KPMG

EMPLOYEES’ RETIREMENT SYSTEM OF THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO “ERS LEGACY TRUST”

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position

June 30, 2023

(With Independent Auditors’ Report Thereon)

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO— "ERS LEGACY TRUST"

(A Component Unit of the Commonwealth of Puerto Rico)

June 30, 2023

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Independent Auditors' Report

The Retirement Board of the Government of Puerto Rico
Employees' Retirement System of the Government of the Commonwealth of Puerto Rico –
"ERS Legacy Trust":

Report on the Audit of the Financial Statement

Opinion

We have audited the statement of net position of Employees' Retirement System of the Government of the Commonwealth of Puerto Rico – "ERS Legacy Trust" (the Trust), a component unit of the Commonwealth of Puerto Rico (the Commonwealth) as of June 30, 2023, and the related notes to the financial statement, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Trust as of June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Juan, Puerto Rico
June 13, 2024

Stamp No. E556127 of the Puerto Rico
Society of Certified Public Accountants was
affixed to the record copy of this report.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT
OF THE COMMONWEALTH OF PUERTO RICO—
"ERS LEGACY TRUST"
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position

June 30, 2023

(In thousands)

Assets		
Commonwealth's assets in custody of the Trust:		
Cash and cash equivalents:		
Deposits at commercial banks:		
Unrestricted	$	10,009
Restricted		38,265
Money market funds		34,640
Other receivables		396
Investments:		
Bonds and notes		106,411
Limited partnerships		49,737
Member loans and interest receivable – net		151,334
Capital assets – net		48
Other assets		3,172
Total assets	$	394,012
Liabilities		
Accounts payable and accrued liabilities	$	1,817
Due to Commonwealth of Puerto Rico		392,195
Total liabilities		394,012
Net position	$	—

See accompanying notes to Statement of Net Position.

(1) Organization

Prior to July 1, 2017, the Employees' Retirement System of the Government of the Commonwealth of Puerto Rico— "ERS Legacy Trust" ("ERS" or the "Trust") was a pension trust fund created by the Legislature of Puerto Rico (the Legislature) under Act No. 447, as amended, to provide pension and other benefits to retired employees of the Commonwealth of Puerto Rico (the Commonwealth), its public corporations, and municipalities. The Trust was administered by the Puerto Rico Government Employees and Judiciary Retirement Systems Administration (the ERS and JRS Administration) and governed by a board of trustees (the Board of Trustees). During this time, the Trust administered a cost-sharing, multiemployer, pension plan consisting of three benefit structures: (i) a cost-sharing, multiemployer, defined benefit program (the Defined Benefit Program); (ii) a defined contribution program (the System 2000 Program); and (iii) a contributory hybrid program (the Contributory Hybrid Program).

After the enactment of Act No. 106 of 2017, known as *the Law to Guarantee the Payment to Our Pensioners and Establish a New Plan for Defined Contributions for Public Servants* (Act 106-2017), the Trust's operations are limited to maintain custody of the unliquidated assets that are pending to be transferred to the Commonwealth's General Fund, servicing the bonds payable and administrative services on behalf of the Commonwealth.

Act 106-2017 approved a substantial pension reform for all of the Commonwealth's Retirement Systems, including the Trust. This reform modified most of the Trust's activities, restructured the Trust's operations and created the legal framework so that the Commonwealth can make benefit payments to current pensioners. Effective on July 1, 2017, the Trust's previously existing pension programs under Act No. 447 of 1951 (as amended) were terminated and transitioned to a pay-as-you-go (PayGo) system, in which the Trust stopped receiving contributions from employers or plan participants and is no longer managing contributions on behalf of participants. Under the PayGo system, the Commonwealth's General Fund makes direct pension payments to the pensioners and then gets reimbursed for those payments by the applicable employers. Act 106-2017 also ordered a suspension of the Trust's loan programs and ordered a merger of the administrative structures of the retirement systems.

The Commonwealth's General Fund became the only recipient of the assets maintained under the custody of the Trust. The product of the liquidation of said assets is designated by law to be used by the General Fund to cover pension benefits. Therefore, the Statement of Net Position of the Trust is blended in the Commonwealth's government wide financial statements. The Trust only operates to hold assets under custody on behalf of the Commonwealth's General Fund. Between May 21, 2017 and March 15, 2022, the Trust operated in a case under Title III of the Puerto Rico Oversight Management and Economic Stability Act (PROMESA) in the United States District Court for the District of Puerto Rico (the Title III Court). This Title III case concluded during fiscal year 2022, when on March 15, 2022, the conditions precedent to the effective date of the approved Plan of Adjustment were satisfied. Accordingly, the Plan of Adjustment became effective and all related activities mandated by the Title III Court were fulfilled.

The Retirement Board of the Government of Puerto Rico (the Retirement Board) is currently responsible for governing, the Trust, the Judiciary of the Commonwealth of Puerto Rico (JRS) and the Puerto Rico System of Annuities and Pensions for Teachers (TRS). The Retirement Board is comprised of 13 members, including (i) six ex-officio members (or their designees): (1) the Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA), (2) the Secretary of Treasury of the Commonwealth, (3) the Director of the Office of Management and Budget, (4) the Director of the Office for the Administration and Transformation of Human Resources of the Government of Puerto Rico, (5) the President of the Federation of Mayors, and (6) the President of the Association of Mayors; (ii) three Governor-appointed representatives of the teachers of the Department of Education, the public corporations, and the Judiciary Branch; and (iii) four additional Governor-appointed members as representatives of the public interest.

During year ended June 30, 2023, the Trust, JRS and TRS, also component units of the Commonwealth, continue to be administered by the Retirement Board of the Government of Puerto Rico (the Retirement Board), an instrumentality of the Commonwealth of Puerto Rico. Previously, during fiscal year 2022, the Retirement Board began assuming the responsibility for the general and administrative expenses of all three retirement systems, including the Trust.

(2) Summary of Significant Accounting Policies

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities. The Trust follows governmental accounting standards board (GASB) standards in the preparation of its Statement of Net Position. The following are the significant accounting policies followed by the Trust in the preparation of its Statement of Net Position:

(a) Basis of Presentation

The financial activities of the Trust consist only of governmental activities. For its reporting purposes, the Trust has elected to present only the Statement of Net Position. Refer to item (h) for a reconciliation of fund financial data to government-wide data. A brief description of the Trust's government-wide Statement of Net Position is as follows:

Government-wide Financial Statements: The government-wide statement of net position reports the overall financial activity of the Trust.

(b) Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources of economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of the timing of related cash flows.

(c) Use of Estimates

The preparation of the Statement of Net Position in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents in custody of the Trust include all highly liquid debt instruments with original maturities of three months or less from the date of acquisition and consist of deposits and money market funds.

(e) Investments

Investments are reported at fair value. The fair value of investments is based on quoted prices, if available. The Trust had investments in limited partnerships and the Puerto Rico Sales Tax Financing Corporation (COFINA) bonds of approximately $106 million and $50 million, respectively, as of June 30, 2023. Investments in limited partnerships are reported at their Net Asset Value (NAV). The NAV of each fund includes the market value of the investments in the fund plus any receivables, payables, and accrued fund expenses.

(f) Member Loans

Mortgage, personal, and cultural trip loans to plan members in custody are stated at their outstanding principal balance less an allowance for uncollectible amounts. Loans to plan members mostly are collected through payroll withholdings and secured by mortgage deeds, plan members' contributions, and any unrestricted amount remaining in the escrow funds. Act 106-2017 suspended the issuance of new loans effective on August 23, 2017. The maximum amount that was loaned to plan members for mortgage loans was $100,000 and $5,000 for personal, and cultural trip loans.

The allowance for personal and cultural loans is estimated using quantitative methods that consider a variety of factors such as historical loss experience, accumulated contributions, death benefits, and payments in transit. The Trust's allowance for mortgage loan losses is based on ASC 450-20 (General Reserve) and ASC 310-10 (Specific Reserve). The allowance for mortgage loan losses is estimated using quantitative methods that consider a variety of factors such as historical loss experience, accumulated contributions, and loan categories. Accordingly, the mortgage loan portfolio is segmented into three categories: performing loans (PLs), which consist of a homogeneous pool of loans that are deemed not impaired; nonperforming loans (NPLs), which are loans in non-accrual status and in the process of evaluation for foreclosure. Performing loans comprise: (i) loans to active participants or retirees, which are considered collectible since the repayment of the loan is guaranteed through payroll/pension withholdings; (ii) loans to separate employees that are current in their payments. Nonperforming loans represent loans for which members are in default and have not made any scheduled payments of principal or interest for some time (at least 90 days).

The Commonwealth, through the Trust, provides life insurance that guarantees the payment of the outstanding principal balance of loans to plan members in case of death of a plan member. The coverage is paid in its entirety by the plan members who obtain these loans from the Trust. Premiums collected for guarantee insurance and benefits claimed are recorded as additions and deductions of the guarantee insurance reserve, respectively. The guarantee insurance reserve for life insurance on loans to plan members is revised each year and adjusted, accordingly, based on the annual higher claim amount of a five-year period increased by a management determined percentage.

(g) Capital Assets

Capital assets under custody include building, building improvements, and furniture and equipment. Capital assets are defined as assets with an initial individual cost of $500 or more at the date of acquisition and a useful life equal to or in excess of four years. Capital assets are recorded at historical cost, or their estimated historical cost, if actual historical costs are not available. Donated capital assets are recorded at their estimated fair value at time of donation.

Capital assets are depreciated on the straight-line method over the assets estimated useful life. There is no depreciation recorded for construction in progress. The estimated useful lives of capital assets are as follows:

	Years
Building	50
Buildings improvements	10
Equipment, furniture, fixtures, and vehicles	5–10

(h) Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position is displayed in the following components:

- Net investment in capital assets – This consists of capital assets, less accumulated depreciation and amortization. There was no net investment in capital assets net position as of June 30, 2023.
- Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Trust's policy to use restricted resources first, then unrestricted resources when they are needed. There was no restricted net position as of June 30, 2023.
- Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

The following is a reconciliation between the General Fund balance sheet and the statement of net position at June 30, 2023:

Fund balance:	$	—
Add capital assets, net of accumulated depreciation, and other assets as they are not financial resources and, therefore, are not reported in the general fund		3,220
Less long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund:		
Due to Commonwealth		(3,220)
Net position	$	—

(i) Recently Issued Accounting Pronouncements

The following new accounting standards have been issued but are not yet effective during the fiscal year ended June 30, 2023:

- GASB Statement No. 99 – Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

- GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No.62. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

- GASB Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This

Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal year beginning after December 15, 2023, and all reporting periods thereafter.

- GASB Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Management is evaluating the effect that these new statements will have on the Trust's Statement of Net Position.

(3) The Trust Title III Plan of Adjustment and Private Equity Election

For many years, the Trust suffered a fiscal, economic and liquidity crisis. This crisis caused the Trust to be in a significant deficit net position. In response to that crisis, the Trust has gone through a judicially supervised bankruptcy proceeding under Title III of the Puerto Rico Oversight Management and Economic Stability Act (PROMESA). As result of PROMESA, on May 3, 2017 and May 21, 2017, the Oversight Board, at the request of the Governor, commenced Title III cases for the Commonwealth and the Trust, respectively, by filling petitions for relief under this Title III in the United States District Court for the District of Puerto Rico (the Title III Court). By commencing a Title III case, the Trust has benefited from an automatic stay prohibiting creditors from pursuing litigation or collecting any debt payments and had the opportunity to adjust its debts through a plan of adjustment.

On July 30, 2021, the Oversight Board—as representative to the Commonwealth, the Trust, and PBA in their respective Title III cases—filed its Seventh Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 17629] (the Seventh Amended Plan) and a corrected disclosure statement related thereto [ECF No. 17628], which was approved by the Title III Court.

On October 26, 2021, the Governor signed into law Act 53, which provided legislative approval for the bond transactions contemplated in the Seventh Amended Plan conditioned on the elimination of its monthly pension cut provisions in an amended version of that plan.

On November 3, 2021, the Oversight Board filed its Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, et al. [ECF No. 19053] (the Eighth Amended Plan), which further revised the Seventh Amended Plan to eliminate its monthly pension cut provisions consistent with Act 53, among other things. The hearing to consider confirmation of the Eighth Amended Plan commenced on November 8, 2021 and concluded on November 23, 2021. The final modified version of the Eighth Amended Plan was filed on January 14, 2022 [ECF No. 19813-1] (as confirmed, the Plan of Adjustment).

On January 18, 2022, the Title III Court entered its findings of fact and conclusions of law in connection with the Plan of Adjustment [ECF No. 19812] (the Findings of Fact) and an order confirming the Plan of Adjustment [ECF No. 19813] (the Confirmation Order). In both the Confirmation Order and Findings of Fact, the Title III Court found that Act 53 properly authorized the issuance of new bonds and provided adequate means for implementation of the Plan of Adjustment.

Between January 28, 2022 and February 17, 2022, six appeals of the Confirmation Order were filed in the First Circuit, which have all been dismissed. On March 8, 2022, the First Circuit entered an order dismissing the appeal by the Judge's Association [Case No. 22-1098] following a motion to voluntarily dismiss. By March 11, 2022, the First Circuit denied all parties' motions for a stay pending appeal, which allowed the Commonwealth Plan of Adjustment to become effective despite the appeals. On April 26, 2022, the First Circuit affirmed the Commonwealth Plan of Adjustment with respect to the appeal filed by the teachers' associations. See Case No. 22-1080. The teachers' associations filed a petition for a writ of certiorari, which the U.S. Supreme Court denied on November 21, 2022. On July 18, 2022, the First Circuit affirmed the Title III Court's finding that the Commonwealth Plan of Adjustment could not discharge otherwise valid Fifth Amendment takings claims without payment of just compensation. See Case No. 22-1119. That decision was the subject of petition for a writ of certiorari, which the U.S. Supreme Court denied on February 21, 2023. On October 27, 2022, the First Circuit denied another retiree group's appeal of the Confirmation Order's preemption of Acts 80, 81, and 82 for lack of appellate jurisdiction. See Case No. 22-1120. On November 23, 2022, the First Circuit dismissed the credit unions' appeal as moot after dismissing their underlying adversary proceeding claims. See Case No. 22-1079. On August 22, 2023, the First Circuit dismissed the appeal of a milk producer's takings claim, finding that he only held a contract-based settlement claim that could be impaired in bankruptcy. See Case No. 22-1092.

On March 15, 2022 (the Effective Date), the conditions precedent to the Effective Date of the Plan of Adjustment were satisfied and/or waived by the Oversight Board, and the plan became effective. Accordingly, the Plan of Adjustment has been confirmed and is currently effective as of the date hereof.

As of the Effective Date, the Plan of Adjustment reduced the Commonwealth's total funded debt obligations from approximately $34.3 billion of prepetition debt to approximately $7.4 billion, representing a total debt reduction of 78%. This debt reduction will also reduce the Commonwealth's maximum annual debt service (inclusive of COFINA) from approximately $4.2 billion to $1.15 billion, representing a total debt service reduction of 73%. Also as of the Effective Date, all of the legacy Commonwealth general obligation bonds, the Trust's bonds, and PBA bonds were discharged, and all of the Commonwealth, the Trust, and PBA obligations and guarantees related thereto were discharged. In addition, all Commonwealth laws that required the transfer of funds from the Commonwealth to other entities have been deemed preempted, and the Commonwealth has no obligation to transfer additional amounts pursuant to those laws. Importantly, effectuating the Plan of Adjustment provides a path for Puerto Rico to access the credit markets and develop balanced annual budgets.

The Plan of Adjustment classified claims into 69 classes, of which the following classes are related to the Trust's creditors who received the following aggregate recoveries as follows:

- ERS Bond Claims (Class 65): 16% recovery consisting of cash and interests in the ERS Private Equity Portfolio; and
- Various categories of General Unsecured Claims (Classes 13, 58, and 66): 21% recovery in cash.

On the Effective Date of the Plan of Adjustment, the Trust's Bonds—which were classified as ERS Bond Claims under Class 65— were discharged and all related litigation dismissed in exchange for a 16% recovery consisting of cash and interests in the Trust's Private Equity Portfolio (defined below). Specifically holders of the Trust's Bonds received (i) $373 million in cash distributions, with such cash payments being made available from the Trust and the Commonwealth from the purchase of ERS assets, and (ii) $74 million in cash distribution, equivalent to an interest in the trust portfolio of private equity interests held by the Trust as of the Effective Date (the ERS Private Equity Portfolio), which assets continued to be managed by the Trust and purchased by the Commonwealth, pursuant to an election provided in the Plan of Adjustment (the Bondholder Election).

The Commonwealth Plan of Adjustment preserves all accrued pension benefits for active and retired public employees under Class 51. However, participants of the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS) and Teachers Retirement System of Puerto Rico (TRS) will be subject to benefits freeze and the elimination of any cost-of-living adjustments (or COLAs) previously authorized under the JRS and TRS pension plans.

In their respective appeals, the teachers' association and judges' association argued that (i) the Commonwealth Plan of Adjustment's freeze of pension accruals and the elimination of COLAs were inconsistent with Act 53 and, therefore, those provisions were unauthorized by the legislature, and (ii) the Commonwealth laws authorizing the continued accruals for the JRS and TRS pension plans were not properly preempted by the Commonwealth Plan of Adjustment. See In re The Fin. Oversight & Mgmt. Bd. for P.R., Case No. 17-3283-LTS, 2022 WL 620624, at *3-4 (D.P.R. Mar. 3, 2022). The First Circuit rejected these arguments, concluding that the operative provisions of Act 53 conditioned authority to issue securities under the Commonwealth Plan of Adjustment on the elimination of the "Monthly Benefit Modification" in the Seventh Amended Plan, which only concerned accrued pension rights of pension plan participants and retirees, not the defined benefit freeze or elimination of COLAs. See In re The Fin. Oversight & Mgmt. Bd. for P.R., 32 F.4th 67, 81-82 (1st Cir. 2022). In addition, the First Circuit held that PROMESA preempts Commonwealth law—such as the JRS and TRS pension statutes—insofar as those laws purport to dictate contrary to the Commonwealth Plan of Adjustment the Commonwealth's financial obligations to participants in its pension plans. Id. at 78. As a result, the First Circuit affirmed the Title III Court's Confirmation Order as to the JRS and TRS pension provisions implementing a benefits freeze and the elimination of COLAs.

The completion of the Commonwealth's restructuring under the PROMESA Title III process and the discharge of claims under the Plan of Adjustment resulted in an aggregate extraordinary gain of approximately $3.5 billion for fiscal year 2022.

On November 18, 2022, the Commonwealth exercised the options and purchased the Trust's Private Equity Portfolio. In particular, under the Plan of Adjustment, (i) the Commonwealth was granted an option through April 10, 2023 to purchase the ERS Private Equity Portfolio for $70,750,000, (ii) in the event the Commonwealth declines to exercise such option, pursuant to the Bondholder Election, ERS bondholders have the option to purchase the ERS Private Equity Portfolio for $70,750,000, plus such amount as may be necessary to reimburse the Commonwealth for any funded shortfall amounts in connection with the ERS Private Equity Portfolio, and (iii) in the event that the Bondholder Election is not exercised, the Commonwealth shall purchase the ERS Private Equity Portfolio for $70,750,000. During fiscal year 2023, this election by the Commonwealth did not has any impact in the Trust's financial statements, since on prior year, the Trust recognized approximately $70 million as revenue from the Commonwealth for the purchasing of the Trust's private equity. Refer to Note 4 for additional explanation on the Trust's private equity portfolio.

For general unsecured claims, the Plan of Adjustment provides for separate levels of creditor cash recoveries at each debtor, as applicable. All general unsecured claims against ERS are discharged, and ERS's general unsecured creditors will receive pro rata cash distributions from a fund established for ERS general unsecured creditors, which consists of $500,000 plus any net recoveries by the Avoidance Actions Trust allocable to ERS.

For further information, refer to the final versions of the Plan of Adjustment, Findings of Fact, and Confirmation Order, which are available at https://cases.ra.kroll.com/puertorico/Home-DocketInfo.

(4) Deposits and Investments

(a) Deposits

Deposits as of June 30, 2023 consisted of the following (in thousands):

		Carrying amount	Depository bank balance	Amount uninsured and uncollateralized
Deposits in custody of the Trust:				
Deposits with Puerto Rico commercial banks	$	48,274	53,984	—
Money market funds		34,640	34,640	—
Total in custody of the Trust	$	82,914	88,624	—

Custodial credit risk for deposits is the risk that, in an event of the failure of a depository financial institution, the Trust may not be able to recover deposits or collateral securities that are in the possession of an outside party. The Commonwealth requires that public funds deposited in Puerto Rico commercial banks be fully collateralized for the amount deposited in excess of federal depository insurance. All securities pledged as collateral are held by banks in the Commonwealth's name. Deposits with non-Puerto Rico commercial banks and money market funds are uninsured and uncollateralized, as these entities are exempt from compliance with the collateralization requirement.

(b) COFINA Bonds Restructuring

On February 12, 2019, the Third Amended Title III Plan of Adjustment of the Puerto Rico Sales Tax Financing Corporation (the COFINA Plan of Adjustment) was substantially consummated and became effective. As result, COFINA's existing senior and subordinated bondholders, including the Trust, received new senior secured bonds issued by COFINA in accordance with the COFINA Plan of Adjustment. During the year fiscal ended June 30, 2023, COFINA bonds generated unrealized losses of approximately $11 million and are reported as a decrease in due to Commonwealth.

(c) Fair Value Measurement

The Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the inputs used in valuation, gives the highest priority to unadjusted quoted prices in active markets, and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

Level 1 – Inputs whose values are based on unadjusted quoted prices for identical instruments in active markets that the Trust has the ability to access.

Level 2 – Inputs whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Trust's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each investment. Investments measured at Net Asset Value (NAV) as practical expedient are not subject to level classification.

The table below shows the fair value leveling of the Trust's investments:

Investment type		Level 1	Level 2	Level 3		Total
Investments measured at fair value:						
COFINA bonds	$	—	106,411	—		106,411
Investments measured at NAV as practical expedient:						
Investments in limited partnerships						49,737
Total Investments					$	156,148

The Trust's investments are exposed to custodial credit risk, credit risk, concentration of credit risk, foreign currency risk, and interest rate risk. Following is a description of these risks as of June 30, 2023:

(i) *Custodial Credit Risk*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Trust may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2023, securities investments were registered in the name of the Trust and were held in the possession of the Trust's custodian banks.

(ii) *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. COFINA Bonds has not been rated as of June 30, 2023.

(iii) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. As of June 30, 2023, all investments in COFINA Bonds and in limited partnerships, maintained by the Trust represent 5% or more of the Trust's total investments.

(iv) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The contractual maturity of investments as of June 30, 2023, is summarized below (in thousands). Expected maturities will differ from contractual maturities, because counterparties may have the right to call or prepay obligations with or without call or prepayment penalties.

		Maturity (in years)				
Investment type		**Within one year**	**After one to five years**	**After five to ten years**	**After ten years**	**Total**
Bonds and notes:						
COFINA bonds	$	—	—	—	106,411	106,411
Total investments						$ 106,411

(v) Investments in Limited Partnerships

The fair value of investments in limited partnerships at June 30, 2023, amounted to approximately $50 million and is presented as private equity investments in the statement of net position. The allocations of net gains and losses to limited partners are based on certain percentages, as established in the limited partnership agreements.

In accordance with the partnership agreements, the Trust's investments can only be redeemed upon distribution from funds managers; usually in the form of a sale of its holdings or dividends distributed. As of June 30, 2023, the Trust does not intend to sell its investments in limited partnerships for an amount different to that presented in the financial statements.

As of June 30, 2023, the date of commitment, total commitment, 2023 contributions, contributions to date at cost, and estimated fair value of investments in limited partnerships are as follows (in thousands):

	Date of commitment	Total commitment	2023 Contributions	Unfunded commitments	Estimated fair value
Advent-Morro Equity Partner, Inc.:					
Guayacán Private Equity Fund, LP	February 1997	5,000	—	355	4,997
Guayacán Private Equity Fund II, LP	April 2007	25,000	—	453	7,135
Venture Capital Fund, Inc.	October 1995	800	—	—	953
GF Capital Management and Advisors, LLC – GF Capital Private Equity Fund LP	December 2006	25,000	—	7	14,906
MCOY Investments	December 2016	10,000	—	—	17,543
Phoenix	July 2016	10,000	—	—	—
Terracap	July 2016	6,829	—	—	4,203
Total		$ 82,629	—	815	49,737

Also, as discussed in Note 3 to these financial statements, on January 18, 2022, the Title III Court confirmed the Plan of Adjustment for the Commonwealth, PBA, and the Trust. The Plan of Adjustment became effective on March 15, 2022. On this Effective Date, all of the Trust's Bond Claims (Class 65) were discharged and all related litigation dismissed in exchange for a 16% recovery consisting of cash and interests in the Trust's Private Equity Portfolio.

Specifically holders of the Trust's bonds received (i) $373,000,000 in cash distributions, with such cash payments being made available from the Trust and the Commonwealth from the purchase of the Trust's assets, and (ii) interest in a trust holding a portfolio of private equity interests held by the Trust as of the Effective Date (the ERS Private Equity Portfolio), which assets continue to be managed by the Trust up to the date that such assets are purchased by the Commonwealth or holders of the Trust's Bonds Claims, pursuant to an election provided in the Plan (the Bondholder Election). In particular, under the Plan, (i) the Commonwealth is granted an option through April 10, 2023 to purchase the ERS Private Equity Portfolio for $70,750,000, (ii) in the event the Commonwealth declines to exercise such option, pursuant to the Bondholder Election, the Trust's bondholders have the option to purchase the ERS Private Equity Portfolio for $70,750,000, plus such amount as may be necessary to reimburse the Commonwealth for any funded shortfall amounts in connection with the ERS Private Equity Portfolio, and (iii) in the event that the Bondholder Election is not exercised, the Commonwealth shall purchase the ERS Private Equity Portfolio for $70,750,000. On November 18, 2022, the Commonwealth exercised the option and purchased the ERS Private Equity Portfolio. During fiscal year 2023, this election by the Commonwealth did not has any impact in the Trust's financial statements, since on prior year, the Trust recognized approximately $70 million as revenue from the Commonwealth for the purchasing of the Trust's private equity. Refer to Note 3 for additional explanation.

(vi) Net Appreciation/(Depreciation) in Fair Value of Investments

For the year ended June 30, 2023, the net depreciation in fair value of investments amounted to approximately $8 million and was recorded as a decrease in due to Commonwealth. The segregated net appreciation in fair value is as follows (in thousands):

Investment type		Realized gain/(loss)	Unrealized gain/(loss)	Net appreciation/ (depreciation) in fair value of investments
Bonds and notes	$	—	(10,995)	(10,995)
Investments in limited partnerships		160	2,394	2,554
Total investments	$	160	(8,601)	(8,441)

(5) Claim Receivable from Public Entity Trust

On November 29, 2018, the Government Development Bank for Puerto Rico (GDB) completed a restructuring of certain of its indebtedness pursuant to a Qualifying Modification under Title VI of PROMESA (the GDB Qualifying Modification). Under the GDB Qualifying Modification, and pursuant to Act No. 109 of 2017, also known as the Government Development Bank for Puerto Rico Debt Restructuring Act (the GDB Restructuring Act), the balance of liabilities owed between the Commonwealth and its agents, instrumentalities and affiliates, including the Trust (each a Non-Municipal Government Entity) and GDB were determined by applying the outstanding balance of any deposits held at GDB in a Non-Municipal Government Entity's name against the outstanding balance of any loan of such Non-Municipal Government Entity owed to GDB or of any bond or note of such Non-municipal Government Entity held by GDB as of such date. Those Non-Municipal Government Entities having net claims against GDB after giving effect to the foregoing adjustment, including the Trust, received their pro rata share of interests in a newly formed trust created by the GDB Restructuring Act, the Public Entity Trust (the PET) (which included a total PET Claim of approximately $32.9 million). The interests received against the PET was deemed to be in full satisfaction of any and all claims the Authority may have against GDB and the Trust.

Prior to the closing of the Qualifying Modification, on October 5, 2018, GDB, the Puerto Rico Fiscal Agency and Financial Advisory Authority, the Financial Oversight and Management Board for Puerto Rico and the Official Committee of Unsecured Creditors of All Title III Debtors (Other Than COFINA) (the "Committee") entered a stipulation (the "Stipulation") resolving certain litigation that had been commenced by the Committee challenging the GDB Qualifying Modification. The U.S. District Court for the District of Puerto Rico entered an order on the Stipulation on October 9, 2018.

Under the Stipulation, GDB agreed to transfer to the PET any cash that remained at GDB after satisfaction of the obligations pursuant to certain cash adjustments for which such cash was retained under the GDB Restructuring in an aggregate amount up to $10 million (the "Contingent Settlement Cash"). The Contingent

Settlement Cash, if any, would be applied as partial payment of the remaining claims that the Puerto Rico Electric Power Authority ("PREPA") and the Trust have against the PET.

On February 24, 2023, the PET transferred approximately $1.3 million to the Trust, representing its pro rata share of the remaining Contingent Settlement Cash. Upon transfer of approximately $1.3 million to the Trust, the remaining claims of ERS against the PET were reduced to $26.3 million.

The remaining assets of the PET consist of, among other items, an unsecured claim of $578 million against the Commonwealth, which is the subject of a proof of claim filed in the Commonwealth's Title III case (the PET Claim). Non-Municipal Government Entities' recoveries on account of their interests in the PET will depend upon the recovery ultimately received by the PET on account of the PET Claim and other PET Assets. As discussed in Note 3, the Commonwealth Plan of Adjustment discharges any claim related to budgetary appropriations, including appropriations for the repayment of certain loans held by the PET. As of the date hereof, the Court has not determined if the PET Claim is an allowed claim that will be entitled to a distribution. As a result, units received from the PET were accounted for with a carrying value of zero.

	Pro rata share of interest in the PET (in thousands)		
	Balance	Allowance	Book balance
Claim receivable	$ 26,307	(26,307)	—

(6) Member Loans and Interest Receivable

As of June 30, 2023, the composition of loans and interest receivable from plan members is summarized as follows (in thousands):

Loans receivable:	
Personal	$ 37,078
Mortgage	124,199
Cultural trips	3,750
Total loans to plan members	165,027
Accrued interest receivable	8,619
Less:	
Escrow funds of mortgage loans and guarantee insurance reserve	(6,640)
Allowance for loan losses, including interest	(15,672)
Total loans and interest receivable from plan members – net	$ 151,334

The originations of mortgage loans were frozen in December 2013 and those related to personal and cultural loans were frozen in November 2016.

The allowance for loan losses is considered a general allowance for all categories of loans and interest receivable, except for mortgage loans. For personal and cultural loans, the allowance for loan losses (ALLL) is determined using the specific allowance for loans losses methodology. The ALLL for personal and cultural loans consider all loans categories, including interest receivable. Mortgage loans portfolio is segregated into two categories to determine the ALLL: (i) loans subject to specific reserve; and (ii) loans subject to general reserve.

(7) Capital Assets

Capital assets in custody of the Trust's activity for the year ended June 30, 2023 was as follows:

		Beginning balance	Increases	Decreases	Ending balance
Capital assets depreciable:					
Equipment	$	2,394	—	(549)	1,845
Office furniture		2,558	—	(451)	2,107
Vehicles		82	—	—	82
Total capital asset, depreciable		5,034	—	(1,000)	4,034

		Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation and amortization for:					
Equipment	$	2,364	18	(551)	1,831
Office furniture		2,497	24	(448)	2,073
Vehicles		82	—	—	82
Total accumulated depreciation and amortization		4,943	42	(999)	3,986
Total capital asset depreciable		91	(42)	(1)	48
Capital assets, net	$	91	(42)	(1)	48

(8) Related Parties' Transactions

(a) Commonwealth of Puerto Rico

The Trust pays death benefits and refunds of contributions to beneficiaries and terminated members on behalf of the Commonwealth and provides the servicing to loans to members portfolio, as well as membership services. During the year ended June 30, 2023, the Trust paid on behalf of the Commonwealth approximately $21 million in death benefits and refunds of contributions.

The following table presents the activities managed by the Trust on behalf of the Commonwealth during the year ended 6/30/2023:

		In thousands
Additions:		
Contributions from the Retirement Board of the Commonwealth of Puerto Rico - net	$	13,239
Investment income:		
Net depreciation in fair value of investments		(8,441)
Interest		15,759
Dividends		80
Less investment expense		(52)
Net investment income		7,346
Other income		5,643
Total additions		26,228
Deductions:		
Death benefits paid to participants		12,540
Refunds of contributions		8,233
Depreciation expense		42
Cash transfer to the Commonwealth		6,640
Other expenses		2,766
Total deductions		30,221
Change in Due to Commonwealth		(3,993)
Due to Commonwealth		
Beginning of year		396,188
Change in Due to Commonwealth		(3,993)
End of year	$	392,195

Contributions from the Retirement Board, net, consist of cash deposits received from the Retirement Board of approximately $16 million for the payment of death benefits and refunds of contributions to members, and cash transferred to the Retirement Board of approximately $ 3 million for the payment of administrative expenses.

(b) Retirement Board of the Government of Puerto Rico

During the year ended June 30, 2022, the Retirement Board began operations as an instrumentality of the Commonwealth and assumed responsibility for the administrative and general expenses of the Trust, JRS, and TRS. Also, the Retirement Board received appropriations from Commonwealths' General Fund for the pension benefits managed by the Trust. Accordingly, during the year ended June 30, 2023, the Trust received transfers of cash from the Retirement Board of approximately $16 million for the payment of refunds of contributions and death benefits to inactive members on behalf of the Commonwealth. The transfer of funds from the Retirement board and the benefits payment to the Trust membership were recorded as a change in Due to Commonwealth.

(9) Contingencies

(a) Litigation Filed by Creditors Against the Trust Before Commencement of the Title III Case

Administración de los Sistemas de Retiro de los Empleados del Gobierno y la Judicatura de Puerto Rico, et. al v. UBS Fin. Servs. Inc. of Puerto Rico, et al., Civ. No. KAC-2011-1067 (803) (P.R. Ct. of First Instance Sept. 29, 2011)

On September 29, 2011, two beneficiaries commenced a derivative suit in the Commonwealth of Puerto Rico Court of First Instance, San Juan Part (the Commonwealth Court), alleging breach of fiduciary duties and breach of contract against the *underwriters* in the issuance and underwriting of $3 billion of the Trust bonds in 2008 (the UBS Action). On December 7, 2016, the Commonwealth Court allowed the Trust to intervene and ordered the plaintiffs, which now include the Trust and seven individual plaintiffs (collectively, the Plaintiffs), to file a third amended complaint against the underwriters, including UBS Financial Services Inc. of Puerto Rico (UBS), and related entities (collectively, the UBS Defendants). UBS had served as the lead underwriter of the 2008 ERS bonds.

Among other things, Plaintiffs allege that by participating as the lead underwriter of the 2008 ERS bonds, UBS violated its contractual, noncontractual and fiduciary obligations to the Trust. The Plaintiffs seek a ruling that UBS is liable to the Trust for over $800 million for underwriting the 2008 ERS bonds.

On March 6, 2019, Plaintiffs filed the Fourth Amended Complaint against the UBS Defendants, which was accepted by the Commonwealth Court on April 15, 2019. On April 29, 2019, UBS filed its answer and an informative motion regarding its intent to file a counterclaim if the Trust's Title III automatic stay were to be lifted. The proposed counterclaim attached to the informative motion alleges breach of contract and indemnification arising out of the Trust's issuance of the 2008 ERS bonds.

On June 25, 2019, the Oversight Board filed a motion to stay certain contested matters pending confirmation of a proposed plan of adjustment for the Commonwealth. On July 24, 2019, the Title III Court entered an order staying until November 30, 2019, various adversary proceedings and claims objections before it with overlapping issues, including those involving the validity of the Trust bond issuances. UBS contends that the UBS Action in the Commonwealth Court should be stayed pending the Title III Court's resolution of alleged common legal issues.

On October 8, 2019, UBS filed a motion for relief from the automatic stay in order to assert counterclaims in the Commonwealth Court for breach of contract and indemnification against the Trust in the UBS Action. UBS asserted that the Trust represented in the 2008 Bond Offering Statements that it was issuing the 2008 ERS bonds in accordance with the authority provided under the Retirement Act, and that the 2008 ERS bonds would be legally binding special obligations of the Trust. UBS also argued that the Trust represented in the purchase contracts entered into with UBS that the Trust had full right, power and legal authority to issue the bonds, and it was not in violation of any law. On December 11, 2019, the Title III Court held a hearing on UBS's stay relief motion. On December 16, 2019, the Title III Court granted UBS limited relief from the stay solely to allow UBS to present its proposed counterclaims in the Commonwealth Court. On February 4, 2020, UBS submitted its counterclaims in the Commonwealth Court. On March 9, 2020, the Oversight Board filed its objections to the counterclaims. On March 30, 2020, UBS renewed its stay relief motion, arguing that the Oversight Board's objection to the counterclaims violated the December limited lift-stay order and the Commonwealth Court should now be free to hear the Oversight Board's objections. On April 22, 2020, the Title III Court denied the motion. The case remains pending in the Commonwealth Court and is currently in discovery.

UBS has also filed two proofs of claim against the Trust related to the UBS Action, as well as two proofs of claim related to *Casasnovas Balado v. UBS Fin. Servs., Inc.*, No. K AC-2014-0072 (905) (P.R. Ct. of First Instance Jan. 29, 2016), an action filed by a group of individual plaintiffs arising from the Trust bond issuances.

(b) Litigation Filed by Creditors Against the Trust After Commencement of the Title III Case

La Liga de Ciudades de P.R. v. The Fin. Oversight & Mgmt. Bd. for P.R., Adv. Pro. No. 21-00026-LTS (D.P.R. March 14, 2021)

On March 14, 2021, La Liga de Ciudades de Puerto Rico (La Liga), a non-profit corporation claiming to have as members mayors of Puerto Rico's municipalities, filed a complaint against the Oversight Board, FAFAA, the Municipal Revenues Collection Center (CRIM), the Puerto Rico Health Insurance Administration (ASES), and Luis M. Collazo Rodríguez, in his capacity as administrator of the System (collectively, Defendants). The complaint alleges that CRIM, ASES, and the System are collecting and withholding money from Puerto Rico's municipalities based on an incorrect interpretation of an order entered in the Act 29 Litigation (discussed above), in which the Title III Court declared Act 29 "unenforceable and of no effect."

After the order in the Act 29 Litigation went into effect, CRIM held back funds that otherwise would have been disbursed to the municipalities in order to pay ASES and the System the health care and retirement contributions that, but for Act 29, would have been made during the period prior to the effective date of the Act 29 Litigation order. La Liga contends those debts are "inexistent," because the order did not apply retroactively. Accordingly, La Liga seeks (i) a declaratory judgment "decreeing that the debts claimed by CRIM, ASES and [the System] … are "inexistent" and that the withholdings made by CRIM to purportedly offset those inexistent debts are "illegal", (ii) an injunction "prohibiting Defendants from collecting from the municipalities any of the monies that Law 29 exempted them" from paying prior to the effective date of the order, (iii) an order requiring CRIM to immediately disburse any funds withheld to pay for the Act 29-related debts, and (iv) an order requiring the System and ASES to return to CRIM "any and all monies" received to pay the purported debts.

On *May* 14, 2021, the Oversight Board and FAFAA (on behalf of the other government defendants) filed separate motions to dismiss. All briefing on the motions to dismiss was completed on *July* 14, 2021. On *November* 2, 2021, certain members of the *U.S.* House of Representatives filed a motion for leave to participate in this case with amicus curiae "plus" status, which would grant the *U.S.* House members full participation rights in the La Liga litigation. On *November* 15, 2021, the Oversight Board filed its response in which it did not object to the Title III Court accepting the amicus brief but objected to *U.S.* House members' "plus" status in this case. The *U.S.* House members filed a reply on *November* 22, 2021.

On January 4, 2022, the Title III Court entered an order granting the motions to dismiss. On January 18, 2022, La Liga filed a notice of appeal in the First Circuit under Case No. 22-1062. Briefing was completed on November 10, 2022 and oral argument was held on December 6, 2022. As of the date hereof, the First Circuit has not issued a decision.

(10) Subsequent Events

Subsequent events were evaluated through June 13, 2024 the date the Statement of Net Position were available to be issued, to determine if such events should be recognized or disclosed in the 2023 Statement of Net Position.

On October 23, 2023, the PET transferred $29,285 to the Trust, representing the Trust's pro rata share of GDB's settlements under ongoing Causes of Actions that are being pursued by GDB. Upon transfer of this amount to the Trust, the remaining claims of ERS against the PET were reduced to approximately $26.2 million.