MBTA
RETIREMENT
FUND

Building for the future since 1948.

2014 Comprehensive Annual Financial Report

MBTA Retirement Fund
For the year ended December 31, 2014
Boston, Massachusetts

A Pension Trust Fund of the Massachusetts Bay Transportation Authority and Its Employees

Issued by Michael H. Mulhern, Executive Director
John P. Barry, Deputy Director

MBTA Retirement Fund

A Pension Trust Fund administering benefits earned by employees of the
Massachusetts Bay Transportation Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2014

(With Basic Financial Statements for the Year Ended December 31, 2014)

Prepared By
The MBTA Retirement Fund Staff

The Massachusetts Bay Transportation Authority Retirement Fund is a private trust created in 1948 by the Metropolitan Transit Authority, the predecessor agency to the Massachusetts Bay Transportation Authority ("MBTA"), and The Boston Carmen's Union, Amalgamated Transit Union Local 589. Our mission then, as now, is to provide retirement benefits to the membership consisting of the transit workers and others employed by the MBTA. To ensure that the pensions earned by active and retired members, and their beneficiaries, remain secure, we are dedicated to managing a strong and diversified investment program.

Table of Contents

Introduction

Letter of Transmittal 06
Board of Trustees 14
Sub Committees 15
Staff and Organization Chart 16
Historical Board of Trustees 17
Consulting and Professional Services 20

Financial Section

Independent Auditors' Report 22
Management Discussion and Analysis - (unaudited) 24
Basic Financial Statements
  Statement of Fiduciary Net Position 31
  Statement of Changes in Fiduciary Net Position 32
  Notes to Financial Statements 33
Required Supplementary Information - (unaudited)
  Schedule of Changes in Net Pension Liability 48
  Schedule of Contributions 50
Other Supplementary Information
  Schedule of Administrative Expenses 52
  Schedule of Investment Expenses and
    Payments of Consultants 53

Investment Section

Investment Results 55
Report on Investment Activity 56
Asset Allocation 57
Global Markets Overview 58
Investment Summary by Type 63

Investment Section (continued)

Schedule of Time Weighted Return by Asset Class 87
Investment Summary at Fair Value 88
Schedules of Commissions and Fees 89
Schedule of Management Fees 90
Outline of Investment Policies 91

Actuarial Section

Actuary's Certification 96
Summary of Actuarial Methods and Assumptions 97
Schedule of Active Member Valuation Data 102
Schedule of Membership Data 104
Solvency Test 105
Summary of Principal Plan Provisions 105
Schedule of Funding Progress 110

Statistical Section

Financial Trends 112
Schedule of Changes in Net Position 113
Schedule of Additions by Source 113
Schedule of Deductions by Type 114
Demographic and Economic Information 115
Distribution of Plan Members - Active Members 115
Operating Information 116
Schedule of Average Benefit Payments -
  New Benefit Recipients 116

Frequently Asked Questions 118

INTRODUCTION

April 29, 2016

Board of Trustees
Massachusetts Bay Transportation Authority Retirement Fund
One Washington Mall, 4th Floor
Boston, MA 02108

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Massachusetts Bay Transportation Authority Retirement Fund (the Fund) for the calendar year ended December 31, 2014. We believe that you will find the CAFR useful in understanding the financial performance of the Fund as of December 31, 2014.

This report was prepared by the Fund's Administration and its Finance Department. The report contains the basic financial statements presented in accordance with generally accepted accounting principles (GAAP) and the standards applicable to financial audits as promulgated by Government Auditing Standards. For additional information regarding the Fund's performance and cash management, please refer to the MD&A section and supporting notes contained within this document. The responsibility for both the accuracy and completeness of the information and the contents of this report rests with the Fund's Board. For the year ended December 31, 2014, an audit was conducted by KPMG LLP, a firm of licensed certified public accountants.

The CAFR is divided into the following major sections:
Introductory Section: This section contains the letter of transmittal, and outlines the Fund organizational structure.

Financial Section: This section contains the opinion of the independent certified public accountant, Management's Discussion and Analysis (MD&A), the financial statements of the Fund, and other required supplementary financial information and supporting tables. The MD&A provides an overview of the current year's financial activity with an analysis of the effects of any significant changes from the prior year.

Investment Section: This section contains a report on investment policies and activity, investment results, and various investment schedules.

Actuarial Section: This section contains the Fund's actuarial certification letter and various actuarial tables.

Statistical Section: This section contains various statistical tables consisting of pertinent information pertaining to the Fund. (Continued)

Profile of the MBTA Retirement Fund

The Fund was established on January 1, 1948, under an agreement and declaration of trust (restated on October 28, 1980) by and among the Massachusetts Bay Transportation Authority (the Authority), Local 589, Amalgamated Transit Union, Boston Carmen's Union and AFL CIO (collectively, the Union). The Fund is a single employer plan. It was established as a contributory defined benefit retirement plan in accordance with the Pension Agreement; effective July 1, 1970, (restated thereafter) adopted by the Authority and the Union for the purpose of receiving contributions and providing pension benefits for its members and qualified beneficiaries.

The MBTA Retirement Fund Board seeks to utilize its assets under management to the benefit of the membership by strategically and methodically allocating financial resources to a differentiated portfolio of investments while utilizing the knowledge and experience of a broad range of investment managers. An overview of the Investment Policy Statement is included in the Investment Section.

The Board determines investment objectives, strategies, and policies of the Fund. The Executive Director of the Fund is accountable for the Fund's general management and operations and reports to and advises the six-member Board of Trustees. The staff of the Fund work diligently to uphold the original mission of serving members and their families.

As of December 31, 2014, the Fund had approximately $1,588.0 million in net positions restricted for pension benefits compared to $1,606.7 million for the prior calendar year, representing a decrease of $18.7 million in net assets. The MBTA Retirement Fund Board utilizes the services of a third party custodian institution to assist with the settlement and accounting for investment and cash transactions.

Executive Director/Deputy Director Discussion

The year 2014 presented opportunities for growth as well as market challenges for the Fund. Although the 2014 performance was not as strong as the performance observed in 2013, the Fund was able to achieve a gross rate of return of 5.51%.

Investments

The Retirement Board is responsible for overseeing the investments of the pension fund, including the selection and appointment of an investment consultant and management professionals to carry out the Board's investment objectives and policies. The MBTA Retirement Fund closely monitors its investment consultant and investment managers. The Board reviews pension fund performance at each monthly meeting. The Fund's consultant, Marco Consulting Group, presents quarterly investment results to the Board. Each investment manager appears

(Continued)

before the Board annually with the exception of certain alternative asset class partnerships which appear before the Board every two to three years to discuss their firm and fund performance. Real estate funds and hedge funds are also reviewed annually by the Board.

Investigation

On June 28, 2015, The Boston Globe published an article citing a report authored by, among others, Harry Markopolos, containing allegations questioning the accuracy of the Fund's financial reporting for the years 2011-2013. This report was never given to Fund management which, from the outset, strongly denied the allegations. To reassure its members of the Fund's financial integrity, the Retirement Board voted to retain an independent consultant to review the 2011-2013 financials including Markopolos' specific allegations. After a competitive RFP process, in November, 2015, FTI Consulting was retained for that purpose. On March 9, 2016, FTI issued a comprehensive report concluding that the Fund's 2011-2013 financials were accurate and the Markopolos' allegations lacked merit. Markopolos' reported allegations, and the investigation they triggered, delayed release of the 2014 audited financials. Further discussion on this topic can be found in the Management Discussion and Analysis section on page 29.

MBTA Retirement Fund Performance

As of December 31, 2014 the total fund return gross of fees with the exception of hedge funds which are net of fees was 5.51% and the annualized three-year return was 12.14%. For more detailed information regarding the Fund’s investment policies, guidelines, and results please see the Investment Section of this report.

The Fund’s trailing 1, 3, 5, and 10 year returns as of December 31, 2014 remain strong both on an absolute and relative basis.

Year Ended December 31, 2014

- The Fund gained 5.51% underperforming the total policy benchmark of 6.22% by 71 basis points.
- The return equates to an investment gain of $73.2 million
- Net total outflows to pay benefits for the calendar year were approximately $182.5 million.
- The return did not outperform the actuarial rate of return of 8%

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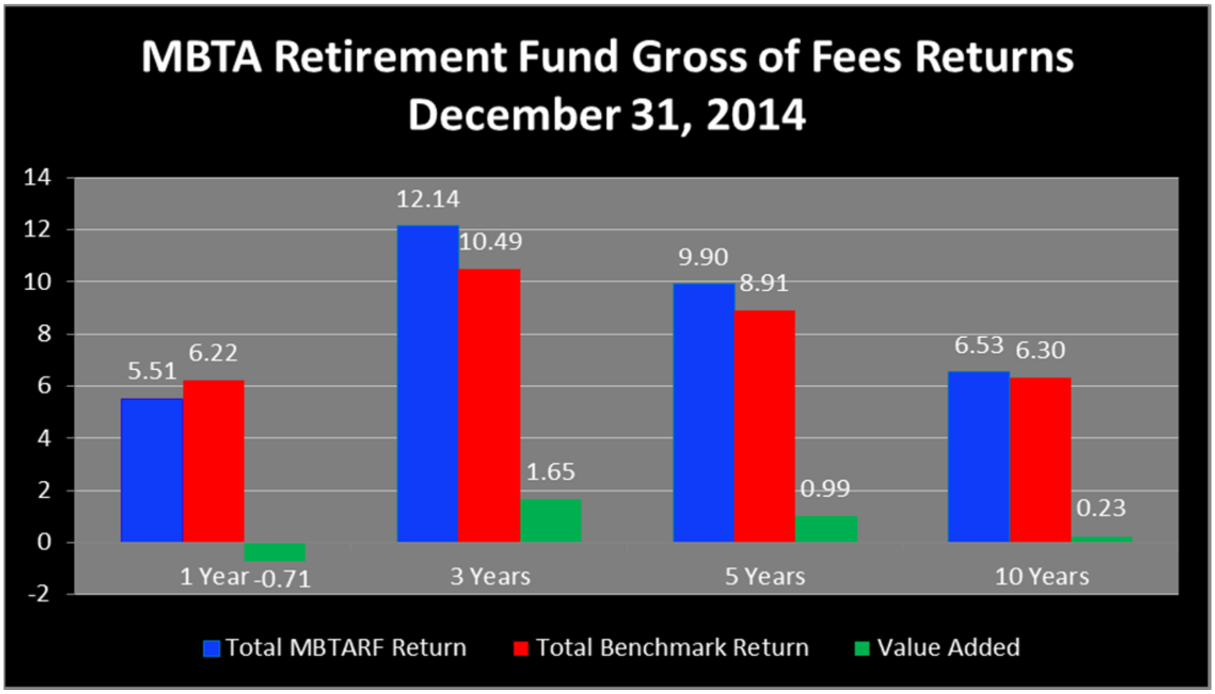
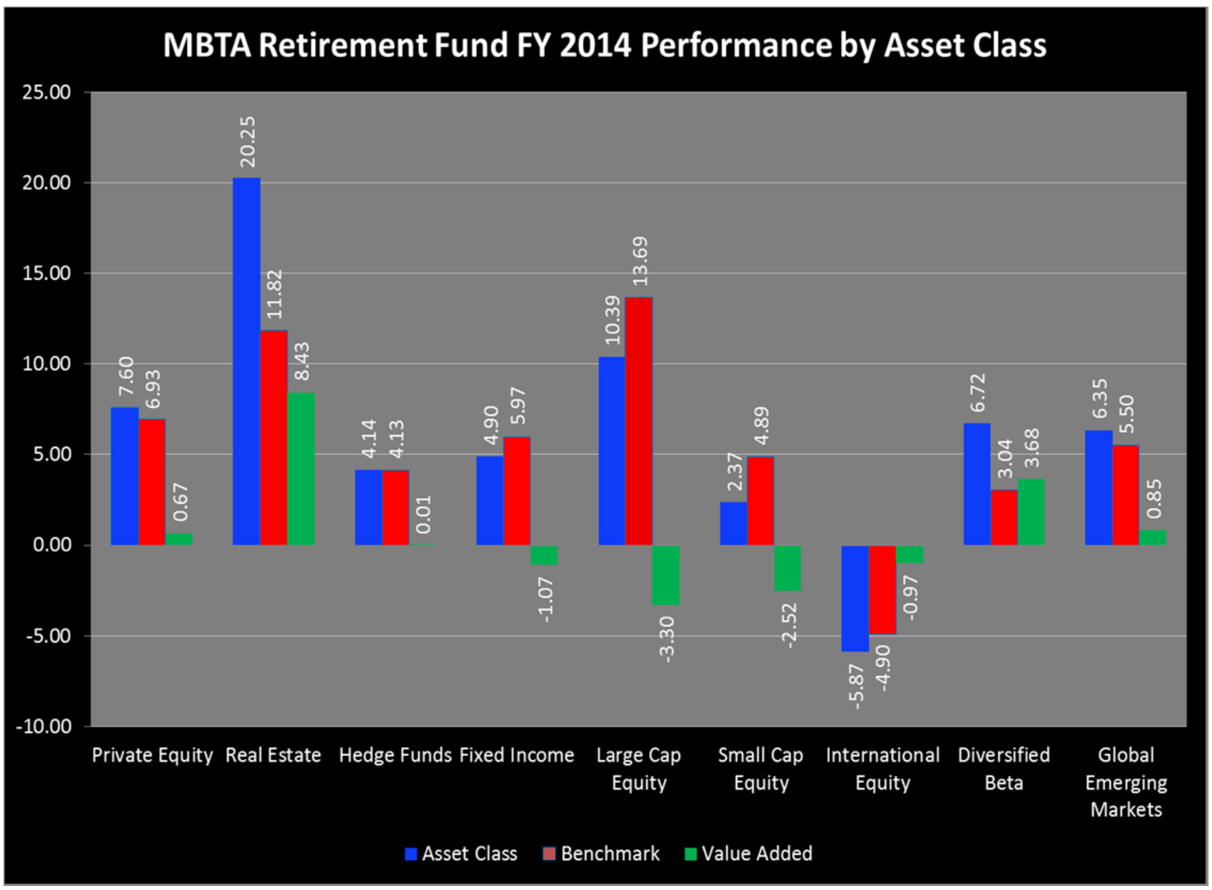
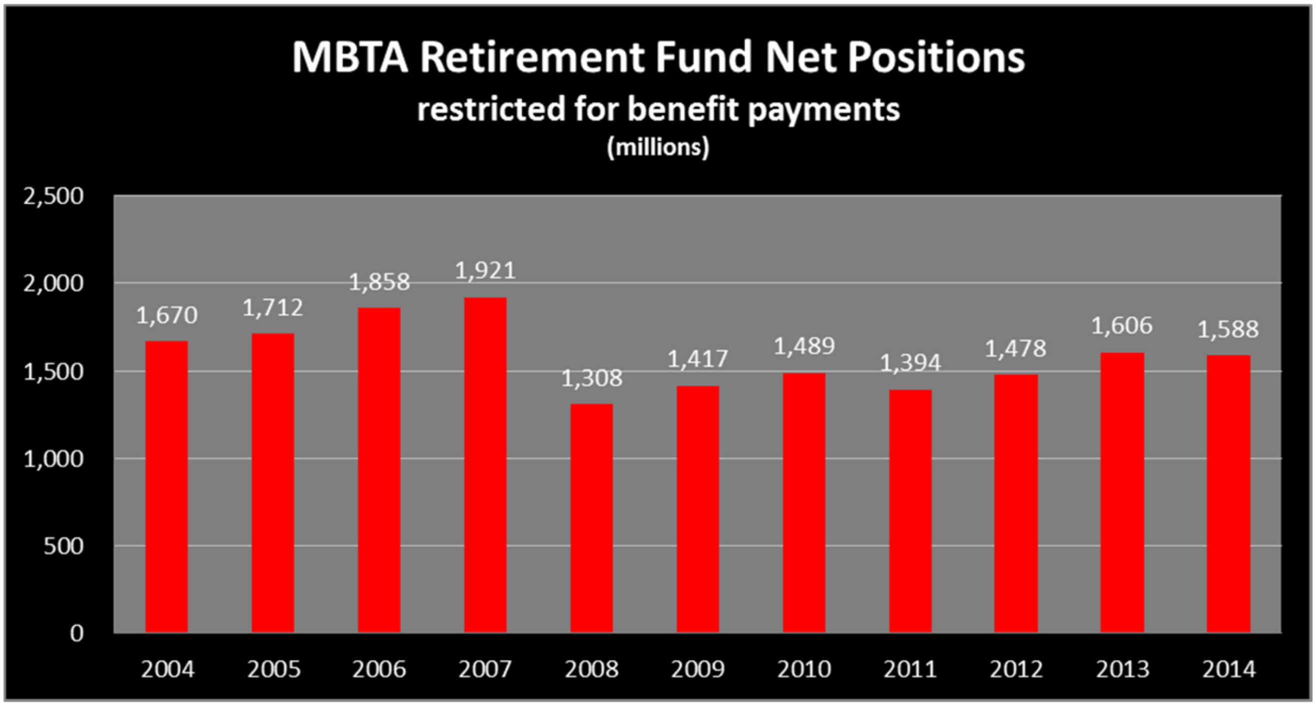

MBTA Retirement Fund Gross of Fees Returns
December 31, 2014
14
12
10
8
6
4
2
0
-2
5.51
6.22
-0.71
12.14
10.49
1.65
9.90
8.91
0.99
6.53
6.30
0.23
1 Year
3 Years
5 Years
10 Years
Total MBTARF Return
Total Benchmark Return
Value Added


MBTA Retirement Fund FY 2014 Performance by Asset Class
25.00
20.00
15.00
10.00
5.00
0.00
-5.00
-10.00
7.60
6.93
0.67
20.25
11.82
8.43
4.14
4.13
0.01
4.90
5.97
-1.07
10.39
13.69
-3.30
2.37
4.89
-2.52
-5.87
-4.90
-0.97
6.72
3.04
3.68
6.35
5.50
0.85
Private Equity
Real Estate
Hedge Funds
Fixed Income
Large Cap Equity
Small Cap Equity
International Equity
Diversified Beta
Global Emerging Markets
Asset Class
Benchmark
Value Added

(Continued)


MBTA Retirement Fund Net Positions
restricted for benefit payments
(millions)
2,500
2,000
1,500
1,000
500
0
1,670
1,712
1,858
1,921
1,308
1,417
1,489
1,394
1,478
1,606
1,588
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014

(Continued)

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) beginning on page 24 provides an overview and analysis of the Fund's basic financial statements. The letter of transmittal is intended to complement the MD&A and should be read in conjunction with it.

Markets and Outlook

Management is knowledgeable of the economy's extended emergence from the financial crisis and intends to approach the external environment with a sense of caution as the prolonged high rate of growth in the equity markets is not expected to be sustainable. Although the rise in economic well-being as is indicated by decreasing unemployment rates and an increase in business combinations, Fund Management remains vigilant and stands ready to react towards stagnant or declining growth.

Asset Allocation

The MBTA Retirement Fund Board considers the Fund's investment strategy to be the most significant factor for investment decisions. This approach allows for sufficient flexibility to capture investment opportunities as they may occur, yet provide parameters to ensure prudence and care while managing the Fund's assets. The most recent asset allocation (below) is the result of asset-liability testing conducted by our actuary, Buck Consultants, and investment advisor, Marco Consulting Group. At year end the Fund's actual asset allocations were within approved target ranges.

Asset Class	Target (%)	Minimum Exposure (%)	Maximum Exposure (%)
Equities	43	38	48
Domestic Large Cap	18	13	23
Domestic Small Cap	7	4	10
Established International (Large Cap)	11	8	16
Global / Emerging Markets	7	4	10
Fixed Income	27	22	32
Core Fixed Income	8	4	12
TIPS	3	0	5
Mortgages	3	0	5
Global & Multi Sector	8	4	12
Bank Loans	2	0	4
Real Estate Debt	1	0	2
Cash	2	0	3
Alternative Investments	30	18	37
Private Equity	10	6	14
Real Estate	9	5	12
Hedge Funds	8	4	12
Risk Parity / Diversified Beta	3	0	5

(Continued)

Administration

The Board of Trustees of the Retirement Fund is the highest authority within the organizational structure. As of December 31, 2014, the date of the Fund's most recent actuarial valuation, the Fund's membership included 5,798 members in active status, 6,407, retirees and beneficiaries receiving benefits and 3 terminated vested members who are not yet receiving benefits. The Board approved the hiring of a new retirement software vendor; Tyler Technologies, Inc. This enhancement will generate weekly payroll transmittal between the Authority, the Fund, and the Custodian Bank.

Membership

Membership in the Fund is available to most MBTA employees although MBTA Police Officers are excluded. Employees who are or may become members of the Union are included in the membership of the Fund. Employees who are not members of the Union but who are on the regular payroll of the Authority and Members of the Fund on the date of the execution of the Fund's Pension Agreement are also included in the membership of the Fund. Members whose hire date is on or after December 6, 2012 will be required to complete at least twenty-five (25) years of creditable service and attain age 55 in order to be eligible for an early normal retirement allowance. For those members whose date of hire is prior to December 6, 2012, a completion of at least twenty-three (23) years of creditable service is required to receive compensation under an early normal allowance.

Benefits

The collectively bargained active wage agreement went into effect July 1, 2014. Active members of the Authority received retroactive increases going back to July 2010. Members that retired after July 2010 received a retroactive payment which resulted in an increase in their pension payment.

Contributions

The benefits of the Fund are financed by employer contributions, employee contributions, and earnings on investments made by the Fund. Effective July 1, 2014, members are required to contribute at a rate of 5.7989% of their pensionable salary while the employer contribution rate is stated as 16.0511%. Effective July 1, 2015, member contribution and Authority contribution rates will be 5.7914% and 16.0286% respectively.

Awards

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement for excellence in financial reporting. In order to be awarded such a certificate, the Fund must publish a comprehendible and efficiently organized CAFR. The financial reports contained within the financial reporting materials must satisfy both generally accepted accounting principles and legal requirements. The Fund intends to submit its CAFR to the GFOA to determine eligibility in future years.

(Continued)

Membership Communications

The MBTA Retirement Fund continues its focus on member communication through the publication of the bi-annual newsletter, Milestones, and posting pertinent information to our website at www.mbtarf.com. We place a special emphasis on providing quality customer service and we encourage feedback and welcome new ideas.

Funding

In setting contribution rates the Board's principal objectives are to set rates so the unfunded actuarial accrued liability (UAAL) will be amortized over a reasonable period of time from the most recent valuation date and the set rates so they remain relatively level over time. The most recent actuarial valuation report, dated December 31, 2014, calculated the Fund's unfunded actuarial pension liability at $815,556,295. An actuarial valuation of the Fund is performed annually. An assumption experience study is performed at least every five years. The actuarial firm, Buck Consultants completed the actuarial reviews and valuations. For more information on the actuarial assumptions of the Fund as part of the December 31, 2014 valuation please see the Summary of Actuarial Assumptions and Methods found in the Actuarial Section of the CAFR.

Acknowledgements

The compilation of the CAFR reflects the combined efforts of the Fund's staff, Actuary, and Investment Advisor. Our goal is to present a thorough and accurate report that is easy for our members to read and understand. It is intended to provide complete and reliable information as a basis for making management decisions.

We would like to take this opportunity to express our gratitude to the Board of Trustees, Staff, Investment Advisor, Actuary, and to the many members who are working diligently to ensure the continued success of the Fund.

Yours respectfully,

Michael H. Mulhern
Executive Director

John P. Barry
Deputy Director

MBTA Retirement Fund Board Trustees

Advisory Committees to the MBTA Retirement Fund Board

Audit and Actuary Committee

James M. Evers
Board Member

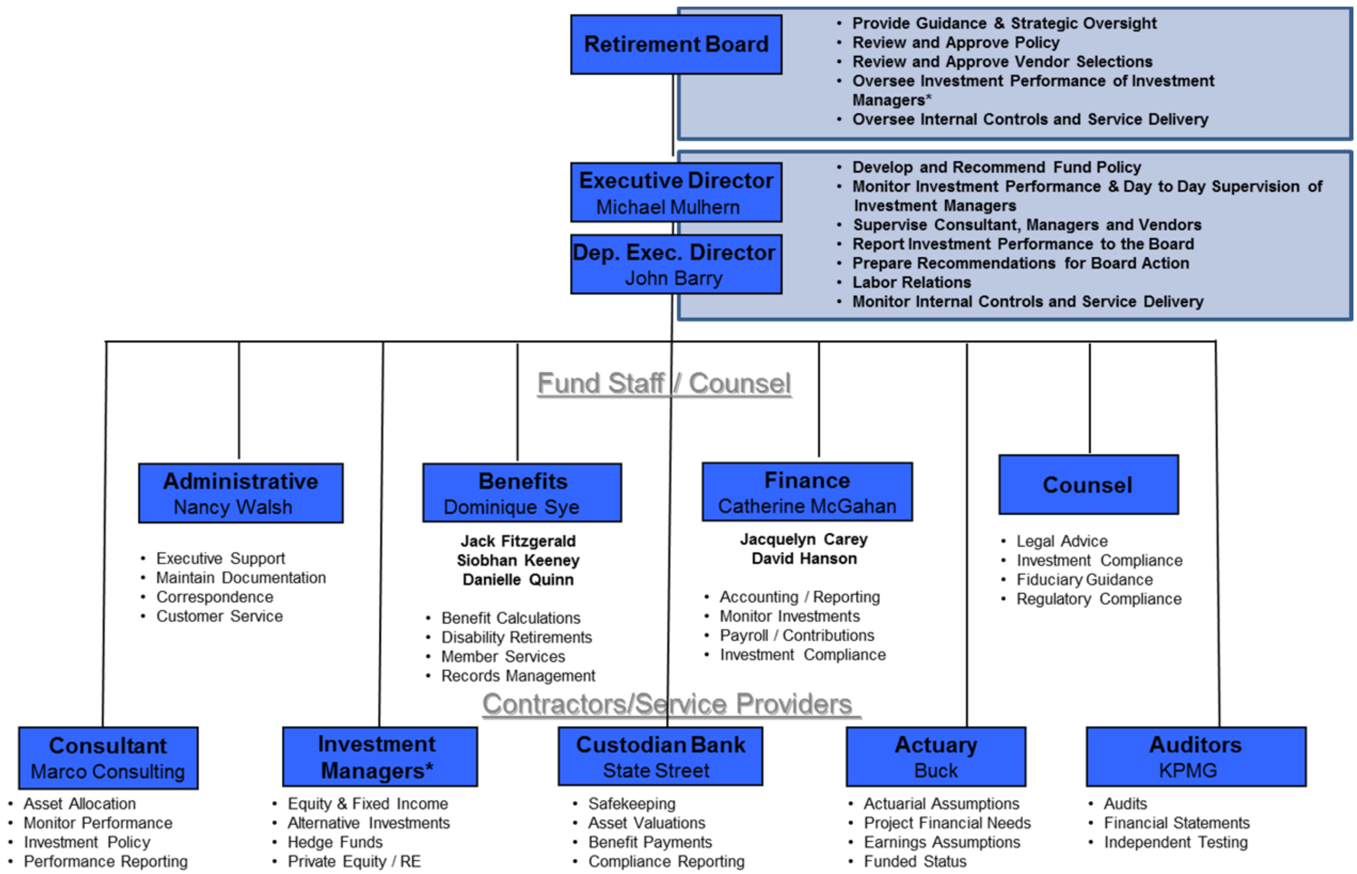
Betsy Taylor
Board Member

Michael J. Heffernan
Board Member

James M. O'Brien
Board Member

Organizational Chart

MBTA Retirement Fund Board
(6 Appointed and Elected Trustees)
James M. Evers, Interim Chair
Steven Grossman — Michael J. Heffernan
Craig S. Hughes — James M. O'Brien
Betsy Taylor — Katherine A. Hesse, Honorary Member
Pamela Holloman, Board Secretary



Please refer to the Investment Section, page 89 for the Schedule of Fees and Commission

Historical MBTA Retirement Fund Board Members

	Period of Service From	To
(A) Harold Ulrich **	08/48	01/49
(E) Irving F. Murray	08/48	08/49
(E) William A. Roche	08/49	07/56
(A) Thomas A. Dunbar **	08/48	01/59
(A) Charles A. McCarron **	08/48	05/60
(E) Thomas P. Dillon	08/48	03/61
(A) Ernest M. Flint	01/49	01/50
(E) Bartholomew P. Saunders	08/49	08/52
(A) Arthur V. Grimes	07/50	06/52
(A) Augustine Airola	06/52	04/53
(E) James J. Casey	08/52	08/64
(A) Harold Ulrich	04/53	04/57
(E) Michael J. Gormley	07/56	12/63
(A) William V. Ward **	08/57	08/64
(A) John J. Sullivan	01/59	07/59
(A) Willis B. Downey **	06/59	08/62
(A) William E. Ryan	06/60	02/72
(E) Edward S. Russell	03/61	01/62
(E) Matthew F. Ryan	01/62	12/69
(A) Edward F. McLaughlin, Jr.	08/62	03/70
(E) Walter H. Doyle	12/63	12/69
(E) Thomas F. Holland, Jr.	08/64	08/70
(A) Philip Kramer **	08/64	04/68
(A) Richard D. Buck **	04/68	07/79
(E) John J. Sugrue	12/69	12/71
(E) Albert F. Kelley	12/69	12/75
(A) Joseph C. Kelly	03/70	07/70
(A) John R. Launie	07/70	05/83
(E) Albert J. Fitzpatrick	08/70	07/80
(E) Patrick C. Quill	12/71	12/75
(A) Joseph H. Elcock	02/72	07/79
(E) John J. Sugrue	01/76	07/76
(E) Redmond R. Condon	01/76	02/78
(E) Joseph D. Fleming, Jr.	07/76	12/77
(E) Donald R. Abbott	12/77	08/79
(E) James J. Slattery	02/78	08/79
(A) Walter J. Ryan **	07/79	05/83
(A) Richard L. Taylor	07/79	05/83
(E) George P. Adams	08/79	11/79
(E) Richard J. Guiney	08/79	11/79

	Period of Service From	To
(E) John J. Gallahue, Jr.	11/79	01/83
(E) John J. O'Leary	03/80	01/93
(E) James T. Norton	07/80	10/90
(E) Paul M. Connolly	01/83	12/86
(A) Paul E. Means	05/83	01/84
(A) William F. Irvin **	05/83	04/91
(A) James E. Smith, Esq.	05/83	04/91
(A) Melissa A. Tillman	01/84	04/91
(E) Anthony B. Romano **	12/86	02/92
(E) John J. Connolly **	10/90	08/94
(A) Domenic M. Bozzotto	04/91	02/97
(A) Toye L. Brown, Ph.D.	04/91	10/93
(A) James A. Radley	04/91	11/92
(E) James W. Duchaney	02/92	01/93
(A) Michael P. Hogan	11/92	12/93
(E) Richard M. Murphy	01/93	08/96
(E) Edward F. Sheckleton **	01/93	12/01
(A) Oliver C. Mitchell, Jr.	10/93	05/98
(A) Albert Shaw	12/93	10/95
(E) Paul V. Buckley	08/94	04/98
(A) Boyce W. Slayman	10/95	03/00
(E) James E. Lydon	10/96	12/01
(A) Janice Loux**	10/97	03/15
(E) William A. Irvin	04/98	12/05
(A) William A. Mitchell, Jr.	12/98	10/00
(A) Joseph M. Trolla	08/00	10/08
(A) Hon. Baron H. Martin	11/00	10/04
(E) Stephan G. MacDougall	01/02	12/10
(E) John P. Barry	01/02	04/06
(A) Jonathan R. Davis	10/04	05/15
(E) James M. O'Connell	09/07	06/15
(E) Michael F. Mastrocola	07/06	01/12
(A) Darnell L. Williams	01/09	05/15
(E) John J. Lee	01/11	12/13
(E) James M. Evers	04/12	Present
(E) James M. O'Brien	01/14	Present
(A) Steven Grossman	06/15	Present
(A) Betsy Taylor	06/15	Present
(A) Michael J. Heffernan	06/15	Present
(E) Craig S. Hughes	07/15	Present

(E) Employee Representative (A) Authority Representative ** Chairperson

Historical Executive Directors of the MBTA Retirement Fund

Name	Period of Service From	To
John H. Moran	01/48	11/51
Michael J. Powell	11/51	12/82
John J. "Jack" Gallahue, Jr.	01/83	03/02
Karl E. White	04/02	06/06
Michael H. Mulhern	07/06	Present

1 Prior to 1968 the Executive Director position was referred to as Treasurer

Historical MBTA Retirement Fund Alternate Board Members

Name	Period of Service From	To
(A) Joseph Gannon	08/48	01/49
(A) Richard A. Sullivan	08/48	01/49
(A) Ernie B. Myott	08/48	08/64
(E) Philip E. Doyle	08/48	12/49
(E) John C. Carey	08/48	08/54
(E) Joseph P. Fahey	08/48	04/54
(A) Edward Dana	01/49	02/51
(A) Edward R. Kelly	01/49	07/50
(E) Thomas Freeman	12/49	08/52
(A) Ernest M. Flint	07/50	10/52
(E) Thomas F. Holland, Jr.	08/52	08/64
(A) John J. Sullivan	10/52	01/59
(A) Horace Schmerhorn	04/53	04/56
(E) Edward S. Russell	04/54	03/61
(E) Michael J. Gormley	04/54	07/56
(A) Robert H. Ryan	05/56	08/57
(E) Joseph P. Fahey	07/56	01/58
(A) John J. Graham	08/57	08/64
(E) Thomas J. Rush	01/58	12/69
(A) William J. Fitzsimons	01/59	07/70
(E) Richard R. Rodwell	03/61	01/62
(E) Walter H. Doyle	01/62	12/63
(E) Paul F. Halloran	12/63	12/69
(E) Albert J. Fitzpatrick	08/64	08/70
(A) Frederick J. Sheehan	08/64	03/67
(A) George L. Anderson	08/64	04/68
(A) Vincent M. Banks	03/67	01/74
(A) Forrest I. Neal, Jr.	04/68	01/78
(E) Patrick C. Quill	12/69	12/71
(E) Dennis F. Guiney	12/69	12/73
(A) Joseph A. Emerson	07/70	01/74
(E) Charles H. Ward	08/70	02/77
(E) Paul F. Sullivan	12/71	12/73
(E) Charles F. Cole, Jr.	12/73	12/75
(E) Edward J. Doherty	12/73	12/75
(A) Daniel F. Dullea	01/74	02/76
(A) Francis A. Sullivan	01/74	07/79
(E) Joseph A. Dineen	01/76	12/77
(E) Joseph D. Fleming, Jr.	01/76	07/76
(E) James T. Norton	03/77	07/80
(E) Redmond R. Condon	02/78	01/84
(E) George P. Adams	02/78	08/79
(A) Troy Y. Murray	10/78	07/79
(A) Guido R. Perera, Jr.	10/78	7/79
(A) Paul E. Means	7/79	5/83
(A) John J. McCarthy	7/79	5/83
(A) Guy F. DeBenedetto	7/79	8/81
(E) Frederick W. Burt III	12/79	3/83
(E) Charles E. Smyth	7/80	10/90
(E) Donald J. Quinlan	3/83	7/85
(E) Anthony B. Romano	1/84	12/86
(A) Melba F. Hamilton	5/84	4/91
(A) Judith H. Robbins	6/84	4/91
(E) Stanley V. Stearns	7/85	1/87
(E) Albert Mastrocola	1/87	10/97
(E) Edward F. Sheckleton	1/87	1/93
(E) Paul V. Buckley	10/90	8/94
(A) Michael P. Hogan	6/91	11/92
(A) Gregory C. Flynn, Esq.	10/91	3/92
(A) Arthur D. Shea	11/91	2/92
(A) Wesley G. Wallace, Jr.	2/92	3/94
(A) Esther R. Maletz, Esq.	3/92	3/94
(E) Robert F. Gosnell	1/93	3/96
(A) Carol A. Buckley	3/94	1/96
(A) Francis X. McDonough	3/94	8/96
(A) Clifford H. Straw	3/94	1/96
(E) Robert H. Stearns	8/94	4/98
(A) William A. Mitchell, Jr.	1/96	12/98
(E) Daniel K. Burton	4/96	9/96
(A) Sharna A. Small-Borsellino	4/96	5/00
(E) Francis X. Madden	10/96	1/99
(E) James M. O'Connell	4/98	12/05
(A) Philip Puccia	2/97	3/99
(E) James D. Wyllie	11/97	12/98
(E) Daniel K. Burton	1/99	1/00
(A) Willie J. Davis	12/98	7/00
(A) Michael Mulhern	4/99	4/02
(E) Torrie Austin	5/99	4/00
(E) James D. Wyllie	1/99	11/00
(E) James M. Evers	5/00	9/00
(A) Alice A. Fernandes	5/00	12/06
(A) Jonathan R. Davis	8/00	10/04
(E) Stephan G. MacDougall	10/00	11/00
(E) James M. Evers	11/00	12/01
(E) James Knox	8/01	12/01

(Continued)

(E) James Crowley	01/02	03/03	(E) John M. Burr	09/07	02/08
(E) Roy L. Chance	02/02	12/02	(A) William A. Mitchell, Jr.	03/07	01/12
(A) Wesley G. Wallace, Jr.	05/02	10/06	(A) Jeanne M. Morrison	10/06	03/15
(E) Robert L. Callahan	03/03	02/06	(E) Walter J. Novicki	02/08	01/10
(E) M. John Burr	03/03	12/03	(E) Lawrence C. Kelly	02/10	04/11
(E) John S. Murray	01/04	02/05	(E) Walter J. Novicki	01/11	12/11
(A) Brian J. Donohue	10/04	05/09	(E) James M. O'Brien	05/11	12/13
(E) James M. O'Brien	03/05	12/10	(E) John A. Clancy	01/12	12/13
(E) Michael F. Mastrocola	02/06	06/06	(A) Gerald K. Kelley	06/12	Present
(E) Daniel K. Burton	07/06	09/07	(E) Margaret C. LaPaglia	01/14	Present
(E) Brian P. Cummins	08/07	06/15	(E) Lawrence C. Kelly	01/14	Present
			(E) Timothy P. Long	07/15	Present

(E) Employee Representative (A) Authority Representative

MBTA Retirement Fund Professional Services

KPMG, LLP
Audit services

Marco Consulting Group
Investment consulting services

Buck Consultants
Actuarial services

Holland & Knight
Legal Counsel

State Street Bank & Trust Company
Custodian

FINANCIAL SECTION

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Retirement Board and Participants
Massachusetts Bay Transportation Authority Retirement Fund:

We have audited the accompanying financial statements of the Massachusetts Bay Transportation Authority Retirement Fund (the Fund), which comprise the statement of fiduciary net position as of December 31, 2014 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Massachusetts Bay Transportation Authority Retirement Fund as of December 31, 2014 and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

(Continued)

Emphasis of Matter Paragraph

As discussed in note 2(j) to the basic financial statements, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information and Other Information

Our audit was conducted for the purpose of forming an opinion on the Fund's basic financial statements. The schedules of administrative expenses and investment expenses and payments to consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of administrative expenses and investment expenses and payments to consultants are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses and investment expenses and payments to consultants are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introduction, Investment, Actuarial, Statistical, and Frequently Asked Questions sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

April 22, 2016

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

This section presents Management's Discussion and Analysis (MD&A) of the Massachusetts Bay Transportation Authority Retirement Fund's (the Fund or MBTARF) financial activity and performance as of and for the year ended December 31, 2014. The MD&A is unaudited and is intended to serve as an introduction to the Fund's basic financial statements, as well as to offer readers of the Fund's financial statements a narrative view and analysis of MBTARF's financial activities.

Financial Reporting Structure

The financial statements include the statements of fiduciary net position and changes in fiduciary net position. They present the financial position of the Fund as of December 31, 2014 and its financial activities for the year then ended. The notes to the financial statements provide further information that is essential to a full understanding of the financial statements. The notes describe the significant accounting policies of the Fund and provide detailed disclosures on certain account balances. The required supplementary schedules include the schedules of changes in net pension liability and related ratios, investment returns, contributions and related notes as prescribed by the Governmental Accounting Standards Board (GASB).

The Fund's financial statements are prepared on an accrual basis of accounting. This method of accounting requires recognizing and recording cash financial transactions when they occur and not just in conjunction with the inflows and outflows of cash.

The total assets managed by the Fund are held in the trust for the payment of pension and related benefits to its members. The Fund's Board of Trustees, in its fiduciary capacity, with assistance from its consultants established the Fund's investment policies and oversees their implementation.

Financial Highlights

Year Ended December 31, 2014

The net position of the Fund decreased $18.7 million, or 1.16%, from $1,606.7 million as of December 31, 2013 to $1,588.0 million as of December 31, 2014.

Net investment income decreased $158.1 million, or 68.3%, from $231.6 million for the year ended December 31, 2013 to $73.5 million for the year ended December 31, 2014. The Fund had a 5.51% rate of return for the year ended December 2014 compared to a 17.08% rate of return for the year ended December 31, 2013. The returns identified in the MD&A are gross of fees with the exception of hedge funds, which are net of fees.

The total contributions received during the year ended December 31, 2014 were $95.9 million compared to total contributions received during the year ended December 31, 2013 of $79.0 million.

Employer contributions during the year ended December 31, 2014 increased $12.6 million or 21.7% to $70.6 million from $58.0 million during the year ended December 31, 2013. This increase is primarily due to the execution of the new wage agreement that was applied retro actively going back to July 2010.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

Member contributions were $25.3 million during the year ended December 2014, an increase of $4.3 million or 20.4% over year ended December 31, 2013 member contributions of $21.0 million. The change in member contributions is also due to the implementation of the new wage agreement.

Benefits paid during the year ended December 31, 2014 were $182.5 million an increase of $5.2 million, or 2.9%, over the benefits paid during the year ended December 31, 2014 of $177.3 million. This increase is primarily due to the 2014 retirees having an increased average benefit and life span as well as the application of the wage agreement for members who retired after July 1, 2010.

Financial Analysis

The following schedules report the condensed comparative fiduciary net position and activities for the Fund as of and for the years ended December 31, 2014 and 2013.

Condensed Comparative Fiduciary Net Position

(Dollar values expressed in millions)

		December 31	
		2014	**2013**
Cash	$	3.0	2.9
Receivables		5.8	6.5
Investments		1,585.9	1,604.2
Cash collateral on securities lending		105.9	123.7
Total assets		1,700.6	1,737.3
Cash collateral on securities lending		105.9	123.7
Accounts payable and accrued expenses		4.3	4.3
Payable for investments purchased		2.5	2.6
Total liabilities		112.7	130.6
Net position – restricted for pension benefits	$	1,587.9	1,606.7

Total assets were $1,700.6 million as of December 31, 2014, a decrease of $36.7 million, or 2.1%, over year ended December 31, 2013. Investments were valued at $1,585.9, a decrease of $18.3 million, or 1.1%, over year ended December 31, 2013. This decrease in investment reflects a slowdown in equity market gains compared to the exceptional increases seen in 2013. Cash collateral on securities lending decreased by $17.8 million, or 14.39%. Receivables decreased by $0.7 million, or 10.8%, over the prior calendar year due to decreased pending investment sales at the end of the calendar year.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

Total liabilities as of December 31, 2014 decreased by $17.9 million, or 13.8%, over the prior year. This resulted primarily from decreased cash collateral on securities lending activity. The cash collateral on securities lending decreased by $17.8 million, or 14.39%, in calendar year 2014. Payable for investment purchased decreased by $0.1 million, or 3.8%.

Condensed Comparative Fiduciary Net Position

(Dollar values expressed in millions)

		December 31	
		2014	**2013**
Additions:			
Employer contributions	$	71	58.0
Member contributions		25	21.0
Income from investments		74	231.6
Total additions		170	310.6
Deductions:			
Retirement benefits		183	177.3
Refunds of contributions		2	1.1
Administrative expense		4	3.9
Total deductions		189	182.3
Total changes in fiduciary net position	$	(19)	128.3

Additions to Plan Fiduciary Position

For the calendar year ended December 31, 2014, employer contributions increased by $12.6 million and member contributions increased by $4.3 million. Effective July 1, 2014, the employer's contribution rate changed from 15.3311% to 16.0511% and the member contribution rate changed from 5.5589% to 5.7989%, resulting in a 4.7% and 4.3% increase, respectively.

Contributions are required to provide benefits and meet administrative expenses and are made jointly by the Massachusetts Bay Transportation Authority (the Authority) and members. The contribution percentage is negotiated periodically as part of the collective bargaining agreement. The Fund's investment portfolio has been a major source of additions to the Fund's net position. There was a net investment gain in 2014 of $73.2 million compared to a $231.3 net investment gain in 2013. This is primarily the result of a change in net appreciation of the fair value of the investment portfolio.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

Deductions from Fiduciary Net Position

Benefits paid increased by $5.2 million, or 2.93%, over the year ended 2014. This increase is primarily due to the 2013 retirees having an increased average benefit and life span as well as the implementation of the wage agreement for members who retired after July 1, 2010. Administrative expenses increased from $3.9 million to $4.0 million, an increase of $0.1 million, or 2.63%.

Net Pension Liability (NPL)

The Fund retains an independent actuarial firm, Buck Consultants, to conduct annual actuarial valuations to monitor net pension liability.

As of December 31, 2014 and 2013, the fiduciary net position as a percentage of the total pension liability was 64.88% and 67.96%, respectively. Because there were no changes to any underlying actuarial assumptions from 2013 to 2014, the decrease in NPL was primarily due to the net decrease in fiduciary net position.

Investment Performance 2014

The Fund began the calendar year 2014 with net position of $1,606.7 million and ended the calendar year with net position of $1,587.9 million, representing a 1.16% decrease. The Fund invests strategically to achieve the actuarial rate of return while controlling risk through diversification of asset class exposure. The primary determinant of long-term investment performance is the strategic asset allocation policy.

Domestic equity (32.5%), international equity (13.6%), fixed income investments (21.9%), and cash equivalents (3.6%) comprise approximately (71.6%) of invested assets as of December 31, 2014. The remaining (28.4%) of assets are invested in real estate (8.9%), and alternative investments (19.5%), which include private equity, absolute return, and diversified beta. These assets are expected to earn enhanced returns and manage risk through further diversification.

Investment performance results are measured by the relationship of the Fund's portfolio returns for equity and fixed income investment against widely accepted market indices. For the calendar year ended December 31, 2014, the MBTA Retirement Fund's total fund return was 5.51% compared to 17.08% for the calendar year ended December 31, 2013. The 2014 return was primarily due to the market conditions.

The domestic large cap equity returned 10.39% compared to the S&P 500 Index of 13.69%. The domestic small cap equity returned 2.37% compared to the Russell 2000 Growth Index of 5.60% and the Russell 2000 Value Index of 4.22%. The global equity and emerging markets returned 6.35% compared to MSCI All Country World Index.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

The total fund performance of 5.51% for calendar year 2014 underperformed by 0.71% the total fund custom index (a blended composition of major market indices in proportion to the Fund's asset allocation), which returned 6.22%.

The domestic large cap equity returned 10.39% compared to the S&P 500 Index of 13.69%. The domestic small cap equity returned 2.37% compared to the Russell 2000 Growth Index of 5.60% and the Russell 2000 Value Index of 4.22%. The global equity and emerging markets returned 6.35% compared to MSCI All Country World Index of 5.50%. The international equity returned (5.87)% compared to the MSCI EAFE Index of (4.90)%. Fixed Income returned 4.90% compared to the BC Aggregate of 5.97%

Additionally, for the year ended December 31, 2014, the real estate portfolio return 25.25% compared to the NCREIF Property Index of 11.82%. The hedge fund portfolio returned 4.14% compared to the CSFB/Tremont Hedge Fund Index of 4.13%. The private equity active portfolio returned 7.60% and the legacy private equity portfolio returned (4.96)% compared to State Street's Customized Benchmark return of 6.93%. State Street Customized Benchmark consists of 36% buyout, 9% venture, 37% debt and 18% fund of funds. Diversified Beta returned 6.72% compared to the 91 Treasury Bill Plus 300 Basis Points return of 3.04%.

Other Information

In 2007, the Fund invested $25 million in Fletcher Fixed Income Alpha Fund, Ltd., a Cayman Islands hedge fund within a master-feeder structure managed by Fletcher Asset Management, Inc. On June 29, 2012, Fletcher International Ltd, the master fund, filed for Chapter 11 bankruptcy protection. The bankruptcy court appointed an Independent Trustee to investigate and, ultimately, liquidate the master fund. On November 25, 2013, the Independent Trustee issued a report detailing allegations of fraud committed by Fletcher and its principal, Mr. Alphonse Fletcher, J., as well as certain of his associates. After partial write downs of the investment in 2011 and 2012, the Fund wrote down the Fletcher investment value to zero in 2013. The Fund, working with the Independent Trustee, remains actively engaged in litigation seeking recovery of damages from Fletcher, his associates, and third-party professionals.

On June 29, 2009, the Fund invested $10 million in Weston Capital Partners Fund II Ltd. (Partners II), a fund of funds managed by Weston Capital Asset Management LLC (Weston Capital). Partners II was a feeder fund within a master-feeder structure. On September 25, 2013, the MBTARF entered into a Transfer Form Agreement by which a pro rata portion of a majority of the underlying assets of Partners II, including interests in White Oak Opportunity SRV, L.P., White Oak Strategic II SRV, L.P., White Oak Strategic Master Fund, L.P., and White Oak Strategic SRV, L.P., were transferred directly to the MBTARF. At a meeting of investors on September 29, 2014, at the MBTARF's request, an independent director, Ms. Karen Balmer, was appointed and directed to wind down Partners II and dissolve its remaining assets. In May of 2015, Ms. Balmer delivered an accounting of Partners II assets and reported that the master-feeder structure would be dissolved with liquid assets distributed immediately and nonliquid assets and claims pursued post-dissolution by a newly formed liquidating entity.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

On June 23, 2014, a consensual civil judgment entered in the United States District Court, Southern District of Florida, in favor of the Securities and Exchange Commission (SEC) against Weston Capital and certain principals in connection with investment activities involving a separate Weston Capital fund known as the Wimbledon Fund SPC, Class TT Segregated Portfolio. The actions described in the SEC complaint appear unrelated to the MBTARF's redeemed investment in Partners II. As of December 31, 2014 the Fund has received $5,927,688 in cash distributions from Partners II. The fair value as of December 31, 2014 of the four funds managed by White Oak Advisors, LLC, plus the distributions received from Partners II through December 31, 2014, is $9,560,835. In December of 2015 the MBTARF received notice from the directors of the White Oak Funds which continue to hold portfolio entities that those funds had engaged Crestline-Kirchner, L.P., an investment advisor specializing in the management of illiquid assets, to serve as investment manager to those White Oak Funds. The relationship between the relevant White Oak Funds and Crestline-Kirchner, L.P. has been structured to lower on-going management fees and incentivize a successful exit from the portfolio companies.

On June 28, 2015, *The Boston Globe* published an article about the Fund's alleged over valuation of assets and under valuation of liabilities for fiscal years 2011-2013 based on a report authored by, among others, Harry Markopolos (the Markopolos Report). Despite requests, the Markopolos Report was not shared with the Fund. In response to the allegations, the Fund, through a special subcommittee of the Retirement Board, issued a Request for Proposals (RFP) seeking an independent expert review of the Fund's valuations, assets and liabilities for the period.

Following the RFP process, which prompted inquiries and proposals from a number of experienced firms, on November 20, 2015, the Retirement Board voted to retain FTI Consulting (FTI) to conduct an independent review of all pension assets, investment returns, actuarial assumptions and liabilities, as set forth in the Fund's audited financial statements for 2011, 2012 and 2013.

FTI is a leading independent provider of multidisciplinary, independent investigative, forensic accounting, and computer forensic and analytic services to the global business and legal community. FTI provides independent, multidisciplinary teams consisting of former "Big 4" auditors, forensic accountants, former federal and state prosecutors, former regulators, former law enforcement officials, investigative researchers, and computer forensic and data analytic specialists.

FTI reviewed thousands of pages of documents, worked cooperatively with the Fund's auditor, and interviewed the Fund's actuary, custodian, investment advisor and key Fund personnel. On March 9, 2016, FTI issued a report finding no significant differences between the financial information reported for 2011-2013 by the Fund and the supporting documentation provided by the custodian or other third parties. In addition, FTI determined that the key actuarial assumptions were reasonable and appropriately applied. Finally, the FTI report concluded that the allegations contained in the Markopolos Report regarding the Fund's audited financial statements lacked merit. The Retirement Board voted to make the FTI report available to the public, and it is linked to the Fund's website *(www.mbtarf.com)*.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Required Supplementary Information
Management's Discussion and Analysis
December 31, 2014
(Unaudited)

Contacting the MBTA Retirement Fund

This financial report is designed to provide a general overview of the Fund's investment results and financial condition of the Fund for the year ended December 31, 2014. Please contact the MBTA Retirement Fund Office for additional financial information or questions related to this report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Statement of Fiduciary Net Position

December 31, 2014

Assets:	
Investments, at fair value:	
Domestic:	
Cash and cash equivalents	$ 57,554,556
Fixed income	340,063,702
Common stock and equity funds	515,963,329
Real estate	141,194,900
Alternative investments and hedge funds	309,485,039
	1,364,261,526
International:	
Cash and cash equivalents	14,281
Fixed income	6,515,165
Common stock and equity funds	215,111,044
	221,640,490
Total investments	1,585,902,016
Cash and cash equivalents	2,952,778
Contribution receivable from Massachusetts Bay Transportation Authority	1,658,892
Cash collateral on securities lending, invested	105,907,691
Receivable for investments sold and other	4,176,805
Total assets	1,700,598,182
Liabilities:	
Cash collateral on securities lending, due to borrowers	105,907,691
Accounts payable and accrued expenses	4,273,470
Payable for investments purchased	2,450,532
Total liabilities	112,631,693
Net position – restricted for pension benefits	$ 1,587,966,489

See accompanying notes to financial statements.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Statement of Changes in Fiduciary Net Position

Year ended December 31, 2014

Additions:		
Contributions by Massachusetts Bay Transportation Authority	$	70,603,285
Contributions by members		25,318,224
Total contributions		95,921,509
Investment income:		
Income from investments and other income		53,319,148
Less investment expenses, other than from securities lending		(7,566,154)
Net appreciation (depreciation) in fair value of investments		27,464,514
Net investment gain		73,217,508
Securities lending activity:		
Securities lending income		657,244
Less borrower rebates and fees		331,275
Net income from securities lending activities		325,969
Total net investment income		73,543,477
Total additions		169,464,986
Deductions:		
Retirement benefits		182,499,776
Refunds of members' contributions		1,630,411
Administrative expenses		4,052,664
Total deductions		188,182,851
Net change in net position		(18,717,865)
Net position – restricted for pension benefits:		
Beginning of year		1,606,684,354
End of year	$	1,587,966,489

See accompanying notes to financial statements.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

(1) Description of the Fund

(a) General

The following description of the Massachusetts Bay Transportation Authority Retirement Fund (the Fund), a single employer plan, provides only general information. Employees (members) should refer to the Pension Agreement for a more complete description of the Fund's provisions.

The Fund was established on January 1, 1948, under an agreement and declaration of trust (restated in October 28, 1980) by and among the Massachusetts Bay Transportation Authority (the Authority), Local 589, Amalgamated Transit Union, Boston Carmen's Union, and AFL CIO (collectively, the Union). The Fund was established as a contributory defined benefit retirement plan in accordance with the Pension Agreement, effective July 1, 1970, adopted by the Authority and the Union for the purpose of receiving contributions and providing pension benefits for its members and qualified beneficiaries.

The general administration and responsibility for the operation of the Fund are vested in a seven-member Retirement Board. The Board consists of three members appointed by the Authority (at least one of whom must be a member of the Authority's Board of Directors), two members appointed by the Boston Carmen's Union, Local Union 589 of the Amalgamated Transit Union, AFL-CIO, one member elected by vote conducted by the Authority for a term of three years by members of the Fund who are not members of the Boston Carmen's Union, Local Union 589 of the Amalgamated Transit Union, AFL-CIO, and one member, who has no vote and is known as the honorary member, who is elected, for such period as the Retirement Board may determine, by the other six members of the Retirement Board.

(b) Membership

The Fund covers all employees of the Authority except the MBTA Police, who are covered separately, and certain executives who elect coverage under an alternate plan. At December 31, 2014, Fund membership consisted of:

Retired members or beneficiaries currently receiving benefits	6,407	(1)
Active members	5,798	
Active members not presently earning service credit	134	
Total membership	12,339	

(1) Includes 6,309 retirees and beneficiaries and 98 individuals receiving payments under QDROs

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

(c) Funding Policy

Contributions required to provide benefits and meet administrative expenses are made jointly by the Authority and members. The member contribution rate was increased from 5.5589% to 5.7989% effective July 1, 2014 of pretax compensation. The Authority's contribution rate was increased from 15.3311% to 16.0511% effective July 1, 2014. Effective July 1, 2015 member contribution and Authority contribution rates will be 5.7914% and 16.0286% respectively. These contribution rates were calculated based on the most recent actuarial valuation of plan benefits and the Memorandum of Understanding with the Authority. The terms of the Fund's obligations are part of the Pension Agreement contained in the annual report of the Fund. Only parties to the Pension Agreement can amend the terms. The contributions by members and the Authority have been developed to provide normal contributions, interest on the unfunded accrued liability, and administrative expenses.

(d) Benefits

The Fund provides for retirement, disability and death benefits in accordance with the Pension Agreement, as amended.

A summary of benefits is as follows:

Normal Retirement Allowance

Condition for Allowance

Any member may retire at age 65. A member may remain in service after the stated retirement date.

Amount of Allowance

The normal retirement allowance equals 2.46% of 3-year average annual compensation multiplied by the years of service, such allowance not to exceed 75% of such average annual compensation.

Early Normal Retirement Allowance

Condition for Allowance

Any member hired prior December 6, 2012 and has completed at least 23 years of service may retire on an early normal retirement allowance.

Any member hired on or after December 6, 2012, has attained age 55 and completed at least 25 years of service may retire on an early normal retirement allowance.

Amount of Allowance

The early normal retirement allowance is computed in the same manner as a normal retirement allowance on the basis of the compensation and service to the time of retirement.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

Early Reduced Retirement Allowance

Condition for Allowance

A member who has attained age 55 and has completed at least 20 years of service may be retired on an early reduced retirement allowance.

Amount of Allowance

The early reduced retirement allowance is an immediate allowance, commencing at the date of retirement, and is computed in the same manner as a normal retirement allowance on the basis of compensation and service to the time of early retirement, but reduced by 1/2 of 1% for each month of retirement prior to normal retirement date.

Disability Retirement Allowance

Condition for Allowance

Any member who has completed 4 years of service in case of disablement due to an occupational accident or sickness, or who has completed 6 years of service in case of disablement due to any other cause, and who has become totally and permanently incapacitated, mentally or physically, for the further performance of duty may be retired.

Amount of Allowance

Upon disability retirement, a member receives an allowance commencing immediately, which is computed as a normal retirement allowance on the basis of the compensation and service to the time of disability retirement and is not less than 15% of the member's 3-year average annual compensation.

Vested Retirement Allowance

Condition for Allowance

Any member who has completed 10 years of service and who is not eligible for a retirement allowance is eligible for a vested retirement allowance, in lieu of a refund of his/her contributions with interest, in the event his/her employment terminates for reasons other than voluntary quit or discharge for cause.

Amount of Allowance

The vested retirement allowance is a deferred allowance commencing on the member's normal retirement date and equal to a percentage, not exceeding 100%, of the amount computed as a normal retirement allowance on the basis of the compensation and service to the time of termination; the applicable percentage is 5% multiplied by the number of years of creditable service, not in excess of 20, at the time of termination.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

Survivor Benefit

Condition for Benefit

Upon the death of a member who has completed 10 years of service and who is survived by a spouse and/or dependent children designated to receive the deceased member's contributions with interest, a benefit may be elected by such survivor in lieu of the payment of the contributions with interest.

Amount of Benefit

If the deceased member had completed at least 10 but fewer than 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his/her death and elected a 50% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

If the deceased member had completed at least 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his/her death and elected a 100% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

Accidental Death Benefit

Condition for Benefit

Upon the death of a member in service whose death results solely from an injury or injuries sustained in the performance of duty, and who is survived by a spouse designated to receive the deceased member's contribution with interest, an allowance shall be payable to said spouse.

Amount of Benefit

The accidental death benefit, payable for life, is equal to the amount which would have become payable to the member if the member had retired as of the date of his/her death on a disability retirement allowance. If there should be insufficient creditable service, the surviving spouse receives the minimum allowance available under the disability retirement provision.

(e) Fund Termination

In the event of termination of the Fund, all of the assets of the Fund shall be used for the benefit of members and retired members or their beneficiaries, and for no other purpose. Each member, and each retired member or their designated beneficiary in receipt of a retirement allowance, shall be entitled to such proportionate part of the assets of the Fund as the reserve, required for their benefits, bears to the total reserves required under the Fund as determined by the Massachusetts Bay Transportation Authority Retirement Board (the Retirement Board) on the basis of actuarial valuation. The Retirement Board may require all such members, and retired members or designated beneficiaries, to withdraw such amounts in cash or in the form of immediate or deferred annuities as it may determine.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

(2) Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB).

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include, but are not limited to, the assessment of fair values for real estate and alternative investment holdings in the absence of readily available market values, and these estimates may be materially different than values that would have been used had a ready market existed for these investments.

(c) Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash on deposit with banks and financial institutions and highly liquid short-term investments, which have original maturities of three months or less. The Fund maintains its cash deposits with financial institutions, which management considers being of high credit quality and, by policy, limits the allocation of funds to any single major financial institution to minimize the Fund's amount of credit exposure.

(d) Revenue Recognition

Contributions are recognized pursuant to the contractual requirements of the Pension Agreement. Investment income is recognized as it is earned. Net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the financial statements.

(e) Retirement Benefits and Refunds

Retirement benefits and refunds are recognized when they become due and payable.

(f) Investments

Investments are stated at fair value. Securities traded on national security exchanges are valued on the basis of the closing price as of the last business day of the reporting period. Securities traded in the over-the-counter market are normally valued at the mean of the closing bid and asked prices. Securities listed or traded on certain foreign exchanges whose operations are similar to the U.S. over-the-counter market are valued at the price within the limits of the latest available current bid and asked prices deemed best to reflect current value. Gains and losses on sales of investments are determined on the basis of average cost.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

Investments in real estate represent the Fund's percent ownership in private real estate funds and limited partnerships. The Fund's investments are valued based on estimates by the Fund's management as a result of their review of financial information of the underlying real estate investment assets and standards established by the real estate industry, generally using the net asset value of the underlying investment as a practical expedient.

Investments in alternative investments and hedge funds include the Fund's percent ownership in venture capital, leveraged buyouts, private placements, hedge fund-of-funds, and other investments where the structure, risk profile, and return potential differ from traditional equity and fixed income investments. These investments are included in the statement of fiduciary net position at estimated values determined in good faith by the Fund's management, generally using the net asset value of the underlying investment as a practical expedient.

Purchase and sales or investments are selected on a trade-date basis.

(g) Derivatives

A derivative is an investment agreement or security with a value that depends on, or is derived from, the value of an underlying asset, reference rate, or financial index. The Fund has classified its investment in forward exchange contracts as investment derivative instruments. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The Fund utilizes forward foreign exchange contracts to minimize the effect of fluctuating foreign currencies. Risk associated with such contracts includes movement in the value of a foreign currency relative to the U.S. dollar. Realized gain or loss on forward exchange contracts is the difference between the original contract and the closing value of such contract and is included in the statement of changes in fiduciary net position. At December 31, 2014, the Fund held open forward exchange contracts of varying amounts and currencies. Unrealized gains and losses are not significant to the financial statements.

(h) Currency Translation

As a result of having assets and liabilities denominated in foreign currencies, the Fund is exposed to the effect of foreign exchange rate fluctuations. Assets and liabilities denominated in foreign currencies and commitments under forward foreign exchange contracts and currency options are translated into U.S. dollars at the mean of the quoted bid and asked prices of such currencies against the U.S. dollar. Changes in foreign exchanges are reflected directly in income. Purchases and sales of portfolio securities are translated at the rates of exchange prevailing when such securities were acquired or sold. Income and expenses are translated at rates of exchange prevailing when accrued. It is not practical to isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market price of securities during the period. Net realized gains on foreign currency transactions represent net foreign exchange gains from holding foreign currencies, currency gains or losses realized between the trade and settlement dates on security transactions, and the difference between the amounts of dividends, interest, and foreign taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2014

(i) Income Taxes

The Fund is considered a qualified governmental plan under Internal Revenue Code Section 414(d) and, is generally exempt from federal and state income tax under the Internal Revenue Code Section 115.

(j) Recent Accounting Pronouncements

The Fund implemented GASB No. 67 *Financial Reporting for Pension Plans*-an amendment of GASB Statement No. 25, for the year ending December 31, 2014. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans,* and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to disclose a net pension liability (NPL) to be measured as the total pension liability (TPL) less the amount of the pension plan's fiduciary net position (FNP).

(3) Cash Deposits, Investments, and Securities Lending

The Fund, in accordance with the declaration of trust agreement, is authorized to make deposits into checking and savings accounts and to invest in any form or type of investment, financial instrument, or financial transaction deemed prudent in the informed opinion of the Retirement Board. State Street Bank & Trust Company serves as the master custodian for the Fund's assets.

For the year ended December 31, 2014, the Fund's essential risk information about deposits and investments is presented on the following tables.

(a) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of failure of a depository financial institution, the Fund's deposits may not be returned. The Fund maintains its cash and cash equivalent deposits with various financial institutions, which management considers being of high quality. The Fund limits the allocation of its cash and cash equivalent deposits to any single financial institution to minimize the Fund's exposure. The Fund's cash and cash equivalent deposits that are not collateralized are subject to the Federal Deposit Insurance Corporation (FDIC) insurance limits. At December 31, 2014, $2,559,211 of the Fund's cash and cash equivalents deposits were in excess of the FDIC insurance limit.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund and are held by either the depository financial institution or the depository financial institution's trust department or agent but not in the Fund's name.

All of the Fund's investments are held by the Fund's custodian in the Fund's name, except for investments in hedge funds, real estate and alternative investments, which by their nature are not required to be categorized.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2014

(b) Investment Policy

The Fund's investment objective is to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation. The Fund's goal is to meet or exceed the Fund's actuarial target rate of return in order to maintain and improve upon its funded status.

The Fund is currently invested in stocks (domestic and foreign), fixed income securities (domestic), real estate, private equity, and hedge funds.

The following was the Board's adopted asset allocation policy as of December 31, 2014:

Asset class	Target
Domestic equity	25%
International equity	11
Global/Emerging markets	7
Fixed income	25
Real estate	9
Private equity	10
Hedge funds	8
Risk Parity/Diversified Beta	3
Cash	2
Total	100%

(c) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The following is a listing of the Fund's fixed income investments and related maturity schedule (in years) as of December 31, 2014:

Investment type	Fair value	Less than 1	1–5	6–10	More than 10
U.S. agencies	$ 72,210,477	—	67,981,724	290,315	3,938,438
U.S. Treasury notes and bonds	24,813,278	755,234	16,068,873	4,899,886	3,089,285
Domestic corporate	186,152,205	1,461,169	51,199,604	87,413,051	46,078,381
International corporate	6,515,165	1,085,657	2,962,802	1,721,958	744,748
Asset backed:					
CMOs	4,176,319	—	—	165,101	4,011,218
Mortgage backed	35,335,722	751,028	2,552,375	—	32,032,319
Other	17,375,701	—	9,523,048	1,713,373	6,139,280
	$ 346,578,867	4,053,088	150,288,426	96,203,684	96,033,669

The Fund's guidelines limit its effective exposure to interest rate risk by benchmarking the separately managed fixed income investment accounts to an intermediate duration benchmark with a weighted average duration of four to five years. The Fund further constrains its actively managed fixed income portfolios to maintain a duration that shall not exceed 1.5

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2014

times the benchmark duration. The manager of each fixed income portfolio is responsible for determining the maturity and commensurate returns of his/her portfolio. Fixed income managers are also expected to report risk statistics and give a description of portfolio characteristics, including quality, duration, allocation by security type, and yield to maturity.

The collateralized mortgage obligations (CMOs) held by the Fund at December 31, 2014 are highly sensitive to changes in interest rates.

(d) Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Fund expects all investment managers to perform their fiduciary duties as prudent people would and conform to all state and federal statutes governing the investment of the funds. Managers are to adhere to the philosophy and style that was articulated to the Retirement Board at the time of hire. The fixed income investment managers have full discretion to invest in fixed income securities in order to exceed their strategy specific benchmarks.

The Fund's fixed income investments as of December 31, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale:

Investment type	Fair value	AAA	AA	A	BBB	BB	B	CCC	Not rated
U.S. agencies	$ 72,210,477	—	2,595,791	69,324,371	290,315	—	—	—	—
Domestic corporate	186,152,205	798,907	1,622,292	66,377,087	37,804,850	12,879,937	49,303,163	786,750	16,579,219
International	6,515,165	597,766		3,920,151	779,408	517,286			700,554
Asset backed:									
CMOs	4,176,319	—	—	23,671	—	—	—	—	4,152,648
Mortgage backed	35,335,722	5,313,919	3,502,466	524,287	1,641,097	—	—	—	24,353,953
Other	17,375,701	7,449,146	7,899	678,751	687,929	—	17,343	308,145	8,226,488
Total credit securities risk	321,765,589	14,159,738	7,728,448	140,848,318	41,203,599	13,397,223	49,320,506	1,094,895	54,012,862
U.S. government fixed income securities*	24,813,278								
Total fixed income securities	$ 346,578,867								

* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

(e) Concentration Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Fund places a 5% limit on the individual exposure to any single issuer at the time of purchase. The Fund has no investments, at fair value, that exceed 5% of the Fund's total investments as of December 31, 2014. The Fund does have investments in individual commingled funds and trusts that represent more than 5% of the Fund's assets, but in each case, these investments are in institutional commingled funds that are invested in diversified portfolios.

(Continued)

**MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND**

Notes to Financial Statements

December 31, 2014

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Fund's exposure to foreign currency risk is attributable to its investments in separately managed and commingled international equity mutual funds and trusts that are invested in diversified portfolios of international stocks that are denominated in foreign currencies. The Fund's combined policy target allocation to all non-U.S. securities is currently 16% of the Fund's total assets. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts, which are described more fully in note 2.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

Risk of loss arises from changes in currency exchange rates. The Fund's exposure to foreign currency risk as of December 31, 2014 is presented on the following table:

Currency	Short term	Fixed income	Equity	Total
Australian dollar	$ —	645,144	1,352,211	1,997,355
Brazilian real	—	1,115,503	1,674,199	2,789,702
Canadian dollar	11,302	—	1,930,686	1,941,988
Chilean peso	—	294,397	—	294,397
Colombian peso	—	181,191	—	181,191
Danish krone	—	—	844,320	844,320
Euro currency	2,971	—	45,074,646	45,077,617
Hong Kong dollar	—	—	5,195,497	5,195,497
Indian rupee	—	597,766	—	597,766
Japanese yen	—	—	30,301,657	30,301,657
Mexican peso	—	2,595,507	—	2,595,507
New Zealand dollar	8	—	—	8
Norwegian krone	—	—	553,681	553,681
Philippine peso	—	1,085,657	—	1,085,657
Pound sterling	—	—	25,109,705	25,109,705
Singapore dollar	—	—	1,754,104	1,754,104
South African rand	—	—	4,361,188	4,361,188
Swedish krona	—	—	3,854,148	3,854,148
Swiss franc	—	—	13,336,648	13,336,648
Thailand baht	—	—	5,109,760	5,109,760
International equity pooled funds (various currencies)	—	—	74,658,594	74,658,594
Total securities subject to foreign currency risk	14,281	6,515,165	215,111,044	221,640,490
United States dollars (securities held by international investment managers)	—	—	21,635,342	21,635,342
Total international investment securities	$ 14,281	6,515,165	236,746,386	243,275,832

(g) *Securities Lending Transactions*

The Fund participates in the State Street Bank and Trust Company securities lending program by lending securities to borrowers (subject to borrower limits and program guidelines) and earning additional income, which is included in net investment income in the statement of changes in fiduciary net position.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

The Fund did not incur any losses on loaned securities during the year ended December 31, 2014. The securities are monitored on a daily basis by the custodian to ensure that the loans are properly collateralized. The collateral value is required to be at least 102% of the fair value of loaned domestic investments and a collateral value of at least 105% of the fair value on loaned international investments. Collateral can consist of both cash and securities. Should the collateral percentage levels fall below the stated figures, the borrowers are required to provide additional collateral to proper levels. The indemnification that State Street Bank provides the Fund in regard to loan risk is that should a borrower default on returning a security from loan, the collateral held is used to buy the security to be returned to the Fund. Any shortfall of proceeds to purchase the securities is taken on by State Street Bank.

Loaned securities are included in the statement of fiduciary net position since the Fund maintains ownership. For loans collateralized by cash, the value of the collateral is recorded as a liability offsetting the cash collateral recorded as an asset. The cash collateral as of December 31, 2014 was $105,907,691. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the statement of fiduciary net position, and a corresponding liability is not recorded, since the Fund cannot pledge or sell the collateral securities, except in the event of a borrower’s default.

At December 31, 2014, the fair value of loaned securities outstanding, included in investments, was approximately $102,799,993.

(h) Commitments

At December 31, 2014, the Fund had contractual commitments to provide approximately $68.8 million of additional funding for alternative investments and real estate.

(i) Money Rate of Return

The Annual money-weighted rate of return on the Fund’s investments calculated as the internal rate of return on the pension fund net of investment expenses for the year ended December 31, 2014 is 4.80%. A money weighted return expresses investment performance net of pension plan investment expense, adjusted for the changing amounts actually invested.

(4) Related-Party Transactions

The Fund invests certain cash in a money market fund, the State Street Bank and Trust Company Short Term Investment Fund, which is sponsored by the Fund’s custodial bank. The total value of the funds held at December 31, 2014 was $52,597,983.

The Fund invests in the AFL-CIO Housing Investment Trust and the AFL-CIO Building Investment Trust, two for-profit investment programs of the AFL-CIO. The total value of AFL-CIO Housing Investment Trust at December 31, 2014 was $48,734,330. The total value of AFL-CIO Building Investment Trust at December 31, 2014 was $11,919,363.

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

(5) Net Pension Liability

The components of the net pension liabilities of the MBTA Retirement Fund as of December 31, 2014 are shown as follows (amounts in thousands):

Total pension liability	$	2,447,731
Plan Fiduciary net position		(1,587,966)
Fund's net pension liability	$	859,765
Plan fiduciary net position as a percentage of total pension liability		64.88%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions:

- Projected salary increases of 4% per year including inflation
- Investment rate of return of 8% per annum, compounded annually
- Inflation rate of 3 percent

Mortality rates were based on the UP 1994 Mortality Table for males projected to year 2020 with Scale AA is used for all active and retired participants. The UP 1994 Mortality Table for Females projected to year 2020 with Scale AA for all beneficiaries. A special mortality table is used for the period after disability retirement. Among pre-retirement deaths, 7.50% are assumed to qualify for accidental death benefits.

The actuarial assumptions used in the December 31, 2014 valuation was based on the results of an actuarial experience study for the period from January 1, 2006, through December 31, 2010. Actuarial valuations attempt to estimate costs associated with the pension fund based on a number of demographic, economic and retirement experience assumptions. Experience studies are required by statute to be conducted every five years to review experience in comparison to these assumptions and to provide recommended changes to assumptions.

The Long-term expected rate of return on Fund investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between economic variables and the asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, are summarized in the following table:

(Continued)

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Notes to Financial Statements

December 31, 2014

Asset class	Target asset allocation	Long-term expected real rate of return
Equity	43%	8.46%
Fixed income	27	1.83
Alternatives	30	7.92

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%

(a) Discount Rate

The discount rate used to measure the total pension liability at December 31, 2014, was 8.00%. The projections of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected further benefit payments of current plan members. Therefore, the long-term expected rate of return on the plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(b) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate (amounts in thousands):

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Net pension liability	1,097,133	859,765	656,157

REQUIRED SUPPLEMENTARY INFORMATION

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Schedule of Changes in Net Pension Liability and Related Ratios
(Unaudited)

	2014
Total pension liability:	
Service cost	$ 34,500,540
Interest	184,667,178
Differences between expected and actual experience	48,560,391
Benefits payments	(184,130,187)
Net change in total pension liability	83,597,922
Total pension liability – beginning of year	2,364,133,135
Total pension liability – end of year (a)	2,447,731,057
Change in fiduciary net position:	
Contributions – employer	70,603,285
Contributions – employee	25,318,224
Net investment income	73,543,477
Benefits payments	(184,130,187)
Administrative expenses	(4,052,664)
Net change in fiduciary net position	(18,717,865)
Fiduciary net position – beginning of year	1,606,684,354
Fiduciary net position – end of year (b)	1,587,966,489
Net pension liability – end of year (a)-(b)	$ 859,764,568
Fiduciary net position as a percentage of the total pension liability	64.88%
Covered-employee payroll	$ 417,957,007
Net pension liability as a percentage of covered-employee payroll	205.71%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Schedule of Investment Returns
(Unaudited)

	2014
Annual money-weighted rate of return, net of investment expense	4.80%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
RETIREMENT FUND

Schedule of Contributions
(Unaudited)

Year	Actuarially determined contribution	Actual contribution in relation to actuarially determined contribution	Percentage of actuarially required contributions	Covered-employee payroll	Contribution as a percentage of covered-employees
2014	$ 77,594,000	70,603,285	90.99%	417,957,000	16.89%
2013	67,602,000	58,039,160	85.85	379,071,000	15.31
2012	66,035,000	54,968,325	83.24	370,873,000	14.82
2011	60,691,000	52,278,311	86.14	366,535,000	14.26
2010	60,252,000	49,006,722	81.34	356,608,000	13.74
2009	49,340,000	38,566,024	78.16	350,619,000	11.00
2008	39,761,000	35,420,770	89.08	377,795,000	9.38
2007	33,815,000	30,014,017	88.76	357,069,000	8.41
2006	33,327,000	34,485,593	103.48	320,648,000	10.76
2005	31,854,000	32,252,740	101.25	303,250,000	10.64

See accompanying independent auditors' report.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY RETIREMENT FUND

Notes to Required Supplementary Information

(Unaudited)

Actuarial Assumption and Methods

Actuarially determined contributions are calculated as of the December 31 proceeding by six months of the start of the fiscal year in which contributions are made. For example, the contribution calculated in the December 31, 2012 actuarial valuation was to be made during the period from July 1, 2013 through June 30, 2014.

Methods and assumptions used to determine the contributions for calendar 2014 (based on 2012 and 2013 actuarial valuations).

- Actuarial cost method – Entry Age Normal
- Amortization method – Level Percentage of Pay
- Remaining amortization period – 26 years (2013 valuation), 27 years (2012 valuation)
- Asset Valuation method – Five year phase-in
- Investment rate of return – 8% net of pension plan investment expense
- Retirement Age – Probabilities of retirement are based on table that reflects both age and service
- Mortality – For all active and retired participants, the UP 1994 Mortality Table for Males projected to 2020 with Scale AA. For all beneficiaries, the UP 1994 Mortality Table for Females projected to 2020 with Scale AA. A special mortality table is used for the period after disability retirement.

Effective with the December 31, 2013 actuarial valuation, the actuarial asset valuation method utilized to compute the actuarial value of assets changed from the five-year moving average of market values method to the five-year phase-in smoothing method. This was done in an effort to further align the Fund's funding policies with those prevalent among the Commonwealth of Massachusetts' public retirement systems and to enhance the transparency of its actuarial calculations. With the implementation as of December 31, 2013, the Fund restarted its actuarial value of plan assets at market value and will gradually implement the phase-in smoothing method over the next four years.

See accompanying independent auditors' report.

Schedule of Administrative Expenses - (unaudited)

As of December 31, 2014	2014
Wages and Benefits	
Staff Salaries *	1,279,634
Retiree Payroll	321,891
Benefits	285,876
Total Personnel Services	**1,887,400**
*Executive Director Salary = $282,000	
*Deputy Director Salary = $196,000	
Professional Services	
Actuarial	119,820
Audit	91,760
Legal Counsel	942,723
Disability Medical Exams	52,850
Total Professional Services	**1,207,153**
Communication	
Newsletter / Annual Report	70,274
Postage	7,524
Telephone	26,663
Education and Training	87,434
Manager Meetings	53,468
Member Services	5,714
Total Communication	**251,077**
Miscellaneous	
General and Administrative	62,278
Business Insurance	178,710
Rent	355,513
Technological Support	110,532
Total Miscellaneous	**707,034**
Total Administrative Expenses	**4,052,664**

See accompanying Independent Auditors' Report

Schedule of Investment Expenses and Payments to Consultants - (unaudited)

As of December 31, 2014

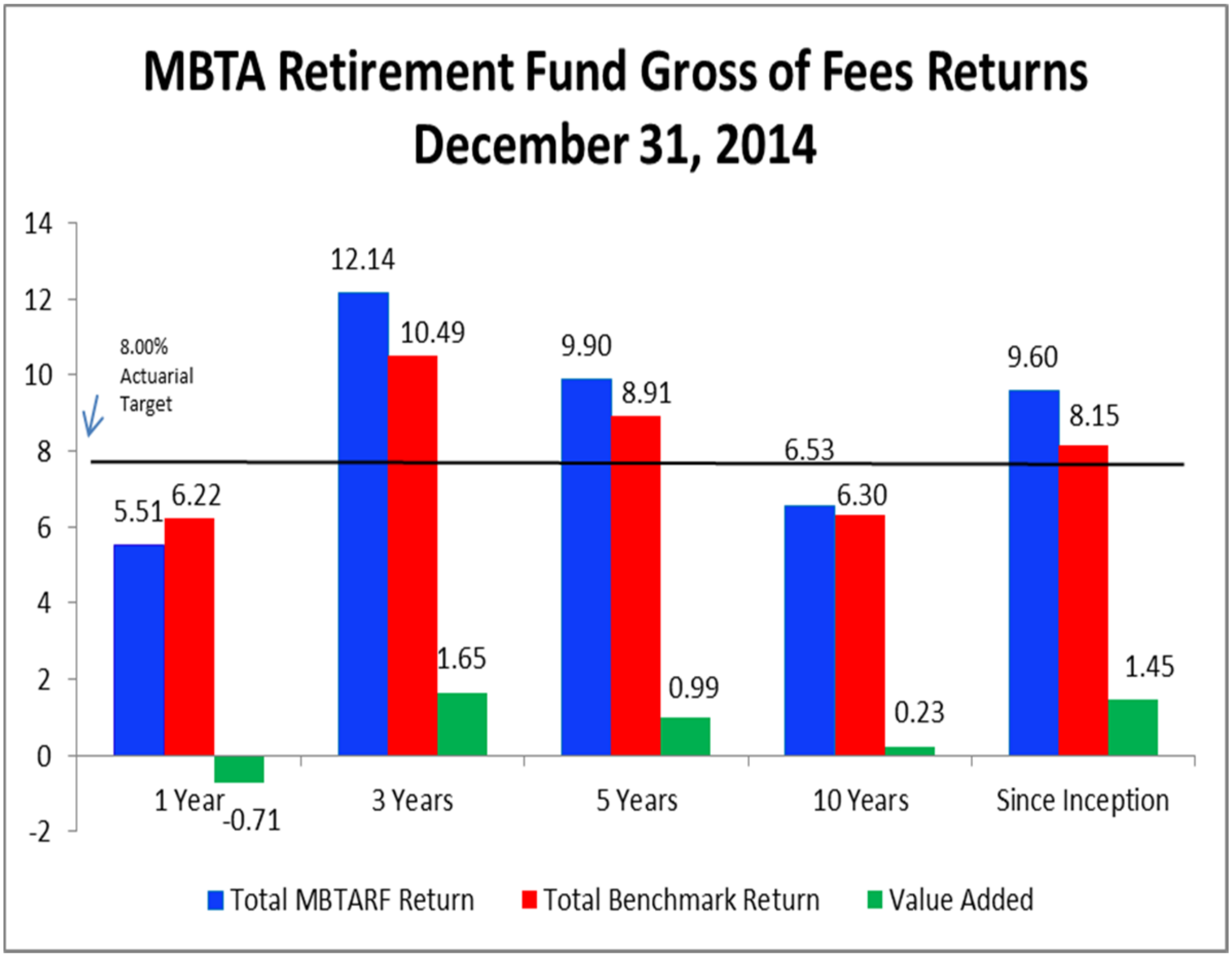
Schedule of Investment Expenses	
Investment Management Fees	6,323,645
Investment Consultant Fees	331,946
Communications / Governmental Services	166,400
Custodial Fees	744,163
Total Investment Expenses	**7,566,154**

Schedule of Payments to Consultants*	
Independent Auditors	91,760
Actuary	119,820
Legal	942,723
Total Payments to Consultants	**1,154,303**

*These payments are presented for analytical purposes; each amount is already included in schedules of administrative or investment expenses

See accompanying Independent Auditors' Report

INVESTMENT SECTION



* Gross of Fees with the exception of hedge funds which are net of fees

** Performance inception date of January 1, 1982

The Massachusetts Bay Transportation Authority Retirement Fund (the “Fund”) was created to provide retirement benefits for certain employees of the Massachusetts Bay Transportation Authority (the “Authority”). The Fund was established in 1948 pursuant to a Trust Agreement between local 589 ATU AFL-CIO (the “Union”) and the Authority that is governed by the terms of a separately negotiated Pension Agreement between the Authority and the Union. The MBTA Retirement Board is responsible for the general oversight of the MBTA Retirement Fund. The primary goal of the Fund’s investment program is to meet or exceed the Fund’s actuarial target rate of return in order to maintain and improve upon its funded status. The Board of the Fund seeks to maximize return on investments through a diverse group of investment managers with an acceptable level of risk.

The Investment Section was prepared by the MBTA Retirement Fund Finance Staff with assistance of the consultant, Marco Consulting Group. The Fund’s investment portfolios are presented at fair value which is appropriate industry standard.

As of December 31, 2014 the Board employed 19 public markets investment managers, 39 private equity market managers, 10 real estate managers, 3 hedge fund-of-funds managers and 1 risk parity/diversified beta manager. The Fund had approximately $1,586 million in assets under management at December 31, 2014. Each investment manager operates within guidelines that are established by the Board and consultant and are outlined in a detailed investment management or partnership agreement.

The Investment Policy statement adopted by the Fund Board requires that the Board and the Executive Director review the asset allocation at least quarterly to determine if the asset allocation is consistent with the exposure ranges described. A change in the Fund’s liability structure, funded status, or long-term investment prospects may also trigger a revision of the asset allocation. The Executive Director will direct investment managers to transfer funds to rebalance the asset allocation as necessary. The Executive Director shall use appropriate judgment and care when rebalancing portfolios.

Current Allocation as of 12/31/2014

Asset Class	12/31/2014 Allocation %	Target (%)
Equities	46.97	43
Domestic Large Cap	17.47	18
Domestic Small Cap	9.05	7
Established International (Large Cap)	11.84	11
Global / Emerging Markets	8.61	7
Fixed Income	24.64	27
Core Fixed Income	6.53	8
TIPS	0.63	3
Real Estate Debt/Mortgages	3.95	4
Global & Multi Sector	9.05	8
Bank Loans	2.33	2
Cash	2.15	2
Alternative Investments	28.39	30
Private Equity	10.84	10
Real Estate	8.89	9
Hedge Funds	5.80	8
Risk Parity / Diversified Beta	2.86	3

The Year in Review – The World Markets

Fiscal Year 2014 Global Markets Overview

First Quarter 2014:

During the first quarter of 2014, the U.S. economy started to recover. Unemployment levels were falling and the economy continued to grow at a modest pace. The most recent GDP estimate showed expected growth of 2.6% in 2014 and 2.5% in 2015 according to the OECD estimates. Inflation is expected to be relatively tame in spite of this growth. Such positive economic growth even came as the brutal winter threatened to slow things down in early 2014. Economists believed that job growth was slowed due to the harsh weather conditions. Retail and auto sales suffered in the first quarter as fewer people wanted to go outside and shop. After a strong 2013, equity markets started 2014 in negative territory but quickly turned positive. Most markets posted modest gains for the quarter. High yield bond spreads and bank loan discount margins are near historical averages, but they continue to grind tighter. The corporate environment and thirst for yield should provide support and keep this trend in place in the near term. Emerging markets sold off in January but recovered in February and March. The U.S. treasury curve flattened in Q1 2014 because of Fed Chair Yellen's comments that indicated an accelerated timeframe for the rate hike, geopolitical concerns abroad and subdued economic data that benefitted 10- and 30- year Treasury yields. Hedge funds struggled in the first quarter of 2014 amid volatility in the markets. The average hedge fund posted losses in both March and April.

Second Quarter 2014:

Nothing has been able to stop the bull market for stocks in the U.S. Bears continue to look for a correction in U.S. equities as the stock market continues to go higher, but stocks have still not pulled back from their run. Through June 30th, the S&P 500 had climbed 7.1% for 2014, fueled by a 5.2% gain in the second quarter. In July, even a couple of recent major geopolitical shocks have not rattled investors much. The strengthening labor market gives the Fed some support for raising interest rates. One sore spot for the U.S. economy is housing. U.S. housing starts and building permits unexpectedly fell in June. This suggests the housing market was still struggling to get back on track after stalling in late 2013. All of this economic news comes as the Fed seeks to finally wrap up its quantitative easing (QE) program. Stocks rebounded in Q2 as all equity asset classes posted positive performance. Emerging markets performed the best, followed by U.S. large cap stocks and developed ex-U.S. stocks. Intermediate- and long-term

(Continued)

U.S. Treasuries rallied during the quarter, meaning that their yields fell substantially. Thus, as short term rates were stable as the Fed has not yet raised interest rates, the Treasury yield curve flattened. A moderate global recovery appears to be well underway and the fixed income markets continue to generate positive near term results. Hedge funds were generally positive for the quarter. Many funds lost ground in April, though returns bounced back in May and June.

Third Quarter 2014:

Fear was reintroduced into the market in the third quarter of 2014. Stocks continued to soar higher and bonds withstood continued tapering of the Federal Reserve's quantitative easing program. However, a number of influences sent stocks lower for the quarter. Oil prices in particular experienced a pronounced downturn as supply and demand became more balanced. Coupled with the strong dollar, oil prices have decreased 25% over the past few months. Investors worried about a possible slowdown in China. Also, the U.S. dollar continued to strengthen over the quarter against both the euro and the yen. Amid some of this news, U.S. equities were also a mixed bag, though investors mostly favored large caps in a flight to quality. The S&P 500 Index returned 1.13% versus -7.36% for the small-cap Russell 2000 Index. In addition to continuously improving U.S. economic data, large caps were helped by falling long-term U.S. interest rates for much of the quarter. Energy stocks fell the most as oil and natural gas prices declined. While developed ex-U.S. markets were negative for the quarter, countries within Europe saw the largest declines. The implications of the developed world's central banks rate increases have also negatively impacted emerging market stocks, as higher yields in the developed markets cause emerging market assets to look less attractive. Investors' flight to quality meant that Treasuries were boosted, even though quantitative easing was rapidly coming to an end. Domestic bond returns were mixed. Short Treasuries sold off as investors anticipated any Fed rate hike to be in mid-2015 at the earliest, which is later than originally expected. However, longer-term Treasuries performed better as investors did gravitate toward higher quality assets. Hedge funds struggled amid all these circumstances. A turbulent quarter across all regions globally saw North America and emerging markets-focused funds hit hardest by a negative September across the board.

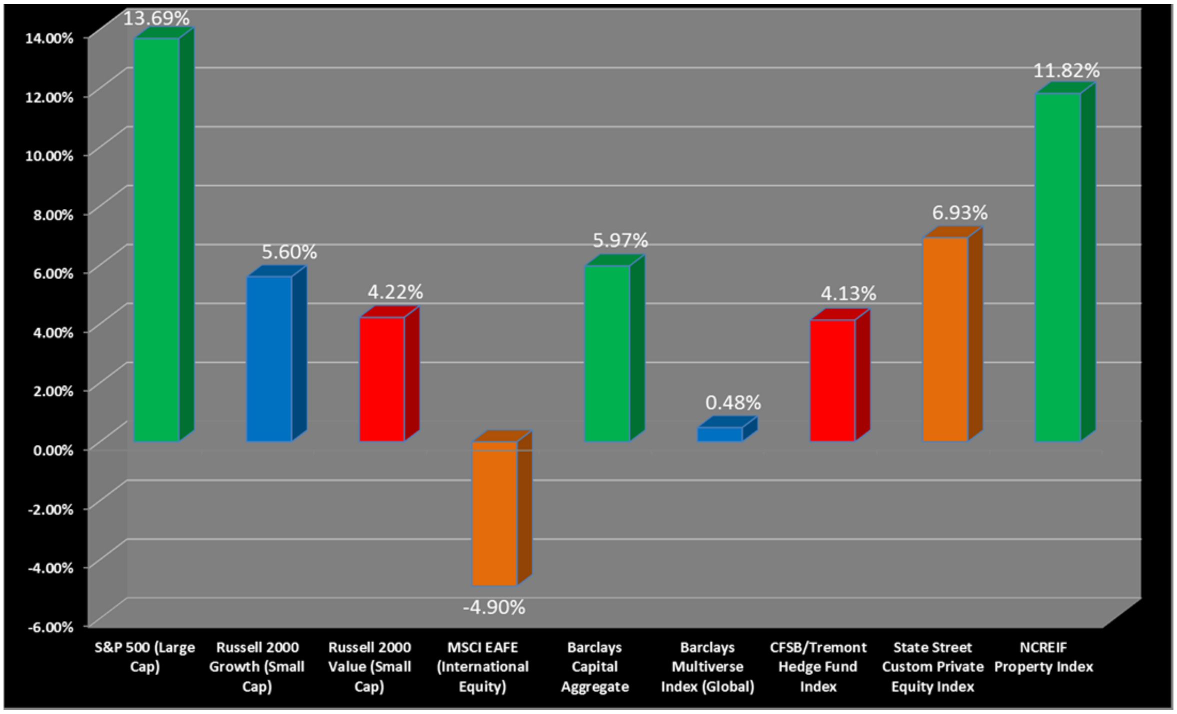
Fourth Quarter 2014:

The fourth quarter marked continued divergence between a strengthening United States economy and economic struggles for most other developed market economies. This meant that investors gravitated to U.S. stocks and bonds, while the stock markets of Europe and Japan lagged.

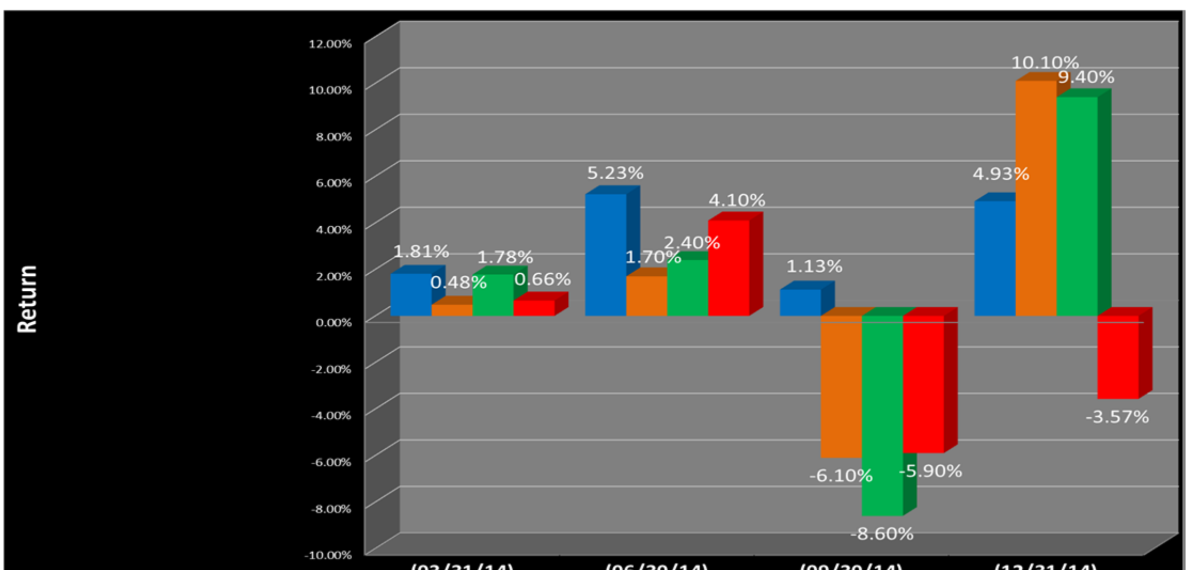
(Continued)

Interest rates remained low during the quarter in both the U.S. and across developed markets. Amid continued low inflation and stubbornly low labor force participation in the U.S., the Federal Reserve still has not moved to raise interest rates. In Europe, rates continue to remain low as economic woes plague the continent. Oil prices plunged in the fourth quarter, which benefited consumers but hurt energy stocks and commodity prices. Oil demand is low because of weak economic activity, increasing fuel efficiency worldwide, and a continued move away from oil to other fuels. The U.S. dollar continued to strengthen in the fourth quarter, ending the year up 12.8%. While this may seem like a positive for U.S. investors, many large US companies derive much of their revenue outside the U.S., and the strong dollar thus took a toll on their earnings. The U.S. stock market continued its bull run in 2014. The S&P 500 Index capped 2014 with its eighth consecutive quarterly gain, returning nearly 5% in the quarter and 13.7% for the year. In the U.S., large cap securities were the best performing stocks in aggregate for the year. Utilities surged in 2014 as US investors gravitated toward the relative safety of dividend-paying stocks. Almost every S&P 500 sector had a strong year in 2014. The exception was energy, which fell as oil prices declined. Investors gravitated to Treasuries as they sought out “safer” assets amid global economic uncertainty. That meant a strong year for the Treasury-heavy Barclays Aggregate index, which gained 5.97% for the year.

Fiscal Year 2014 Market Indices Returns

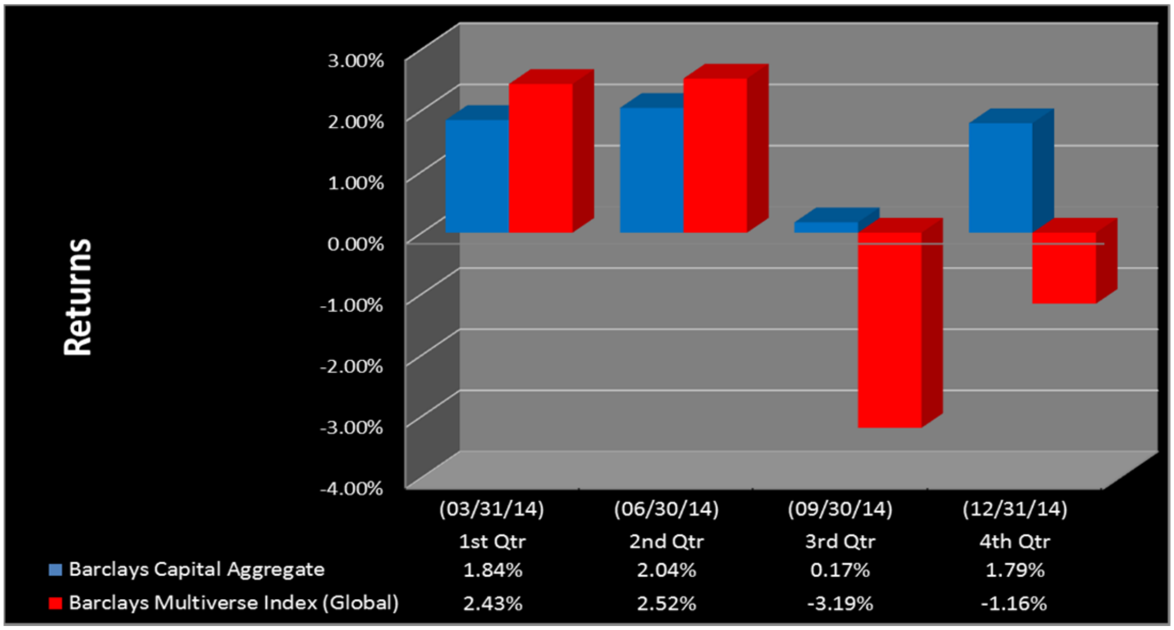


Fiscal Year 2014 Equity Indices by Quarter



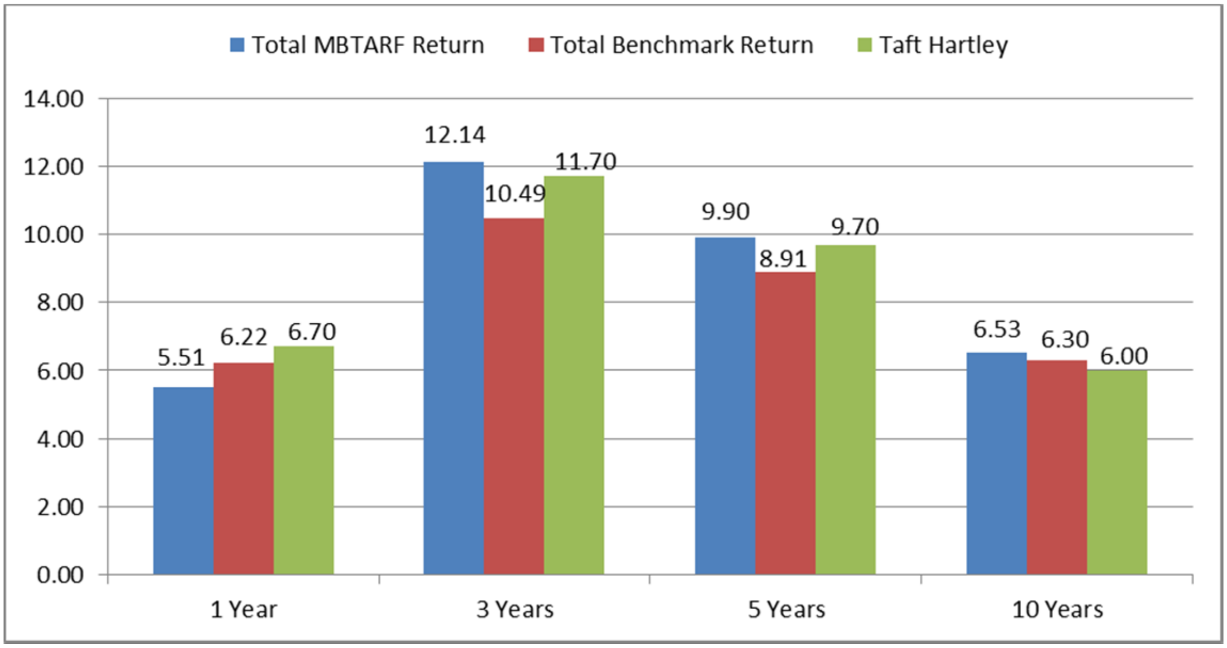
	(03/31/14) 1st Qtr	(06/30/14) 2nd Qtr	(09/30/14) 3rd Qtr	(12/31/14) 4th Qtr
S&P 500 (Large Cap)	1.81%	5.23%	1.13%	4.93%
Russell 2000 Growth (Small Cap)	0.48%	1.70%	-6.10%	10.10%
Russell 2000 Value (Small Cap)	1.78%	2.40%	-8.60%	9.40%
MSCI EAFE (International Equity)	0.66%	4.10%	-5.90%	-3.57%

Fiscal Year 2014 Fixed Income Indices by Quarter



MBTARF Core Performance: Fiscal Year 2014

Returns are calculated based on a time-weighted rate of return methodology. The Fund's returns (gross of fees) and benchmarks for the periods ended December 31, 2014:



During fiscal year 2014, the Fund returned 5.51%, underperforming the Policy Benchmark of 6.22% by 71 basis points. The MBTARF began fiscal year 2014 with a net pension value of $1,606.7 million and ended with a $1,588 million valuation. On a gross basis the Fund decreased $18.7 million. $182 million in net retirement benefits were dispersed to members of the Fund.

The quarterly returns of the Fund in fiscal year 2014 were as follows:

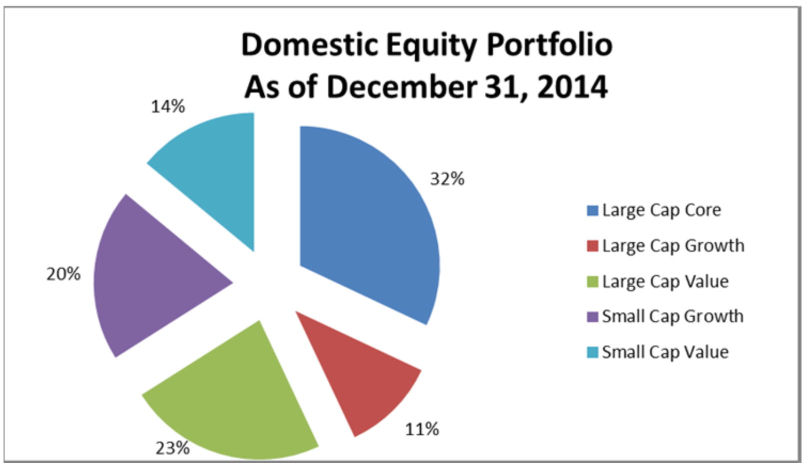
	MBTARF Return	Policy Benchmark Return
QTR 1	0.92%	2.00%
QTR 2	3.13	3.18
QTR 3	-0.49	-0.61
QTR 4	1.56	1.54

The past year the Fund saw modest returns but the overall performance was reduced due to active equity management. Active equity management detracted (Continued)

in an environment where 60% to 90% of managers failed to beat their benchmark amid a series of head winds. The value of the actively managed strategy was diminished by the S&P 500's tripling in value between March 2009 and December 2014, the disproportionate price appreciation enjoyed by companies with lower credit ratings and high correlations between individual stock prices. Modestly positive economic news, investor friendly monetary policy, low inflation, and declining bond yields boosted domestic asset prices. In contrast, slowing global growth, deflationary fears, and a strengthened dollar detracted from non-U.S. asset performance. U.S. large cap stocks and core bonds returned 13.7% and 6% respectively while non-U.S. established and emerging market stocks lost 4.9% and 2.9% respectively. Global bonds returned only 60 basis points. Through December 31, 2014 the Fund returned 9.60% since inception outperforming the actuarial rate of return of 8.00% by 161 basis points. The Funds annualized returns for the 10, 5, and 3 years ending December 31, 2014 exceeded the Taft Hartley and Public medians, ranking in the 13^{th} , 38^{th} and 36^{th} percentiles respectively. The Fund ranked in the 81^{st} percentile for the 1 year ending December 31, 2014 against similar scaled pension funds.

Domestic Equity Portfolio

As of December 31, 2014, the domestic equity portfolio had approximately $414.5 million in net assets, which represented 26.14% of the Fund portfolio. Approximately 65.9 % of the domestic equity portfolio is invested in a large capitalization equity strategy (large cap) with the remaining 34.1% in a small capitalization equity strategy (small cap). The Fund's domestic equity portfolio is actively managed in an attempt to outperform a diverse set of indices. Each investment manager's performance is measured against an assigned index based on the stated investment strategy.



On a three, five and ten year basis through December 31, 2014, the domestic equity portfolio has returned 20.88%, 16.82% and 8.84% compared to the S&P 500 benchmark, which returned 20.41%, 15.45% and 7.67% respectively.

Style - The Board intends to manage risk and diversify the Fund's portfolio through the selection of money managers with different investment styles and complementary characteristics within each asset class.

Portfolio Risks – Although the performance of equity securities has historically exceeded that of other market assets over an extended period of time, these assets, as all investments carry the risk of loss of principal and are subject to changing market conditions. The value of equities is not only determined by external market factors but by the performance of the firms for which these assets legally represent.

(Continued)

Portfolio Returns - During the fiscal year the portfolio produced a return of 7.93% compared to 13.69% for the portfolio benchmark. Large cap equity managers returned 10.39% underperforming the benchmark by 3.30% and small cap equity returned 2.37% underperforming the Russell 2000 Index by 2.52%. The Fund had one large cap core manager, which outperformed the S&P 500 benchmark by 1.63%. The large cap growth and value managers underperformed their benchmarks by 5.06% and 7.77% respectively. Three of the four small cap managers underperformed their respective benchmarks.

The top ten holdings in the domestic equity portfolio at December 31, 2014 are illustrated below. A complete listing of holdings is available upon request.

Shares	Stock	Market Value ($000's)	% of fair value
36,150	VISA INC CLASS A SHARES	$9,479	2.29%
89,800	FACEBOOK INC A	7,006	1.69
29,460	BAIDU INC SPON ADR	6,716	1.62
54,500	ALIBABA GROUP HOLDING SP ADR	5,665	1.37
49,214	APPLE INC	5,432	1.31
164,200	SCHWAB (CHARLES) CORP	4,957	1.20
14,100	BIOGEN IDEC INC	4,786	1.15
40,000	MONSANTO CO	4,779	1.15
41,700	ASML HOLDING NV NY REG SHS	4,497	1.08
3,938	PRICELINE GROUP INC/THE	4,490	1.08
	Total Top Ten	**$57,807**	**13.94%**

(Continued)

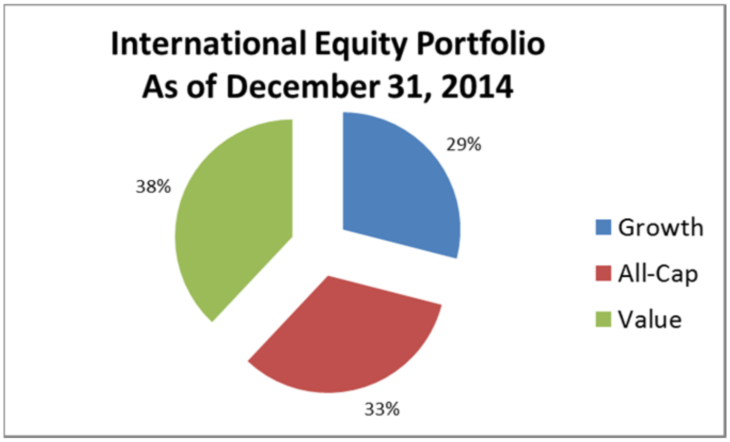
The MBTA Retirement Fund's domestic equity managers at December 31, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
Alliance Capital Management	Small Cap Growth	45,011,502
Buckhead Capital Management	Small Cap Value	26,795,136
DePrince, Race & Zollo	Large Cap Value	94,465,604
Holland Capital Management	Large Cap Growth	46,210,223
Intech	Large Cap Core	133,833,210
RBC Global Asset Management	Small Cap Growth	37,697,763
Robeco Investment Management	Small Cap Value	30,525,776
* **Total Portfolio Fair Value:**		**414,539,215**

*On occasion the Fund receives stock distributions from Private Equity managers. At year end 2014 the fair value of these equities is $120,162.

International Equity Portfolio

As of December 31, 2014, the international equity portfolio had approximately $189.6 million in net assets, representing 11.96% of the Fund portfolio. The international equity managers are benchmarked against the MSCI EAFE index, which includes the developed markets of Europe, Australia and the Far East. The international equity portfolio is comprised of three actively managed accounts.



The primary strategy is to invest in international equity funds to achieve consistent, positive real returns and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation.

Style – The Board intends for a group of managers employing various strategies to invest assets in a well-diversified portfolio of Non-U.S. developed market equity securities. This group consists of a broad range of styles and approaches including: core international products, top-down country selectors, bottom-up security selectors, capitalization ranges, growth and value-oriented products and products using various mixtures of these strategies. Certain investment managers may have a guideline up to 20% exposure in emerging markets.

Portfolio Risks – International assets are subject to additional risks such as changes in foreign currency exchange markets and the environment in which the trading of these securities and associated financial reporting are governed. Differences between reporting standards across jurisdictions also adds to the complexity of these markets.

Portfolio Returns - During the fiscal year, international equity returned (5.87)% underperforming the benchmark by 0.97%. All three international equity asset classes underperformed to their respective benchmark MSCI EAFE index.

(Continued)

On a three, five and ten year basis through December 31, 2014, the international equity portfolio has returned 11.99%, 6.81% and 5.91% compared to the MSCI EAFE benchmark, which returned 11.06%, 5.33% and 4.43% respectively.

The top ten holdings in the international equity portfolio at December 31, 2014 are illustrated below. A complete listing of holdings is available upon request.

	Shares	Stock	Market Value ($000's)	% of fair value
1	33,300	NASPERS LTD N SHS	$4,361	2.30%
2	43,871	NOVARTIS AG REG	4,077	2.15
3	76,411	FRESENIUS SE & CO KGAA	3,991	2.10
4	253,300	ARM HOLDINGS PLC	3,930	2.07
5	2,719,400	CP ALL PCL FOREIGN	3,513	1.85
6	1,479	SGS SA REG	3,044	1.61
7	3,586	UCB SA	2,798	1.48
8	44,303	BNP PARIBAS	2,641	1.39
9	65,400	ASOS PLC	2,627	1.39
10	185,800	ROLLS ROYCE HOLDINGS PLC	2,520	1.33
		Total Top Ten	**$33,502**	**17.67%**

The MBTA Retirement Fund's international equity managers at December 31, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
Gryphon International	Growth	54,344,829
Henderson Investors	All-Cap	60,607,933
Morgan Stanley Asset Management	International Large Value	74,658,596
Total Portfolio Fair Value:		**189,611,358**

Global Equity and Emerging Market Portfolio

As of December 31, 2014, the global equity and emerging markets portfolio had approximately $125.1 million or 7.89% of MBTA Retirement Fund's assets. The MBTA Retirement Fund measures the investment manager's performance against the MSCI ALL Country World Index a benchmark comprised of stocks from 46 different countries including 23 countries classified as developed markets (including the United States) and 23 countries that are considered emerging markets. The manager is also measured against a secondary blended benchmark that consists of 71.4% of the MSCI ALL Country World Index and 28.6% the MSCI Emerging markets index.

Portfolio Composition - The portfolio invests a significant percentage of its assets in foreign securities traded on foreign exchanges including the use of derivatives (e.g. LEPOS and p-notes) to gain access to certain foreign markets. The manager is granted full discretion to buy, sell, invest and reinvest its portion of the Fund's assets in stocks contained within the MSCI ALL Country World Index. The maximum allocation to emerging markets is three times the benchmark sector weighting or approximately 30% of the portfolio. The investment objective of the global equity and emerging markets portfolio is to achieve consistent, positive real returns and to maximize long term total return within prudent levels of risk through a combination of income and capital appreciation.

As of December 31, 2014, the global and emerging markets portfolio's country and regional exposures included a 78% allocation to developed market stocks, which included a 59% allocation to U.S. stocks, and an approximately 22% allocation to emerging, markets stocks, which included a 7% allocation to Chinese stocks.

Portfolio Risks – In addition to providing the potential for higher expected returns, emerging markets generally expose investors to higher expected risks due their susceptibility to more volatile economic conditions, potential political instability and, in some cases, an absence of a

(Continued)

mature system of corporate governance. These investments also carry all the risks associated with domestic and developed market investments.

Portfolio Returns - During the fiscal year, global equity and emerging market portfolio returned 6.35%, exceeding the benchmark by .85%. Due to the fact the MBTA Retirement Fund began investing in this asset class in October 2012, the investment manager's results do not yet include three and five year periods.

The top ten holdings in the global equity and emerging market portfolio at December 31, 2014 are illustrated below. A complete listing of holdings is available upon request.

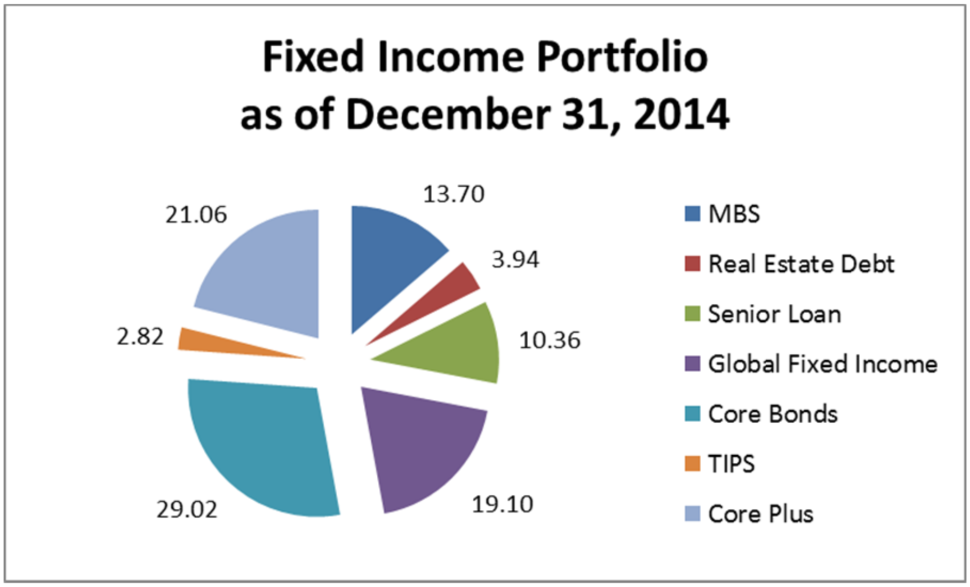
	Shares	Stock	Market Value ($000's)	% of fair value
1	24,100	VISA INC CLASS A SHARES	$6,319	5.05%
2	2,600	BAIDU INC SPON ADR	5,927	4.74
3	74,000	FACEBOOK	5,773	4.61
4	54,500	ALIBABA GROUP HOLDING SP ADR	5,665	4.53
5	270,100	JP MORGAN STRUCTURED PRODUC	4,829	3.86
6	154,800	SCHWAB (CHARLES) CORP	4,673	3.73
7	13,600	BIOGEN IDEC INC	4,617	3.69
8	37,800	MONSANTO CO	4,516	3.61
9	41,700	ASML HOLDING NV NY REG SHS	4,497	3.59
10	10,700	REGENERON PHARMACEUTICALS	4,390	3.51
		Total Top Ten	**$51,206**	**40.92%**

The MBTA Retirement Fund's global equity and emerging market manager at December 31, 2014 is presented in the following table:

	Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
SANDS	Sands Capital Management	Growth	125,123,468

Fixed Income Portfolio

As of December 31, 2014, the fixed income portfolio had approximately $348.3 million in net assets, which represented 21.96% of the MBTARF portfolio. The Fund's fixed income portfolio is benchmarked against the Barclays Aggregate Bond Index, BC GOV/Credit, BC MBS, S&P/LSTA Leveraged Loan, BC U.S. TIPS and Barclays Multiverse.



Styles - Fixed income managers serve in a specialist role managing debt securities. Domestic core fixed income managers' investments may include (i) U.S. dollar denominated obligations of the United States Government and its Agencies and instrumentalities, and U.S. corporations, (ii) mortgage-backed securities including CMOs and commercial mortgage backed securities ("CMBS"), (iii) Asset Backed Securities("ABSs"), (iv) registered 144A securities if applicable, (v) municipal bonds, (vi) short term securities, (vii) securities of foreign companies or foreign countries (sovereigns or supranational) denominated in U.S. dollars, trading in the U.S. markets and capable of settlement in U.S. markets (Yankee bonds), and (viii) dollar denominated obligations of U.S. companies trading outside the U.S. ("Eurobonds").

Portfolio Risk - Risk in bond investments is primarily driven by changing interest rates which cause the value of these investments to fluctuate. The action of the Federal Reserve Bank of the United States through its monetary policy and through the monetary policy of other such institutions significantly affects interest rates. The risk of default is also associated with these investments and is measured by established credit rating firms. Default risks are subject to change.

Portfolio Returns - During the fiscal year, fixed income portfolio returned 4.90% underperforming the Barclays Aggregate Bond Index benchmark by 1.07%. (Continued)

On a three, five and ten year basis through December 31, 2014, the fixed income portfolio has returned 5.75%, 5.37% and 4.83% compared to the Barclays Aggregate Bond Index, which returned 2.66%, 4.45% and 4.71% respectively.

The top ten holdings in the fixed income portfolio at December 31, 2014 are illustrated below. A complete listing of holdings is available upon request.

	Security	Effective Yield	Market Value($000's)	% of fair value
1	US TREASURY N/B Due 9/30/2019 Rating NR	1.75	$6,375	1.83 %
2	US TREASURY N/B Due 8/15/2043 Rating NR	3.63	2,900	0.83
3	US TREASURY N/B Due 6/15/2017 Rating NR	0.88	2,249	0.65
4	US TREASURY N/B Due 5/31/2016 Rating NR	0.38	2,249	0.65
5	CITIBANK CREDIT CARD ISSUANCE Due 4/09/2020 Rating AAA	1.73	1,948	0.56
6	COMM MORTGAGE TRUST Due 12/10/2049 Rating AA	5.80	1,520	0.44
7	FNMA POOL AX6095 Due 10/01/2044 Rating NR	3.50	1,497	0.43
8	GCCFC COMMERCIAL MORTGAGE TRUS Due 12/10/2049 Rating	5.74	1,483	0.43
9	PROVINCE OF QUEBEC Due 01/30/2026 Rating A+	6.35	1,343	0.39
10	ALIBABA GROUP HOLDING Due 11/28/2024 Rating A+	3.60	1,207	0.35
	Total Top Ten		**$22,771**	**6.54** %

(Continued)

The MBTA Retirement Fund's fixed income managers at December 31, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Market Value @ 12-31-2014
AFL-CIO Housing	MBS	48,734,330
Amalgamated Bank of New York	Real Estate Debt	14,022,725
Eaton Vance	Senior Loan	36,868,611
Franklin Templeton	Global FI	67,981,724
Income Research & Management	Core Bonds	97,566,800
IRM TIPS	TIPS	10,031,414
IRM Transition Fund	Core Bonds	789,249
Loomis, Sayles & Company	Core Plus	72,264,184
Total Portfolio Fair Value:		**348,259,036**

Real Estate Portfolio

As of December 31, 2014 the MBTA Retirement Fund had $141.2 million invested in real estate. The equity real estate program is comprised primarily of two separate but complementary investment strategies – core and specialty. Core investments include property types in multi-family housing, retail, industrial and office buildings. These assets are characterized by stable and increasing income levels and are located in major metropolitan areas which exhibit reasonable economic diversification. Specialty investments include property types in hotels, assisted-living and congregate care facilities. Specialty strategies enhance returns of assets capable of, but not currently, exhibiting core type characteristics.

Objective - The MBTA Retirement Fund's allocation to real estate equity is intended to enhance the return, risk and portfolio diversification characteristics of the Fund's total portfolio. It is anticipated that investments in equity real estate will, over a full market cycle, produce an income return that is in excess of the yield of an investment grade, core fixed income investment combined with some level of equity appreciation. In addition, it is expected that equity real estate will exhibit a lower correlation with traditional equity and fixed income securities.

Portfolio Risk - Real estate investments expose investors to risks. These include:

- Market risks that may be exacerbated by real estate's sensitivity to economic conditions and/or by the investment manager's utilization of leverage.
- Lower liquidity, especially for closed end, limited partnership and direct investments.
- Operational and credit risks that are higher than those of traditional investments.
- Valuation and appraisal lag which can be exacerbated in times of rapid price changes in the commercial real estate market.

Leverage – Leverage may be utilized at the discretion of the underlying real estate managers in a constrained manner, consistent with the commingled fund documents, in order to enhance

(Continued)

yields of the various investments and/or facilitate the diversification of the portfolio. The total level of debt for any single commingled fund investment is not expected to exceed seventy percent of the value of that fund. However, as a general guideline, the Fund's composite real estate portfolio shall never be more than fifty percent levered on an aggregate basis at any time.

Real Estate Investment Strategies - Private real estate equity strategies include core, core plus, value-added and opportunistic approaches. Core diversified funds have lower risk due to their limited use of leverage and broad diversification across multiple property types, geographic regions, and income generating assets (most properties in core portfolios are fully leased and generating income). Further out on the risk and return continuum, core plus, value-added and opportunistic funds have lower occupancy rates, utilize more leverage and include properties in the development and/or pre-development stage. Due to their higher risk, these strategies are expected to generate returns that exceed that of core real estate.

Open ended and closed end real estate investments are diversified by vintage year, investment manager, geographic region, property type and investment strategy. With respect to vintage year diversification, closed end funds are diversified due to the fact that they are designed to invest over specific, finite time periods, while open-end funds are diversified by definition (i.e. by virtue of always being open and investing in all time periods).

Investment Strategy Allocations - Of the MBTA Retirement Fund's twelve active closed end real estate funds, three funds with a total market value of $15.9 million are in the investing stage of their lifecycle; six funds accounting for $21.7 million in market value are in the harvesting stage, while three funds accounting for $29.0 million in market value are liquidating their underlying investments.

The MBTA Retirement Fund's investment strategy is diversified by strategy across the closed and open end funds as follows:

- 43.6% of the portfolio was invested in core and core plus strategies

(Continued)

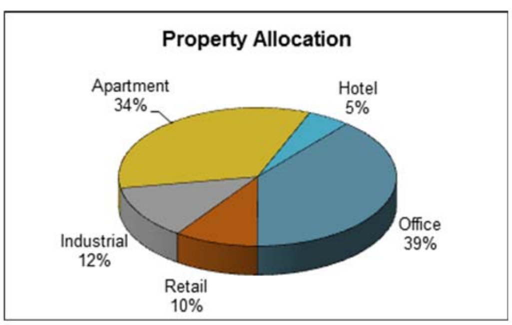
- 39.9% of the portfolio was invested in value-added strategies
- 8.0% of the portfolio was invested in opportunistic strategies
- In total, 8.5% was invested in sector focused, mezzanine and other investment strategies.

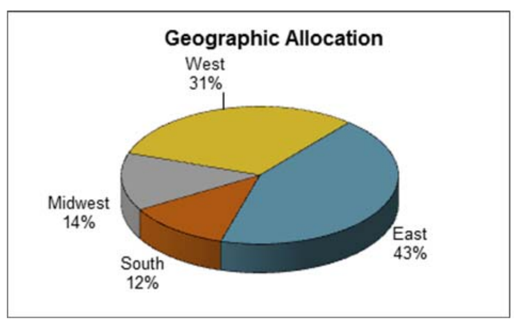
Portfolio Returns – The MBTARF real estate portfolio returned 20.25% during the fiscal year. The 3, 5 and 10 year returns for the real estate portfolio are 15.45%, 13.57%, and 5.53%, respectively. The NCREIF Benchmark returned 11.82% during the fiscal year. The benchmark's 3, 5, and 10 year returns are 11.11%, 12.14%, and 8.38%, respectively.

The MBTARF real estate portfolio received $31.8 million in distributions during the fiscal year ended December 31, 2014, compared to the $23.2 million in distributions received during the 2013 fiscal year. The MBTARF's real estate managers called $3.2 million of capital during the 2014 fiscal year, compared to $1.6 million of capital called during the 2013 fiscal year. The net cash flow from the MBTARF's real estate portfolio for the year ended December 31, 2014 was a net cash inflow of $28.6 million, compared to a net inflow of $21.6 million for the fiscal year ended December 31, 2013.

Geographic Diversification

The following charts illustrate the property type and geographic diversification of closed end real estate portfolio:





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The MBTA Retirement Real Estate managers at December 31, 2014 are presented in the following table:

Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
AFL CIO BLDG INVST TR	Open Ended	11,919,363
PEARLMARK REAL ESTATE PARTNERS	Value Add, Mezzanine & Sector Focused	8,309,510
COLONY INVESTORS VII LP	Opportunistic	2,338,100
NTERCONTINENAL REAL ESTATE CORP	Core Plus and Open Ended	37,945,887
JP MORGAN ASSET MANAGEMENT	Open Ended	32,735,650
ARES Commercial Real Estate Corp	Opportunistic	761,505
MULTI EMPLOYER PROPERTY TRUST	Open Ended	14,975,667
TA ASSOCIATES REALTY	Value Add	23,744,970
PRUDENTIAL REAL ESTATE INVESTORS	Sector Focused	1,334,523
SIGULER GUFF & COMPANY	Opportunistic	7,129,725
Total Portfolio Fair Value		**141,194,900**

Risk Parity / Diversified Beta Portfolio:

As of December 31, 2014 the MBTA Retirement Fund had $45.4 million invested in the risk parity portfolio, representing 2.86% of the total Fund. The Risk Parity manager utilizes a risk premium capture strategy that seeks to generate returns by investing in equity, bond and commodity markets using a risk-balanced investment process. Specifically, the manager selects the appropriate assets for the strategy, allocates them based on their proprietary risk management and portfolio construction techniques, and then applies an active position process to improve expected returns.

The MBTA Retirement Fund invests in Risk Parity / Diversified Beta products because it provides the Fund with diversification and attractive returns. Additionally, the strategy provides daily liquidity, no lock-up, high capacity, and high transparency-all of which are attractive qualities for the Fund.

Portfolio Risks - Investments in Risk Parity / Diversified Beta are subject to various risks, including derivatives and leverage risk. The Risk Parity manager may invest a substantial portion of its assets in “derivatives” –so-called because their value “derives” from the value of an underlying asset, reference rate or index-the value of which may rise or fall more rapidly than other investments. The strategy invests principally in exchange-traded futures across a diverse mix of assets including equities, bonds and commodities. For some derivatives, it is possible to lose more than the amount invested in the derivative. If the portfolio uses derivatives to “hedge” a portfolio risk, it is possible that the hedge may not succeed. This may happen for various reasons, including unexpected changes in the value of the rest of the portfolio. Over the counter derivatives are also subject to counterparty risk, which is the risk that the other party to the contract will not fulfill its contractual obligation to complete the transaction with the Fund. The implementation of a risk parity strategy requires the use of leverage in order to increase the risk of the government bond allocation in the strategy so that it can be balanced against the portfolio’s exposure to stocks and commodities. The use of derivatives facilitates the ability to create the desired level of leverage in the portfolio. Leverage may cause the portfolio to be more volatile than if the portfolio had not been leveraged because leverage can exaggerate the effect of any increase or decrease in the value of securities held by the portfolio.

Portfolio Returns - For the fiscal year 2014, the Risk Parity / Diversified Beta portfolio returned 6.72%, outperforming the asset class benchmark, (Treasury Bill Plus 300 Basis Points) by 3.68%.

The MBTA Retirement Fund began investing in this asset class in 2012. Due to this historical returns are not yet available.

(Continued)

The MBTA Retirement Fund's Risk Parity / Diversified Beta manager at December 31, 2014 is presented in the following table:

	Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
Invesco	Invesco National Trust	Diversified Beta	45,353,354

Hedge Fund Portfolio

As of December 31, 2014, the MBTARF's hedge fund portfolio held $92.1 million in net assets, which represented 5.81 % of the total MBTARF portfolio. The objective of the MBTARF's hedge fund program is to reduce the volatility of the total fund while attempting to maximize returns in a variety of market conditions. As a group of strategies, hedge funds represent a broad set of investment styles, mandates, and products that focus primarily on the liquid equity, fixed income, and derivatives markets, but that may also include allocations to non-traditional investments, including illiquid securities and investments. There are two primary methods for investing in hedge funds: funds of hedge funds; and single manager funds. The MBTARF primarily utilizes funds of hedge funds in an effort to significantly reduce risk through diversification.

Portfolio Risks - Hedge Funds are subject to various risks inherent in this strategy. Fluctuations in the markets can create market risk. Credit risk due to the fixed income nature of hedge fund strategies. As the MBTARF is invested in fund of fund strategies, liquidity risk is present as managers unwind from underlying positions. Investing in hedge fund exposes operational risks in executing strategies and valuations of positions. The Fund monitors risk by enforcing the investment managers to provide exceptional levels of transparency.

Portfolio Returns - The MBTARF's hedge fund portfolio returned 4.14% for the fiscal year. The MBTARF uses the CSFB/Tremont Hedge Fund Index as a benchmark for hedge fund performance. The benchmark returned 4.13% in the 2014 fiscal year. On a 3, 5, and 10 year basis, the MBTARF hedge fund portfolio returned 7.68%, 6.23%, and 3.68%, respectively. The benchmark returned 7.15%, 5.88%, and 5.82%, respectively, over the same 3, 5, and 10 year periods.

(Continued)

The MBTARF hedge fund portfolio has 3 active investments as of December 31, 2014. Each of these investments is in a fund of hedge funds.

Manager	Investment Mandate	Portfolio Fair Value @ 12-31-2014
EnTrust Capital Diversified Fund LTD	fund of funds	42,648,539
Rock Creek	fund of funds	29,628,004
Silver Creek	fund of funds	19,786,765
Total Portfolio Fair Value:		92,063,308

Private Equity Portfolio

As of December 31, 2014 the private equity portfolio had approximately $172.1 million in net assets, which represented 10.86% of the MBTARF portfolio. The private equity portfolio is used to increase the expected long-term return of the MBTARF portfolio, while generating cash flow and providing diversification. The private equity portfolio is diversified among sub-classes which include: venture capital, growth equity, buyouts, mezzanine, secondary strategies, distressed, energy, and special situations. The MBTARF private equity portfolio is benchmarked to a State Street Customized Benchmark, which takes into account the portfolio's allocations to the various private equity sub-classes.

Portfolio Risks - Private equity does not lend itself to traditional quantitative measures of risk. Rather, risk is measured through a combination of quantitative and qualitative constraints. These risks include, but are not limited to, the following:

- ***Liquidity risk***: Private equity investments are illiquid and typically have expected holding periods of 10-12 years. Investments are typically held until maturity and selling prior to maturity results in a discount to fair value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits.
- ***Vintage risk***: Vintage reflects the year of the first capital draw from a fund. Vintage risk refers to the variability of private equity commitments over time. Vintage risk is minimized by pacing investments to provide vintage year diversification.
- ***Manager risk***: Manager risk consists of two elements: the exposure within an investment vehicle; and the number of managers in the private equity program. The exposure to a specific manager within an investment vehicle is controlled by limiting the commitment size to a specific investment vehicle. The optimum number of managers in the portfolio varies with time.

(Continued)

- ***Firm risk***: Firm risk is the exposure to a private equity firm and is controlled by limiting the maximum commitment to funds actively managed by a firm and its affiliates.
- ***Currency risk***: Currency risk is the risk that investments held in a foreign currency will change in value as a result of changes in the currency exchange rates. The private equity program accepts the currency risks consistent with the geographic constraints of the investment opportunity. Private equity investments generally do not hedge currency risk and the private equity program does not implement currency hedges.
- ***Industry risk***: Typically, private equity funds are permitted to invest in a wide variety of industries with limited controls. Industry risk is controlled primarily through appropriate diversification across strategies and sub-strategies.
- ***Geographic risk***: Geographic risk is controlled through a long-term, international target exposure. Global opportunities generally indicate geographic limits and exposure will be attributed and monitored accordingly.
- ***Leverage risk***: Private equity managers invest capital throughout the capital structure of portfolio companies. The capital markets control the maximum leverage available to the private equity managers. Investors control leverage exposure through portfolio construction and private equity fund selection.

Portfolio Returns_- The MBTARF's active private equity portfolio returned 7.60% during the fiscal year. The 3, 5 and 10 year returns for the private equity active portfolio are 16.86%, 11.25%, and 8.93%, respectively. The MBTARF's State Street Customized Benchmark returned 6.93% during the fiscal year. The benchmark's 3, 5, and 10 year returns are 14.98%, 12.50%, and 9.89%, respectively. The legacy portfolio, vintage years prior to 2005, returned (4.96)% during the fiscal year. The 3, 5 and 10 year returns for the private equity legacy portfolio are (1.70)%, 2.46% and 7.23% respectively.

The MBTARF private equity portfolio received $42.5 million in distributions during the fiscal year, compared to $33.2 million in the 2013 fiscal year. The private equity portfolio's managers

(Continued)

called $18.3 million of capital during the fiscal year, compared with $25.5 million called in the 2013 fiscal year. The net cash flow from the private equity portfolio was an inflow of $24.2 million in fiscal 2014, compared to an inflow of $7.7 million in fiscal 2013.

(Continued)

The MBTA Retirement Fund's active private equity investment manager's investments are reported in the summary below:

Manager	Investment Mandate	Portfolio Fair Value 12-31-2014	Manager	Investment Mandate	Portfolio Fair Value 12-31-2014
ABS CAPITAL PARTNERS IV	Growth	747,703	PHAROS CAPITAL	Growth Equity	331,490
ADD ONE PARTNERS	Venture	190,845	PHAROS CAPITAL II	Growth Equity	11,428,424
AG EQUITY PARTNERS	Growth Equity	928,740	PHAROS CAPITAL PARTNERS III	Growth Equity	929,867
AIG CAPITAL MGMT	Buyout	93,297	QUADRANGLE CAPITAL PARTNERS II	Buyout	1,609,111
ASCENT VENTURES II	Venture	266,915	SCP PARTNERS I	Venture	13,252
ASCENT VENTURES III	Venture	384,410	SCP PARTNERS II	Venture	2,529,451
BOSTON CAPITAL III	Venture	44,214	SIGULER GUFF BRIC OPPN FDII	Buyout	5,443,627
BOSTON MILLENNIA	Venture	683,325	SIGULER GUFF DISTRESSED	Distressed	1,644,578
BOSTON MILLENNIA II	Venture	1,573,249	SIGULER GUFF DISTRESSED OPP	Distressed	5,632,392
CASTILE VENTURES	Growth Equity	113,041	SL CAPITAL ESF I	Buyout	2,074,492
CHARTWELL CAPITAL II	Growth Equity	381,697	STERLING CAPITAL PARTNERS	Growth Equity	3,046,387
CRESCENDO IV	Venture	1,855,582	STERLING CAPITAL PARTNERS II	Growth Equity	3,311,696
CROSS ATLANTIC TECHNOLOGY	Venture	615,382	STERLING CAPITAL PARTNERS III	Growth Equity	5,428,100
EUROPEAN STRATEGIC II	Buyout	3,266,074	STERLING CAPITAL PARTNERS IV	Growth Equity	1,545,069
EUROPEAN STRATEGIC PARTNERS 2008	Buyout	5,739,144	STERLING VENTURES	Venture	1,150,182
EUROPEAN STRATEGIC PARTNERS I	Buyout	429,745	SVB CAPITAL PARTNERS II	Venture	3,049,355
EUROPEAN STRATEGIC PARTNERS 2006	Buyout	6,043,467	SVB CAPITAL PARTNERS III	Venture	2,006,418
GROSVENOR OPPOR CREDIT III	Special Situations	5,330,797	SVB STRATEGIC INVESTORS III	Venture	6,308,000
HALIFAX CAPITAL PARTNERS II LP	Buyout	3,168,054	SYNDICATED COMM IV	Growth Equity	8,479
LAZARD TECHNOLOGY II	Venture	1,679,706	TCW CRESCENT MEZZANINE V	Mezzanine	1,841,104
LEXINGTON CAPITAL PARTNERS VIB	Secondary Fund of Funds	5,237,000	THOMAS H LEE EQUITY FUND VI	Buyout	4,138,245
LEXINGTON CAPITAL PTNRS VII	Secondary Fund of Funds	6,482,000	THOMAS WEISEL PARTNERS II	Secondary Fund of Funds	1,996,462
LEXINGTON MID MARKET II LP	Secondary Fund of Funds	5,039,000	VANGUARD VII	Venture	1,413,762
LEXINGTON MID MARKET III	Secondary Fund of Funds	1,528,000	VENTURE LENDING + LEASING VI	Mezzanine	7,337,539
LEXINGTON MIDDLE MARKET	Secondary Fund of Funds	3,472,000	VENTURE LENDING + LEASING VII	Mezzanine	4,385,411
MORGAN STANLEY LP	Growth Equity	137,928	VENTURE LENDING + LEASING IV	Mezzanine	719,200
NEW MOUNTAIN PARTNERS	Buyout	116,250	VENTURE LENDING + LEASING V	Mezzanine	1,642,875
NEW MOUNTAIN PARTNERS II	Buyout	786,420	VENTURE LENDING + LEASING III	Mezzanine	450,765
NEW MOUNTAIN PARTNERS III LP	Buyout	4,642,071	WELLINGTON PARTNERS II	Venture	2,328,592
NEW MOUNTAIN PARTNERS IV LP	Buyout	768,821	WHITE OAK STRATEGIC FUND	Special Situations	3,633,146
OAKTREE MEZZANINE FUND LP CLASS A	Mezzanine	1,404,778	WLR RECOVERY FUND V, L.P	Special Situations	4,584,882
OAKTREE MEZZANINE FUND LP CLASS B	Mezzanine	2,680,570	WP+G VA III (LIGHTSPEED)	Venture	7,549
OCH ZIFF ENERGY FUND	Energy	3,340,410	WP+G VA IV (LIGHTSPEED)	Venture	29,853
OPUS CAPITAL VENTURE PRTNS V	Venture	4,547,102	WP+G VA V (LIGHTSPEED)	Venture	124,910
PACIFIC VENTURE II	Venture	592,151	WP+G VA VI (LIGHTSPEED)	Venture	1,765,404
PAUL CAPITAL HEALTHCARE III	Mezzanine	2,012,546	Z CAPITAL SPECIAL SIT. FD II	Special Situations	1,855,875
			Total Portfolio Fair Value		**172,068,378**

SCHEDULE OF TIME-WEIGHTED RETURNS BY ASSET CLASS

For the Period Ended December 31, 2014

Portfolio	Returns for periods ending December 31,						
	Annualized Returns		Annual Returns				
	3 - Year	5 - Year	2014	2013	2012	2011	2010
Total Fund	12.14	9.90	5.51	17.08	14.93	1.06	13.42
Policy Benchmark	10.49	8.91	6.22	14.40	10.99	3.44	9.82
Taft Hartley - Median	11.70	9.70	6.70	16.90	11.70	1.40	12.80
Domestic Equity Large Cap Composite	20.51	16.43	10.39	32.01	20.10	1.70	20.22
S&P 500 Index	20.41	15.45	13.69	32.39	16.00	2.11	15.06
Domestic Equity Small Cap Composite	20.06	16.72	2.37	42.25	18.83	(1.71)	27.38
Russell 2000 Growth Index	20.14	16.80	5.60	43.30	14.59	(2.91)	29.09
Russell 2000 Value Index	18.29	14.26	4.22	34.52	18.05	(5.50)	24.50
Global Emerging Markets Composite	-	-	6.35	29.17	-	-	-
MSIC ALL Country World	14.10	9.17	5.50	22.80	-	-	-
International Equity Composite	11.99	6.81	(5.87)	23.34	20.98	(11.94)	12.40
MSCI EAFE	11.06	5.33	(4.90)	22.78	17.32	(12.14)	7.75
Fixed Income Composite	5.75	5.37	4.90	0.84	11.80	4.11	5.50
Barclays Aggregate	2.66	4.45	5.97	(2.02)	4.21	7.84	6.54
Diversified Beta	-	-	6.72	2.73	3.66	-	-
91 Treasury Bill Plus 300 Basis Points	3.07	3.09	3.04	3.08	3.11	-	-
Hedge Funds	7.68	6.23	4.14	(4.75)	(1.94)	0.02	8.32
CSFB/Tremont Hedge Fund Index	7.15	5.88	4.13	9.73	7.67	(2.52)	10.95
Private Equity:							
Active Portfolio	16.86	11.25	7.60	15.93	18.19	6.89	8.76
Legacy Portfolio (vintage years prior to 2005)	(1.70)	2.46	(4.96)	(6.23)	9.52	(4.12)	15.74
State Street Cusomized Benchmark	14.98	12.50	6.93	17.08	13.51	6.73	-
State Street PE	13.23	12.74	8.91	18.74	12.25	6.31	18.03
Real Estate Composite	15.45	13.57	20.25	14.33	11.56	13.52	(0.92)
NCREIF Property Index	11.11	12.14	11.82	10.98	10.54	14.26	13.11

Policy Benchmark:

10% State Street PE 1 quarter lag	7% MSCI All County World Index (net)
11% S&P EPAC Large/Mid Cap	9% Barclays Aggregate Bond
17% S&P 500	3% Barclays U.S. TIPS 1-10 yr
1% Russell 3000	3% Barclays MBS
7% Russell 2000	8% Barclays Multiuniverse
11% 91 T-Bill One month lag plus 300 BP	2% S&P LSTA
9% NCREIF Property Index quarter lag	

* All returns information is gross of fees, except hedge fund fees, which are net of fees. Returns are calculated on a time-weighted rate of return methodology.

Investment Summary at Fair Value

As of December 31, 2014

	Fair Value ($000s)	% of Fair Value
Short-Term:		
Cash and cash equivalents*	$57,568,837	3.63%
Fixed Income:		
U.S. Agencies	72,210,477	4.55%
US Treasury	24,813,278	1.56%
Domestic fixed income	186,152,205	11.74%
International fixed income	6,515,165	0.41%
Asset Backed	56,887,742	3.59%
Equity:		
Domestic equity securities	515,963,329	32.53%
International equity securities	215,111,044	13.56%
Real Estate	141,194,900	8.90%
Private Equity	172,068,378	10.86%
Risk Parity	45,353,354	2.86%
Hedge Funds	92,063,307	5.81%
Total Investments	$1,585,902,016	100.00%

*Investment manager's cash holdings are reported in cash and cash equivalents

SUMMARY SCHEDULE OF BROKER COMMISSIONS

(Top 25 Brokers and Cumulative Fees Paid to Others)

Year Ended December 31, 2014

Brokerage Firm	Shares/Par Value	Fees Paid	% Total	Average $ per share
CAPITAL INSTITUTIONAL SVCS INC EQUITIES Total	2,262,049	54,483	11.82%	0.0241
STATE STREET GLOBAL MKTS/BOS Total	3,616	51,572	11.19%	14.2621
MORGAN STANLEY CO INCORPORATED Total	2,849,627	31,381	6.81%	0.0110
INSTINET Total	747,312	19,619	4.26%	0.0263
DEUTSCHE BANK SECURITIES INC Total	562,007	18,764	4.07%	0.0334
CREDIT SUISSE SECURITIES (USA) LLC Total	3,152,789	17,060	3.70%	0.0054
GOLDMAN SACHS + CO Total	559,101	16,406	3.56%	0.0293
ROSENBLATT SECURITIES LLC Total	557,052	14,632	3.18%	0.0263
JP MORGANSECURITIES PLC Total	781,986	13,016	2.82%	0.0166
WEEDEN + CO. Total	443,238	12,647	2.74%	0.0285
JONESTRADING INSTITUTIONAL SERVICES LLC Total	445,145	10,561	2.29%	0.0237
SANFORD CBERNSTEIN CO LLC Total	394,788	10,007	2.17%	0.0253
STIFEL NICOLAUS + CO INC Total	473,423	9,066	1.97%	0.0192
MERRILL LYNCH PIERCE FENNER + SMITH INC Total	314,226	9,029	1.96%	0.0287
GUZMAN AND COMPANY Total	355,800	8,129	1.76%	0.0228
MERRILL LYNCH PROFESSIONAL CLEARING CORP Total	642,015	7,589	1.65%	0.0118
CANTOR FITZGERALD + CO. Total	283,818	7,277	1.58%	0.0256
CONVERGEXEXECUTION SOLUTIONS LLC Total	235,020	6,638	1.44%	0.0282
UBS SECURITIES LLC Total	292,207	6,600	1.43%	0.0226
JEFFERIES+ COMPANY INC Total	213,262	6,538	1.42%	0.0307
RAYMOND JAMES AND ASSOCIATES INC Total	151,915	6,364	1.38%	0.0419
J.P. MORGAN SECURITIES INC. Total	235,025	6,247	1.36%	0.0266
CLSA SINGAPORE PTE LTD. Total	308,400	6,093	1.32%	0.0198
BARCLAYS CAPITAL LE Total	149,117	4,748	1.03%	0.0318
COWEN ANDCOMPANY, LLC Total	200,128	4,511	0.98%	0.0225
OTHER	8,653,186	101,819	22.10%	0.0118
TOTALS	25,266,252	$ 460,797	100%	0.5714

The Fund Board has a commission recapture agreement with Capital Institutional Services, Inc. For the year ended December 31, 2014 the Fund earned approximately $10 thousand from the commission recapture program.

SCHEDULE OF DIRECT MANAGEMENT FEES

Year Ended December 31, 2014

Investment Management Fees by Asset Class:	AUM ($000s)	Fees ($000s)
Domestic Equity	$ 420,589	$ 2,757
International Equity	194,215	1,648
Global Equity	130,420	871
Fixed Income	203,459	833
Risk Parity / Diversified Beta	45,353	215
Total Investment Management Fees		6,324
Investment Advisory (Consulting) Fees		$ 332
Communications / Governmental Services		$ 166
Custodian Fees		744
Total Direct Management Fees charged to MBTARF		$ 7,566

INVESTMENT POLICY STATEMENT

The following are significant fundamentals of the Fund's Investment Policy Statement. The policy delineates the objectives and policies that have been established by the Board to provide a framework for the on-going management of the Fund. It is designed to clearly communicate the directives of the Board to all interested parties. The Policy shall be revised from time to time, as deemed necessary, and will be reviewed annually to ensure its relevance to the Fund's current needs. Any resulting material changes will be communicated to all affected parties. The Policy will apply to the Fund on an aggregate basis.

The primary goal of the Massachusetts Bay Transportation Authority Retirement Fund's investment program is to meet or exceed the Fund's actuarial target rate of return in order to maintain and improve upon its funded status. The Fund's investment program is based on the precepts of the generally accepted capital markets theory followed by institutional investors who, by definition, are long-term-oriented investors with goals and objectives that are similar to the Fund. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and therefore, prudent risk- taking is justifiable for long-term investors.
- Risk can be controlled through diversification of asset class exposure, implementation strategies and individual security holdings.
- Diversification benefits shall be measured by examining the correlation between asset classes, implementation strategies and manager styles, with a goal of maximizing diversification and limiting concentration and overlap in asset classes and strategies that are more highly correlated.
- Risk is reduced by time and, over time; the relative performance of different asset classes is reasonably consistent.

The Fund shall be managed to accomplish the following:

- Ensure the availability of sufficient assets to pay benefits;
- Minimize and stabilize employer and employee contributions;
- Achieve the appropriate rate of total return with prudent levels of risk and liquidity consistent with the Fund's liabilities and cash flows;
- Maintain sufficient diversification to avoid large losses and preserve capital; and
- Maintain and improve the funded ratio (market value of assets/actuarial value of benefits earned to date as measured by the Fund's actuary) of the Fund over time.

(Continued)

Rate of Return Assumption
The actuarially required return for the Fund is 8.00% annually, net of all fees and operating expenses.

Relative Return Objectives
The Fund shall seek to achieve a rate of return that ranks in the top half of the appropriate peer fund universes given a comparable level of risk and to achieve a long term rate of return on investments that is equal to or exceeds both the Policy and Allocation Indices. Returns for investment managers are expected to exceed their respective benchmarks, as well as rank in the top half of the appropriate universe of managers adhering to the same investment strategy. The Board further recognizes that the return targets described herein may not be achieved in any single year. Instead, a longer-term horizon of five years shall be used in measuring the long-term success of the Fund. While the Board expects that returns will vary over time, the Fund shall have a risk tolerance consistent with that of other funds created for similar purposes, and the assets of the Fund shall be invested accordingly.

Current Asset Allocation Targets & Ranges
Asset allocation herein refers to the establishment of relative percentage allocation guidelines for the investment of assets in equities, fixed income, alternative investments, cash equivalents, and other general forms of investment, and not to individual security selection. This single decision is the most important consideration for the Board. In terms of direct impact on the Fund's performance, the Fund's policy asset mix choice outweighs all other decisions. As a practical matter, the Board understands that while important, portfolio structure decisions and active management strategies involving stock and bond selection, sector weighting, or market timing have been shown to contribute less than long-term asset allocation decisions.

Factors to be considered include:
(1) the Fund's assumed rate of return,
(2) the risk tolerance of the Board,
(3) the Fund's liquidity requirements,
(4) Funded status,
(5) the Fund's liability structure and other characteristics unique to the fund. Following an asset allocation review which considered the impact of a range of asset allocation policies on the Fund.

The Board will review the asset allocation targets at least annually, and may adopt changes over a three- to five-year time horizon or, more frequently, if significant changes occur within the economic or capital market environments. A change in the Fund's liability structure, funded status, or long-term investment prospects may also trigger a revision of the asset allocation.

(Continued)

Performance Benchmarks

Total Fund Return: The Total Fund Return shall be compared against other corporate, jointly trusteed and public pension plans. The Board shall seek to compare its returns against other funds of similar size and circumstances, as represented by various peer group medians provided by the Fund's investment consultant. The Total Fund Return objective is to meet or exceed the Allocation Index Return and the Policy Index Return, which are each described below.

Allocation Index: The Allocation Index Return shall measure the success of the Fund's current allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the actual percent allocated to each asset class. The difference between the Allocation Index Return and the Total Fund Return measures the effect of active management. If the Total Fund Return is greater than the Allocation Index Return, then active management has in aggregate added value. If the Total Fund Return is less than the Allocation Index Return, then active management has not added value.

Policy Index: The Policy Index Return shall measure the success of the Fund's target allocation. It shall be calculated by using index rates of return for each asset class invested in by the Fund multiplied by the percent targeted to each asset class. The difference between the Allocation Index Return and the Policy Index Return measures the effects of deviating from the target allocation. If the Allocation Index Return is greater than the Policy Index Return, then deviating from the target allocation has added value. If the Allocation Index Return is less than the Policy Index Return, then deviating from the target allocation has not added value.

Manager Benchmarks: The Investment Managers shall be compared to a combination of passively managed index returns matching the managers' specific investment styles, as well as the median manager in their appropriate peer group universe.

Rebalancing

The Board and Executive Director will review asset allocation at least quarterly to determine if the asset allocation is consistent with the exposure ranges described herein. The Executive Director will direct investment managers to transfer funds to rebalance the asset allocation as necessary. The Executive Director shall use appropriate judgment and care when rebalancing portfolios. A cash equitization investment strategy may use financial futures contracts to overlay the Fund's cash manager account in accordance with the provisions of this policy. The strategy will be used in order to gain equity and fixed income market exposure consistent with the Fund's asset allocation targets as detailed above.

ACTUARIAL SECTION

Buck Consultants has performed a December 31, 2014 actuarial valuation of the MBTA Retirement Fund. This valuation and report was prepared using generally accepted actuarial principles and practices and meets the parameters set by the Governmental Accounting Standards Board (GASB) - Statement No. 67. To the best of our knowledge, this report is complete and accurate, and the assumptions used represent our best estimate of anticipated experience of the Fund.

Buck Consultants has prepared and included as part of this report all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR).

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May 15, 2015

Retirement Board
Massachusetts Bay Transportation Authority Retirement Fund
One Washington Mall, Fourth Floor
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Dear Board Members:

The Pension Agreement covering the Massachusetts Bay Transportation Authority Retirement Fund provides that the actuary make annual actuarial valuations of the Fund and certify rates of contribution to the Retirement Board.

This report presents the results of an actuarial valuation of the Fund, prepared as of December 31, 2014, together with our recommendations regarding the rates of contribution payable beginning July 1, 2015.

This valuation is based on the assumptions adopted by the Retirement Board on the basis of an experience study covering the period January 1, 2006, through December 31, 2010. The actuarial assumptions covering termination, disability, retirement, and pre- and post-retirement mortality were changed as a result of the findings of this study. The Actuarial Assumption Subcommittee of the Board voted to increase the interest rate from 7.50% to 8.00% effective December 31, 2011. I believe that these assumptions are reasonable.

We performed the valuation using participant data and plan asset data supplied by the Authority and Retirement Fund. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results of the valuation is dependent on the accuracy of the data.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this valuation.

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the Academy to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions about it.

BUCK CONSULTANTS, LLC

David L. Driscoll

David L. Driscoll, FSA, FCA, MAAA, EA
Principal, Consulting Actuary

Summary of Actuarial Methods and Assumptions

Outline of Actuarial Assumptions and Methods

DATA: For all active participants, the rate of pay as of December 31, 2014 was used in the projection of future salary. This reflects recent pay adjustments but is not affected by back-payments made in 2014.

INTEREST RATE: 8.00% per annum, compounded annually, in addition to fiduciary and investment management expenses. This was selected based upon a review of the portfolio structure, recent experience, and information provided by the board

SEPARATIONS FROM ACTIVE SERVICE: Representative values of the assumed rates of withdrawal and reduced early retirement and disability are as follows:

Age	Withdrawal and Reduced Early	Disability - Male	Disability - Female
20	0.1097	.0007	.0011
25	0.0831	.0008	.0012
30	0.0622	.0010	.0015
35	0.0466	.0013	.0020
40	0.0453	.0017	.0026
45	0.0422	.0025	.0038
50	0.0422	.0042	.0063
55	0.0504	.0076	.0114
60	0.0696	.0150	.0225
64	0.0864	.280	.0420

* 50% of disabilities are assumed to qualify for occupational disability benefits.

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Representative rates of unreduced early normal retirement allowances are as follows:

Age	Males		Females	
	In the year attaining 23 years	In years after attainment of 23 years	In the year attaining 23 years	In years after attainment of 23 years
50	28%	3%	28%	3%
55	30%	5%	30%	5%
60	36%	11%	36%	11%
62	55%	30%	55%	30%
63	55%	30%	55%	30%
64	55%	30%	55%	30%
65	55%	30%	55%	30%
66	55%	30%	55%	30%
67	55%	30%	55%	30%
68	55%	30%	55%	30%
69	55%	30%	55%	30%
70	100%	100%	55%	100%

SALARY INCREASES: 4% per year. The salary increase assumption is based on actual experience and future expectations of inflation, merit, and productivity components.

DEATHS BEFORE AND AFTER RETIREMENT: The UP 1994 Mortality Table for Males projected to year 2020 with Scale AA is used for all active and retired participants. The UP 1994 Mortality Table for Females projected to year 2020 with Scale AA is used for all beneficiaries. A special mortality table is used for the period after disability retirement. Among pre-retirement deaths, 7.5% are assumed to qualify for accidental death benefits.

(Continued)

The Number and Annual Compensation of Active Members Distributed by Fifth Age and Service as of December 31, 2014.

Attained Age	Completed Years of Service																			
	0 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up		Total	
	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary	No.	Salary
Under 25	38	2,179,790	1	54,184	0	0	0	0	0	0	0	0	0	0	0	0	0	0	39	2,233,974
25 to 29	244	14,061,663	93	6,750,127	0	0	0	0	0	0	0	0	0	0	0	0	0	0	337	20,811,790
30 to 34	210	12,623,398	209	15,075,914	63	4,612,434	1	76,336	0	0	0	0	0	0	0	0	0	0	483	32,388,082
35 to 39	181	11,385,540	225	16,241,670	135	9,896,944	38	2,823,870	0	0	0	0	0	0	0	0	0	0	579	40,348,025
40 to 44	192	12,205,990	219	15,994,193	152	11,299,728	113	8,163,782	55	4,241,761	0	0	0	0	0	0	0	0	731	51,905,454
45 to 49	223	14,750,074	254	19,112,234	212	15,807,113	133	9,702,056	133	9,802,608	57	4,312,893	1	77,750	0	0	0	0	1013	73,564,728
50 to 54	196	13,427,635	270	20,552,337	234	17,843,763	132	9,731,944	162	12,516,368	130	9,972,448	9	667,534	0	0	0	0	1133	84,682,030
55 to 59	116	8,509,930	161	11,902,634	168	12,669,425	98	7,270,385	144	10,980,589	118	8,716,635	39	2,943,815	1	76,211	0	0	845	63,069,625
60 to 64	48	3,382,265	87	6,615,968	105	7,752,906	69	5,335,601	85	6,821,995	62	4,708,039	19	1,443,029	5	376,126	2	137,860	482	36,573,789
65 to 69	21	1,812,608	24	1,934,286	25	1,821,295	12	947,476	22	1,832,457	13	1,052,271	6	450,424	3	249,621	0	0	126	10,100,437
70 & up	2	128,482	5	385,533	8	631,656	2	140,899	6	456,069	3	226,221	1	67,767	0	0	3	242,447	30	2,279,073
Total	1,471	94,467,376	1,548	114,589,081	1,102	82,335,263	598	44,192,348	607	46,651,847	383	28,988,508	75	5,650,321	9	701,958	5	380,306	5,798	417,957,007

(Continued)

The Number and Annual Retirement Allowances Distributed by Age as of December 31, 2014

	Service Retirements		Disabled Members		Beneficiaries	
Age	Number	Amount	Number	Amount	Number	Amount
<50	107	4,553,635	48	796,828	31	378,668
50	35	1,472,813	8	109,649	6	52,518
51	52	2,256,258	9	162,453	8	129,161
52	49	2,141,958	11	217,053	9	146,605
53	39	1,580,663	10	172,749	6	75,770
54	76	3,213,342	18	352,133	8	164,294
55	72	2,906,968	24	340,049	8	115,335
56	95	4,036,044	26	521,932	11	115,827
57	76	3,154,600	27	557,798	6	115,578
58	102	4,199,869	8	115,227	13	152,238
59	104	4,262,358	25	443,630	24	340,584
60	111	4,642,891	32	585,308	8	116,324
61	116	4,617,735	27	524,281	13	180,284
62	151	6,238,253	25	417,604	20	384,481
63	132	5,184,021	16	316,809	19	295,613
64	156	6,067,477	35	626,264	20	419,922
65	176	6,867,161	35	661,357	19	330,607
66	209	7,797,243	27	533,826	26	501,992
67	232	8,086,539	31	617,109	27	510,867
68	196	6,780,014	21	363,402	33	567,137
69	188	6,286,158	21	453,442	30	543,477
70	217	7,183,586	24	409,064	31	575,693
71	200	6,478,873	30	373,130	40	764,027
72	188	6,009,116	19	326,495	40	692,706
73	159	4,808,668	16	233,817	25	302,602
74	137	4,057,903	17	298,776	40	642,352
75	146	4,474,212	9	107,325	32	533,463
76	117	3,400,023	12	199,880	35	558,004
77	117	3,185,910	7	106,727	33	577,130
78	97	2,770,188	7	66,103	47	782,805
79	90	2,464,242	7	98,325	31	499,040
80	75	1,958,101	4	46,399	28	445,840
81	75	1,964,230	6	88,074	28	393,003
82	80	1,942,529	4	33,127	32	477,853
83	52	1,311,111	0	0	36	517,745
84	53	1,275,426	2	23,843	33	419,422
85	47	1,153,797	1	3,375	46	655,788
>85	245	5,417,526	7	63,279	280	3,784,263
Total	4,569	156,201,443	656	11,366,641	1,182	18,259,016
No Option	2,923	100,234,123	530	9,408,673	1,182	18,259,016
Survivor Option	36	1,488,316	10	159,475	0	0
Pop-Up Option	1,610	54,479,003	116	1,798,492	0	0
Total	4,569	156,201,443	656	11,366,641	1,182	18,259,016

(Continued)

NORMAL RETIREMENT: Age 65.

PERCENT MARRIED: 90% of male members and 50% of female members under age 55 or who have less than 23 years of service are assumed to be married. 100% of employees age 55 and older or who have 23 or more years of service are assumed to be married. In each case, the female is assumed to be three years younger than the male.

PENSION OPTIONS: 50% of male members elect a 75% joint and survivor benefit and 10% of female members elect a 50% joint and survivor benefit. All others elect a life annuity.

FIDUCIARY AND INVESTMENT MANAGEMENT EXPENSES: Paid from investment earnings of the Fund.

LOADING OR CONTINGENCY RESERVES: None.

VALUATION METHOD: Individual entry age normal method, with normal cost calculated as a level percentage of salary for each active participant.

ASSET VALUATION METHOD: A five-year phase-in smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Effective December 31, 2013, the actuarial asset method was changed from a five-year moving average of market values to one based on five-year phase-in of differences of the returns on assets from their expected values, with the smoothing restarted as of December 31, 2013.

Prior to December 31, 2013, a five-year moving average of market values method was used to compute the actuarial value of assets.

Schedule of Active Member Valuation Data

1. The principal results of the current and preceding years' valuations are summarized below:

Valuation Date	December 31, 2013	December 31, 2014
Number of active members	5,726	5,798
Annual compensation of all members	$381,380,271	$417,957,007
Annual compensation of active members below normal retirement age	$379,071,391	$415,146,025
Average age	47.44	47.55
Average service	11.52	11.44
Average compensation	$66,605	$72,086
Number of active members not accumulating credible service	73	134
Number of retired members, beneficiaries and disabled members	6,371[1]	6,407[2]
Annual retirement allowances	$180,996,340	$185,827,100
Assets for funding purposes	$1,606,684,354	$1,632,174,762
Unfunded accrued liablity	$757,448,781	$815,556,295
Contribution rates required:		
Normal	9.1000%	8.9900%
Accrued liability	12.3000%	12.3800%
Expenses	0.4500%	0.4500%
Total required rate	21.8500%	21.8200%
Member excess rate	0.0000%	0.0000%
Actual contribution rate during following fiscal year	21.8500%	21.8200%

[1] Includes 6,283 retirees and beneficiaries and 88 individuals receiving payments under QDROs.
[2] Includes 6,309 retirees and beneficiaries and 98 individuals receiving payments under QDROs.

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2. Valuation results as of December 31, 2013, are given in Section VI, and contribution levels are set forth in Section VII.

3. Schedule B of this report outlines the actuarial assumptions and methods used in the valuation.

4. Schedule C of this report presents a summary of the main provisions of the Fund, as interpreted in preparing the actuarial valuation.

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	% Increase In Average Pay
2014	5,798	417,957,007	72,086	8.2%
2013	5,726	381,380,271	66,605	1.2%
2012	5,668	373,000,972	65,808	2.3%
2011	5,726	368,473,591	64,351	1.4%
2010	5,643	358,028,815	63,447	0.9%
2009	5,719	359,486,528	62,858	0.1%
2008	6,152	386,372,713	62,804	4.9%
2007	6,081	364,204,073	59,892	4.4%

Schedule of Membership Data

1. Employee data were furnished by the Authority and Retirement Fund.

2. Table 1 of Schedule D shows the number and annual compensation of active members, while Tables 2 of Schedule D shows the number and annual retirement allowances of retired members, disabled members and beneficiaries.

3. The following table summarizes the number and annual retirement allowances of retired members, disabled members and beneficiaries as of December 31, 2014:

Category	Number	Annual Retirement Allowances
Benefits to Members Retired on Normal, Early Normal and Reduced Early Retirement Allowances	4,569	$ 156,201,443
Benefits to Members Retired on Disability Retirement Allowances	656	11,366,641
Benefits to Beneficiaries of Deceased Members	1,182	18,259,016
Total	6,407	$ 185,827,100

Solvency Test

As of December 31, 2014

	Actuarial Accrued Liability (AAL)				Portion of AAL Coverd by Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active/Inactive Members (Employer Financed)	Actuarial Value of Assets	(1)	(2)	(3)
12/31/2014	211,433,306	1,682,557,007	533,740,744	1,632,174,762	100%	84%	0%
12/31/2013	196,543,768	1,644,867,542	522,721,825	1,606,684,354	100%	86%	0%
12/31/2012	183,328,525	1,627,032,223	501,809,615	1,456,956,884	100%	78%	0%
12/31/2011	170,925,725	1,602,587,528	503,237,245	1,550,446,450	100%	86%	0%
12/31/2010	156,410,547	1,625,488,398	559,445,973	1,649,129,143	100%	92%	0%
12/31/2009	159,328,548	1,490,267,023	567,125,679	1,667,361,586	100%	100%	0%

Summary of Principal Plan Provisions

The Massachusetts Bay Transportation Authority Retirement Fund became effective as of January 1, 1948. The following summary describes the current main membership, benefit, and contribution provisions of the Fund as interpreted for the valuation.

1 - DEFINITIONS

“Compensation” means the full regular remuneration paid to an employee, excluding any overtime pay. “Service” creditable under the Fund means all service rendered by a member prior to his normal retirement date since he last became a member for which contributions are made by the member and by the Authority. “Union” means Boston Carmen’s Union, Local Division 589 of the Amalgamated Transit Union, AFL-CIO.

2 - MEMBERSHIP

Each employee, including employees on a part-time basis, who is or who may become a member of the Union or any union recognized by the Authority for collective bargaining purposes is included in the membership of the Fund. Any employee who is not a member of the Union but who is in a group which was authorized to participate in the Fund is included in the membership.

(Continued)

3 – BENEFITS

- Normal Retirement Allowance

Condition for Allowance	Any member may retire at age 65. A member may remain in service after the stated retirement date.
Amount of Allowance	The normal retirement allowance equals 2.46% of 3-year average annual compensation multiplied by the years of service, such allowance not to exceed 75% of such average annual compensation.

- Early Normal Retirement Allowance

Condition for Allowance	Any member hired prior December 6, 2012 and has completed at least 23 years of service may retire on an early normal retirement allowance. Any member hired on or after December 6, 2012, has attained age 55 and completed at least 25 years of service may retire on an early normal retirement allowance.
Amount of Allowance	The early normal retirement allowance is computed in the same manner as a normal retirement allowance on the basis of the compensation and service to the time of retirement.

- Early Reduced Retirement Allowance

Condition for Allowance	A member who has attained age 55 and has completed at least 20 years of service may be retired on an early reduced retirement allowance.
Amount of Allowance	The early reduced retirement allowance is an immediate allowance, commencing at the date of retirement, and is computed in the same manner as a normal retirement allowance on the basis of compensation and service to the time of early retirement, but reduced by ½ of 1% for each month of retirement prior to normal retirement date.

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- Disability Retirement Allowance

Condition for Allowance	Any member who has completed 4 years of service in case of disablement due to an occupational accident or sickness, or who has completed 6 years of service in case of disablement due to any other cause, and who has become totally and permanently incapacitated, mentally or physically, for the further performance of duty may be retired.
Amount of Allowance	Upon disability retirement, a member receives an allowance commencing immediately, which is computed as a normal retirement allowance on the basis of the compensation and service to the time of disability retirement and is not less than 15% of the member's 3-year average annual

- Vested Retirement Allowance

Condition for Allowance	Any member who has completed 10 years of service and who is not eligible for a retirement allowance is eligible for a vested retirement allowance, in lieu of a refund of his contributions with interest, in the event his employment terminates for reasons other than voluntary quit or discharge for cause.
Amount of Allowance	The vested retirement allowance is a deferred allowance commencing on the member's normal retirement date and equal to a percentage, not exceeding 100 percent, of the amount computed as a normal retirement allowance on the basis of the compensation and service to the time of termination; the applicable percentage is 5 percent multiplied by the number of years of creditable service, not in excess of 20, at the time of termination.

- Survivor Benefit

Condition for Benefit	Upon the death of a member who has completed 10 years of service and who is survived by a spouse and/or dependent children designated to receive the deceased member's contributions with interest, a benefit may be elected by such survivor

	in lieu of the payment of the contributions with interest.
Amount of Benefit	If the deceased member had completed at least 10 but fewer than 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his death and elected a 50% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement. If the deceased member had completed at least 23 years of service, the survivor's benefit, payable for life, is equal to the amount which would have become payable if the member had retired as of the date of his death and elected a 100% joint and survivor option in effect as of the date of death with the survivor as the designated person under the option. There is no reduction for early commencement.

- Accidental Death Benefit

Condition for Benefit	Upon the death of a member in service whose death results solely from an injury or injuries sustained in the performance of duty, and who is survived by a spouse designated to receive the deceased member's contribution with interest, an allowance shall be payable to said spouse.
Amount of Benefit	The accidental death benefit, payable for life, is equal to the amount which would have become payable to the member if the member had retired as of the date of his death on a disability retirement allowance. If there should be insufficient creditable service, the surviving spouse receives the minimum allowance available under the disability retirement provision.

(Continued)

- Return of Contributions On

Account of Termination of Service

In the event of a member's termination of employment for any reason other than death or retirement, he is paid the amount of his contributions, with interest.

- On Account of Death

  Prior to Retirement

  Upon the death of a member or retired member before his retirement allowance has become effective, the amount of his contributions, with interest, is paid to his beneficiary or estate, unless a survivor benefit is payable.

- On Account of Death

  After Retirement

  Upon the death of a retired member, or the survivor of a retired member and his designated beneficiary under an optional benefit, any excess of his contributions at retirement, with interest, over the sum of all retirement allowance payments made is paid to the member's beneficiary or to the survivor's estate. The valuation does not include return of contributions on account of death after retirement for current retirees due to negligible impact on the Fund's liabilities.

- Optional Benefits in Lieu of Regular Benefits

  At retirement, or on his normal retirement date if prior thereto, any member may elect to convert his allowance into an optional benefit of equivalent actuarial value permitted by the Pension Agreement.

- Reinstatement of Creditable Service

  If a member's service is interrupted by reason of resignation or dismissal, he has the opportunity upon the completion of 3 years of service after he has been rehired to repay to the Fund all amounts he has withdrawn together with an amount equal to their reasonable earnings. Upon such repayment, the member is to be credited with service for the periods before and after the interruption as though they had been a single period of service.

(Continued)

4 – CONTRIBUTIONS

Contributions required to provide benefits and meet administrative expenses are made jointly by the Authority and members. The member contribution rate was increased from 5.1489% to 5.4989% effective August 11, 2012, and to 5.5589% effective July 1, 2013, and to 5.7989% effective July 1, 2014. Member contributions are "picked up" by the Authority pursuant to Section 414(h)(2) of the Internal Revenue Code.

Schedule of Funding Progress
December 31, 2014

Year Ending December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2014	1,632,175	2,447,731	815,556	66.69%	415,146	196.45%
2013	1,606,684	2,364,133	757,449	67.96%	379,071	199.82%
2012	1,456,957	2,312,170	855,213	63.01%	370,873	230.59%
2011	1,550,446	2,276,750	726,304	68.10%	366,535	198.15%
2010	1,649,129	2,341,344	692,215	70.44%	356,608	194.11%
2009	1,667,362	2,216,722	549,360	75.22%	350,619	156.68%

STATISTICAL SECTION

Objectives

The objectives of the Statistical Section are to provide additional historical perspective, context and detail to assist readers in using the information in the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information in order to understand and assess the Plan's economic condition.

Financial Trends

The Schedule of Changes in Net Position presented on page 113 contains historical information related to the Fund's revenues, expenses, changes in net position and net position available for benefits. The Schedule of Additions by Source on page 113 provides employer and employee contribution rates and investment income historical information. The schedules of deductions and benefits by type on page 114 provide a history of annual benefit, withdrawal, and operating expense trends.

Demographic and Economic Information

The schedule of Distribution of Plan Members shown on page 115 provides relevant details about the composition of the Fund's active membership including concentration of members within various age groups.

Operating Information

The Schedule of Average Benefit Payments on page 116 presents average monthly benefits and average final salary information by years of credited service for new benefit recipients within specified plan years. The Schedule of Benefit Recipients by Type and Option on page 117 illustrates the number of participants and total benefit payments by type and option. Statistical data is provided from both the Fund's internal resources and from Buck Consultants.

Financial Trends (2005-2014 for all reports)

Schedule of Changes in Net Position

Year Ended Dec. 31	Net Position Beginning of Year	Additions	Deductions	Increase (Decrease) in net Position	Net Position End of Year
2014	1,606,684,354	169,464,986	188,182,851	(18,717,865)	1,587,966,489
2013	1,478,348,978	310,688,826	182,353,450	128,335,376	1,606,684,354
2012	1,394,395,336	262,766,724	178,813,082	83,953,642	1,478,348,978
2011	1,488,656,182	80,652,299	174,913,145	(94,260,846)	1,394,395,336
2010	1,417,576,340	240,947,436	169,867,594	71,079,842	1,488,656,182
2009	1,308,203,132	271,639,119	162,265,911	109,373,208	1,417,576,340
2008	1,920,580,509	(457,172,436)	155,204,941	(612,377,377)	1,308,203,132
2007	1,858,191,522	210,674,872	148,285,885	62,388,987	1,920,580,509
2006	1,712,350,978	281,830,524	135,989,980	145,840,544	1,858,191,522
2005	1,670,314,233	172,314,755	130,278,010	42,036,745	1,712,350,978

Schedule of Additions by Source

Year Ended Dec. 31	Employee Contributions	Employer Contributions	Employer Contributions as % of Covered Payroll	Investment Income (a)	Total
2014	25,318,224	70,603,285	17.00	73,543,477	169,464,986
2013	21,027,548	58,039,160	15.31	231,622,118	310,688,826
2012	20,023,337	54,968,325	14.82	187,775,062	262,766,724
2011	19,089,304	52,278,311	14.26	9,284,684	80,652,299
2010	17,999,009	49,006,722	13.74	173,941,705	240,947,436
2009	15,254,120	38,566,024	11.00	217,818,975	271,639,119
2008	14,963,808	35,420,770	9.38	(507,557,014)	(457,172,436)
2007	13,373,194	30,014,017	8.41	167,287,661	210,674,872
2006	13,258,418	34,485,593	10.75	234,086,513	281,830,524
2005	9,692,818	32,252,740	10.64	130,369,197	172,314,755

Contributions were made in accordance with actuarially determined contribution requirements
(a) Net of investment expenses

Schedules of Deduction by Type

Year Ended Dec. 31	Benefits	Operating Expenses	Withdrawals	Total
2014	182,499,776	4,052,664	1,630,411	188,182,851
2013	177,311,634	3,948,978	1,092,838	182,353,450
2012	174,627,907	3,384,113	801,062	178,813,082
2011	170,034,251	3,793,418	1,085,476	174,913,145
2010	164,510,892	4,441,078	915,624	169,867,594
2009	156,774,660	4,584,068	907,183	162,265,911
2008	148,957,895	5,207,616	1,039,430	155,204,941
2007	142,028,261	5,284,586	973,038	148,285,885
2006	131,811,614	3,547,170	631,196	135,989,980
2005	126,159,874	2,996,836	1,121,300	130,278,010

Schedule of Benefit Deduction by Type

Year Ended Dec 31	Service	Disability	Beneficiary	Total
2014	153,390,245	10,892,495	18,217,036	182,499,776
2013	149,450,754	10,689,534	17,171,346	177,311,634
2012	146,842,625	10,685,263	17,100,019	174,627,907
2011	142,715,543	10,508,424	16,810,284	170,034,251
2010	137,212,102	10,534,419	16,764,370	164,510,892
2009	129,815,106	10,165,316	16,794,238	156,774,660
2008	122,976,439	9,538,216	16,443,240	148,957,895
2007	116,557,172	8,993,080	16,478,010	142,028,261
2006	107,747,492	8,817,925	15,246,197	131,811,614
2005	103,669,621	8,098,473	14,391,781	126,159,874

Demographic and Economic Information (As of 12/31/14)

Distribution of Fund Members as of December 31, 2014 - Active Members

	Years of Service										Total	Average
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	Compensation	Compensation
0-24	38	1	-	-	-	-	-	-	-	39	2,233,974	57,281
25-29	244	93	-	-	-	-	-	-	-	337	20,811,790	61,756
30-34	210	209	63	1	-	-	-	-	-	483	32,388,082	67,056
35-39	181	225	135	38	-	-	-	-	-	579	40,348,024	69,686
40-44	192	219	152	113	55	-	-	-	-	731	51,905,454	71,006
45-49	223	254	212	133	133	57	1	-	-	1,013	73,564,728	72,621
50-54	196	270	234	132	162	130	9	-	-	1,133	84,682,029	74,741
55-59	116	161	168	98	144	118	39	1	-	845	63,069,624	74,639
60-64	48	87	105	69	85	62	19	5	2	482	36,573,789	75,879
65-69	21	24	25	12	22	13	6	3	-	126	10,100,438	80,162
70+	2	5	8	2	6	3	1	-	3	30	2,279,074	75,969
Total	**1,471**	**1,548**	**1,102**	**598**	**607**	**383**	**75**	**9**	**5**	**5,798**	**417,957,006**	**72,086**

Operating Information

Schedule of Average Benefit Payments - New Benefit Recipients (2005 – 2014)

Schedule of Average Benefit Payments - New Benefit Recipients (2005 - 2014)

Years of Service	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total
From 1/1/2005 - 12/31/2005								
Average Monthly Benefit	$ -	$ 679	$ 1,510	$ 1,990	$ 2,909	$ 3,739	$ 3,447	$ 2,936
Average Final Average Salary	-	47,517	60,710	59,838	65,454	71,480	62,161	65,313
Number of Retired Members	0	6	16	28	82	65	25	222
From 1/1/2006 - 12/31/2006								
Average Monthly Benefit	$ 311	$ 738	$ 1,293	$ 2,047	$ 2,811	$ 3,602	$ 3,913	$ 2,883
Average Final Average Salary	65,593	49,220	57,833	59,903	65,695	69,426	73,819	66,012
Number of Retired Members	2	2	17	27	100	65	19	232
From 1/1/2007 - 12/31/2007								
Average Monthly Benefit	$ 440	$ 750	$ 1,413	$ 2,173	$ 2,981	$ 3,937	$ 3,909	$ 3,028
Average Final Average Salary	47,660	46,528	60,895	65,416	67,094	74,345	73,696	67,834
Number of Retired Members	3	8	10	20	165	57	17	280
From 1/1/2008 - 12/31/2008								
Average Monthly Benefit	$ 376	$ 805	$ 1,366	$ 1,890	$ 3,114	$ 3,785	$ 3,791	$ 3,050
Average Final Average Salary	54,435	54,936	59,125	62,404	69,994	72,082	72,697	69,177
Number of Retired Members	3	3	8	31	198	50	20	313
From 1/1/2009 - 12/31/2009								
Average Monthly Benefit	$ 510	$ 764	$ 1,413	$ 2,074	$ 3,206	$ 3,968	$ 4,162	$ 3,147
Average Final Average Salary	60,930	53,579	60,646	62,910	71,326	76,376	76,467	70,839
Number of Retired Members	1	4	12	25	147	45	14	248
From 1/1/2010 - 12/31/2010								
Average Monthly Benefit	$ -	$ 795	$ 1,525	$ 2,035	$ 3,338	$ 3,989	$ 4,169	$ 3,231
Average Final Average Salary	-	66,069	68,550	66,235	74,107	76,433	75,093	73,415
Number of Retired Members	0	7	11	24	188	41	14	285
From 1/1/2011 - 12/31/2011								
Average Monthly Benefit	$ -	$ 876	$ 1,390	$ 2,721	$ 3,266	$ 3,919	$ 4,351	$ 3,161
Average Final Average Salary	-	61,939	66,442	75,563	74,337	78,379	80,226	74,320
Number of Retired Members	0	7	12	16	133	29	7	204
From 1/1/2012 - 12/31/2012								
Average Monthly Benefit	$ 311	$ 840	$ 1,534	$ 2,305	$ 3,165	$ 4,239	$ 4,669	$ 3,137
Average Final Average Salary	43,363	59,592	75,925	73,205	74,644	80,771	85,574	75,643
Number of Retired Members	1	5	13	22	101	32	10	184
From 1/1/2013 - 12/31/2013								
Average Monthly Benefit	$ 844	$ 976	$ 1,460	$ 2,195	$ 3,298	$ 3,969	$ 4,868	$ 3,203
Average Final Average Salary	104,387	56,659	69,224	72,730	77,261	77,890	83,824	76,361
Number of Retired Members	2	4	19	12	78	52	7	174
From 1/1/2014 - 12/31/2014								
Average Monthly Benefit	$ -	$ 944	$ 1,565	$ 2,371	$ 3,455	$ 4,103	$ 4,429	$ 3,517
Average Final Average Salary	-	60,088	69,079	71,012	80,485	81,816	80,201	79,223
Number of Retired Members	0	1	10	7	55	37	13	123

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Average Annual Pay	% Increase In Average Pay
2014	5,798	417,957,007	72,086	8.2%
2013	5,726	381,380,271	66,605	1.2%
2012	5,668	373,000,972	65,808	2.3%
2011	5,726	368,473,591	64,351	1.4%
2010	5,643	358,028,815	63,447	0.9%
2009	5,719	359,486,528	62,858	0.1%
2008	6,152	386,372,713	62,804	4.9%
2007	6,081	364,204,073	59,892	4.4%

Frequently Asked Questions

Questions & Answers

Q ***Who is eligible to become a member of the Retirement Fund?***

A Any person regularly employed by the MBTA is eligible to become a member of the Retirement Fund.

Q ***How does an employee contribute to the Retirement Fund?***

A Retirement contributions are deducted from the regular earnings (excluding overtime).

Q ***Are the matching contributions made by the Authority applied to the member's balance in the Fund?***

A NO. The Authority's contributions are not applied to the member's balance in the Fund. These contributions become an irrevocable asset of the Fund used for the benefit of its members.

Q ***What is the rate of interest earned by the member on his/her contributions? Does the member continue to earn interest after his/her employment with the Authority is terminated by reason of retirement, resignation or discharge?***

A Interest earned on contributions made on or after July 1, 1967, are compounded annually at a rate of three percent (3%). Note: This rate is set by the Pension Agreement and does not reflect the earnings of the Fund. NO. A member stops earning interest on his/her contributions as of the last day of the month prior to his/her separation from the Authority's service.

Q ***How do part-time employees accrue creditable service?***

A For the purpose of determining the amount of retirement benefit, creditable service shall accrue at the rate of one month of creditable service, or fraction thereof, for each 173 pay hours received.

Questions & Answers *(continued)*

Q ***Under what circumstances is the spouse of a member required to sign a spousal consent form?***

A When a member is about to retire, a spousal consent is required when the member elects to receive his/her benefit in the following manner:

No optional benefit for spouse
33 1/3% with no pop-up
25% with no pop-up
50% with pop-up
33 1/3% with pop-up
25% with pop-up
5, 10 or 15 years term certain benefits

Q ***Are retirement contributions deducted from Workers' Compensation payments? Does the time out on Workers' Compensation count as creditable membership service?***

A No. There are no retirement contributions deducted from Workers' Compensation payments. As a result, it may exclude that year as a high year in calculating the high 3 year average.

Yes. When a member is out of work and receiving Workers' Compensation payments, it does count as creditable membership service.

Q ***Workers' Compensation Offset: Does my receipt of Workers' Compensation payments affect my disability retirement benefit?***

A Possibly: If the payments that you receive under Workers' Compensation are based on the same injury that qualified you for disability retirement, your pension benefit will be offset against your Workers' Compensation for that same injury.

This means that your pension benefit will be directly reduced by the amount of the Workers' Compensation benefit that you receive.

Workers' Compensation payments that are based on an injury different from the injury that qualified you for a disability pension will not affect your disability retirement benefit.

Q ***Is the employment date with the Authority the same as the membership date in the Fund?***

A NO. Membership in the Fund begins when contributions are made to the Fund and is usually a short time after the employment date, typically 90 days after being employed.

Q ***When can a member retire?***

A A member can retire at age 65 or older on a Normal Retirement; for a member hired before December 6th, 2012, an Early Normal Retirement is available with 23 years of creditable service; a member hired on or after December 6th, 2012, an Early Normal Retirement is available if the member is age 55 or older and has at least 25 years of creditable service; an Early Reduced Retirement is available if a member is age 55 or older and has at least 20 years of creditable service; however, the retirement allowance will be reduced by 1/2 of 1% for each month between the age at retirement and age 65. The Plan provides for a Disability Retirement after 4 years of creditable service for an occupational disability or after 6 years for a non-occupational disability.

Q ***How is a member's retirement allowance determined?***

A The maximum retirement allowance is determined by using the following formula: The average of the best 3 years of earnings, multiplied by 2.46%, and multiplied by years and months of creditable membership service.

Q ***What is the date shown on the monthly retirement checks and when are they mailed to the retirees?***

A The monthly retirement checks are dated for the last business day of the month. The checks are mailed 4 or 5 days before the end of the month in order for them to arrive at the retiree's home by the last day of the month.

Q ***Does a member have a decision to make on how the pension will be paid?***

A YES. A member can take the maximum retirement allowance payable and will get a check every month for life in that amount, subject to adjustments from time to time. If a member takes the maximum retirement allowance payable, the member will recover the money contributed to the Fund in three years or less, and after the member dies, no further payments will be made from this Fund. A member can elect to take retirement payments under an option. Options give the retiree a lesser amount for life with the provision that upon their death the person designated as beneficiary will receive a retirement allowance. An example would be the 100% option. Instead of taking the maximum retirement allowance payable, the member elects to take a reduced amount for life and upon the member's death, the designated beneficiary will receive 100% of the allowance the member was receiving for life. The amount of reduction from the maximum is determined by option factors which are based on the member's and designated beneficiary's age and life expectancy. There are several types of options available.

Q ***If a member leaves the employ of the MBTA, what happens to the contributions made on the employee's behalf (Authority's Contributions) to the Fund?***

A Those contributions, once made, become an irrevocable asset of the Pension Fund and can only be used for the exclusive benefit of the members of the Fund.

Q ***If a retirement benefit is sent direct deposit (ACH – wire transfer) to a bank or credit union, when is the benefit deposited into the retiree's account and when are the funds available?***

A The benefit is wired to the retiree's bank or credit union on the last business day of the month. The availability date of these funds is determined by the member's banking institution.

Q ***Once a member has retired and elected either the maximum benefit or elected an option, can this election be changed?***

A NO. An option elected by a member can only be changed prior to the effective date of retirement.

Q ***How does unused sickleave affect the retirement allowance?***

A At retirement, a member's unused sickleave is converted to creditable membership service, which when multiplied by 2.46% of the average of the three (3) best years, increases the retirement allowance. For example, sickleave of 150 days converts to 7 months of creditable membership service. However, unused sickleave cannot be used to determine service eligibility for retirement.

Q ***In the event a retiree is divorced/widowed, can he/she drop the option elected or change it in favor of a new spouse?***

A NO. In the event a retiree is divorced/widowed from his/her spouse, the option elected cannot be dropped or transferred in favor of a new spouse after the effective date of retirement.

Q ***Can a member buy any service for which credit is not being received?***

A NO. A member can only get credit for the time in which both the member and the Authority make contributions.

Q ***Who can an active or retired member contact with specific questions concerning health and life insurance benefits?***

A Active and retired members of the MBTA may contact the Benefits Department with specific questions about health and life insurance benefits. The telephone number is (617) 222-3244. Written inquiries should be sent to the MBTA Benefits Department, 10 Park Plaza, 4th Floor, Boston, MA 02116.

Q ***Can a member withdraw any money from the Fund and pay it back at a later date with interest?***

A NO. A member cannot withdraw any contributions from the Fund. The only way a member can obtain money from the Fund is either by resigning or retiring.

Q ***Can I receive creditable service in the MBTA Retirement Fund for service with any other Federal, State, or local government agency?***

A NO. Since the MBTA Retirement Fund is a private system, no credit can be given for service other than with the MBTA.

Q ***If the surviving spouse is eligible to receive a monthly benefit, how soon does he/she begin receiving the benefit? Does he/she have to wait until the member would have reached age 65?***

A The surviving spouse is eligible to receive the benefit the first month following the member's death. He/she does not have to wait until the member would have reached age 65.

Example: Member passes away June 15. The surviving spouse is eligible for benefit starting July 1.

Q ***How are changes made in the Pension Plan?***

A All changes and improvements to the Pension Plan are negotiated between Local #589 and the Authority.

Q ***If I leave the employ of the Authority and return at a later date, am I eligible to "Buy Back" my prior service?***

A YES. A former member of the Fund who is re-employed by the Authority is eligible, after a 3-year waiting period, to request the Retirement Board to restore his/her previous service by the repayment of the withdrawn funds, plus interest. "Bridging the Gap" restores to the member the creditable service he/she built up during the previous period of employment. There is no credit given for the period between the date the member left the employ of the Authority and the date he/she was re-employed. That gap will always remain. Therefore, any member of the Fund who terminated his/her employment with the Authority and was re-employed should contact the Retirement Board to determine the amount necessary to "Buy Back" the previous service.

Q ***How does a member qualify for a benefit under the Vesting Provision of the Fund?***

A Under the Vesting Provision of the Fund, a member who has at least 10 years of creditable membership service may qualify for a benefit provided that his/her employment with the MBTA ended through no fault of their own. If a member resigns or is discharged for cause, he/she is not eligible for a retirement benefit under this provision.

Q ***When is a member eligible to receive a benefit under the Vesting Provision of the Fund?***

A Under the Vesting Provision of the Fund, a member is eligible to receive a retirement benefit the first of the month following the member's 65th birthday provided that the member has the 10 years of creditable membership service in the Fund and his/her employment did not end voluntarily or by termination.

Q ***Can taxes be withheld from my pension benefit?***

A Federal taxes can be withheld and deducted from your pension check each month. The amount of federal tax withheld from your monthly benefit can be changed at anytime by filing a new W-4P form with the Retirement Fund.

The MBTARF Pension is not taxable in the state of Massachusetts. Retirees residing in Massachusetts should not include their pensionable earnings from the MBTA Retirement Fund as income on their Massachusetts return.

Q ***If a member has a question concerning the Fund or would like to obtain an estimate of his/her retirement benefit, whom should he/she contact for the correct answer?***

A All questions should be directed to the MBTA Retirement Fund at One Washington Mall, Boston, MA 02108 (617) 316-3800 or 800-810-6228.