



Kevane

Grant Thornton

Financial Statements and Report of
Independent Certified Public Accountants

**Commonwealth Plan of Adjustment Benefit
Council Corp.**

June 30, 2023

Commonwealth Plan of Adjustment Benefit Council Corp.

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Report of Independent Certified Public Accountants

To the Members

Commonwealth Plan of Adjustment Benefit Council Corp.:

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Opinion

We have audited the accompanying financial statements of **Commonwealth Plan of Adjustment Benefit Council Corp.**, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Commonwealth Plan of Adjustment Benefit Council Corp.** as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Commonwealth Plan of Adjustment Benefit Council Corp.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Commonwealth Plan of Adjustment Benefit Council Corp.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 statements.
- 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 **Commonwealth Plan of Adjustment Benefit Council Corp.**'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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Commonwealth Plan of Adjustment Benefit Council Corp.**'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.

San Juan, Puerto Rico,
December 12, 2023.



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(OF PUERTO RICO)
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Commonwealth Plan of Adjustment Benefit Council Corp.

Statement of Financial Position June 30, 2023

<u>Assets</u>		<u>Without Donor Restrictions</u>
Current assets:		
Cash		\$ 300,247
Certificate of deposit		250,000
Prepaid expenses		<u>94,927</u>
Total assets		<u>\$ 645,174</u>
 <u>Liabilities and Net Assets</u>		
		<u>Without Donor Restrictions</u>
Current liabilities:		
Accounts payable		\$ 83,054
Accrued expenses		44,272
Due to members		<u>1,971</u>
Total liabilities		<u>129,297</u>
Net assets:		
Without donor restrictions		<u>515,877</u>
Total net assets		<u>515,877</u>
Total liabilities and net assets		<u>\$ 645,174</u>

Commonwealth Plan of Adjustment Benefit Council Corp.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>
Revenue, gains and other support:	
Contribution from the Pension Reserve Trust	\$ 577,550
Total revenue, gains and support, net	<u>577,550</u>
Expenses:	
Non-ordinary activities:	
Election process	184,672
Establishment of council	<u>157,626</u>
Total non-ordinary activities	<u>342,298</u>
Ordinary activities:	
Management and general	<u>249,316</u>
Total ordinary activities	<u>249,316</u>
Total expenses	<u>591,614</u>
Change in net assets	(14,064)
Net assets, beginning of period	<u>529,941</u>
Net assets, end of year	<u>\$ 515,877</u>

Commonwealth Plan of Adjustment Benefit Council Corp.

Statement of Cash Flows For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ (14,064)
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Decrease/(increase) in assets:	
Prepaid expenses	(94,927)
(Decrease)/increase in liabilities:	
Accounts payable	70,936
Accrued expenses	44,272
Due to members	<u>(6,154)</u>
Net cash provided by operating activities	<u>63</u>
Cash flows used in investing activities -investment in certificate of deposit	<u>(250,000)</u>
Net decrease in cash	(249,937)
Cash , beginning of period	<u>550,184</u>
Cash , end of period	<u>\$ 300,247</u>

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

(1) Organization:

The Commonwealth Plan of Adjustment Benefit Council Corp. (the "Council") is a non-profit corporation incorporated on May 9, 2022 under the laws of the Commonwealth of Puerto Rico (the "Commonwealth"), pursuant to the terms of the Eight Amended Plan of Adjustment (the "Commonwealth Plan"), confirmed on January 18, 2022 (the "Confirmation Order") by the United States ("U.S.") District Court for the District of Puerto Rico under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA).

Prior to the Confirmation Order, the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), created by PROMESA, and a committee of retired former employees of the Commonwealth (the "Retiree Committee") had entered into a Plan Support Agreement dated June 7, 2019 (the "COR PSA") in connection with the prospective confirmed Commonwealth Plan, to provide, among other things, for the creation of (a) a Commonwealth Plan of Adjustment Pension Reserve Trust (the "Pension Reserve Trust") to provide financial support for the Commonwealth's pension obligations under the pay-as-you-go pension system (the "PayGo System"), created under the Commonwealth's Act No. 106 of 2017; (b) a Commonwealth Plan of Adjustment Pension Reserve Board of Trustees (the "Pension Reserve Board") that shall be responsible for, among other things, the custody, administration, and investment of the funds held in the Pension Reserve Trust; and (c) the Guidelines for the Governance and Administration of the Puerto Rico Plan of Adjustment Pension Reserve Trust and Monitoring of Plan Adjustment Pension Benefits (the "Guidelines"). In accordance with the COR PSA, these Guidelines set forth the terms under which the Council was established for the purpose of ensuring the Commonwealth's compliance with certain provisions of the Commonwealth Plan related to the funding of the Pension Reserve Trust and administering the requests by the Commonwealth to withdraw funds from the Pension Reserve Trust. These Guidelines were incorporated into the Pension Reserve Deed of Trust Number 2 (the "Deed of Trust"), eventually executed on March 14, 2022. A separate plan support agreement was also reached between the Oversight Board and the American Federation of State, County, and Municipal Employees ("AFSCME"), also dated June 7, 2019, including substantially similar provisions as in the COR PSA.

The Council is not and shall not be deemed to be an instrumentality of the Commonwealth and is independently operated and governed by its members. Through June 30, 2023, the Council is being operated by nine transitional members that were appointed pursuant to the Guidelines. The following entities made their corresponding appointments, which were properly accepted by the appointees: (i) the Oversight Board (1 member), (ii) the Retiree Committee (5 members), (iii) the AFSCME (2 members) and the Governor of Puerto Rico (1 member). However, an election process shall be completed by October 1, 2023 and the elected members will assume their positions on or about January 1, 2024. Six out of nine members of the Council are elected among governmental retirees and active employees (two retirees from the Employees Retirement System of the Government of the Commonwealth; two retirees from the Teachers Retirement System; one retiree from the Judiciary Retirement Systems; and one active employee, also a participant of the Pension Reserve Trust). The other remaining three members are appointees, one by the AFSCME, one by the Governor of Puerto Rico and one by the Oversight Board, while it is in existence in accordance with the Commonwealth Plan. Upon termination of the Oversight Board, the Governor shall appoint a member to the Council to fill the seat occupied by the Oversight Board's appointee, as necessary, and shall then have the right prospectively to appoint two members to the Council in accordance with the Guidelines. Furthermore, the Council appointed Joshua Gotbaum and Michael Finke to the Pension Reserve Board.

On June 28, 2022, the transitional members of the Council elected its Board of Directors composed of a President, Vice-President, Secretary and Treasurer, who will retain these positions until the new members to be elected by October 1, 2023, assume their position on or about the first quarter of 2024 and make their own selection of a new Board of Directors.

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

The Deed of Trust and the Guidelines authorize the Council to carry out certain responsibilities, including, among others, the following:

- Monitor the proper and timely funding of the Pension Reserve Trust by the Commonwealth in accordance with the terms and conditions of the Commonwealth Plan.
- In consultation with the Pension Reserve Board, approve the release of funds deposited into the Pension Reserve Trust as necessary, for the Commonwealth to satisfy its obligations pursuant to the Commonwealth Plan to all participants who are entitled to receive defined pension payments or annuities through the PayGo system (or any substitute or successor system) pursuant to the Commonwealth Plan.
- Monitor the calculation and collection of PayGo fees (as defined in Act No 106 of 2017) by the pension board, created by Act No. 106 of 2017, for the purposes of (i) performing its Asset and Withdrawal Modeling (AWM) study pursuant to the applicable sections of the Guidelines and (ii) confirming whether the conditions for withdrawal of funds from the Pension Reserve Trust, as described in the applicable sections of Guidelines, have occurred.
- Execute its enforcement rights, as defined in the Guidelines, upon failure by the Commonwealth of properly and timely funding the Pension Reserve Trust and providing sufficient and necessary information for the Council to meet its responsibilities under the Guidelines.
- Appoint two (2) members to the Pension Reserve Board. If the Oversight Board no longer exists, a third trustee will be appointed by the Council.

The Guidelines prohibits the Council from taking certain actions, including the following:

- Managing or investing the assets of the Pension Reserve Trust, other than as expressly set forth in the Guidelines.
- Administer the calculation and collection of the PayGo fees (such matters being governed, without limitations, by Act No. 106 of 2017 and the Act No. 106 Pension board.

In accordance with Section 3.5 of the Guidelines, the annual actual aggregate administrative expenses for the Council in any given fiscal year shall not be higher than \$400,000 (adjusted for actual inflation rate); provided that non-ordinary course expenses including, but not limited to (i) litigation-related fees and expenses, if any, and (ii) election-related expenses, are excluded from the calculation of administrative expenses. During the year ended June 30, 2023, the Council's members, with the eventual authorization from the Pension Reserve Board, voted and approved to add the Council's costs of establishment as non-ordinary course expenses to be excluded from the administrative expenses' coverage. The Oversight Board, as long as it is in existence, shall review the annual expenditures of the Council and adjust its budget for ordinary course expense at its reasonable discretion from time to time based on actual spending requirements; provided, however, that if there is a dispute between the Oversight Board, or the Commonwealth upon termination of the Oversight Board, and the Council regarding the budget or expenses incurred by the Council, the parties will use good-faith best efforts to resolve it consensually. If such dispute is not resolved, either party may seek resolution of the matter in the U.S. District Court for the District of Puerto Rico; provided further, however, that pending resolution of the matter the Council shall receive funding in accordance with the prior year's budget.

The Council shall exist until the earlier of (i) thirty (30) calendar days after the date all funds held in the Pension Reserve Trust are withdrawn in accordance with the Guidelines or (ii) such time the retirement benefits owed to all Pension Reserve Trust participants under the Commonwealth Plan have been fully satisfied.

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

The Council does not have employees, a place for business, inventory, or assets other than funds in the bank account. The Council operates with the assistance of contracted professionals (attorneys, financial advisor, accountants, and information agents). The Council meets at least once a month, and it is also organized in committees that meet as necessary.

(2) Summary of Significant Accounting Policies:

The following is a summary of significant accounting policies followed by the Council in the preparation of its financial statements:

(a) Basis of presentation -

The financial statements of the Council are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to not-for-profit entities. In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*, the Council reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- **Net assets without donor restrictions** – Net assets that are not subject to donor (or certain grantor) imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and/or its members. Funds designated by the Council's members for specific purposes, if any, are considered unrestricted as the members may change such designations from time to time. During the Council members' meeting of February 2023, the members established a separate \$250,000 reserve from its available funds, in order to provide a precautionary cushion in the eventuality of a temporary gap or untimely receipt of funds from the Pension Reserve Trust in the funding of the Council's operations. This \$250,000 reserve is maintained in a certificate of deposit as of June 30, 2023.
- **Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, such as those restrictions that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of June 30, 2023, the Council had no net assets with donor restrictions.

(b) Revenue and support -

The Council's sole funding revenue source for its administration and operating expenses comes generally from the Pension Reserve Trust, which in turn is being funded by the Commonwealth for these purposes, in accordance with the Guidelines. The Council received an initial contribution of \$550,000 from the Commonwealth in order to establish the entity; but thereafter, annually and based on an annual budget, the administrative and operating expenses of the Council will come from funds deposited by the Commonwealth in the Pension Reserve Trust. In accordance with Section 3.5 of the Guidelines, the annual actual aggregate administrative expenses for the Council in any given fiscal year shall not be higher than \$400,000 (adjusted for actual inflation rate); provided that non-ordinary course expenses, as described in Note 1, are excluded from the calculation of administrative expenses. However, these non-ordinary expenses will also be funded by the Pension Reserve Trust upon its reimbursements from the Commonwealth.

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

Revenue is reported as an increase in unrestricted net assets unless the use of the related assets is restricted through donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statement of activities.

Contributions, including unconditional promises to give, are recorded as revenue in the year received. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenue of the net assets without donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash, if any, are recorded at their estimated fair value.

Gain and losses on investments, if any, and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless the use is restricted by explicit donor stipulation imposed or by law.

The Council may receive donated services or in-kind contributions of noncash assets which, if significant, are recognized as contribution revenue if any of the following criteria are met a) they create or enhance a nonfinancial asset or b) they require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased by the Council if they had not been provided by contribution. Donated services and in-kind contributions or donation of noncash assets are measured and recognized at their corresponding fair values. There were no donated services during the year ended June 30, 2023.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which became effective July 1, 2020 (fiscal year 2021). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. Under this standard, revenue is measured based on a consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties and is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. As the Council does not enter into any revenue contract with any customer; hence, does not charge any fees, this standard had no applicability or effect on the Council.

(c) Functional expenses -

The costs of the Council's activities have been summarized on a functional basis in the statement of activities. Note 5 of the financial statements presents those functional expenses among its natural classification. Most of the Council's expenses, particularly professional services, are allocated based on the time and effort placed by such contractors between ordinary and non-ordinary activities, as applicable.

(d) Cash and cash equivalents -

Cash is generally composed of cash in banks. The Council considers all highly liquid investments with original maturities of three months or less at the time of acquisition to be cash equivalents. As of June 30, 2023, there were no cash equivalents.

(e) Certificate of deposits -

The Council maintains a certificate of deposit, as described in Note 2 (a) above, in the amount of \$250,000. The certificate of deposit was issued on May 17, 2023, with a term of one year maturing on May 17, 2024. The coupon rate of this deposit is 3%.

(f) Contributions receivable -

Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are reported as assets with donor restrictions unless explicit donor stipulations surrounding the pledge make clear the donor intended it to be used for activities of the current

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements June 30, 2023

period. Contributions receivable after one year, if any, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts, if any, is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions is provided, if necessary, based upon management's judgement including such factors as collection history, type of contribution and nature of fund-raising activity. There are no contributions receivable as of June 30, 2023.

(g) Income taxes -

The income tax exemption status of the Council is being addressed on three separate but parallel fronts. The first one initiated on July 28, 2023, when the Council formally requested an income tax exemption under Section 1101 of the Puerto Rico Internal Revenue Code of 2011. The second effort began on August 8, 2023, when the Council made a presentation to the Puerto Rico Department of the Treasury about the nature of the Council and the request to grant the Council a special tax treatment, preferably through a special ruling, with respect to total exemption on all tax categories (such as property taxes from property from activities devoted to the purposes for which the Council was created and volume of business tax), including extending the exemption to the 4% sales and use tax among businesses. The third front being evaluated is through an amendment to the Guidelines and Deed of Trust to insert a language, typical to the ones for government entities, granting the Council total tax exemption. As of June 30, 2023, none of the requests and actions under the three fronts referred to above has been approved by the government; however, the Council expects such total exemption to be granted and accordingly none of the funding inflows, operations and assets of the Council has been accounted for with the corresponding tax impact; with the exception of the payments of invoices for professional services, which the Council has made including the 4% sales and use tax.

With respect to the exemption from the U.S. Internal Revenue Code, the Council's legal counsel advised that being the Council a foreign entity for purposes of federal income tax, there is no need to request such an exemption as long as the Council is not a recipient of federal grants and none of the Council's assets and operations are sourced in the United States. No such a federal tax exemption has been requested by the Council, accordingly. However, the Council is nevertheless contemplating requesting the federal tax exemption that would correspond to the type of organization that the Council represents. The Council expects such applicable federal tax exemption to be granted and accordingly none of the funding inflows, operations and assets of the Council has been accounted for with the corresponding federal tax impact.

(h) Use of estimates -

The preparation of the financial statements requires members of the Council to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(i) Recently issued accounting standards -

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of an entity's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021 (that is for fiscal year 2023). As the Council has not entered into any lease agreements, this standard had no applicability or effect on the Council.

(3) Related parties transactions:

As described in Note 1, the Council, the Pension Reserve Board and the Pension Reserve Trust were all created pursuant to the Commonwealth Plan and the COR PSA, which in turn created the Deed of Trust and the Guidelines to govern their operating responsibilities; hence, establishing a relationship and needed coordination between their functions. Furthermore, the Council and the Pension Reserve Board are also connected as their

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements June 30, 2023

operations are funded by the Pension Reserve Trust, which in turn is funded by the Commonwealth upon certain events and conditions.

The initial funding to create the Council and provide for its initial organizational and operating expenses amounted to \$550,000 from the Commonwealth during the period ended June 30, 2022. During the year ended June 30, 2023, the Council received additional funding for both its ordinary operations and budgeted non-ordinary activities for the year in the amount of \$557,550.

As of June 30, 2023, the Council has a net balance of due to members in the amount of \$1,971. The balance includes the following: a) due from members in the amount of \$875 representing stipends payments inadvertently duplicated by the Council and repaid by the members subsequent to June 30, 2023; b) due to members in the amount of \$2,846 representing stipends incurred and paid by members and reimbursed by the Council subsequent to June 30, 2023.

(4) **Availability and liquidity:**

Financial assets available to meet general expenditures over the next twelve months consist of cash in the amount of approximately \$300,247. The Council regularly monitors the liquidity required to meet its operating needs and other contractual commitments. For the next twelve (12) months following the date of these financial statements, the Council anticipates the funding from the Pension Reserve Trust necessary to meet its operating needs and obligations, as set forth in the Council annual operating budget. In addition, as further disclosed in Note 2(a), the Council established a separate \$250,000 reserve from its available funds (invested in a certificate of deposit), in order to provide a precautionary cushion in the eventuality of a temporary gap or untimely receipt of funds from the Pension Reserve Trust in the funding of the Council's operations.

(5) **Functional expenses:**

The table below presents the Council's expenses by both their nature and function for the year ended June 30, 2023:

	Non-Ordinary Activities		Ordinary Activities	Total
	Election Process	Establishment of Council	Management & General	
Professional services-legal	\$ 48,970	\$ 84,125	\$ 97,060	\$ 230,155
Professional services-communications	77,944	73,501	29,410	180,855
Professional services-financial advisor	-	-	24,701	24,701
Professional services-administrator	57,758	-	-	57,758
Professional services-audit and accounting	-	-	11,216	11,216
Professional services-translations	-	-	5,438	5,438
Members' stipends	-	-	24,125	24,125
Information technology and web maintenance	-	-	18,406	18,406
Insurance	-	-	22,847	22,847
Travel and other reimbursements	-	-	2,846	2,846
Taxes	-	-	7,143	7,143
Other expenses	-	-	6,124	6,124
	\$ 184,672	\$ 157,626	\$ 249,316	\$ 591,614

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

(6) Concentration of risk:

The Council maintains its bank accounts and certificate of deposit with two separate financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The accounts under FDIC jurisdiction are secured by the FDIC up to \$250,000. Cash deposits in financial institutions insured by FDIC as of June 30, 2023, exceeded the federal insurance limit by approximately \$50,247, while the certificate of deposit is fully covered by the FDIC insurance limit. These financial institutions have strong credit ratings; therefore, management believes that credit risks related to these bank accounts are minimal and does not anticipate any nonperformance.

(7) Commitments:

Pursuant to the Deed of Trust and related Guidelines established pursuant to the Commonwealth Plan and COR PSA, the Council shall meet certain compliance requirements, as defined therein, some of which include the following:

- For informational purposes, by June 1 of each year, make public on its website and social media platforms and provide a copy to the Director of the Office of Management and Budget of the Commonwealth, a budget of anticipated expenses to be incurred in the forthcoming fiscal year for ordinary and recurring activities of the Council and for other non-recurring activities reasonably foreseeable to occur in such fiscal year.
- Following the end of each fiscal year, promptly prepare and issue a public report, as of the end of the fiscal year, regarding (i) any projected or actual deposits into, or withdrawals from, the Pension Reserve Trust, (ii) an itemized report of all expenditures made to Council professionals and an itemized report of any payments made to Council members, including payments made on behalf of the Council members to travel to and attend any meeting, and (iii) such other information related to the Council's responsibilities and activities that the Council determines is relevant to the Pension Reserve Trust's participants, including, for example, a comparison of the Council's expenses that were actually incurred during such fiscal year to the Council's budgeted expenses. Each such annual report shall be posted on the Council's website and social media platform.
- Adopt a program for the orientation of new members and the continued education of existing members regarding their duties, relevant provisions of the Commonwealth Plan, financial matters, and governance of the Council.

The members understand that the Council has complied with the aforementioned requirements or equivalent amended or modified rules.

Commonwealth Plan of Adjustment Benefit Council Corp.

Notes to Financial Statements

June 30, 2023

(8) Subsequent events:

The Council has evaluated subsequent events from the balance sheet date through December 12, 2023, the date at which the financial statements were available to be issued. Council members believe that the subsequent event disclosed below are intrinsically related to the financial statements of the Council:

- A membership election process was held and completed on October 1, 2023, where six out of nine members of the Council were elected among governmental retirees and active employees (two retirees from the Employees Retirement System of the Government of the Commonwealth; two retirees from the Teachers Retirement System; one retiree from the Judiciary Retirement Systems; and one active employee, also a participant of the Pension Reserve Trust). On October 24, 2023, the Notification of the Election Results were published by the Election Administrator pursuant to the Guidelines. The Pension Benefits Council received a timely challenge from a candidate from the Teachers Retirement System. The appeal is currently under the mandatory expedited arbitration. Once the arbitration process is concluded the Pension Benefits Council will emit the final certification of the election results. The elected members are expected to begin their terms on or about the first quarter of 2024.