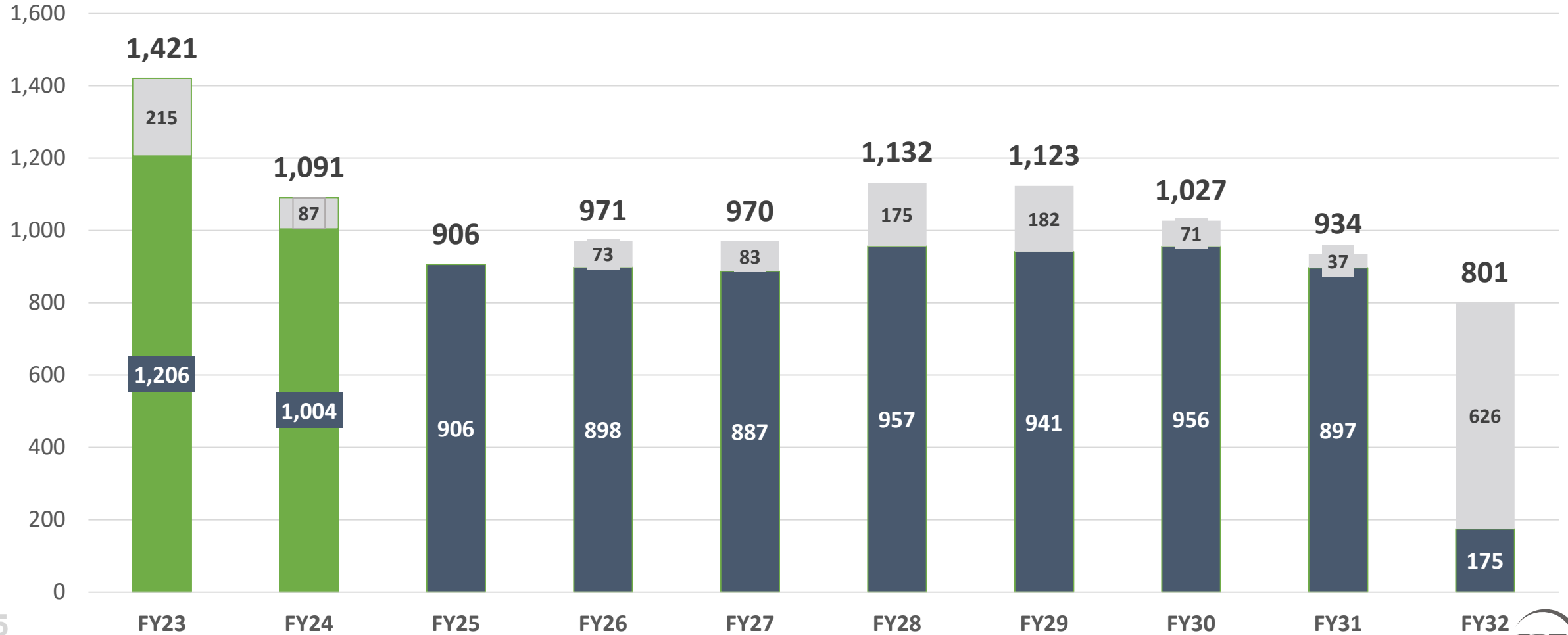
Maria.Lopez@PRTPR.org



Appendix A

PRT has received its first two contributions from the Commonwealth. Total contributions are expected to be more than \$10 billion.

\$ in millions



Note: projected contributions are based on the 2022 Commonwealth Certified Fiscal Plan

PRT Composite Performance

PERIOD ENDING DECEMBER 31, 2023 (NET OF FEES)

	Allocation			Performance (%)				
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	Inception (%)	Inception Date
Total Composite	2,655,425,636	100.0	100.0	5.0	3.0	5.2	4.9	Oct-22
<i>Policy Index</i>				5.4	2.3	4.6	4.4	
<i>4.5% Target</i>				1.1	2.2	4.5	4.5	
Equity	421,270,996	15.9	15.0	10.3			2.9	Aug-23
<i>MSCI AC World Index</i>				11.1			3.7	
High Quality Fixed Income	872,242,874	32.8	33.0	5.8			3.4	Aug-23
<i>Blmbg. U.S. Aggregate Index</i>				6.8			3.4	
Credit	161,657,669	6.1	6.0	7.4			5.0	Aug-23
<i>Credit Custom BM</i>				6.8			5.3	
Diversification	163,615,472	6.2	6.0	8.8			2.6	Aug-23
<i>Diversification Custom BM</i>				8.5			2.3	
Cash Composite	1,036,638,624	39.0	40.0	1.4	3.1	5.2	4.9	Oct-22
<i>90 Day U.S. Treasury Bill</i>				1.4	2.7	5.0	4.7	

Source: NEPC

PRT Performance Detail

PERIOD ENDING DECEMBER 31, 2023 (NET OF FEES)

	Allocation			Performance (%)				
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	Inception (%)	Inception Date
Total Composite	2,655,425,636	100.0	100.0	5.0	3.0	5.2	4.9	Oct-22
<i>Policy Index</i>				5.4	2.3	4.6	4.4	
4.5% Target				1.1	2.2	4.5	4.5	
Equity	421,270,996	15.9	15.0	10.3			2.9	Aug-23
Vanguard S&P 500 ETF	139,485,965	5.3		11.7			4.7	Aug-23
<i>S&P 500 Index</i>				11.7			4.7	
Vanguard Value ETF	66,354,379	2.5		9.1			3.1	Aug-23
<i>CRSP U.S. Large Cap Value TR Index</i>				9.0			2.9	
Vanguard Extended Market ETF	42,124,733	1.6		15.2			5.1	Aug-23
<i>S&P Completion Index</i>				14.9			4.8	
Vanguard FTSE Developed Markets ETF	73,034,184	2.8		11.0			2.6	Aug-23
<i>FTSE Developed All Cap ex-US Index (Net)</i>				10.8			2.7	
State Street Hedged Intl Dev Eq Idx K	31,521,711	1.2		5.9			3.3	Aug-23
<i>MSCI EAFE 100% USD Hedged</i>				6.0			3.4	
Vanguard FTSE Emerging Markets ETF	68,750,025	2.6		7.0			-1.7	Aug-23
<i>FTSE EM All Cap China A Inclusion Net Tax (US RIC)</i>				6.8			-0.7	
Fixed Income Composite	1,033,900,544	38.9	39.0	6.0			3.6	Aug-23
High Quality Fixed Income	872,242,874	32.8	33.0	5.8			3.4	Aug-23
Treasuries	395,671,521	14.9	0.0	5.8			2.9	Aug-23
Vanguard Short-Term Treasury ETF	111,622,330	4.2		2.6			2.9	Aug-23
<i>Blmbg. U.S. Treasury: 1-3 Year</i>				2.6			2.9	
Vanguard Long-Term Treasury ETF	86,978,008	3.3		12.3			1.2	Aug-23
<i>Blmbg. U.S. Treasury: Long</i>				12.7			1.6	
Vanguard Intermediate-Term Trs	197,071,184	7.4		4.9			2.9	Aug-23
<i>Bloomberg U.S. Treasury 3-10 Year Index</i>				5.0			3.1	
Corporate Bonds	398,172,173	15.0	0.0	5.9			4.2	Aug-23
Vanguard Short-Term Corporate Bond ETF	234,262,356	8.8		4.2			3.6	Aug-23
<i>Bloomberg US Corporate 1-5 Years</i>				4.1			3.7	
Vanguard Interm-Term Corp Bd ETF	163,909,817	6.2		8.5			4.9	Aug-23
<i>Blmbg. U.S. Credit Corp 5-10 Year Index</i>				8.4			5.0	
Schwab US TIPS ETF	78,399,180	3.0		4.6			1.8	Aug-23
<i>Blmbg. U.S. TIPS</i>				4.7			1.9	

Source: NEPC

PRT Performance Detail

PERIOD ENDING DECEMBER 31, 2023 (NET OF FEES)

	Allocation			Performance (%)				
	Market Value (\$)	% of Portfolio	Policy (%)	3 Mo (%)	FYTD (%)	1 Yr (%)	Inception (%)	Inception Date
Credit	161,657,669	6.1	6.0	7.4			5.0	Aug-23
Vanguard Total Corporate Bond ETF	81,785,658	3.1		8.5			4.6	Aug-23
<i>Bloomberg US Corporate</i>				8.5			4.8	
iShares Broad USD High Yield Corp Bd ETF	42,243,098	1.6		7.1			5.8	Aug-23
<i>ICE BofA US High Yield Master II Constrained</i>				7.1			6.1	
iShares 0-5 Year High Yield Corp Bd ETF	37,628,913	1.4		5.2			4.7	Aug-23
<i>ICE BofA 0-5 Year U.S. High Yield Constrained</i>				5.3			5.4	
Diversification	163,615,472	6.2	6.0	8.8			2.6	Aug-23
Real Assets	80,007,010	3.0	0.0	7.7			1.0	Aug-23
SPDR S&P Global Natural Resources ETF	15,094,619	0.6		3.5			-0.7	Aug-23
<i>S&P Global Natural Resources Sector Index (Net)</i>				3.4			-0.5	
iShares Global Infrastructure ETF	17,023,113	0.6		10.8			0.3	Aug-23
<i>S&P Global Infrastructure (Net)</i>				10.7			0.4	
iShares Global REIT ETF	18,694,598	0.7		15.4			4.2	Aug-23
<i>FTSE EPRA/NAREIT Global REITs Index</i>				15.6			4.5	
SPDR Gold MiniShares	15,622,506	0.6		11.6			5.0	Aug-23
<i>LBMA Gold Price (USD; PM)</i>				10.3			4.7	
Aberdeen Bloomberg All Commodity Strategy K-1 Free ETF	13,572,173	0.5		-4.7			-6.4	Aug-23
<i>Bloomberg Commodity Index Total Return</i>				-4.6			-6.0	
Multi-Asset	83,608,463	3.1	0.0	10.0			4.2	Aug-23
Vanguard Balanced Index Fund	83,608,463	3.1		10.0			4.2	Aug-23
<i>60% CRSP US Total Market Index 40% Bloomberg U.S. Aggregate Float Adjusted</i>				10.0			4.2	
Cash Composite	1,036,638,624	39.0	40.0	1.4	3.1	5.2	4.9	Oct-22
<i>90 Day U.S. Treasury Bill</i>				1.4	2.7	5.0	4.7	
U.S. Treasury Bill Due 1/02/2024	518,954,000	19.5						Jan-24
U.S. Treasury Bill Due 1/30/2024	166,369,263	6.3					0.5	Dec-23
U.S. Treasury Bill Due 2/27/2024	337,797,312	12.7					0.5	Dec-23
Northern Trust Money Market Treasury NTPXX	13,518,049	0.5		1.7	3.6		4.5	May-23

Source: NEPC



Appendix B

Administrative and Operating Expenses As of December 31, 2023 ⁽¹⁾

Administrative and Operating Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget spent YTD
Personnel Related	864,000	342,235	40%
Trustees	271,000	135,179	50%
Legal Counsel	85,000	33,282	39%
Accounting and Audit	80,000	65,269	82%
Other Professionals	36,000	17,474	49%
Ordinary Business (General)	76,000	37,321	49%
Travel and other reimbursable expenses	50,000	19,991	40%
Emergency and Contingency Reserve	50,000	-	0%
Total Administrative and Operating Expenses ⁽¹⁾	1,512,000	650,752	43%

Annual Recurring Investment Related Expenses

As of December 31, 2023 ⁽¹⁾

Investment Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget spent YTD
Custodian	459,200	55,751	12%
D&O Insurance Policy	95,000	45,494	48%
Investment consultant OCIO & Annual Fee	918,400	405,885	44%
Other	2,200	-	0%
Investment management fees	5,625,200	1,242,923	22%
Total Investment Related Expenses ⁽¹⁾	7,350,000	1,750,052	24%

⁽¹⁾ Unaudited.

Non-Recurring Start-Up Expenses

As of December 31, 2023 ⁽¹⁾

Start-Up Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget spent YTD
Recruitment consultant	11,400	11,400	100%
IT/website set-up	28,600	22,860	80%
Legal Counsel	300,000	186,507	62%
Office Configuration	40,000	7,898	20%
Furniture and Electronic Equipment	65,000	-	0%
Total Start-Up Expenses⁽¹⁾	445,000	228,665	51%

⁽¹⁾ Unaudited.

Important Notices & Disclaimers

- ▶ *This presentation is being provided for the information and use of the Act 106 Board and the Pension Benefits Council. It is not investment advice or legal advice.*
- ▶ *The objective of the Pension Reserve Trust is, if possible, to provide funds to the Government adequate to meet pension obligations by prudently investing its funds over the next several decades. The investment decisions of the Trust are made with that objective while minimizing unnecessary risks. However, **all investments carry some level of risk. Their performance in the future can and will differ from their past performance and the Trust's asset values will fluctuate from quarter to quarter and year to year.** Diversification and other asset allocation techniques do not ensure profit or protect against losses.*
- ▶ *The PRT and Board make investment decisions to implement the particular requirements of the Plan of Adjustment, the Deed of Trust, and the Guidelines. **This presentation and the Trust's investment decisions should not be relied on in any way by any other party for any other purpose, particularly (but not only) decisions about investment of pension funds and of individual retirement plans.** Every person should make their own analysis based on their own goals with independent financial professionals before making any investment.*
- ▶ *The views presented here represent the good faith views of the Pension Reserve Trust as of the publication date and are subject to change at any time. The presentation does not contain all the analysis and data examined by the Board in coming to its views.*
- ▶ *Some of the information presented here has been obtained from external sources including the FOMB, the Commonwealth Government, consultants, vendors, etc.. While the Board has exercised reasonable professional care in preparing this content, we cannot guarantee the accuracy of all source information. Any financial information is unaudited.*