PUERTO RICO SYSTEM OF ANNUITIES AND PENSIONS FOR TEACHERS—
"TRS LEGACY TRUST"

(A Component Unit of the Commonwealth of Puerto Rico)
Basic Financial Statements

June 30, 2025

(With Independent Auditors' Report Thereon)

PUERTO RICO SYSTEM OF ANNUITIES AND PENSIONS FOR TEACHERS—
“TRS LEGACY TRUST”

(A Component Unit of the Commonwealth of Puerto Rico)

June 30, 2025

Table of Contents

KPMG LLP
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Independent Auditors' Report

The Retirement Board of the Government of Puerto Rico
Puerto Rico System of Annuities and Pension for Teachers– "TRS Legacy Trust":

Report on the Audit of the Financial Statement

Opinion

We have audited the statement of net position and statement of revenues, expenditures and changes in net position of the Puerto Rico System of Annuities and Pension for Teachers – "TRS Legacy Trust" (the Trust), a component unit of Puerto Rico (the Commonwealth), as of June 30, 2025, 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, 2025, 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
April 30, 2026

License Number LLP-21
Expires December 1, 2028

CPA

DLLP21-496
Puerto Rico System of Annuities and Pension for Teachers – "TRS Legacy Trust"

PUERTO RICO SYSTEM OF ANNUITIES AND PENSIONS FOR TEACHERS-
"TRS Legacy Trust"
(A Component Unit of the Commonwealth of Puerto Rico)

Statement of Net Position

June 30, 2025
(In thousands)

Assets		
Commonwealth's assets in custody of the Trust:		
Cash and cash equivalents:		
Deposits at Puerto Rico commercial banks	$	63,521
Other Receivables, net		446
Investments in limited partnerships		4,964
Loans to plan members, net		90,383
Capital assets under custody of the Trust, net		27
Other assets		392
Capital assets, net		7,261
Total assets	$	166,994
Liabilities		
Accounts payable	$	1,286
Accrued expenses		616
Due to Commonwealth		157,473
Due to Retirement Board		358
Total liabilities	$	159,733
Net position:		
Net investment in capital assets	$	7,261
	$	7,261

See accompanying notes to basic financial statements.

PUERTO RICO SYSTEM OF ANNUITIES AND PENSIONS FOR TEACHERS-
"TRS Legacy Trust"

(A Component Unit of the Commonwealth of Puerto Rico)

Statement of General Fund Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2025
(In thousands)

Expenditures/expenses		
General and administrative expenses	$	650
Total expenditures/expenses		650
Excess of expenditures		(650)
Change in net position		(650)
Fund balance/net position		
Beginning of year		7,911
End of year	$	7,261

See accompanying notes to basic financial statements.

(1) Organization

Prior to July 1, 2017, the Puerto Rico System of Annuities and Pensions for Teachers— TRS Legacy Trust (the Trust) was a pension trust fund created by the Legislature of Puerto Rico in 1951 to provide pension and other benefits mainly to retired teachers of the Department of Education, an agency of the Commonwealth of Puerto Rico (the Commonwealth), and the employees of the Trust. 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 maintaining custody of the unliquidated assets (excluding the building and building improvements) that are pending to be transferred to the Commonwealth's General Fund, rental activities and administrative services on behalf of the Commonwealth. The Trust also administers, on behalf of the Commonwealth, the data related to postemployment healthcare benefits provided by the Commonwealth to retired teachers of the Department of Education and retired employees of the Trust.

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 that used to be administered by the Trust. Therefore, the Trust's assets and activities are not reported as a pension trust fiduciary fund. Instead, starting in fiscal year 2018, the Trust is reported as part of the blended component units in the Commonwealth's financial statements. Accordingly, the financial activities of the Trust consist only of governmental activities

The Retirement Board is responsible for governing the Trust, Employees' Retirement System of the Commonwealth of Puerto Rico (ERS) and the Retirement System for the Judiciary of the Commonwealth of Puerto Rico (JRS). 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.

The Retirement Board is also an entity responsible for the receipt of government appropriations and other funds to cover PayGo expenses, like refunds of participants contributions and death benefits. Summary of

(2) 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 basic financial statements.

The following are significant accounting policies followed by the Trust in the preparation of its basic financial statements:

(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 in Government Wide the Statement of Net Position and the Statement of General Fund Revenues, Expenditures, and Changes in Net Position. Refer to item (f) for a reconciliation of fund financial data to government-wide data. A brief description of the Trust's government-wide Statement of Net Position and Statement of General Fund Revenues, Expenditures, and Changes in Net Position :

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 liability is incurred, regardless of the timing of related cash flows.

(b) Use of Estimates

The preparation of basic financial statements 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 statements, and the reported amounts of changes in net position during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents in custody of the Trust on behalf of the Commonwealth consist of deposits with commercial banks, which are sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty.

(d) Investments

Investments 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.

(e) Loans to Plan Members

Mortgages, personal and cultural trip loans to plan members under custody of the Trust are stated at their outstanding principal balance net of allowance for uncollectible amounts. Loans to plan members 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 effectively August 23, 2017. The maximum amounts that were loaned to plan members for mortgage and cultural trip loans were $125,000 and $5,000, respectively. The maximum amount of personal loans that was granted to participating employees was up to 85% of their accumulated contributions, but not more than $5,000. As instructed by Act 106-2017, the origination or renewal of loans to plan members had been suspended.

The allowance for loans is estimated using quantitative methods that consider a variety of factors, including historical loss experience, accumulated contributions, death benefits, and payments in transit.

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In developing this methodology, the Trust applies Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which permits governmental entities to apply certain legacy Financial Accounting Standards Board (FASB) guidance when specific GASB guidance is not available.

The allowance for mortgage loan losses is similarly estimated using quantitative methods that consider historical loss experience, accumulated contributions, and loan characteristics. The mortgage loan portfolio is segmented into three categories: performing loans (PLs) and nonperforming loans (NPLs). Performing loans consist of homogeneous pools of loans that are not deemed impaired and include: (i) loans to active participants or retirees, which are considered collectible as repayment is secured through payroll or pension withholdings; and (ii) loans to separated employees that remain current on their payments. Nonperforming loans represent loans for which members are in default and have not made scheduled payments of principal or interest for an extended period (generally at least 90 days) and are in the process of evaluation for foreclosure.

The Commonwealth, through the Trust, provides life insurance that guarantees the payment of the outstanding principal balance of mortgage, personal and cultural trip loans in case of death of a plan member, if the member complies with the agreement conditions. This coverage is paid in its entirety by the plan members either at origination of the loan or as part of the repayment of the loan, depending on the agreement condition. The guarantee insurance reserve for life insurance on loans to plan members is revised by the Trust each year and adjusted accordingly as part of the Trust's custodial functions related to loans to plan members. This reserve is adjusted each year based on the annual higher claim amount of a five-year period increased by a management determined percentage.

(f) Capital Assets

Capital assets of the Trust include building and building improvements. Capital assets held on behalf of the Commonwealth are composed of equipment, furniture, fixtures and vehicles. Capital assets are defined as assets, which have an initial individual cost of $500 or more at the date of acquisition and have a useful life of four or more years. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated fair value at the time of donation.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. The estimated useful lives of capital assets are as follows:

	Years
Building	40
Building improvements	10
Equipment, furniture, fixtures, and vehicles	4–10

(g) 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.
- 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 at June 30, 2025.
- 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 and the statement of net position at June 30, 2025:

		(In thousands)
Fund balance	$	—
Add capital assets, net of accumulated depreciation, and repossessed houses classified as other assets as they are not financial resources and therefore are not reported in the general fund		7,680
Less insurance and loans reserves, escrow funds of mortgages loans and deferred inflow of resources as they are not reported in the General Fund		(419)
Net position	$	7,261

The following is a reconciliation between the excess of expenditures over revenues and the statement of activities at June 30, 2025:

		(In thousands)
Excess of expenditures and extraordinary items over revenues	$	—
Less current year depreciation and amortization, as the cost of assets is allocated over their useful lives in the statement of activities		(650)
Change in net position	$	(650)

(h) Recently Issued Accounting Pronouncements

The following new accounting standards have been issued but are not yet effective during the fiscal year ended June 30, 2025:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, enhances and refines key elements of the governmental financial reporting model to improve clarity and usefulness for financial statement users. The Statement updates Management's Discussion and Analysis (MD&A) to emphasize more analytical and objective explanations of financial activities and results, rather than boilerplate descriptions. It replaces the previous classifications of "extraordinary items" and "special items" with a single category titled "unusual or infrequent items." The Statement also revises proprietary fund presentation by requiring a subtotal for operating income (loss) and noncapital subsidies and clarifies the definitions of operating and nonoperating revenues and expenses. In addition, it requires separate presentation of major component units and relocates budgetary comparison information to required supplementary information (RSI), with enhanced variance disclosures.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), improves transparency by enhancing note disclosures for specific categories of capital assets. It requires governments to separately disclose certain intangible assets and right-to-use assets, including lease assets recognized under GASB Statement No. 87 *Leases*, public-private and public-public partnership assets under GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and subscription-based information technology arrangement (SBITA) assets under GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The Statement also establishes disclosure requirements for capital assets held for sale, including historical cost, accumulated depreciation or amortization, and related debt collateral information. GASB 104 refines and expands the capital asset disclosure requirements originally established in GASB Statement No. 34 *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, ensuring greater consistency and detail in reporting newer asset types. The Statement is effective for fiscal years beginning after June 15, 2025.
- GASB Statement No. 105 *Subsequent Events* (GASB 105), establishes authoritative guidance for identifying, evaluating, recognizing, and disclosing events occurring after the financial reporting date but before the financial statements are issued or available to be issued. The Statement distinguishes between recognized subsequent events, which provide additional evidence about conditions that existed at the financial reporting date, and no recognized subsequent events, which arise after that date and may require disclosure if significant. GASB 105 also requires disclosure of the date through which subsequent events were evaluated and supersedes the subsequent-events guidance previously incorporated in GASB Statement No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. By introducing stand-alone accounting guidance within the GASB literature, GASB 105 clarifies reporting responsibilities for preparers of governmental financial statements and is effective for fiscal years beginning after June 15, 2026, with earlier application encouraged.

(Continued)

Management is evaluating the effect that these new statements will have on the Trust's basic statements.

(3) Deposits and Investments

(a) Deposits

Cash and cash equivalents in custody of the Trust are exposed to custodial credit risk for deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Commonwealth 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 the Secretary of the Treasury of the Commonwealth. Deposits with non-Puerto Rico commercial banks and with money market funds are uninsured and uncollateralized, as these entities are exempt from compliance with the collateralization requirement.

Cash and cash equivalents in custody of the Trust as of June 30, 2025 consisted of the following (in thousands):

		Carrying amount	Depository bank balance	Amount uninsured and uncollateralized
Deposits at commercial banks	$	63,521	62,776	—

(b) Investments

Investments under custody of the Trust are classified as limited partnerships, which are measured at Net Asset Value (NAV). Investments measured at NAV are not subject to GAAP level hierarchy. The balance of limited partnership at June 30, 2025 amounted to approximately $5.0 million. The allocations of net gains and losses to limited partners are based on certain percentages, as established in the limited partnership agreements. Investments in limited partnerships are not rated by a nationality recognized statistical rating organization.

In accordance with the partnership agreements, the 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, 2025, the Trust does not intend to sell the investments in limited partnerships for an amount different to that presented in the financial statements.

As of June 30, 2025 the Trust had capital commitments and contributions as follows (in thousands):

		Total commitments	Fiscal year contributions	Cumulative contributions	Fair value
Guayacán Private Equity Fund, L.P.	$	5,000	—	4,645	4,964

- *Net Appreciation in Fair Value of Investments*

  For the year ended June 30, 2025, the net depreciation in fair value of investments amounted to approximately $27 thousands was recorded as a decrease in due to Commonwealth. The segregated net depreciation in fair value is as follows (in thousands):

Investment type		Realized gain (loss)	Unrealized gain (loss)	Net depreciation in fair value of investments
Investments in limited partnerships	$	—	(27)	(27)
Total	$	—	(27)	(27)

(4) Loans to Members

As of June 30, 2025, the composition of loans from plan members is summarized as follows (in thousands):

Loans receivable:		
Personal	$	7,018
Mortgage		91,024
Cultural trips		47
Total loans to plan members		98,089
Less:		
Escrow funds of mortgage loans and guarantee insurance reserve		(4,397)
Allowance for adjustments and losses in realization		(3,309)
Total loans from plan members – net	$	90,383

The originations of mortgage, personal and cultural loans were frozen in August 2017. No originations occurred during fiscal year 2025.

(5) Capital Assets

For the year ended June 30, 2025, changes in capital assets consisted of the following (in thousands):

		Beginning balance	Increases	Decreases	Ending balance
Capital assets of the Trust:					
Building	$	26,008	—	—	26,008
Building improvements		765	—	—	765
Total capital assets of the Trust, being depreciated		26,773	—	—	26,773
Accumulated depreciation and amortization		(18,862)	(650)	—	(19,512)
Total capital assets of the Trust, being depreciated, net	$	7,911	(650)	—	7,261
Capital assets under custody of the Trust:					
Capital assets, being depreciated:					
Furniture and equipment	$	1,275	—	—	1,275
Computers and software		10,632	—	—	10,632
Branches improvements		274	—	—	274
Vehicles		98	—	—	98
Total capital assets, being depreciated		12,279	—	—	12,279
Accumulated depreciation and amortization		(12,242)	(10)	—	(12,252)
Total capital assets under custody of the Trust, net	$	37	(10)	—	27

(6) 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, 2025, the Trust paid on behalf of the Commonwealth approximately $10 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 June 30, 2025:

		In thousands
Due to Commonwealth beginning balance:	$	150,614
Additions:		
Contributions from Retirement Board		9,202
Loans portfolio interest		5,343
Total additions		14,545
Deductions:		
Death benefits		3,332
Refunds of contributions		6,446
Net depreciation of investments		27
Other expenses		(2,119)
Total deductions		7,686
Net increase		6,859
Ending balance	$	157,473

(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, 2025, the Trust received transfers of cash from the Retirement Board of approximately $10 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.

(7) Contingencies

The Trust is a defendant or co-defendant in various lawsuits resulting from the ordinary conduct of its operations. Management and legal counsel believe that there are no contingent matters that would have a material adverse effect on the Trust's financial status.

(8) Subsequent Events

Subsequent events were evaluated through April 30, 2026 to determine if any such events should either be recognized or disclosed in the 2025 basic financial statements. Management believes that no subsequent event is of public interest for disclosure