



**PENSION
RESERVE TRUST**

FIDEICOMISO DE RESERVA DE PENSIONES

Working to Preserve Pension Benefits

Quarterly Report of the Pension Reserve Trust

November 2024

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

- **The guidelines amendments have been filed with the court. Waiting for court approval.**
- **Executed the shared services agreement.**
- **Began investing annual contribution received on September 30, 2024.**
- **Completed the FY24 external audit.**

Investments

Asset Class	Initial %	Current* %	Policy %
Low Risk Bonds	100%	65%	55%
Bonds with More Risk	0%	7%	10%
Stocks & Other Equities	0%	20%	25%
Other Diversified Investments	0%	8%	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

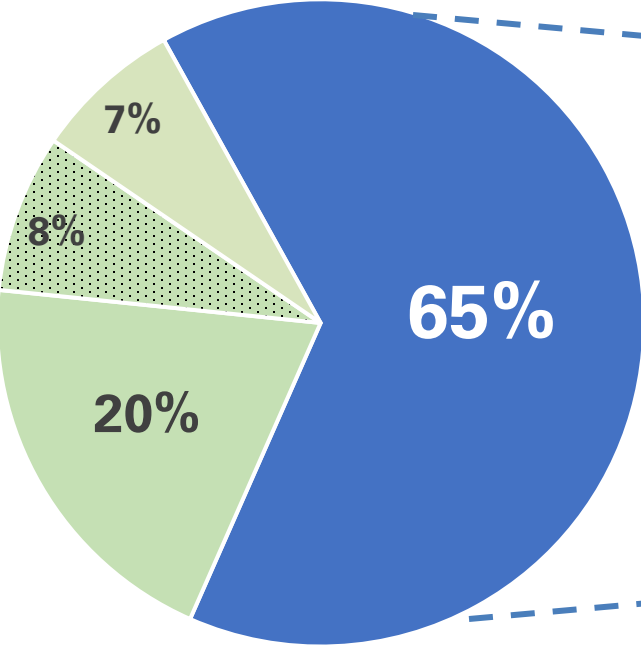
“Stocks & Other Equity:” Principally public market stocks

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

* “Current” are values as of September 30, 2024, before the annual contribution was re-invested.

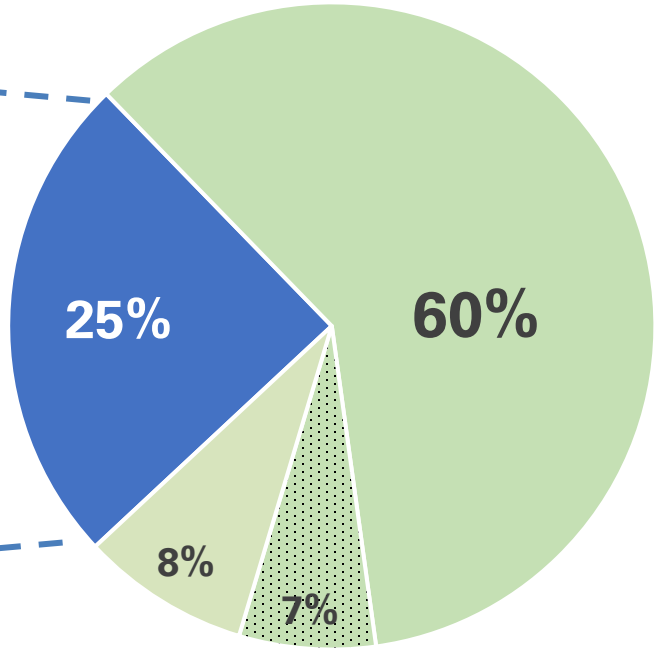
PRT remains more conservatively invested than pension funds.

PRT (as of 9/30)⁽¹⁾



- Low Risk Bonds
- Stocks & Other Equities
- Diversified Investments
- Bonds with More Risk

Pension Fund Average⁽²⁾

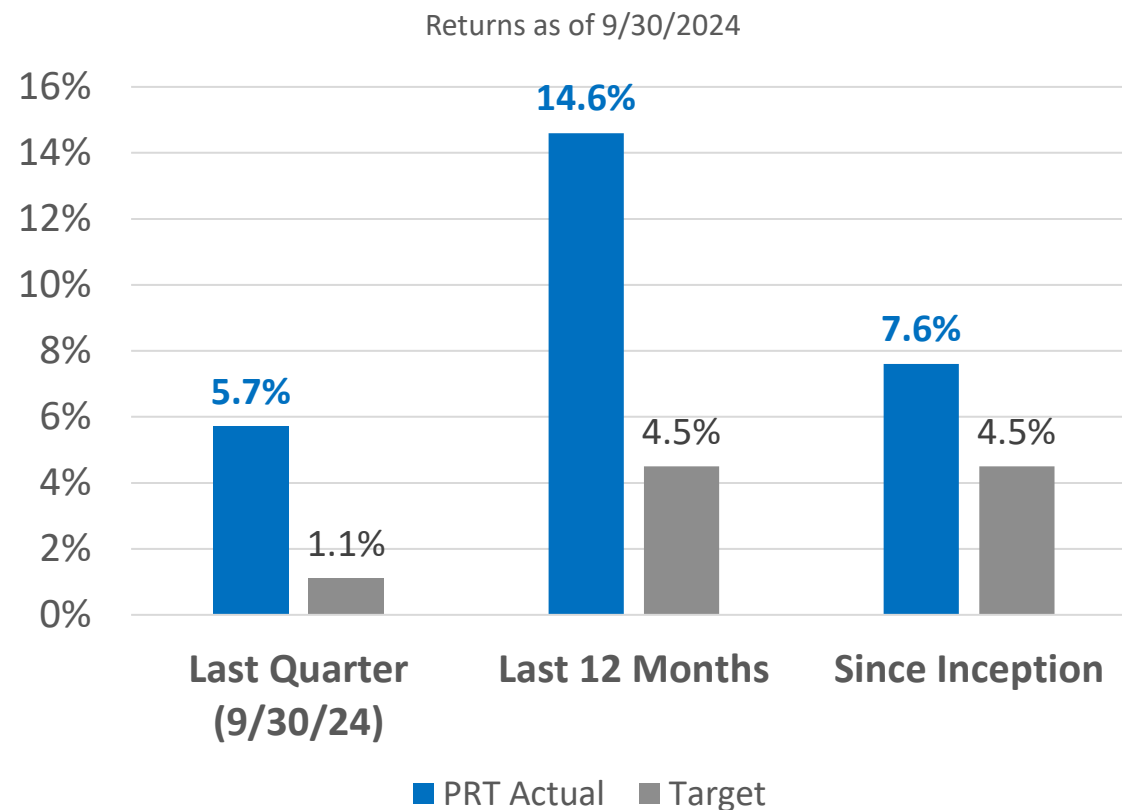


- Low Risk Bonds
- Stocks & Other Equities
- Diversified & Other
- Bonds with More Risk

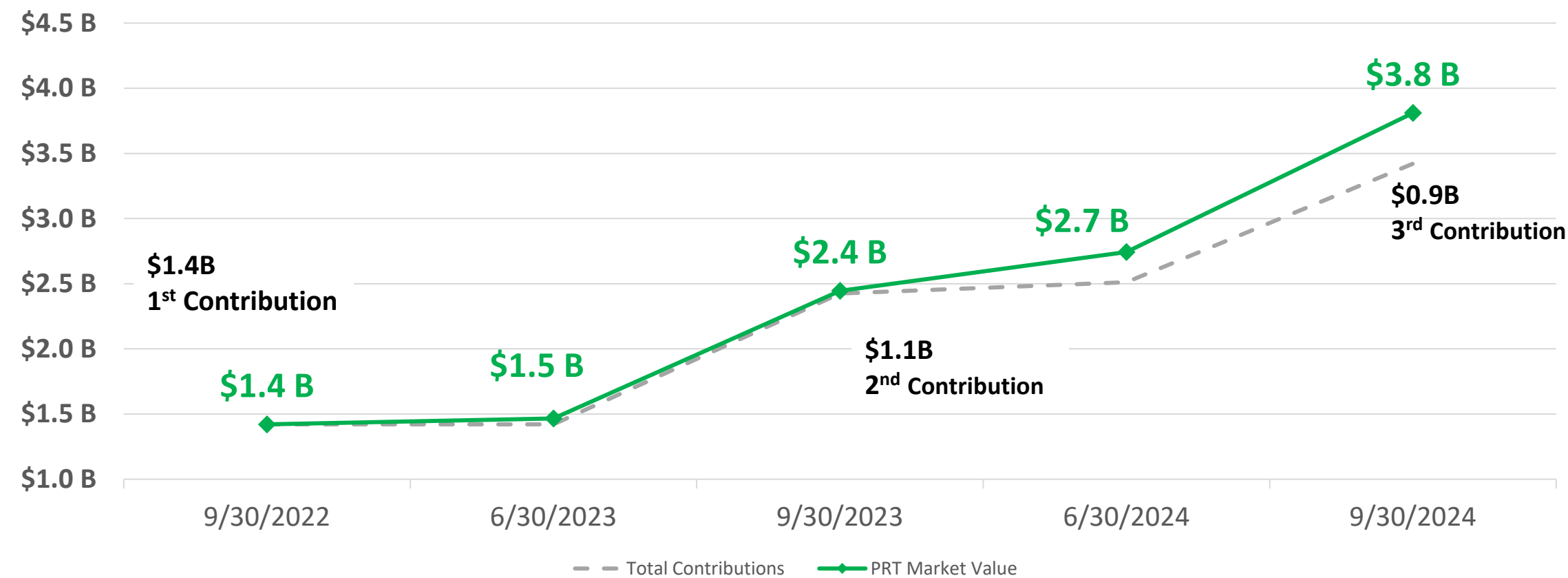
(1) Assets reported before reallocation to plans.

(2) InvestMetrics Public DB Universe as of September 30, 2024; 2023 NCPERS Public Fund Annual Survey

PRT earnings continue to exceed our 4.5% target



PRT Total Assets vs. Contributions



Operations & Budget

Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of budget spent YTD
Administrative and Operating Expenses ⁽²⁾	1,545,000	372,616	24%
Investment Expenses ⁽³⁾	13,150,000	1,285,146	10%
Start-Up Expenses	200,000	52,862	26%
Total Expenses⁽¹⁾	14,895,000	1,710,624	11%

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

(1) Unaudited.

(2) Subject to budget cap in accordance with Section 7.4 of the Guidelines.

(3) Reflect ongoing implementation of the Investment Policy

As of September 30, 2024⁽¹⁾

PRT's expense ratio remains far lower than other funds

AUM v. Actual Expenses	AUM	YTD Expenses (1)	% of AUM v. Expenses
Assets under Management ("AUM")	\$3,810,290,394		
Administrative and Operating Expenses		\$372,616	0.010%
Investment Expenses		1,285,146	0.034%
Start-Up Expenses		52,862	0.001%
Total (1)		\$1,710,624	0.036%

(1) Unaudited.

As of September 30, 2024 (1)



Investments

- **Obtain FOMB approval**
- **Execute Investment Manager Agreements**



Operations

- **Complete transition for shared services.**



Governance & Accountability

- **Get court approval of Guideline Improvements.**
- **Began preparing Annual Report for FY24.**



For further information contact:

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Appendix A

Investment Detail

Pension Reserve Trust

September 30, 2024

COMPOSITE PERFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value (\$)	% of Portfolio	Policy (%)	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	Inception (%)	Inception Date
Total Composite	3,810,290,394	100.0	100.0	1.8	5.7	9.2	14.6	7.6	Oct-22
Policy Index				1.8	5.8	9.3	15.2	7.4	
4.5% Target				0.4	1.1	3.4	4.5	4.5	
Public Equity	762,063,629	20.0	25.0	2.4	6.9	17.6	29.7	17.8	Aug-23
MSCI AC World Index				2.4	6.7	19.1	32.3	19.8	
High Quality Fixed Income	1,461,796,774	38.4	55.0	1.4	5.1	4.9	10.9	7.2	Aug-23
Bloomberg U.S. Aggregate Index				1.3	5.2	4.4	11.6	6.9	
Return Seeking Fixed Income	285,480,561	7.5	10.0	1.7	5.5	6.7	14.6	10.2	Aug-23
Credit Custom BM				1.5	4.7	6.3	13.5	10.1	
Diversification	299,683,720	7.9	10.0	2.8	7.5	13.7	23.8	14.2	Aug-23
Diversification Custom BM				2.9	7.6	13.5	23.2	13.7	
Cash	1,001,265,710	26.3	0.0	0.3	1.2	4.0	5.4	5.1	Oct-22
90 Day U.S. Treasury Bill				0.4	1.4	4.0	5.5	5.0	

Pension Reserve Trust

September 30, 2024

TOTAL FUND PERFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value (\$)	% of Portfolio	Policy (%)	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	Inception (%)	Inception Date
Total Composite	3,810,290,394	100.0	100.0	1.8	5.7	9.2	14.6	7.6	Oct-22
Policy Index				1.8	5.8	9.3	15.2	7.4	
4.5% Target				0.4	1.1	3.4	4.5	4.5	
Public Equity	762,063,629	20.0	25.0	2.4	6.9	17.6	29.7	17.8	Aug-23
Domestic Equity	467,665,566	12.3		1.9	7.1	19.5	33.5	20.9	Aug-23
Vanguard S&P 500 ETF	283,149,833	7.4		2.2	5.8	22.0	36.3	23.3	Aug-23
S&P 500 Index				2.1	5.9	22.1	36.4	23.4	
Vanguard Value ETF	113,064,276	3.0		1.5	9.4	18.9	29.7	19.0	Aug-23
CRSP U.S. Large Cap Value TR Index				1.6	9.4	19.0	29.7	19.0	
Vanguard Extended Market ETF	71,451,458	1.9		1.6	8.1	11.6	28.6	14.7	Aug-23
S&P Completion Index				1.5	8.1	11.6	28.2	14.4	
International Developed Equity	180,298,972	4.7		0.6	4.8	13.0	23.6	13.4	Aug-23
Vanguard FTSE Developed Markets ETF	108,627,688	2.9		1.1	7.2	12.2	24.6	12.9	Aug-23
FTSE Developed All Cap ex-US Index (Net)				1.2	7.5	12.0	24.1	12.7	
State Street Hedged Intl Dev Eq Idx K	71,671,284	1.9		-0.2	1.5	14.0	20.7	15.0	Aug-23
MSCI EAFE 100% USD Hedged				-0.2	1.5	14.0	20.9	15.2	
Emerging Markets Equity	114,099,091	3.0		7.3	9.7	17.3	25.6	13.0	Aug-23
Vanguard FTSE Emerging Markets ETF	114,099,091	3.0		7.3	9.7	17.3	25.6	13.0	Aug-23
FTSE EM All Cap China A Inclusion Net Tax (US RIC)				7.9	10.6	19.2	27.3	15.6	

Pension Reserve Trust

September 30, 2024

TOTAL FUND PERFORMANCE DETAIL

	Allocation			Performance (%)					
	Market Value (\$)	% of Portfolio	Policy (%)	1 Mo (%)	3 Mo (%)	YTD (%)	1 Yr (%)	Inception (%)	Inception Date
Public Debt	1,747,277,335	45.9	65.0	1.4	5.2	5.2	11.5	7.6	Aug-23
High Quality Fixed Income	1,461,796,774	38.4	55.0	1.4	5.1	4.9	10.9	7.2	Aug-23
Treasuries	833,965,368	21.9		1.4	5.3	4.2	10.1	6.0	Aug-23
Vanguard Short-Term Treasury ETF	112,942,738	3.0		0.8	2.9	4.0	6.7	6.0	Aug-23
Blmbg. U.S. Treasury: 1-3 Year				0.8	2.9	4.1	6.8	6.1	
Vanguard Intermediate-Term Trs	313,712,724	8.2		1.1	4.7	4.3	9.4	6.3	Aug-23
Bloomberg U.S. Treasury 3-10 Year Index				1.1	4.7	4.2	9.5	6.4	
Vanguard Long-Term Treasury ETF	247,963,860	6.5		2.1	7.8	2.7	15.3	3.4	Aug-23
Blmbg. U.S. Treasury: Long				2.0	7.8	2.4	15.4	3.4	
Schwab US TIPS ETF	159,346,046	4.2		1.5	4.2	5.0	9.8	5.8	Aug-23
Blmbg. U.S. TIPS				1.5	4.1	4.9	9.8	5.8	
Corporate Bonds	627,831,406	16.5		1.3	4.9	5.7	12.0	8.6	Aug-23
Vanguard Short-Term Corporate Bond ETF	312,637,862	8.2		1.0	3.8	5.3	9.7	7.8	Aug-23
Bloomberg US Corporate 1-5 Years				1.0	3.7	5.4	9.7	7.9	
Vanguard Interm-Term Corp Bd ETF	315,193,544	8.3		1.6	5.9	6.1	15.1	9.6	Aug-23
Blmbg. U.S. Credit Corp 5-10 Year Index				1.6	5.9	6.1	15.0	9.7	
Return Seeking Fixed Income	285,480,561	7.5	10.0	1.7	5.5	6.7	14.6	10.2	Aug-23
Vanguard Total Corporate Bond ETF	143,748,062	3.8		1.8	5.9	5.4	14.3	8.7	Aug-23
Bloomberg US Corporate				1.8	5.8	5.3	14.3	8.8	
iShares 0-5 Year High Yield Corp Bd ETF	70,388,423	1.8		1.4	4.7	7.7	13.3	10.8	Aug-23
ICE BofA 0-5 Year U.S. High Yield Constrained				1.6	4.9	7.8	13.5	11.6	
iShares Broad USD High Yield Corp Bd ETF	71,344,077	1.9		1.6	5.5	8.5	16.1	12.5	Aug-23
ICE BofA US High Yield Master II Constrained				1.6	5.3	8.0	15.7	12.4	

Appendix B

Budget & Expense Detail

Administrative and Operating Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget
Personnel Related	892,000	196,805	22%
Trustees	278,000	68,849	25%
Legal Counsel	85,000	5,508	6%
Accounting and Audit	85,000	60,288	71%
Other Professionals	25,000	2,564	10%
Ordinary Business (General)	85,000	23,536	28%
Travel and other reimbursable expenses	60,000	15,066	25%
Emergency and Contingency Reserve	35,000	-	0%
Total Administrative and Operating Expenses ⁽¹⁾	1,545,000	372,616	24%

⁽¹⁾ Unaudited.

Investment Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget
Investment Staff	80,000	-	0%
Custodian	250,000	37,125	15%
Insurance Policies (D&O, Cyber, etc.)	150,000	28,957	19%
Legal, Regulatory & Compliance (Investment)	450,000	23,089	5%
Other	20,000	-	0%
Equipment, Software and Licenses (Investment)	100,000	-	0%
Asset Withdrawal Model (AWM) study	250,000	-	0%
Investment consultant annual fee	1,350,000	280,319	21%
Investment management fees	10,500,000	915,656	9%
Total Investment Related Expenses⁽¹⁾	13,150,000	1,285,146	10%

⁽¹⁾ Unaudited.

Start-Up Expenses	Annual Budget	YTD Expenses ⁽¹⁾	% of Budget
Recruitment consultant	-	-	0%
IT/website set-up	10,000	-	0%
Legal Counsel	100,000	52,862	53%
Office Configuration	25,000	-	0%
Furniture and Electronic Equipment	65,000	-	0%
Total Start-Up Expenses⁽¹⁾	200,000	52,862	26%

⁽¹⁾ Unaudited.

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- ▶ *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.*