



Milestones

REPORT TO THE MEMBERSHIP OF THE MBTA RETIREMENT FUND

Executive Director's Message



As we close out the summer of 2015, MBTARF management would like to provide you with a preliminary update on the MBTA Retirement Fund's

investment performance through June 2015, the market environment that is impacting investment returns, and information about the Fund's asset and liability valuations.

Through the first two quarters of 2015, global stocks, bonds and alternative investments delivered mixed results amid uncertainty about a potential exit of Greece from the Eurozone, low interest rates, slowing economic growth in China, low energy prices and continued moderate economic growth in the U.S.

Following a relatively strong five months through May 2015, stocks corrected in June. As a result, U.S. large company stocks as measured by the S&P 500 Index gave up more than half of their year-to-date gains in June, ending the June year-to-date period with a gain of 1.2%. International established markets stocks, U.S. small company stocks and emerging markets stocks ended the period with gains of 5.5%, 4.8% and 2.9%, respectively.

Following a relatively positive first quarter, most bond market sectors lost

ground in the second quarter as yields, which move in the opposite direction of bond prices, rose. As a result, the Barclays U.S. Aggregate Bond Index ended the June year-to-date period with a return of -0.1%, while the Barclays Global Aggregate returned -3.1%. Despite incurring a loss in the second quarter, U.S. high yield bonds ended the year-to-date period with a gain of 2.5%.

Among alternative investments, returns were mixed, but mostly positive. The NCREIF ODCE Index of open-ended real estate funds returned 7.3% through June, while the HFRI fund of hedge funds composite gained approximately 2.7% and the Bloomberg Commodity Index lost 1.6%.

In this environment, based on preliminary data, your retirement fund posted an unaudited gross return of 3.0% for the first two quarters of 2015. The Fund's unaudited market value approximated \$1.586 billion as of the period end.¹

Leading contributors to the Fund's June 2015 year-to-date return included the Fund's international equity portfolio, which returned over 8.1%, and the U.S. small cap equity portfolio, which returned over 6.1%. The U.S. large cap equity portfolio, which holds the largest allocation of stocks in accordance with the Fund's investment policy, posted a more modest return of approximately

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Executive Director's Message (cont'd)

1.7%. Amid broad challenges in the bond market, the Fund's fixed income portfolio returned 0.9%. Returns for categories of alternative investments that were not yet available as of this writing, will be included in future communications.

Although most forecasts point to strengthening U.S. economic data during the second half of 2015, the Greek financial crisis during late June and weaknesses in China are reminders that the global economy still faces many challenges. A strengthening dollar, low energy prices, and geo-political events pose different types of risks and opportunities for the Fund.

More recently, in the month of August, global equity markets declined and public markets asset classes experienced significant volatility among heightened concerns about China and concerns about the impact of a future interest rate hike.

While fundamental factors such as corporate earnings and balance sheets are instrumental in determining securities prices, the markets have been focused intently on monetary policy and the question of when the Federal Reserve may increase short-term interest rates, which have been at historic lows since late 2008. Based on recent statements, it appears that the Fed may be prepared to raise rates late in 2015 or early in 2016, assuming U.S. economic news remains positive and inflation stays below the Fed's 2% target. However, predictions of rate hikes have been premature in the past. Moreover, gauging market reaction to monetary policy changes presents an added challenge for investors.

The MBTA Retirement Fund investment portfolio is diversified across asset

classes and investment strategies to position the Fund for long-term returns and oversight of risks through changing market cycles. The MBTA Retirement Board and staff continuously review the Fund's asset allocation to ensure the portfolio is structured to manage risks and capture investment opportunities consistent with established risk tolerances and return objectives. Over the last rolling five-year period, the Fund has delivered a gross return of approximately 10.8%. Since inception, the Fund has delivered a 9.5% gross return.

On June 28, 2015, *The Boston Globe* reported about an alleged over valuation of MBTA Retirement Fund assets and under valuation of its liabilities based on a report authored by, among others, Harry Markopolos (the "Markopolos Report"). Despite requests, the Markopolos Report has not been shared with the Retirement Fund's Board of Trustees. To assure MBTA retirees and beneficiaries that their futures are secure, the Retirement Board has issued a Request for Proposals ("RFP") to conduct an independent fiduciary review of the Fund's valuations, assets and liabilities.

Yours Respectfully,

Michael H. Mulhern
Executive Director

Board

James M. Evers,
Interim-Chairperson

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Michael J. Heffernan

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Lawrence C. Kelly

Margaret C. LaPaglia

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Maura E. Corso

John G. Fitzgerald

David M. Hanson

Pamela M. Holloman

Siobhán M. Keeney

Catherine M. McGahan

Danielle M. Quinn

Dominique S. Sye

Nancy M. Walsh

*All MBTARF returns are gross of fees and unaudited.

¹ Market value is preliminary and unaudited.

Pamela Holloman believes “what our job is all about here at the Fund, is making sure retirees can enjoy the retirement they worked for.”



As the Secretary to the MBTA Retirement Fund's Board of Directors, Pamela Holloman spends her days as a liaison between the Board and the Retirement Fund staff. She is in charge of getting all the necessary documents

and presentations ready for Board meetings, answering questions the Board may have prior to the meetings, coordinating schedules, following up with Board members after the meetings, and coordinating with various Fund managers to schedule their annual presentations before the Board.

Pam is responsible for transcribing the minutes of all the meetings of the Board. She is the editor of this quarterly newsletter and the annual report. Pam is also the webmaster for MBTARF.com and still finds time to speak to some of her favorite members like retirees James “Boston’s Godfather of Soul” Carr, Roy McCullough, Clive Webley and Frank Fusco. “These are some great guys who always seem to brighten my day,” Pam says, “Mostly because they are clearly enjoying their retirement. That’s really what our job is all about here at the Fund, making sure retirees can enjoy the retirement they worked for.”

Prior to becoming Secretary of the Board in 2007, Pam worked as a benefits administrator for the Retirement Fund. She celebrated her 18th year with the Fund in June. Before joining the Fund, Pam worked as a clerk in the Executive Office of Transportation and Construction, now known as EOT.

“When you’re dealing with benefits and members, you have to be flexible, understanding, and show compassion and empathy,” says Pam. “You have to have the same set of skills to work with the Board because you’re working with all different types of people in every kind of situation.”

Over the past eight years, Pam has learned a great deal about asset allocation and the different asset classes through her work. She has had to immerse herself in the language and inner-workings of

the Fund and its investments so that she can properly summarize and put forth information for the Board in the meeting minutes. Pam has even taken classes through the International Foundation of Employee Benefit Plans to develop her understanding of institutional investing.

“In the beginning, it was a challenge to learn all the investment terminology that is used during meetings,” says Pam. “But everyone has been wonderful, especially Mr. Mulhern, who is always willing to help you understand the context of something discussed by the Board. Improving your skills and education is a high priority for Fund employees.”

Pamela was born and raised in Cambridge, one of six brothers and sisters. She was a senior at Cambridge Rindge and Latin High School, when she met her future husband, Howard “Redd” Holloman, Jr. After finishing high school, the two married and she accompanied him to Newport News, Virginia, where he was stationed on the U.S.S. Enterprise. Pam and Redd currently live in Dorchester and have been married for 24 years. They have three children, Andre, Imani, and Nia, and a one-year old grandson, Andre, Jr. She is proud to say Andre, Sr. is following in his father’s footsteps and has entered the United States Navy. There, he is a member of the USN Ceremonial Guard, the official ceremonial unit of the Navy.

Pam completed her undergraduate studies at Emmanuel College in Boston, receiving a Bachelors of Science in Business Administration. Pam is currently studying to take the Graduate Management Admission Test (GMAT) this fall and go back to school in January. She plans on enrolling in a dual degree program at Simmons College where she will earn her Master’s in Business Administration and her Master’s in Social Work.

THE FOLLOWING MEMBERS HAVE RETIRED ON OR BEFORE JUNE 1ST 2015.

Hernos J. Alexandre
123 Bus Transportation CabotAlbany

Scott C. Andrews
113 HRail Transp Red JFK/UMASS

Barry W. Berman
321 SCM Signals

Robert K. Berrigan
137 OCC Trng Light Rail Riverside

Carl Bersani
414 EVE Everett Main Repair -Bus

Thomas D. Bombardieri
321 SCM Signals

Marie B. Bruen
441 Bus Transportation Admin

Barbara A. Bryant
455 Bus Maintenance Cabot

Joseph Bucci
309 TFM Bldg & Station Maintenance

Merwin J. Burr
466 Rail Maint Green Riverside

Anthony M. Catalano
319 TFM Bridge & Structure Maint

Richard H. Chanonhouse
126 Bus Transportation ChrltwnFels

Joseph C. Cheney
105 Bus Maintenance Admin

Michael Chiulli
129 Bus Transportation Lynn

James C. Choukas
128 Bus Transportation Quincy

James J. Christian
321 SCM Signals

George Christian
324 PSM Electrical Maintenance

Thomas D. Clark
123 Bus Transportation CabotAlbany

Lauren M. Coughlin
763 Materials Mgmt Vehcle/Sys Proc

Vernon L. Cowan
132 LRail Transp Green Reservoir

Edward J. Crasco
414 EVE Everett Main Repair -Bus

Karen J. Despirito
502 Strategic Business Initiatives

Jimmy R. Dixon
414 EVE Everett Main Repair -Bus

Brian E. Doherty
432 Rail Maint Red Cabot

Mark R. Doucette
125 Bus Transportation Bennett

Gary Dutra
309 TFM Bldg & Station Maintenance

Rosemary Duval
128 Bus Transportation Quincy

Susan Emerick
102 OCC Opers Control Center

Donna E. Ferguson
837 LRail CustomerService Green

Stephen J. Finigan
333 MOW Rapid Transit Lines

Michael Fitzpatrick
455 Bus Maintenance Cabot

Brian M Foley
102 OCC Opers Control Center

Carolyn R. Gillis
123 Bus Transportation CabotAlbany

Donna L. Gilmore
125 Bus Transportation Bennett

Kevin T. Guilfooy
132 LRail Transp Green Reservoir

Maureen A. Hachey
031 Information Technology Opers

Jan M. Hagan
321 SCM Signals

Richard J. Hartel
138 Bus Transportation Southampton

Almena J. Henry
123 Bus Transportation CabotAlbany

John P. Horigan
351 MOW Rail Equipment

Alan Jacobson
434 Rail Maint Blue Orient Hghts

John J. Kilroy
511 Design&Constr- TransitProjects

Susan Koberski
310 SCM Administration

Janice M. Leblanc
031 Information Technology Opers

Claude R. Levesque
341 PSM Transmission&Distribution

James Lindsey
122 Bus Transportation Arborway

Brian T. Long
466 Rail Maint Green Riverside

Juan S. Lopez
123 Bus Transportation CabotAlbany

Joseph Losi
128 Bus Transportation Quincy

Gregg A. Lunn
321 SCM Signals

Allan J. MacDonald
132 LRail Transp Green Reservoir

Denise E. Mailloux
129 Bus Transportation Lynn

David P. Manning
762 Materials Mgmt Stores

Joann S. Marrone-Joyce
310 SCM Administration

Charles M. Martin
333 MOW Rapid Transit Lines

Judy A. McAndrew
371 PSM Power Systems & Equipment

Sean M. McCarthy
106 COO Administration

Martha R. McGowan
129 Bus Transportation Lynn

Douglas J. McLaughlin
826 TFM AFC Maintenance Farebox

David McNeil
125 Bus Transportation Bennett

Michael F. McPhee
466 Rail Maint Green Riverside

David W. Murphy
333 MOW Rapid Transit Lines

Clifford J. Murray
835 HRail CustomerService Red

Kevin Neal
123 Bus Transportation CabotAlbany

Richard M. Nichols
128 Bus Transportation Quincy

Christine M. Noonan
764 Materials Mgmt Purch Inventory

Congratulations

MBTA Retirees (cont'd)

THE FOLLOWING MEMBERS HAVE RETIRED ON OR BEFORE JUNE 1ST 2015.

Robert E. Nunez

129 Bus Transportation Lynn

Keith J. O'Donnell

351 MOW Rail Equipment

Monique A. Osgood

112 HRail Transp OrangeWellington

Joyce E. O'Shea

835 HRail CustomerService Red

William F. Perkins

105 Bus Maintenance Admin

Lee E. Perryman

321 SCM Signals

Vincent Puccio

414 EVE Everett Main Repair -Bus

Gregory Quarles

138 Bus Transportation Southampton

Robert O. Rideout

432 Rail Maint Red Cabot

David W. Rivera

125 Bus Transportation Bennett

Julie J. Ruane

309 TFM Bldg & Station Maintenance

Thomas J. Shortt

454 Bus Maintenance Arborway

Richard Simolari

824 TFM AFC Maintenance Subway

Barbara A. Sliby

766 Materials Mgmt Admin

Paul A. Stander

456 Bus Maintenance Southampton

Edward J. Stevens

452 Bus Maintenance Quincy

Lorene J. Thomas

122 Bus Transportation Arborway

Stacy J. Thomas

341 PSM Transmission&Distribution

Debra Tooks-Smith

128 Bus Transportation Quincy

Edward M. Vartabedian

449 Bus Maintenance Charlestown

Delilah Villafane

741 Police

Stephen P. Welch

413 EVE Everett Main Repair -Rail

Mary V. Wilkinson

123 Bus Transportation CabotAlbany

John F. Woods

333 MOW Rapid Transit Lines

In Memoriam

WE HAVE RECENTLY BEEN NOTIFIED THAT THE FOLLOWING MBTA RETIREES HAVE PASSED AWAY.

Robert P. Aborn

June 16, 2015

Dyan L. Andrade

July 9, 2015

James J. Barry, JR.

March 24, 2015

Richard F. Beecher

January 1, 2015

James H. Bishop, JR.

April 16, 2015

Kenneth C. Brett

April 17, 2015

Richard H. Burditt

July 5, 2015

Willie Bynes

January 12, 2015

John W. Callanan

January 13, 2015

James Camerario

July 11, 2015

Edmund R. Campbell

May 29, 2015

Richard S. Campbell

March 9, 2015

John F. Carey

January 29, 2015

Joseph P. Carlino, JR.

February 19, 2015

Vincent Caruso

June 10, 2015

Hugh Caulfield

March 26, 2015

Robert F. Chaffee, JR.

March 6, 2015

Richard H. Chanonhouse

April 28, 2015

Patricia E. Chase

January 22, 2015

Carl H. Cioffi

March 31, 2015

David A. Clavero

May 11, 2015

Charles A. Collyer, JR.

April 13, 2015

Joseph F. Commene

January 29, 2015

Richard M. Condon

April 13, 2015

Raymond W. Conley

June 15, 2015

Thomas J. Conway, JR.

March 1, 2015

William J. Cook

March 29, 2015

Robert Cooper

February 3, 2015

Eugene A. Cox

April 24, 2015

Thomas P. Coyne

February 20, 2015

John Cummings

June 13, 2015

Charles R. Curley

April 12, 2015

James Damery

March 26, 2015

Kevin J. Dargan

June 10, 2015

Thomas A. Decarlo

February 12, 2015

Stephen A. Deutsch

February 8, 2015

Edward J. Devine

February 28, 2015

Joseph D. Diggin

January 15, 2015

George Dilbarian

May 11, 2015

Sheila J. Doster

January 24, 2015

Robert H. Driscoll

July 2, 2015

James Dunbar

July 5, 2015

John F. Dunne

May 8, 2015

Thomas F. Fay

July 3, 2015

Francis L. Fitzmaurice

June 14, 2015

Francis J. Fleming

January 19, 2015

John N. Fogg, SR.

May 10, 2015

William E. Foley

June 15, 2015

Mary L. Freeley

February 22, 2015

John F. Gillis

February 23, 2015

Walter J. Grady

April 18, 2015

John M. Grealish

April 1, 2015

John C. Hamilton

March 3, 2015

Richard J. Harney

January 17, 2015

In Memoriam (cont'd)

WE HAVE RECENTLY BEEN NOTIFIED THAT THE FOLLOWING MBTA RETIREES HAVE PASSED AWAY.

Edward J. Harrison
March 5, 2015

Alfred L. Hayes
January 18, 2015

Thomas V. Hazell
February 17, 2015

Hebrew R. Johnson
February 14, 2015

John J. Kane
March 17, 2015

Milton F. Keane
February 9, 2015

Charles L. Kelson
March 28, 2015

John F. KIELTY
May 22, 2015

Charles D. Kiely
March 31, 2015

Lorraine E. Krauss
January 14, 2015

Donald Landry
March 2, 2015

Noel M. Lane
April 12, 2015

Jennifer Larkin
April 17, 2015

Joyce V. MacQueen
March 1, 2015

John H. Marshall, JR.
March 29, 2015

John E. Martin
February 1, 2015

Tommie McCall
April 1, 2015

James McCarthy
January 13, 2015

Michael K. McKenna
February 11, 2015

George V. Menjin
June 14, 2015

Steven R. Miller
May 3, 2015

James J. Mulry
January 18, 2015

Jorge A. Murga
May 24, 2015

Janice Murphy
March 6, 2015

Kevin F. Nagle
April 10, 2015

John J. Nee
April 5, 2015

William R. O'Malley
January 29, 2015

Maureen O'Neil-Piccarini
March 5, 2015

Michael A. O'Shea
June 6, 2015

Mary T. Palsic
June 23, 2015

Alfred A. Pappalardo
April 16, 2015

Arthur R. Parsons
February 13, 2015

John R. Petrie
April 1, 2015

Wilfred J. Picot
January 30, 2015

John X. Presto
April 10, 2015

Robert V. Reilly
May 9, 2015

Kenneth J. Riley
March 25, 2015

Roy E. Robertson
May 8, 2015

Russell S. Rowling
March 24, 2015

Paul L. Ryan
January 2, 2015

Jeanne M. Sasso
July 3, 2015

Paul Scopa
May 23, 2015

Patrick H. Shamaly
April 29, 2015

William G. Shaw
June 23, 2015

George Simmons
April 27, 2015

Lee F. Smith
April 28, 2015

David P. Soto
June 16, 2015

Arthur Sullivan
June 3, 2015

William Taylor
June 14, 2015

Willie L. Thames
January 13, 2015

Richard H. Thiffault
March 12, 2015

Walter E. Tobin, JR.
April 21, 2015

Arthur F. Turner
March 28, 2015

George Wong
March 13, 2015

Harold D. Wood
June 24, 2015

Francis J. Woods
July 8, 2015

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FUND**

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Milestones

THE REPORT TO THE MEMBERSHIP OF THE MBTA RETIREMENT FUND

