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**Expert Report of Jose Fernandez
October 27, 2025**

Background

My name is Jose Fernandez, President and Consulting Actuary of Fase2 C&W, LLC (Fase2). Fase2 provides actuarial consulting services for public pension systems. Specifically, we provide actuarial consulting on the adequate funding, benefit design, administration, and actuarial analysis of public sector retirement systems.

Prior to Fase2, I spent over 35 years as a consulting actuary with two major actuarial firms (Buck Consultants from 1981 to 2007 and Cavanaugh Macdonald Consulting from 2007 through 2017) responsible for services provided to state and local governmental retirement systems, including several in Puerto Rico. I consulted with clients in the design, funding, administration, and financial accounting of public retirement plans, proposed legislation analysis, experience studies, asset liability forecasts, and actuarial audits. Clients I have consulted for include the Virginia Retirement System, University of Puerto Rico Retirement System, PREPA ERS, and several municipal retirement systems in the State of Florida.

I am an Enrolled Actuary under the Employee Retirement Income Security Act (ERISA), an Associate of the Society of Actuaries, and a Member of the American Academy of Actuaries.

I have almost 45 years of experience with the Employees' Retirement System of the Puerto Rico Electric Power Authority ("PREPA ERS", "Retirement System", "System"). I served as the principal consulting actuary to the PREPA ERS for 36 years (continuously from 1981 through 2017, except for one year after my employment ended with Buck Consultants). Currently, I provide actuarial consulting services to the System in relation to the restructuring of the Puerto Rico Electric Power Authority ("PREPA" or the "Authority") and the Retirement System under the Title III process, and the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), and coordination with and support for the System's current actuary CavMac Consulting.

Expert Report of Jose Fernandez
October 27, 2025

In my years of experience with the System, I have worked closely with the System's Board of Trustees and administrative staff, and with PREPA management, including several meetings with the PREPA Governing Board. As a result, I have intimate knowledge of issues related to the benefits, funding, and financial reporting of the System.

Purpose of the Report

For purposes of this report on behalf of the Retirement System I have reviewed the cash flow revenue requirements for the Retirement System for the fiscal years 2026, 2027 and 2028 (i.e., the three-year period from July 1, 2025 through June 30, 2028) in rebuttal to the Puerto Rico Energy Bureau (PREB) consultants' expert reports on revenue requirements. Specifically, I am commenting on PREB Consultants' 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement marked for identification by Hearing Examiner Mr. Scott Hempling on October 6, 2025

Report Findings

Based on my review, in my opinion the cash flow revenue requirements for the Retirement System presented in the expert reports are reasonable.

The System is a defined benefit pension plan with the obligation to pay pension and other benefits to current and future retirees and beneficiaries, and administrative expenses, in accordance with the Rules and Regulations of the System. Typically, a defined benefit pension plan uses accumulated assets to pay current benefits and expenses. However, since the System is insolvent and assets are depleted there are no current assets to pay these benefits and expenses. As a result, the System requires ongoing contributions on a pay-as-you-go basis to meet its benefit and expense requirements. The cash flow requirements of PREPA ERS should be the net amounts necessary for the System to pay for cash outflows offset by cash inflows, including sufficient amounts to cover the administrative costs of the Retirement System to assure all benefits are paid

Expert Report of Jose Fernandez
October 27, 2025

In general the cash outflows consist of:

- Monthly pension and survivor benefits due to the System's retirees and beneficiaries, and
- Other benefits, such as the one-year of salary at retirement, the summer and Christmas bonuses, the refund of member contributions, and the funeral expense benefit.
- Administrative expenses of the System.

In general the cash inflows consist of:

- System member and employer contributions,
- Member personal and mortgage loan payments.

In my evaluation I have reviewed the following documents provided to me by the attorneys for the System:

- PREB Consultants 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement
- Responses for Information (ROI) PC-of-LUMA-FIN-2, PC Ex. 62.06b, prepared by Alejandro Figueroa, of PREB Consultants 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement
- Responses for Information (ROI) PC-of-LUMA-FIN-2, PC Ex. 62.07, prepared by Alejandro Figueroa, of PREB Consultants 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement
- PC-of-LUMA-FIN-2_Attachment 1 to Responses for Information (ROI) PC-of-LUMA-FIN-2, PC Ex. 62.07 of PREB Consultants 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement

Expert Report of Jose Fernandez
October 27, 2025

Responses for Information (ROI) PC-of-LUMA-FIN-2, PC Ex. 62.06 and PC Ex.62.07 of PREB Consultants 62, Expert Report of Ralph Smith and Mark Dady on Overall Revenue Requirement Responses for Information and PC-of-LUMA-FIN2_Attachment 1 to the ROIs present the following projected System cash flow requirements for fiscal years 2026, 2027 and 2028.

	Fiscal Year		
	2026	2027	2028
System Cash Flow Requirement	\$307,475,422	\$298,658,581	\$298,438,608

Based on my actuarial experience with public sector retirement systems in general and with the PREPA ERS in particular, I find that these amounts are reasonable in order to meet the System's obligation to pay pension and other benefits to current and future retirees and beneficiaries, and administrative expenses, for the three fiscal years.

I have also reviewed the FOMB Report - PREPA Employee Retirement System report dated September 2025 and find that the projections presented in the expert report are consistent with the pay-as-you-go projections for the current System in Exhibit 8: Estimated Plan Costs in the FOMB Report.

As with all forward-looking evaluations, future actuarial measurements may differ significantly from the current measurements presented in this review due to factors such as plan experience differing from the actuarial assumptions.



José I. Fernández, ASA, EA, MAAA
Consulting Actuary