2013
ANNUAL REPORT

MBTA
RETIREMENT
FUND

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Letter from the Executive Director

Michael H. Mulhern
Executive Director

Dear Retirement Fund Member:

I am pleased to present to you the MBTA Retirement Fund 2013 Annual Report. This report provides important financial information and the Fund's portfolio results. The new pension agreement and other important policies relative to the Fund's operation are also included.

The net position of the Fund increased $128.4 million, or 8.7%, from $1.478 billion as of December 31, 2012 to $1.607 billion as of December 31, 2013.

Net investment income increased $43.8 million, or 23.3%, from $187.8 million for the year ending December 31, 2012 to $231.6 million for the year ending December 31, 2013. The Fund had a 17.08% rate of return for the year ending December 31, 2013 compared to a 14.93% rate of return for the year ending December 31, 2012. The returns identified in the MD&A are gross of fees with the exception of hedge funds which are net of fees.

Total contributions received from the Authority and Employees during the year ending December 31, 2013 were $79.1 million compared to total contributions received during the year ending December 31, 2012 of $75.0 million.

Benefits paid during the year ending December 31, 2013 were $177.3 million, an increase of $2.7 million, or 1.5%, over the benefits paid during the year ending December 31, 2012 of $174.6 million. This increase is primarily due to the 2013 retirees having an increased average benefit and life span.

Given the nature of the markets, it will, of course, be difficult for the Fund to repeat the very strong performance it achieved in 2012 and 2013. However, the Fund employs a diversified asset allocation strategy that is designed to mitigate risk, while positioning the portfolio for long-term growth.

Improving the funding status continues to be Fund management's primary objective. Strong investment performance is essential, but the demographics of Fund membership is a major factor on the liability side, which is why the 2012 changes in the pension eligibility criteria to 25 years of service and 55 years of age for new members were so important to the Fund's financial stability.

Yours respectfully,

Michael H. Mulhern

Executive Director

One Washington Mall
Boston, MA 02108
P 617-316-3800 F 617-476-4707

MBTARF.COM

MBTA RETIREMENT FUND

Letter from the Retirement Board:

To the Members of the Massachusetts Bay Transportation Authority Retirement Fund

This is the 66th Annual Report of the Retirement Board of the Massachusetts Bay Transportation Authority Retirement Fund for the year ending December 31, 2013.

As of December 31, 2013, there were 5,726 active members in the Fund. During the year, 309 Authority employees became new members while 179 members retired (including special survivors) from the Fund. The Retirement Fund processed 58 refunds of members' contributions due to death, resignation or discharge totaling $1,092,838. The Authority and employees contributed a total of $79,066,708 to the Fund.

During 2013, there were 6,283 retired members and beneficiaries receiving monthly retirement allowances from the Fund. Benefit payments for the year totaled $177,311,634. There were 60 retired members who died with an option and 167 who died without an option (including optionees) during 2013.

In 2013, the Retirement Fund's well diversified portfolio generated a gross return of 17.08% with the exception of hedge funds which are net of fees. Our priority continues to be to increase the size of the Fund's assets while protecting the gains that we have recorded over the years. The Board and Staff of the Retirement Fund will continue to revise our investment strategies to provide our members a secure future. Our Fund remains strong and you, the Members, can depend on us to continue to meet our retirement benefit obligations.

If you are a retired member wishing to make a change of address, change of deductions, arrange for direct deposit of your benefit to your bank, or if there is any questions or problems that you feel we can help you with, please contact the Retirement Fund in person, via telephone, or visit our website www.mbtarf.com. Active members who wish to change a beneficiary, get an estimate of retirement benefits, find out their balance in the Retirement Fund, or who have any questions, should also feel free to contact the Retirement Fund office, access our new website, or have their Union Representative contact us on their behalf.

The offices of the Retirement Fund are located at One Washington Mall (beside Boston City Hall at Government Center), where our Executive Director and Staff will be glad to answer your questions. The telephone number is (617) 316-3800 or (800) 810-6228.

Respectfully submitted,

Retirement Board of Massachusetts Bay
Transportation Authority Retirement Fund

Janice Loux, Chairperson
Jonathan R. Davis
James M. O'Brien
James M. Evers
James M. O'Connell
Darnell L. Williams

> *"Our priority continues to be to increase the size of the Fund's assets while protecting the gains that we have recorded over the years . . ."*

Janice Loux
Chairperson

Janice Loux was appointed by five Massachusetts Governors to serve on the Massachusetts Bay Transportation Authority (MBTA) and is currently the longest serving board member. Appointed by Governor Deval Patrick, she now serves on the board of the newly merged Massachusetts Department of Transportation (MassDOT).

Loux is the daughter of an MBTA laborer and a hotel waitress, who filed a successful civil rights lawsuit in 1964 to force the all-male Bartenders and Waiters Union to admit women. From an early age, Loux was an organizer and activist in the Boston Hotel Workers Union Local 26. In 1997, she was elected as the first female president in the union's 123-year history, and she was then elected for four additional terms.

Under her 15 years of leadership, Local 26 became an organizing union and nearly doubled its membership, improving the lives of the people who work in Boston's hotel industry. As the chief negotiator, Loux negotiated collective bargaining agreements with the major hotel corporations in Boston, creating a city wide standard for wages and benefits. As a result, Unite Here Local 26 has one of the most comprehensive and progressive benefits packages in the country. The benefits include the first Housing Trust Fund in the nation. Loux led a successful lobbying effort to amend Taft-Hartley. That amendment changed the law and enabled unions to collectively bargain for housing. Benefits also include an education and training center in Boston's Chinatown, as well as affordable health and prescription care. She also negotiated a landmark defined benefit pension plan, which has been established for Boston Hotel Workers.

Loux currently serves as an Executive Vice President of UNITE HERE, an International Union representing over 300,000 hotel, gaming and food service employees.

A REMINDER:

Is your Retirement Fund Beneficiary Designation and current address up to date? If not, contact the Retirement Fund Office.

MBTA Retirement Board of Trustees Members

"Our Fund remains strong and you, the Members can depend

Jonathan R. Davis

Jonathan R. Davis was sworn in on October 8, 2004, as a Member of the MBTA Retirement Board having previously served as an Alternate Member.

In 1995, he left H.P. Hood, Inc. after a career that spanned a quarter century and joined the MBTA

Jon brought with him a wealth of financial management experience to his current position as the T's Deputy General Manager and Chief Financial Officer.

Mr. Davis is an alumnus of Babson College and the Defiance College.

James M. O'Brien

James M. O'Brien was sworn in on January 17, 2014, to serve as a Local #589 Employee Representative to the Retirement Board.

A member of the Fund since 1985, Mr. O'Brien is the current President-Business Agent of Local #589, A.T.U., the Boston Carmen's Union, serving 6,500 members. He is formerly a Surface Operator out of the Bennett Street Garage.

James M. Evers

James M. Evers was sworn in on April 20, 2012, to serve as a Local #589 Employee Representative to the Retirement Board. A member of the Fund since 2005, Mr. Evers is the current Financial Secretary-Treasurer of Local #589, A.T.U., the Boston Carmen's Union. He was formerly a rail repairer from the Reservoir Carhouse. Mr. Evers earned his Bachelor's degree in Electronic Engineering at Wentworth Institute of Technology in Boston, MA.

James M. O'Connell

James M. O'Connell was sworn in as a Board Member in January 2006.

Mr. O'Connell was originally elected as an Alternate Employee Representative on the Retirement Board in 1998 by the non-Local #589 union members of the Fund. He has been a member of the Fund since 1993 and currently serves as a Business Agent of Local #103 International Brotherhood of Electrical Workers.

on us to continue to meet our retirement benefit obligations."

Darnell L. Williams

A well-respected community leader, Darnell Williams is President and CEO of the Urban League of Eastern Massachusetts. Mr. Williams was Manager of Management Recruitment and Development at Massachusetts General Hospital (MGH) as well as a Diversity Consultant in private practice.

A Gary, Indiana native, Mr. Williams earned his Master's degree in Education from Boston University after completing his undergraduate degree at American International College in Springfield, MA.

Katherine A. Hesse

Katherine A. Hesse was elected as Honorary Member of the Retirement Board in 1996. Ms. Hesse is a founding partner of the law firm of Murphy, Hesse, Toomey and Lehane, specializing in employee benefits and related litigation matters. Ms. Hesse represents over 30 jointly trusted employee Benefit Funds and serves on the Board of Directors of the International Foundation of Employee Benefit Plans.

John P. Barry

John P. Barry was appointed in May 2006 to the position of Deputy Director of the Retirement Fund. A member of the Fund since 1982, Mr. Barry held the position of Financial Secretary-Treasurer of Local #589, A.T.U., the Boston Carmen's Union, and also served as a Local #589 Employee Representative to the Retirement Board. Mr. Barry is an alumnus of Suffolk University in Boston holding an MBA with a concentration in Finance.

Pamela M. Holloman

Pamela M. Holloman joined the Retirement Fund staff in 1997 as a Benefits Administrator. She assumed the position of Secretary in 2008. Ms. Holloman earned a Bachelor of Science in Business Administration Degree from Emmanuel College in Boston, MA.

Historical MBTA Retirement Fund Board Members List

		Period of Service From	Period of Service To
(A)	Harold Ulrich **	8/48	1/49
(E)	Irving F. Murray	8/48	8/49
(E)	William A. Roche	8/49	7/56
(A)	Thomas A. Dunbar **	8/48	1/59
(A)	Charles A. McCarron **	8/48	5/60
(E)	Thomas P. Dillon	8/48	3/61
(A)	Ernest M. Flint	1/49	1/50
(E)	Bartholomew P. Saunders	8/49	8/52
(A)	Arthur V. Grimes	7/50	6/52
(A)	Augustine Airola	6/52	4/53
(E)	James J. Casey	8/52	8/64
(A)	Harold Ulrich	4/53	4/57
(E)	Michael J. Gormley	7/56	12/63
(A)	William V. Ward **	8/57	8/64
(A)	John J. Sullivan	1/59	7/59
(A)	Willis B. Downey **	6/59	8/62
(A)	William E. Ryan	6/60	2/72
(E)	Edward S. Russell	3/61	1/62
(E)	Matthew F. Ryan	1/62	12/69
(A)	Edward F. McLaughlin, Jr.	8/62	3/70
(E)	Walter H. Doyle	12/63	12/69
(E)	Thomas F. Holland, Jr.	8/64	8/70
(A)	Philip Kramer **	8/64	4/68
(A)	Richard D. Buck **	4/68	7/79
(E)	John J. Sugrue	12/69	12/71
(E)	Albert F. Kelley	12/69	12/75
(A)	Joseph C. Kelly	3/70	7/70
(A)	John R. Launie	7/70	5/83
(E)	Albert J. Fitzpatrick	8/70	7/80
(E)	Patrick C. Quill	12/71	12/75
(A)	Joseph H. Elcock	2/72	7/79
(E)	John J. Sugrue	1/76	7/76
(E)	Redmond R. Condon	1/76	2/78
(E)	Joseph D. Fleming, Jr.	7/76	12/77
(E)	Donald R. Abbott	12/77	8/79
(E)	James J. Slattery	2/78	8/79
(A)	Walter J. Ryan **	7/79	5/83
(A)	Richard L. Taylor	7/79	5/83
(E)	George P. Adams	8/79	11/79
(E)	Richard J. Guiney	8/79	11/79
(E)	John J. Gallahue, Jr.	11/79	1/83
(E)	John J. O'Leary	3/80	1/93
(E)	James T. Norton	7/80	10/90
(E)	Paul M. Connolly	1/83	12/86
(A)	Paul E. Means	5/83	1/84
(A)	William F. Irvin **	5/83	4/91
(A)	James E. Smith, Esq.	5/83	4/91
(A)	Melissa A. Tillman	1/84	4/91
(E)	Anthony B. Romano **	12/86	2/92
(E)	John J. Connolly **	10/90	8/94
(A)	Domenic M. Bozzotto	4/91	2/97
(A)	Toye L. Brown, Ph.D.	4/91	10/93
(A)	James A. Radley	4/91	11/92
(E)	James W. Duchaney	2/92	1/93
(A)	Michael P. Hogan	11/92	12/93
(E)	Richard M. Murphy	1/93	8/96
(E)	Edward F. Sheckleton **	1/93	12/01
(A)	Oliver C. Mitchell, Jr.	10/93	5/98
(A)	Albert Shaw	12/93	10/95
(E)	Paul V. Buckley	8/94	4/98
(A)	Boyce W. Slayman	10/95	3/00
(E)	James E. Lydon	10/96	12/01
(A)	Janice Loux**	10/97	Present
(E)	William A. Irvin	4/98	12/05
(A)	William A. Mitchell, Jr.	12/98	10/00
(A)	Joseph M. Trolla	8/00	10/08
(A)	Hon. Baron H. Martin	11/00	10/04
(E)	Stephan G. MacDougall	1/02	12/10
(E)	John P. Barry	1/02	4/06
(A)	Jonathan R. Davis	10/04	Present
(E)	James M. O'Connell	9/07	Present
(E)	Michael F. Mastrocola	7/06	1/12
(A)	Darnell L. Williams	1/09	Present
(E)	John J. Lee	1/11	12/13
(E)	James M. Evers	4/12	Present
(E)	James M. O'Brien	1/14	Present

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

Historical Executive Directors of Your Retirement Fund List

	Period of Service From	Period of Service To
John H. Moran	1/1/48	11/16/51
Michael J. Powell	11/16/51	12/31/82
John J. "Jack" Gallahue, Jr.	1/1/83	3/31/02
Karl E. White	4/1/02	6/30/06
Michael H. Mulhern	7/1/06	Present

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

Historical MBTA Retirement Fund Alternate Board Members List

		Period of Service	
		From	To
(A)	Joseph Gannon	8/48	1/49
(A)	Richard A. Sullivan	8/48	1/49
(A)	Ernie B. Myott	8/48	8/64
(E)	Philip E. Doyle	8/48	12/49
(E)	John C. Carey	8/48	8/54
(E)	Joseph P. Fahey	8/48	4/54
(A)	Edward Dana	1/49	2/51
(A)	Edward R. Kelly	1/49	7/50
(E)	Thomas Freeman	12/49	8/52
(A)	Ernest M. Flint	7/50	10/52
(E)	Thomas F. Holland, Jr.	8/52	8/64
(A)	John J. Sullivan	10/52	1/59
(A)	Horace Schmerhorn	4/53	4/56
(E)	Edward S. Russell	4/54	3/61
(E)	Michael J. Gormley	4/54	7/56
(A)	Robert H. Ryan	5/56	8/57
(E)	Joseph P. Fahey	7/56	1/58
(A)	John J. Graham	8/57	8/64
(E)	Thomas J. Rush	1/58	12/69
(A)	William J. Fitzsimons	1/59	7/70
(E)	Richard R. Rodwell	3/61	1/62
(E)	Walter H. Doyle	1/62	12/63
(E)	Paul F. Halloran	12/63	12/69
(E)	Albert J. Fitzpatrick	8/64	8/70
(A)	Frederick J. Sheehan	8/64	3/67
(A)	George L. Anderson	8/64	4/68
(A)	Vincent M. Banks	3/67	1/74
(A)	Forrest I. Neal, Jr.	4/68	1/78
(E)	Patrick C. Quill	12/69	12/71
(E)	Dennis F. Guiney	12/69	12/73
(A)	Joseph A. Emerson	7/70	1/74
(E)	Charles H. Ward	8/70	2/77
(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	1/74	2/76
(A)	Francis A. Sullivan	1/74	7/79
(E)	Joseph A. Dineen	1/76	12/77
(E)	Joseph D. Fleming, Jr.	1/76	7/76
(E)	James T. Norton	3/77	7/80
(E)	Redmond R. Condon	2/78	1/84
(E)	George P. Adams	2/78	8/79
(A)	Troy Y. Murray	10/78	7/79
(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

		Period of Service	
		From	To
(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
(E)	James Crowley	1/02	3/03
(E)	Roy L. Chance	2/02	12/02
(A)	Wesley G. Wallace, Jr.	5/02	10/06
(E)	Robert L. Callahan	3/03	2/06
(E)	M. John Burr	3/03	12/03
(E)	John S. Murray	1/04	2/05
(A)	Brian J. Donohue	10/04	5/09
(E)	James M. O'Brien	3/05	12/10
(E)	Michael F. Mastrocola	2/06	6/06
(E)	Daniel K. Burton	7/06	9/07
(E)	Brian P. Cummins	8/07	Present
(E)	John M. Burr	9/07	2/08
(A)	William A. Mitchell, Jr.	3/07	1/12
(A)	Jeanne M. Morrison	10/06	Present
(E)	Walter J. Novicki	2/08	1/10
(E)	Lawrence C. Kelly	2/10	4/11
(E)	Walter J. Novicki	1/11	12/11
(E)	James M. O'Brien	5/11	12/13
(E)	John A. Clancy	1/12	12/13
(A)	Gerald K. Kelley	6/12	Present
(E)	Margaret C. LaPaglia	1/14	Present
(E)	Lawrence C. Kelly	1/14	Present

(E) Employee Representative (A) Authority Representative

Board Members & Staff

RETIREMENT BOARD

Chairperson
Janice Loux

Honorary Member
Katherine A. Hesse

Board Members
Jonathan R. Davis
James M. O'Brien
James M. Evers
James M. O'Connell
Darnell L. Williams

Secretary
Pamela M. Holloman

ALTERNATE BOARD MEMBERS

Brian P. Cummins
Gerald K. Kelley
Lawrence C. Kelly
Jeanne M. Morrison
Margaret C. LaPaglia

RETIREMENT FUND STAFF

Executive Director
Michael H. Mulhern

Deputy Director
John P. Barry

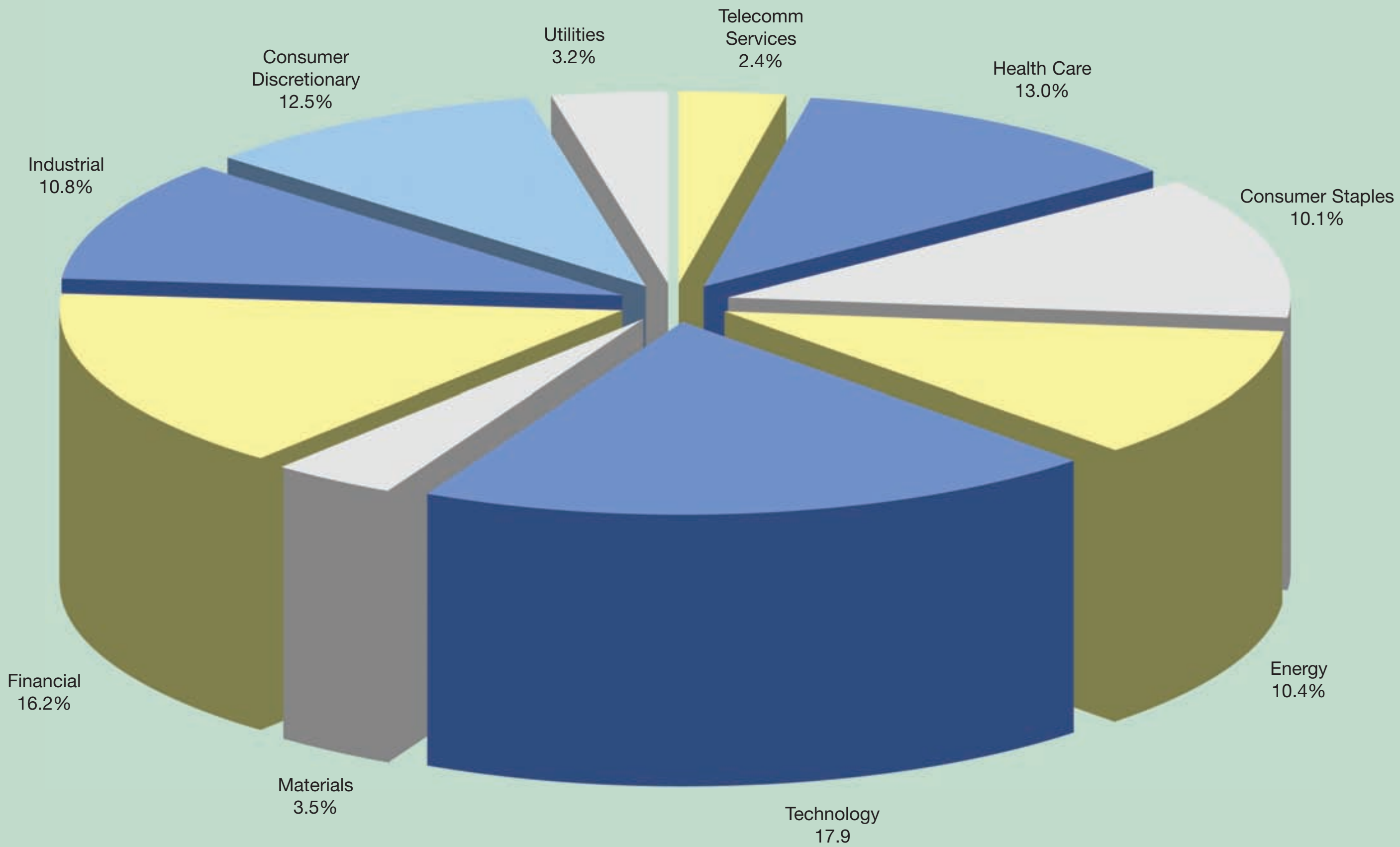
Staff
Maura E. Corso
David M. Hanson
Brian P. Crowley
Siobhán M. Keeney
John G. Fitzgerald
Catherine M. McGahan
Jacquelyn E. Carey
Dominique S. Sye
Nancy M. Walsh

Any member wishing to obtain a complete list of the Fund's holdings, please feel free to contact the Fund Office.

A REMINDER:

Is your Retirement Fund Beneficiary Designation and current address up to date? If not, contact the Retirement Fund Office.

MBTA Retirement Fund Diversification
by Industry Sector for Year Ended 2013

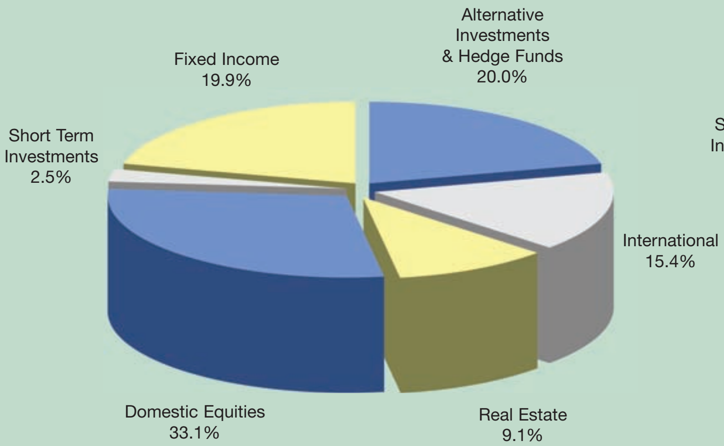


Facts and Figures: 2013 *(Continued)*

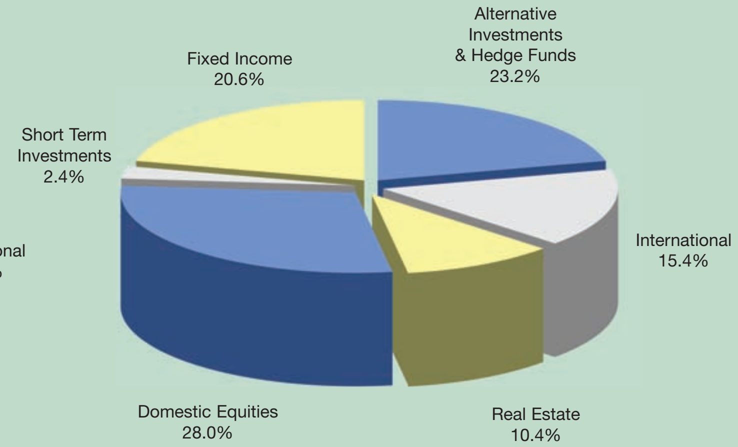
Asset Allocation

for Year Ended 2013 vs. 2012

2013

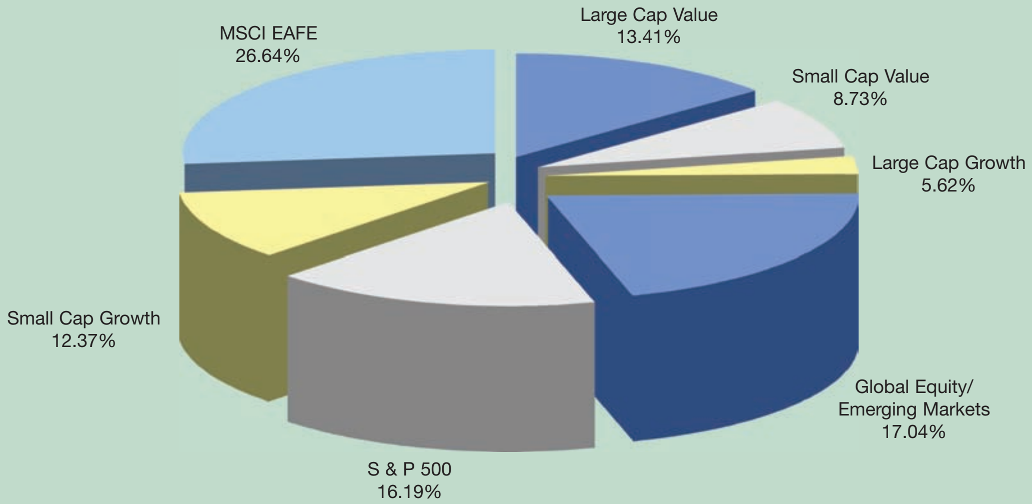


2012



Domestic and International Equity Diversification

by Investment Style



Growth
Companies expected to attain above average gains in earnings

Value
Companies undervalued based on potential capital appreciation

Global Equity / Emerging Markets
Investments in nations with social or business activity in the process of rapid growth and industrialization

Citigroup PMI EPAC
Consists of stocks in the Euro Pacific region of the Primary Market Index

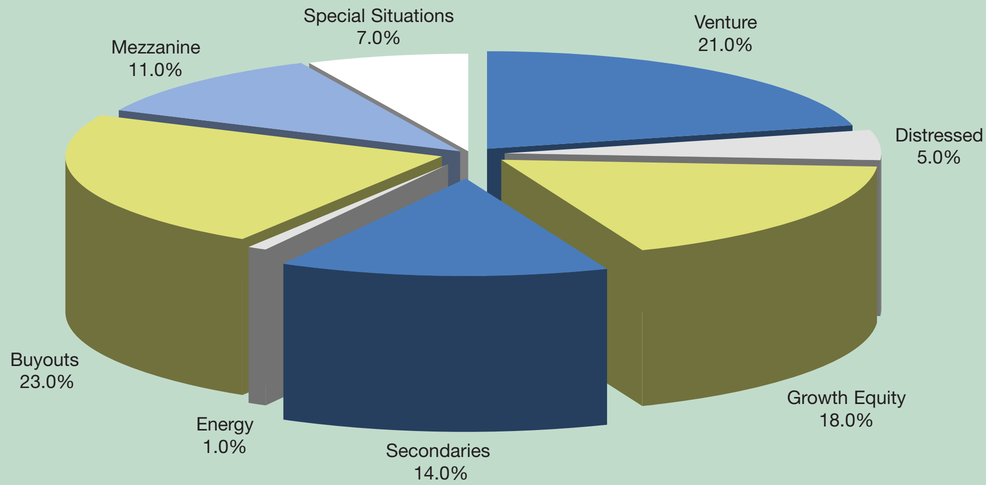
Large Cap
$5 Billion or more in Market Capitalization

All Cap
Investments in small, medium or large cap

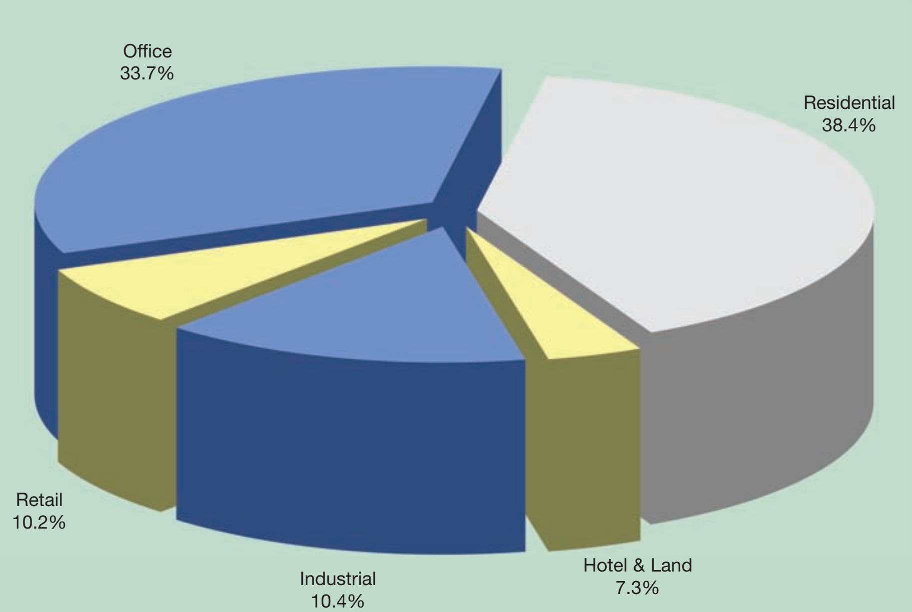
Small Cap
Less than $1 Billion in Market Capitalization (# of shares outstanding X stock price)

S&P 500 Index
Standard & Poors 500 listed securities

Alternative Investment Allocation
by Stages

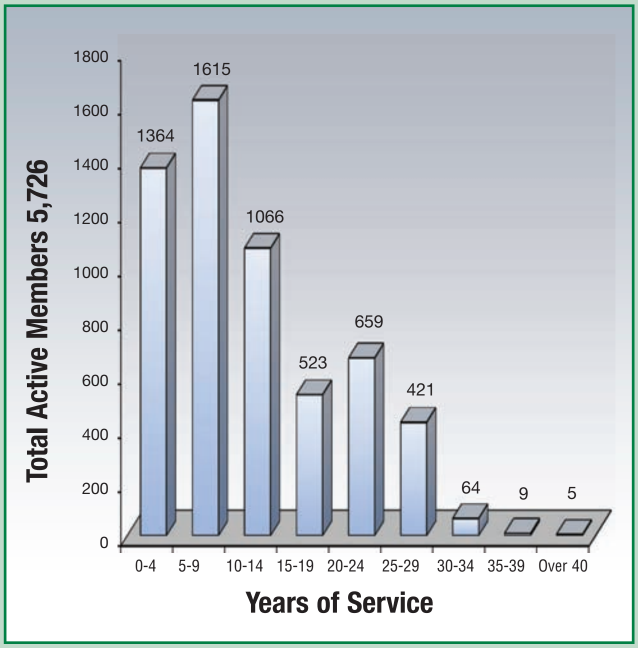


Type of Real Estate

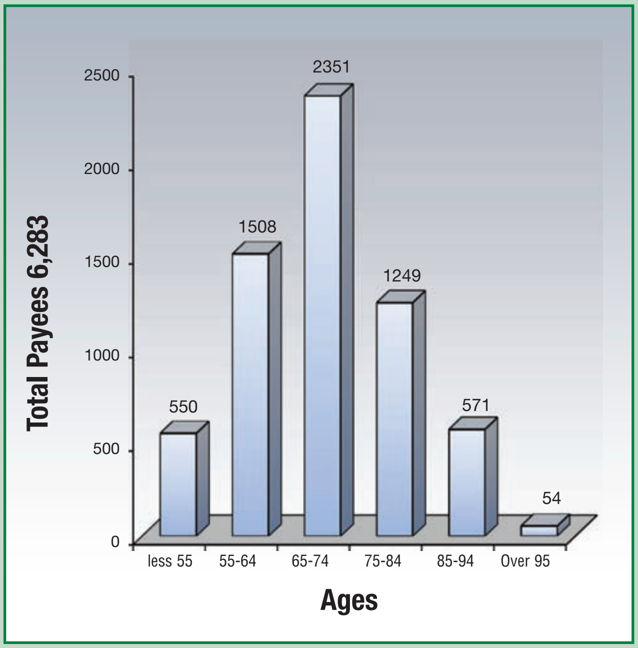


Facts and Figures: 2013

Years of Service for Active Members
as of December 31, 2013



Ages of Retired Members
as of December 31, 2013



MBTA Retirements
2013

Month	Normal	Early Normal	Early Reduced	Disability	Special Disability	Special Survivor's Benefit	Total
January	3	6	2	1	0	0	12
February	2	10	0	0	0	0	12
March	2	3	2	0	0	1	8
April	3	0	0	2	0	0	5
May	4	2	1	2	0	0	9
June	3	10	0	2	0	2	17
July	0	5	0	2	0	0	7
August	2	2	0	0	0	0	4
September	2	5	0	3	0	0	10
October	8	12	1	1	0	0	22
November	7	27	0	4	0	0	38
December	10	23	1	1	0	0	35
Total	46	105	7	18	0	3	**179**

Future Retirement Benefit Request Form

Dear Retirement Fund Member:

Please complete the following to assist this office in calculating your future retirement benefit.

- Print Name: ______________________________
- Signature: ______________________________
- Social Security Number: ___ ___ ___ – ___ ___ – ___ ___ ___ ___
- Home Address: ______________________________
- Home Phone Number: ______________________________
- Date of Retirement: ______________________________
- Total vacation remaining at retirement (in full weeks): ______________________________
- Have you worked since January 1 of this year
  without any breaks in service? (circle one) **Yes** **No**

  [If no, please explain] ______________________________
- What total amount of time (if any) has been lost due to breaks in service for suspension, discharge, exhausted sickleave, etc. ______________________________
- Accumulated sick leave, in days (if applicable): ______________________________
- What kind of employee are you? (circle one) **Weekly** **453** **Executive**
- What is your weekly base pay? (for weekly employees): $ ______________________________
- What is your annual base pay? (for 453 or Executive employees): $ ______________________________
- If you are interested in a continuing benefit for a beneficiary, please provide beneficiary's name and date of birth:
- Beneficiary's Name ______________________________

  Date of Birth ______________________________

If you have any questions, please contact John Fitzgerald, Dominique Sye, Siobhán Keeney or Brian Crowley of the Retirement Fund.

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MBTA RETIREMENT FUND

If a member has a question concerning the Fund or would like to obtain an estimate of his/her retirement benefit, he/she should contact the MBTA Retirement Fund at One Washington Mall, Boston, MA 02108, (617) 316-3800 or 800-810-6228. We encourage members to register for access to MBTARF.com where he/she can find helpful information.

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, which comprise the statements of plan net position as of December 31, 2013 and 2012, the related statements of changes in plan net position for the years 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 audits. We conducted our audits 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 net position of the Massachusetts Bay Transportation Authority Retirement Fund as of December 31, 2013 and 2012, and the changes in its net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 18–23 and the Schedule of Funding Progress on page 34 and the Schedule of Contributions from Employer on page 34 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 required supplementary information 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.

July 24, 2014

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 years ended December 31, 2013 and 2012. 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 plan net position and the statements of changes in plan net position. They present the financial position of the Fund as of December 31, 2013 and 2012 and its financial activities for the years 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 of funding progress and contributions from employer on page 34, separately display the progress in funding the pension benefit obligation.

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, 2013

The net position of the Fund increased $128.4 million, or 8.7%, from $1,478.3 million as of December 31, 2012 to $1,606.7 million as of December 31, 2013.

Net investment income increased $43.8 million, or 23.3%, from $187.8 million for the year ended December 31, 2012 to $231.6 million for the year ended December 31, 2013. The Fund had a 17.08% rate of return for the year ended December 2013 compared to a 14.93% rate of return for the year ended December 31, 2012. 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, 2013 were $79.1 million compared to total contributions received during the year ended December 31, 2012 of $75.0 million.

Employer contributions during the year ended December 31, 2013 increased $3.0 million or 5.5% to $58.0 million from $55.0 million during the year ended December 31, 2012. This increase is primarily due to a 1.05% increase in the employer contribution rate effective August 2012.

Member contributions were $21.0 million during the year ended December 2013, an increase of $1.0 million or 5.0% over year ended December 31, 2012 member contributions of $20.0 million. The change in member contributions is due to a 0.35% increase in the contribution rate effective August 2012.

Benefits paid during the year ended December 31, 2013 were $177.3 million, an increase of $2.7 million, or 1.5%, over the benefits paid during the year ended December 31, 2012 of $174.6 million. This increase is primarily due to the 2013 retirees having an increased average benefit and life span.

Year Ended December 31, 2012

The net position of the Fund increased $83.9 million, or 6.0%, from $1,394.4 million as of December 31, 2011 to $1,478.3 million as of December 31, 2012.

Net investment income increased $178.5 million, or 1,919.4%, from $9.3 million for the year ended December 31, 2011 to $187.8 million for the year ended December 31, 2012. The Fund had a 14.93% rate of return for the year ended December 2012 compared to a 1.06% rate of return for the year ended December 31, 2011.

The total contributions received during the year ended December 31, 2012 were $75.0 million compared to total contributions received during the year ended December 31, 2011 of $71.4 million.

Employer contributions during the year ended December 31, 2012 increased $2.7 million, or 5.2%, to $55.0 million from $52.3 million during the year ended December 31, 2011.

Member contributions were $20.0 million during the year ended December 31, 2012, an increase of $0.9 million, or 4.7%, over the year ended December 31, 2011 member contributions of $19.1 million.

Benefits paid during the year ended December 31, 2012 were $174.6 million, an increase of $4.6 million, or 2.7%, over the benefits paid during the year ended December 31, 2011 of $170.0 million.

Investment Information

In 2007, the Fund invested in a hedge fund investment with Fletcher Asset Management. On June 29, 2012, Fletcher International Ltd, the master fund for the Fletcher group of funds, filed for Chapter 11 bankruptcy protection. The bankruptcy court then 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 certain of his associates. After partial write downs of the investment in 2011 and 2012, the Fund has now written the investment value down to zero. The Fund, working with the Independent Trustee, is pursuing through litigation recovery of its losses against Fletcher, his associates, and third party professionals.

On June 29, 2009, the MBTARF invested $10M in Weston Capital Partners Fund II (Partners II), a private equity fund of funds managed by Weston Capital Asset Management LLC (Weston Capital). On September 25, 2013, the MBTARF entered into a Transfer Agreement by which 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. Combined with prior redemption payments, the net asset value of the MBTARF's initial $10M investment in Partners II, including the market value of the four funds managed by White Oak Global Advisors, LLC, is $10,261,412.28 as of December 31, 2013.

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 and distinct Weston Capital fund known as the Wimbledon Fund SPC, Class TT Segregated Portfolio. Because the MBTARF removed Weston Capital from its role as administrator through the aforementioned direct transfer of the White Oak investment almost a year ago, the actions described in the SEC complaint involving a different Weston Capital fund appear entirely unrelated to the MBTARF's investment. MBTARF management is, however, continuing to review the potential for any claims against Weston Capital or its principals.

Financial Analysis

The following schedules report the condensed comparative plan net position and activities for the Fund as of and for the years ended December 31, 2013, 2012, and 2011.

Condensed Comparative Fund Net Position
(Dollar values expressed in millions)

		December 31		
		2013	**2012**	**2011**
Cash	$	2.9	2.8	2.7
Receivables		6.5	54.7	16.9
Investments		1,604.2	1,432.2	1,381.7
Cash collateral on securities lending		123.7	90.7	108.8
Total Assets		1,737.3	1,580.4	1,510.1
Cash collateral on securities lending		123.7	90.7	108.8
Accounts payable and accrued expenses		4.3	4.7	3.4
Payable for investments purchased		2.6	6.7	3.5
Total liabilities		130.6	102.1	115.7
Net position - restricted for pension benefits	$	**1,606.7**	**1,478.3**	**1,394.4**

Total assets were $1,737.3 million as of December 31, 2013, an increase of $156.8 million, or 9.9%, over year ended December 31, 2012. Investments were valued at $1,604.2, an increase of $172.0 million, or 12.0%, over year ended December 31, 2012. This increase in investment reflects a strong year in the domestic equity markets, particularly in the small cap equity space. Continued growth in real estate and private equity also attributed to the asset increase in year 2013. Cash collateral on securities lending increased by $33.0 million, or 36.4%, over the year reflecting increased security lending activity. Receivables decreased by $48.2 million, or 88.1%, over the prior calendar year due to decreased pending investment sales at the end of the calendar year.

Total liabilities as of December 31, 2013 increased by $28.5 million, or 27.9%, over the prior year. This resulted primarily from increased cash collateral on securities lending activity. The cash collateral on securities lending increased by $33.0 million, or 36.4%, in calendar year 2013. Payable for investment purchased decreased by $4.1 million, or 61.2%.

Condensed Comparative Fund Net Position
(Dollar values expressed in millions)

		December 31		
		2013	**2012**	**2011**
Additions:				
Employer contributions	$	58.0	55.0	52.3
Member contributions		21.0	20.0	19.1
Income from investments		231.6	187.8	9.3
Total additions		310.6	262.8	80.7
Deductions:				
Retirement benefits		177.3	174.6	170.0
Refund of contributions		1.1	0.8	1.1
Administrative expense		3.9	3.4	3.8
Total deductions		182.3	178.8	174.9
Total changes in plan net position	$	**128.3**	**84.0**	**(94.2)**

Additions to Plan Net Position

For the calendar year ended December 31, 2013, employer contributions increased by $3.1 million and member contributions increased by $1.0 million. Effective July 1, 2013, the employer's contribution rate changed from 15.1511% to 15.3311% and the member contribution rate changed from 5.4989% to 5.5589%, resulting in a 1.19% and 1% 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 2013 of $231.3 million compared to a $187.3 net investment gain in 2012. This represents a 23.5% increase. The change reflects a strong investment year for domestic equity stocks.

Deductions from Plan Net Position

Benefits paid increased by $2.7 million, or 1.5%, over the year ended 2013. This increase is primarily due to the 2013 retirees having an increased average benefit and life span. Administrative expenses increased from $3.4 million to $3.9 million, an increase of $0.5 million, or 14.7%.

Actuarial Funding Status

The Fund retains an independent actuarial firm, Buck Consultants, to conduct annual actuarial valuations to monitor funding status. The actuarial cost method used by the Retirement Fund is known as the entry age normal level percentage of pay method. Under this method, the cost of each member's pension is allocated as a level percent of his or her salary from the time of first membership (entry age) to his or her assumed retirement date. Amortization of the unfunded liability is made over a closed 30-year period in installments increasing at the rate of four percent per year. As of December 31, 2013, the Retirement Fund is 67.96% funded.

Effective with the December 31, 2013 actuarial valuation, to further the alignment of its funding policies with those prevalent among the Commonwealth of Massachusetts' public retirement systems and to enhance the transparency of its actuarial calculations, the Fund is changing its actuarial asset valuation method from a five-year moving average of market values to a five-year phase-in smoothing method under which the value of plan 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 so computed may not differ from the market value of assets by more than 20%. The method is being implemented as of December 31, 2013, with a restart of the Fund's actuarial value of plan assets at market value and gradual implementation over the next four years. Accordingly, the actuarial value of the Fund's plan assets as of December 31, 2013 is equal to the market value of the Fund's net position on that date, or $1,606,684,354. Continued application of the method previously in use would have produced an actuarial value of plan assets of $1,510,325,026 as of December 31, 2013.

Investment Performance 2013

The Fund began the calendar year 2013 with net position of $1,478.3 million and ended the calendar year with net position of $1,606.7 million, representing an 8.7% increase. 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 (33.1%), international equity (14.8%), fixed income investments (20.6%), and cash equivalents (2.5%) comprise approximately (71.0%) of invested assets as of December 31, 2013. The remaining (29.0%) of assets are invested in real estate (9.0%), and alternative investments (20.0%), which include private equity, absolute return, and diversified beta. These illiquid 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, 2013, the MBTA Retirement Fund's total fund return was 17.08% compared to 14.93% for the calendar year ended December 31, 2012. The 2013 return was primarily due to a strong year in the domestic equity markets.

The total fund performance of 17.08% for calendar year 2013 exceeded the total fund custom index (a blended composition of major market indices in proportion to the Fund's asset allocation), which returned 13.41%.

The domestic large cap equity returned 32.08% compared to the S&P 500 Index of 32.39%. The domestic small cap equity returned 42.25% compared to the Russell 2000 Growth Index of 43.30% and the Russell 2000 Value Index of 34.52%. The global equity and emerging markets returned 29.17% compared to the MSCI All Country World Index of 22.80%. The international equity returned 24.83% compared to the MSCI EAFE Index of 22.78%. Fixed Income returned 0.84% compared to the BC Aggregate of (2.02)%.

Additionally, for the year ended December 31, 2013, the real estate portfolio returned 14.32% compared to the NCREIF Property Index of 10.98%. The hedge fund portfolio returned (4.75)% compared to the CSFB/Tremont Hedge Fund Index of 9.73%. The private equity portfolio returned 14.69% compared to State Street Private Equity return of 18.74%. Diversified Beta returned 2.73% compared to the 91 Treasury Bill Plus 300 Basis Points return of 3.08%.

Investment Performance 2012

The Fund began the calendar year 2012 with net position of $1,394.4 million and ended the calendar year with net position of $1,478.3 million, representing a 6.0% increase.

Domestic equity (28.0%), international equity (14.3%), fixed income investments (21.7%), and cash equivalents (2.4%) comprise approximately (66.4%) of invested assets as of December 31, 2012. The remaining (33.6%) of assets are invested in real estate (10.4%), and alternative investments (23.2%), which include private equity, absolute return, and diversified beta.

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, 2012, the MBTA Retirement Fund's total fund return was 14.93% compared to 1.06% for the calendar year ended December 31, 2011.

The total Fund performance of 14.93% for calendar year 2012 exceeded the total fund custom index (a blended composition of major market indices in proportion to the Fund's asset allocation), which returned 10.72%.

The domestic large cap equity returned 20.10% compared to the S&P 500 Index of 16.00%. The domestic small cap equity returned 18.83% compared to the Russell 2000 Growth Index of 14.59% and the Russell 2000 Value Index of 18.05%. The global equity and emerging markets returned 30.41% compared to the MSCI All Country World Index of 16.13%. The international equity returned 20.98% compared to the MSCI EAFE Index of 13.96%. Fixed Income returned 11.81% compared to the BC Aggregate of 4.21%.

Additionally for the year ended December 31, 2012, the real estate portfolio returned 11.55% compared to the NCREIF Property Index of 10.54%. The hedge fund portfolio returned (1.94)% compared to the CSFB/Tremont Hedge Fund Index of 7.67%. The private equity portfolio returned 4.91% compared to the State Street Private Equity return of 12.26%. Diversified Beta returned 3.66% compared to the 91 Treasury Bill Plus 300 Basis Points return of 1.30%.

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 years ended December 31, 2013 and 2012. Please contact the MBTA Retirement Fund Office for additional financial information or questions related to this report.

Statements of Plan Net Position

	December 31	
	2013	2012
ASSETS:		
Investments, at fair value:		
Domestic		
Cash and cash equivalents	$ 38,366,398	$ 33,881,265
Fixed Income	319,989,644	294,558,681
Common stock and equity funds	530,227,872	401,459,565
Real estate	145,081,633	148,411,974
Alternative investments and hedge funds	321,211,762	332,696,571
	1,354,877,309	1,211,008,056
International		
Cash and cash equivalents	1,788,847	289,366
Fixed Income	9,778,735	15,598,868
Common stock and equity funds	237,786,617	205,307,259
	249,354,199	221,195,493
Total Investments	1,604,231,508	1,432,203,549
Cash and cash equivalents	2,877,699	2,824,259
Contribution receivable from Massachusetts Bay Transportation Authority	1,935,235	1,454,956
Cash collateral on securities lending, invested	123,734,389	90,722,517
Receivable for investments sold and other	4,556,958	53,286,269
Total Assets	1,737,335,789	1,580,491,550
LIABILITIES:		
Cash collateral on securities lending, due to borrowers	123,734,389	90,722,517
Accounts payable and accrued expenses	4,349,685	4,747,836
Payable for investments purchased	2,567,361	6,672,219
Total Liabilities	130,651,435	102,142,572
Net position - restricted for pension benefits	$ 1,606,684,354	$ 1,478,348,978

See accompanying notes to financial statements.

Statements of Changes in Plan Net Position

	December 31	
	2013	2012
ADDITIONS:		
Contributions:		
Contributions by		
Massachusetts Bay Transportation Authority	$ 58,039,160	$ 54,968,325
Contributions by members	21,027,548	20,023,337
Total Contributions	79,066,708	74,991,662
Investment Income:		
Income from investments and other income, net of investment expenses of $7,823,357 and $7,662,230 in 2013 and 2012, respectively	32,441,469	39,857,268
Net appreciation in fair value of investments	198,894,765	147,467,894
Net investment gain	231,336,234	187,325,162
Securities lending activity:		
Securities lending income	596,534	958,777
Less borrower rebates and fees	310,650	508,877
Net income from securities lending activities	285,884	449,900
Total net investment income	231,622,118	187,775,062
Total additions	310,688,826	262,766,724
DEDUCTIONS:		
Retirement benefits	177,311,634	174,627,907
Refunds of members' contributions	1,092,838	801,062
Administrative expenses	3,948,978	3,384,113
Total deductions	182,353,450	178,813,082
Net increase in plan net position	128,335,376	83,953,642
Net position - restricted for pension benefits:		
Beginning of year	1,478,348,978	1,394,395,336
End of year	$ 1,606,684,354	$ 1,478,348,978

See accompanying notes to financial statements.

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 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 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.

(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, 2013 and 2012, fund membership consisted of:

	December 31	
	2013	2012
Retirees and beneficiaries currently receiving benefits	6,285	6,275
Active employees	5,805	5,733
Total	12,090	12,008

(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 5.4989% to 5.5589% effective July 1, 2013 of pretax compensation. The Authority's contribution rate was increased from 15.1511% to 15.3311% effective July 1, 2013. 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 pays only earned retirement benefits as calculated by the Fund staff. All increases in benefits are negotiated between the collective bargaining parties, the Union and the Authority, with input from the Fund's actuary. The Fund does not negotiate any part of the Pension Agreement but implements the terms of the Pension Agreement negotiated in collective bargaining.

(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.

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 commercial 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 as additions to plan net position in the period when they become due pursuant to formal commitments or statutory or contractual requirements. 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) Valuation of 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.

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 statements of plan 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.

The financial statements include real estate, alternative investments, and hedge funds valued at $466,293,395 and $481,108,545 at December 31, 2013 and 2012, respectively, and represent approximately 29.1% and 33.6%, respectively, of total investments. These values have been estimated by the Fund's management, with input from real estate and alternative investment managers and other advisers, in the absence of readily ascertainable market values.

(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 plan net position. At December 31, 2013 and 2012, 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.

(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.

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 years ended December 31, 2013 and 2012, 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, 2013 and 2012, \$2,480,076 and \$2,447,281, respectively, 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.

(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 and foreign), real estate, private equity, and hedge funds.

(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, 2013 and 2012:

	2013				
Investment Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
U.S. agencies	$ 66,413,031	—	63,209,101	—	3,203,930
U.S. Treasury notes and bonds	30,943,196	—	17,441,344	8,943,686	4,558,166
Domestic corporate	171,562,149	606,745	11,090,855	105,645,843	54,218,706
International corporate	9,778,735	29,750	3,796,880	3,627,049	2,325,056
Asset-backed:					
CMOs	3,705,008	—	—	238,735	3,466,273
Mortgage-backed	32,483,332	186,899	2,932,673	454,466	28,909,294
Other	14,882,928	—	7,184,937	796,781	6,901,210
	$ 329,768,379	823,394	105,655,790	119,706,560	103,582,635

	2012				
Investment Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
U.S. agencies	$ 48,588,762	—	44,442,760	—	4,146,002
U.S. Treasury notes and bonds	28,661,002	—	15,413,760	11,085,525	2,161,717
Domestic corporate	162,010,164	1,523,192	46,337,390	72,352,121	41,797,461
International corporate	15,598,868	—	6,597,716	4,163,148	4,838,004
Asset-backed:					
CMOs	4,971,922	—	—	—	4,971,922
Mortgage-backed	32,335,999	831,772	2,057,145	1,917,078	27,530,004
Other	17,990,832	—	11,561,550	559,589	5,869,693
	$ 310,157,549	2,354,964	126,410,321	90,077,461	91,314,803

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 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, 2013 and 2012 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, 2013 and 2012 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:

2013

Investment type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Agencies	$ 66,413,031	500,572	64,652,555	1,259,904	—	—	—	—	—
Domestic Corporate	171,562,149	633,285	1,992,537	59,038,399	29,109,345	9,039,210	47,365,653	2,710,165	21,673,555
International	9,778,735	—	1,190,423	4,243,262	3,566,833	460,212	—	—	318,005
Asset-backed:									
CMOs	3,705,008	56,070	—	39,696	—	—	—	—	3,609,242
Mortgage-Backed	32,483,332	8,012,790	1,282,588	—	—	—	135,531	—	23,052,423
Other	14,882,928	5,151,315	47,605	423,010	—	—	19,284	324,896	8,916,818
Total credit risk securities	$ 298,825,183	14,354,032	69,165,708	65,004,271	32,676,178	9,499,422	47,520,468	3,035,061	57,570,043
U.S. Government fixed income securities*	30,943,196								
Total fixed income securities	$ 329,768,379								

2012

Investment type	Fair Value	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Agencies	$ 48,588,762	574,218	2,147,219	1,424,565	44,442,760	—	—	—	—
Domestic Corporate	162,010,164	325,780	2,827,651	66,919,049	31,065,726	39,679,458	15,540,116	3,648,114	2,004,270
International	15,598,868	1,890,963	1,854,927	4,474,889	5,356,714	398,165	—	—	1,623,210
Asset-backed:									
CMOs	4,971,922	59,749	—	74,070	—	—	222,675	145,423	4,470,005
Mortgage-Backed	32,335,999	5,961,835	16,367,396	—	805,123	—	142,921	33,798	9,024,926
Other	17,990,832	3,698,972	48,983	—	113	—	—	643,788	13,598,976
Total credit risk securities	$ 281,496,547	12,511,517	23,246,176	72,892,573	81,670,436	40,077,623	15,905,712	4,471,123	30,721,387
U.S. Government fixed income securities*	28,661,002								
Total fixed income securities	$ 310,157,549								

*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, 2013 and 2012. 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.

(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.

Risk of loss arises from changes in currency exchange rates. The Fund's exposure to foreign currency risk as of December 31, 2013 and 2012 is presented on the following tables:

	2013			
Currency	Short-term	Fixed Income	Equity	Total
Australian dollar	$ 79,085	709,699	1,841,689	2,630,473
Brazilian real	—	1,233,665	5,267,490	6,501,155
Canadian dollar	93,841	1,750,982	643,929	2,488,752
Chilean peso	—	285,755	—	285,755
Colombian peso	—	218,489	—	218,489
Euro currency	654,615	1,664,543	56,233,671	58,552,829
Hong Kong dollar	20,832	—	7,876,873	7,897,705
Japanese yen	633,177	—	30,207,878	30,841,055
Mexican peso	—	2,036,142	—	2,036,142
New Zealand dollar	8	589,980	—	589,988
Norwegian krone	—	—	1,578,800	1,578,800
Philippine peso	—	1,124,784	—	1,124,784
Pound sterling	252,025	—	27,861,596	28,113,621
Singapore dollar	40	—	1,265,668	1,265,708
South African rand	—	—	5,493,784	5,493,784
Swedish krona	55,224	—	3,284,190	3,339,414
Swiss franc	—	—	13,134,213	13,134,213
Thailand baht	—	—	3,817,833	3,817,833
Uruguayan peso	—	164,696	—	164,696
International equity pooled funds (various currencies)	—	—	79,279,003	79,279,003
Total securities subject to foreign currency risk	1,788,847	9,778,735	237,786,617	249,354,199
United States dollars (securities held by international investment managers)	—	—	23,404,422	23,404,422
Total international investment securities	$ 1,788,847	9,778,735	**261,191,039**	**272,758,621**

Currency	2012 Short-term	Fixed Income	Equity	Total
Australian dollar	$ 27,863	828,141	342,087	1,198,091
Brazilian real	—	1,949,765	7,754,520	9,704,285
Canadian dollar	18,623	3,632,150	730,930	4,381,703
Chilean peso	—	522,139	—	522,139
Colombian peso	—	460,023	—	460,023
Danish krone	—	—	956,477	956,477
Euro currency	173,431	2,710,771	42,747,742	45,631,944
Hong Kong dollar	13,318	—	11,423,676	11,436,994
Indonesian rupiah	20,675	—	1,563,331	1,584,006
Japanese yen	—	—	19,879,737	19,879,737
Malaysian ringgit	—	822,850	—	822,850
Mexican peso	—	1,919,242	—	1,919,242
New Zealand dollar	8	947,145	—	947,153
Norwegian krone	—	—	1,152,506	1,152,506
Philippine peso	—	1,592,465	—	1,592,465
Pound sterling	29,954	—	25,270,693	25,300,647
Singapore dollar	—	—	2,524,157	2,524,157
South African rand	—	—	4,929,801	4,929,801
South Korean won	15	—	1,114,291	1,114,306
Swedish krona	5,479	—	2,524,834	2,530,313
Swiss franc	—	—	13,066,276	13,066,276
Thailand baht	—	—	1,112,782	1,112,782
Uruguayan peso	—	214,177	—	214,177
International equity pooled funds (various currencies)	—	—	68,213,419	68,213,419
Total securities subject to foreign currency risk	289,366	15,598,868	205,307,259	221,195,493
United States dollars (securities held by international investment managers)	—	—	22,447,938	22,447,938
Total international investment securities	**$ 289,366**	**15,598,868**	**227,755,197**	**243,643,431**

(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 in the statements of changes in plan net position.

The Fund did not incur any losses on loaned securities during the years ended December 31, 2013 and 2012. 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 plan 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, 2013 and 2012 was $123,734,389 and $90,722,517, respectively. For loans having collateral other than cash, the related collateral securities are not recorded as assets in the statements of plan 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, 2013 and 2012, the fair value of loaned securities outstanding, included in investments, was approximately $121,073,948 and $89,743,363, respectively.

(h) Commitments

At December 31, 2013, the Fund had contractual commitments to provide approximately $92.7 million of additional funding for alternative investments and real estate.

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, 2013 and 2012 was $39,212,160 and $32,696,072, respectively.

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, 2013 and 2012 was $45,930,397 and $47,045,087, respectively. The total value of AFL CIO Building Investment Trust at December 31, 2013 and 2012 was $10,640,930 and $9,698,648, respectively.

5. FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Fund as of December 31, 2013, the most recent actuarial valuation date, is as follows (in thousands):

Actuarially accrued liability (AAL)	$	2,364,133
Actuarial value of plan assets		1,606,684
Unfunded actuarial accrued liability (UAAL)	$	757,449
Funded ratio (actuarial value of plan assets/AAL)		67.96%
Covered payroll (active plan members)	$	379,071
UAAL as a percentage of covered payroll		199.82%

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. Accordingly, the actuarial value of the Fund's plan assets as of December 31, 2013 is equal to the market value of Fund's net position on that date, or $1,606,684,354. Continued application of the method previously in use would have produced an actuarial value of plan assets of $1,510,325,026 as of December 31, 2013.

In the December 31, 2013 actuarial valuation, the actuarial cost method utilized to determine contributions to the Fund is the individual entry age normal cost method. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 4.0%, normal retirement age of 65, and the UP 1994 Mortality Table.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Supplementary Information Unaudited

Schedule of Funding Progress

Year Ended December 31	Actuarial Value of Plan Assets* (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded (Overfunded) AAL (UAAL)* (b-a)	Funded Ratio (a/b)	Covered Payroll* (c)	UAAL as an Unfunded (Overfunded) Percentage of Covered Payroll ((b-a)/c)
2013	$1,606,684 [1]	$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
2008	1,729,738	2,141,576	411,838	80.77	377,795	109.01

* *Note: Dollar amounts are in thousands.*

[1] Effective December 31, 2013, the actuarial valuation method utilized to compute the actuarial value of plan assets changed from the five-year moving average of market values method to the five-year phase-in smoothing method. Under the previous method, the December 31, 2013 actuarial value of plan assets would have been $1,510,325.

See accompanying independent auditors' report.

Schedule of Contributions from Employer

Year Ended	Employer Contributions	Annual Required Contribution (ARC)	Percent of Actuarially Required Contributions Recognized as Contributions
2013	$58,039,160	$67,602,000	85.85%
2012	54,968,325	66,035,000	83.24
2011	52,278,311	60,691,000	86.14
2010	49,006,722	60,252,000	81.34
2009	38,566,024	49,340,000	78.16
2008	35,420,770	39,761,000	89.08

See accompanying independent auditor's report.

Description

The historical trend information about the Fund is presented as required supplementary information. The information is intended to help users assess the funding status of the Fund on a going concern basis and to assess progress made in accumulating assets by paying benefits as due.

Actuarial Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation is as follows:

The more significant assumptions underlying the actuarial computations are as follows

Valuation method	–	Projected benefit method with entry age normal cost and open-end accrued liability. Gains and losses result in adjustments to the accrued liability.
Mortality basis	–	The UP 1994 Mortality Table (set forward one year for retirements prior to January 1, 1993) for the period after service retirement. A special mortality table is used for the period after disability retirement.
Interest rate	–	8% per annum
Salary increases (including inflation)	–	4% per annum
Separations from active service	–	At rates based upon experience of the Fund and industries similar to the Fund.

Analysis of Investments *As of December 31, 2013(Total Fund)*

	Book Value	%	Market Value	%
Domestic Fixed Income	$ 324,204,823	24.2	$ 319,989,644	19.9
Short-Term Investments	40,155,245	3.0	40,155,245	2.5
Equities	392,118,512	29.2	530,227,872	33.1
Real Estate	144,610,776	10.8	145,081,633	9.1
International	150,174,595	11.2	247,565,352	15.4
Alternative Investments & Hedge Funds	289,094,725	21.6	321,211,762	20.0
	$ 1,340,358,676	100.0	$ 1,604,231,508	100.0

Rate of Return Schedule *For the Years 1994 through 2013*

	Yield on Book Value		Yield from Profit or (Loss) on Sales of Securities		Yield on Book Value Including Profit or (Loss) on Sales of Securities		Yield on Market Value on Total Fund*
Year	Amount	%Yield	Amount	%Yield	Amount	%Yield	(%)
2013	$32,727,353	2.51	$71,564,296	5.48	$104,291,649	8.01	17.08
2012	40,307,168	2.93	6,162,572	.45	46,469,740	3.38	14.93
2011	36,676,950	2.68	45,839,509	3.35	82,516,459	6.04	.75
2010	27,696,854	1.92	43,367,267	3.01	71,064,121	4.94	13.42
2009	27,157,601	1.72	(50,932,141)	(3.22)	(23,774,540)	(1.50)	17.70
2008	45,734,666	2.62	(73,993,865)	(4.24)	(28,259,199)	(1.26)	(27.20)
2007	61,766,699	3.87	153,020,090	9.59	214,786,789	13.46	10.10
2006	53,762,680	3.43	90,148,606	5.75	143,911,286	9.19	13.90
2005	51,155,567	3.42	72,830,036	4.88	123,985,603	8.30	8.50
2004	24,896,473	1.73	136,770,406	9.51	161,666,879	11.24	10.24
2003	22,638,574	1.52	77,666,077	5.20	100,304,651	6.71	17.93
2002	22,468,310	1.36	(150,636,967)	(9.13)	(128,168,657)	(7.77)	(15.66)
2001	32,251,564	1.86	(42,183,487)	(2.43)	(9,931,923)	(.57)	(6.83)
2000	50,418,253	3.26	207,482,252	13.43	257,900,505	16.70	(.16)
1999	36,495,696	2.69	190,916,727	14.05	227,412,423	16.74	24.95
1998	46,640,930	3.63	88,377,686	6.89	135,018,616	10.52	13.15
1997	42,688,577	3.73	139,805,624	12.20	182,494,201	15.92	20.62
1996	56,686,057	5.61	92,698,898	9.17	149,384,955	14.78	15.36
1995	38,163,398	4.01	58,937,812	6.19	97,101,210	10.20	23.24
1994	37,286,799	3.94	39,100,940	4.13	76,387,739	8.07	.12

*Note: Returns prior to 2012 are net of fees.

Schedule A *Results of the Valuation as of December 31, 2013*

1. Actuarial Liabilities		
	(a) Present value of prospective benefits to retired members, former members and beneficiaries	$ 1,644,867,541
	(b) Present value of prospective retirement allowances on account of present active members	$ 986,213,506
	(c) Present value of members' contributions to be returned in the case of members terminated without entitlement to benefits	$ 746,359
	(d) Total actuarial liabilities	$ 2,631,827,406
2. Assets of the Fund for purposes of development of contributions		$ 1,606,684,354
3. Present value of future contributions to the Fund (1(d) - 2)		$ 1,025,143,052
4. Present value of future normal contributions to the Fund		$ 267,694,271
5. Unfunded accrued liability (3) - (4)		$ 757,448,781

Report on an Actuarial Valuation of the Massachusetts Bay Transportation Authority Retirement Fund

Prepared as of December 31, 2013

SECTION 1 – SUMMARY OF PRINCIPAL RESULTS

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

Valuation Date	12/31/13	12/31/12
Number of active members	5,726	5,668
Annual compensation	$ 381,380,271	$ 373,000,972
Average age	47.44	47.08
Average service	11.52	11.42
Average compensation	$ 66,605	$ 65,808
Number of retired members, beneficiaries, and disabled members	6,371	6,356
Annual retirement allowances	$ 180,996,340	$ 177,904,241
Assets for valuation purposes	$ 1,606,684,354	$ 1,456,956,884
Unfunded accrued liability	$ 757,448,781	$ 855,213,479
Contribution rates required:8.75		
Normal	9.1000%	8.8600%
Accrued liability	12.3000%	13.8900%
Expenses	0.4500%	0.4500%
Total	21.8500%	23.2000%
Actual contribution rate	21.8500%	23.2000%

Revenues by Source and Expenses by Type

REVENUES BY SOURCE

Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Total
1996	$ 10,345,981	$ 31,090,039	$ 56,686,057	$ 98,122,077
1997	10,177,803	30,572,292	42,688,577	83,438,672
1998	10,512,967	31,340,124	46,640,930	88,494,021
1999	12,628,554	27,264,733	36,495,696	76,388,983
2000	11,160,263	24,183,552	50,418,253	85,762,068
2001	11,881,338	21,272,272	32,251,564	65,405,174
2002	12,099,902	18,144,932	22,468,310	52,713,144
2003	14,229,491	26,525,593	22,638,574	63,393,658
2004	13,831,820	32,937,247	24,896,473	71,665,540
2005	9,692,818	32,252,740	51,155,567	93,101,125
2006	13,258,418	34,485,593	53,762,680	101,506,691
2007	13,373,194	30,014,017	61,766,699	105,153,910
2008	14,963,808	35,420,770	45,734,666	96,119,244
2009	15,254,120	38,566,024	27,157,601	80,977,745
2010	17,999,009	49,006,722	27,696,854	94,702,585
2011	19,089,304	52,278,311	36,676,950	108,044,565
2012	20,023,337	54,968,325	40,307,168	115,298,830
2013	21,027,548	58,039,160	32,727,353	111,794,061

EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Refunds	Total
1996	$ 73,377,023	$ 6,691,721	$ 1,452,752	$ 81,521,496
1997	79,145,173	7,197,769	954,647	87,297,589
1998	91,775,749	7,756,701	1,015,589	100,548,039
1999	90,233,805	7,860,128	1,176,230	99,270,163
2000	92,550,789	2,592,482	793,359	95,926,630
2001	96,136,066	3,232,963	830,013	100,199,042
2002	100,172,155	3,201,661	606,846	103,980,662
2003	120,014,990	4,245,884	869,815	125,130,689
2004	121,306,133	4,288,706	1,126,675	126,721,514
2005	126,159,874	2,996,836	1,121,300	130,278,010
2006	131,811,614	3,547,170	631,196	135,989,980
2007	142,028,621	5,284,586	973,038	148,286,245
2008	148,957,895	5,207,616	1,039,430	155,204,941
2009	156,774,660	4,584,068	907,183	162,265,911
2010	164,510,892	4,441,078	915,624	169,867,594
2011	170,034,251	3,793,418	1,085,476	174,913,145
2012	174,627,907	3,384,113	801,062	178,813,082
2013	177,311,634	3,948,978	1,092,838	182,353,450

Contributions were made in accordance with actuarially determined contribution requirements.

* *Investment incomes presented net of investment expenses beginning in 2000 and the related investment expenses previously reported in administrative expenses have been reclassified to investment expenses and reported in total.*

Social Security

HOW SOCIAL SECURITY FITS INTO YOUR RETIREMENT INCOME

The amount of your Social Security Benefit, for which you and the Authority pay equal taxes, is determined from your average annual earnings over a certain amount of time. The exact amount of your retirement payments can be determined only after an application for benefits has been made. The following table shows the maximum yearly gross salary taxed by Social Security.

Maximum Covered Annual Earnings:

1937–1950	$3,000	1990	$51,300
1951–1954	3,600	1991	53,400
1955–1958	4,200	1992	55,500
1959–1965	4,800	1993	57,600
1966–1967	6,600	1994	60,600
1968–1971	7,800	1995	61,200
1972	9,000	1996	62,700
1973	10,800	1997	65,400
1974	10,800	1998	68,400
1975	14,100	1999	72,600
1976.	15,300	2000	76,200
1977	16,500	2001	80,400
1978	17,700	2002	84,900
1979	22,900	2003	87,000
1980	25,900	2004	87,900
1981	29,700	2005	90,000
1982	32,400	2006	94,200
1983	35,700	2007	97,500
1984	37,800	2008	102,000
1985	39,600	2009	106,800
1986.	42,000	2010	106,800
1987	43,000	2011	106,800
1988	45,000	2012	110,100
1989	48,000	2013	113,700

Your spouse's earnings and employment benefit (half of your benefit shown in the table) is based on your average and may be higher if they are eligible for benefits because of their own employment.

IMPORTANT NOTICE
CONCERNING THE FEDERAL TAX TREATMENT OF YOUR PENSION CONTRIBUTIONS

Effective March 1, 1986, your retirement contributions are being made subject to Section 414(H) of the Internal Revenue Code. The effect of this regulation is that the employee's contributions to the Fund after that date will not be subject to Federal Income Tax until they are withdrawn from the Fund.

Members of the Fund who leave the Authority and withdraw their pension contributions will have to pay Federal taxes (state and Social Security taxes have already been paid) on contributions made to the Fund after March 1, 1986, unless they roll that money over into an Individual Retirement Account (IRA). Members who retire will also be subject to Federal taxes on their contributions made after that date.

The Federal Tax Reform Act of 1986 changed the way in which retirees recover their after tax pension contributions.

Under the old regulations, retirees did not pay Federal taxes on their retirement benefits until they had recovered all their previously taxed pension contributions (on the MBTA this usually took approximately two years).

The new law spreads the recovery of previously taxed pension contributions over the life of the retiree (and the life of their optionee if an option is elected) by excluding a certain percentage of pension benefit payments from Federal taxes over the retiree's lifetime.

This law applies only to Federal taxes and affects all pensions beginning after July 1, 1986. The percentage excluded from Federal Tax is based upon the amount of tax contributions and the life expectancy of the retiree and their optionee, if an option is elected.

The Retirement Board Staff will compute the percentage excluded for you and will exclude the determined amount from Federal taxable income throughout your retirement.

THE SOCIAL SECURITY ACT ALSO PROVIDES:

- Disability benefits
- Survivor benefits to widows or widowers, children, and dependent parents
- Reduced benefits for early retirement at or after age 62
- Hospital-medical insurance benefits under Medicare (Part A & B)
- Medicare Prescription Drug coverage (Part D)

Anyone can request an estimate from Social Security detailing how much they have earned during their life according to Social Security records. If you would like to find out how much you can expect from Social Security, based on your personal earnings record, you may request a Social Security Statement. You will need your name as shown on your Social Security Card, your Social Security Number, your date of birth, your place of birth and your mother's maiden name— last name only (to help identify you). You can request a statement in person at your local Social Security office or by phone at 1-800-772-1213. Social Security also offers an online benefit calculator. Their online Retirement Estimator can be accessed by going to http://www.ssa.gov/estimator/.

Before signing up for retirement, Social Security suggests that you talk to a representative in the year before the year you plan to retire. The rules are complicated and each person's situation is different. You should then apply for your Social Security benefits about 3 months before you plan to retire. These are some documents you should bring with you when you apply: your Social Security card, an official record of your birth, and your most recent W-2 (Wage and Tax Statement).

Reduced Benefits As Early As Age 62: No matter what your "full" retirement age is, you may start receiving benefits as early as age 62. But, if you start receiving benefits early, they will be reduced depending on your "full" retirement age. There are disadvantages and advantages to taking your benefit before your full retirement age. The disadvantage is that your benefit is permanently reduced. (Note: The reduction will be greater in future years as the full retirement age is increased.) The advantage is that you collect benefits for a longer period of time.

Delayed Retirement: Some people continue to work full time beyond their full retirement age. They don't sign up for Social Security until later. This delay in retirement can increase your Social Security benefit in two ways. Each additional year you work adds another year of earnings to your record. In addition, your benefit will be increased a certain percentage. These increases will be added-in automatically from the time you reach your full retirement age until you start taking your benefits, or you reach age 70. The percentage varies depending on your year of birth. That rate gradually increases in future years, until it reaches 8 percent per year for people turning 65 in 2008 or later.

Medical Health Insurance Coverage: If you're already receiving Social Security benefits when you turn 65, your Medicare (Part A) starts automatically. You do need to apply for Medicare (Part B). Do so about 3 months before you reach age 65 or when you are applying for your Social Security benefits. This can be done at your local Social Security office.

For more information regarding Medicare (Part D) please call 1-800-MEDICARE.

HELPFUL STATE CONTACTS:

Mass Executive Office of Elder Affairs
(800) 243-4636

Eldercare Locator Services
(800) 677-1116

Action for Boston Community Development Inc. (ABCD)
(617) 357-6000

Serving the Health Information Needs of Elders (SHINE)
(617) 348-6226

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.

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 ***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 ***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.

Notes

Massachusetts Bay Transportation Authority Retirement Fund:

Information Security Program

On March 1, 2010, the Massachusetts Bay Transportation Retirement Fund (the "Fund", "we" or "us") approved and enacted a Written Information Security Program (the "WISP") in compliance with Massachusetts Regulation 17.00 to better safeguard your "Personal Information" that it may collect, store or maintain in its records. "Personal Information" protected by the WISP includes, among other things, a Member's name in combination with his or her Social Security number; driver's license number or state-issued identification card number; or financial account number, credit card number or debit card number. As a result of the sensitive Personal Information we collect from our Members, we have designed this WISP to: (i) protect the security and confidentiality of Personal Information in a manner fully consistent with industry standards; (ii) protect against anticipated threats or hazards to the security or integrity of Personal Information; and (iii) protect against unauthorized access to or use of Personal Information in a manner that may result in substantial harm or inconvenience to any Member or employee.

The WISP works in combination with our Privacy Policy, adopted and effective as of February of 2008, to better safeguard our Members' Personal Information. The two policies regulate how we treat and safeguard Personal Information. The Privacy Policy tells the world how we will treat and safeguard Personal Information provided to us by our Members (among others), while the WISP tells us internally how we will treat and safeguard Personal Information in our possession. With the two policies working together, we are able to better protect the Personal Information of our Members to prevent a data breach. The Fund has invested significant time and energy to constantly improve its practices so that our Members' Personal Information is secure. We are proud of the work we have done thus far and, with the assistance of the WISP and Privacy Policy, will remain vigilant to protect your Personal Information into the future.

Members' Bill of Rights and Standards for Reporting and Confidentiality

*The following Bill of Rights and Standards for Reporting and Confidentiality (the "**Standards**") define specified rights of members of the Massachusetts Bay Transportation Authority Retirement Fund (the "**Fund**"), as administered by the Massachusetts Bay Transportation Authority Retirement Board (the "**Board**"). These Standards should be read in connection with the Massachusetts Bay Transportation Authority Retirement Fund Privacy Policy (the "**Privacy Policy**").*

Article 1. — Information and Disclosure

1.1 Reporting and Disclosure

Subject to the Privacy Policy and Confidentiality Powers reserved to the Fund in Section 1.5 hereof, and other requirements of applicable law concerning the maintenance or preservation of confidentiality, without limiting any other rights they may have under applicable law, every Member of the Fund shall have the following rights with respect to reporting and disclosure:

(a) to receive both the Annual Report of the Board and an annual statement regarding his account containing information personal to him in substantially the form attached as Exhibit A;

(b) to have information personal to him held in confidence, in accordance with the Privacy Policy;

(c) to be informed whenever another person seeks access to any information pertaining to his personal account, including efforts by others to compel production of such information through compulsory legal process and to object to such compelled production, subject to the exceptions specified in Section 3 of the Privacy Policy;

(d) to inspect and copy at the offices of the Fund (at the Member's reasonable expense) during normal business hours any information pertaining to his or her personal account; and

(e) to inspect at the offices of the Fund (at the Member's reasonable expense) during normal business hours the minutes of every meeting of the Board and any disclosure statements required to be filed by these Standards.

1.2 Availability of Board Records

Subject to the Confidentiality Powers reserved to the Fund in Section 1.5 hereof, and other requirements of applicable law concerning the maintenance or preservation of confidentiality, the minutes of every meeting of the Board, every disclosure form required to be filed by these Standards, every report required to be filed by the Board with a federal or state law enforcement, regulatory or administrative agency and every audit of the Fund shall be open to inspection by every trustee, employee or Member of the Fund, to the General Manager of the Massachusetts Bay Transportation Authority (or to any agent he may designate in writing) and to the head of any collective bargaining unit representing Members of the Fund (or to any agent he may designate in writing). Such inspection shall occur at the offices of the Fund during normal business hours. The right to inspect records does not imply and does not confer the right to obtain duplicate copies thereof, or to retain duplicate copies thereof that were wrongfully obtained.

1.3 Information Requests From Outsiders

1.3.1 Occasionally, the Board and its staff will receive inquiries from outsiders, including the news media. The Board encourages the dissemination of information when to do so serves the interests of members of the Fund and directs that reliable information be provided in response to reasonable requests. To protect the interests of the Fund, trustees and staff are to firmly decline to answer outside inquiries concerning matters that reveal investment plans or strategies of a proprietary nature, information about specific members of the Fund, or any comments on a controversial or sensitive subject.

1.3.2 Except as otherwise directed by the Board, the Executive Director or his designee shall be the official spokesperson for the Fund in response to outside inquiries. Except as the full Board shall from time to time direct, no other trustee, employee or consultant shall discuss any information covered by Article 3 with a member of the general public, including news media.

1.4 Other Information Restrictions

Except as provided in this Article or the Privacy Policy, no trustee, employee, consultant or financial advisor shall divulge to any person not associated with the Board or the Fund (including, without limitation, the Directors of the Massachusetts Bay Transportation Authority or the union from which he was elected or appointed) any information pertaining to the actions of the Board, the management of the Fund, investments made by the Board or information pertaining thereto, or account information pertaining to individual retirees, beneficiaries, Members and participants in the Fund.

1.5 Confidentiality

Whenever the Fund is involved in litigation, or whenever the interests of the Fund may require the preservation of information in confidence, including, without limitation, on receipt of advice of counsel to such effect, the Fund may require that information, reports, audits or other data that would otherwise normally be disclosed pursuant to these Standards, first be made subject to a nondisclosure agreement, the form and content of which shall be determined by the Fund in their reasonably applied discretion, which agreement shall be signed by all necessary parties to the matter, or alternatively and in appropriate circumstances as determined by the Fund that a protective court order first be obtained with respect to such data, or alternatively and in appropriate circumstances as determined by the Fund that such data not be disclosed for a reasonable temporary period of time, and during which interval the subject matter or the claim in question may be held in abeyance for later resolution of all related matters by the Fund with the parties in interest with respect thereto.

Article 2. – Definitions

(a) "**Trustee**" means a member of the seven-person Retirement Board established pursuant to Article VI of the Pension Agreement between the Massachusetts Bay Transportation Authority and Local Division 589, Amalgamated Transit Union, AFL-CIO, of July 1, 1970, as amended. "Trustee" shall include the honorary member elected pursuant to paragraph (l)(d) of said Article VI and the alternate members elected or appointed pursuant to paragraph (l)(e) of said Article VI.

(b) "**Employee**" shall include both officers and full and part-time employees.

(c) "**Normal business hours**" means between the hours of 9 a.m. to 5 p.m., Monday through Friday, excluding holidays.

(d) "**Member of the Fund**" or "**Member**" shall include active members, pensioners, and other beneficiaries of the Fund.

(e) The term "**financial advisor**" shall have the meaning set forth in the separate Standards of Fiduciary Responsibility.

(f) The term "**consultant**" shall have the meaning set forth in the separate Standards of Fiduciary Responsibility.

Article 3. – Enforcement

3.1 Sanctions

3.1.1 Subject to the requirements of the Pension Agreement of 2002, a violation of any one or more of the Standards set forth in Article 1 above shall be grounds for immediate termination of the relationship between the violator and the Fund and/or the Trustees. The power to terminate a person found to violate these standards carries with it the lesser power to suspend, publicly censure or privately reprimand the violator. If the violation is committed by a Member of the Fund, the Fund acting through the Executive Director, may seek appropriate legal remedies with respect to its grievance or claim through any available legal or administrative procedures.

3.1.2 The sanctions provided herein are intended to supplement and not limit any other sanctions, rights or remedies available to the Board or to the Members of the Fund, and as may be available under applicable law.

3.2 Procedure

3.2.1 An allegation that a Member of the Fund or any Trustee, employee, consultant or financial advisor to the Fund has violated any one of these Standards may be initiated by a sworn written complaint made by any Member of the Fund or by a directive from the Chairman of the Board or made by the Executive Director. Such complaint or directive shall be timely filed with the Executive Director, or, in the event of a conflict, with the person ordinarily responsible for the duties of the Executive Director in the event of his absence or disability, whether due to a conflict or otherwise. The complaint or directive shall state the facts upon which the violation is said to have occurred and the specific provisions of these Standards alleged to be violated. A complaint or directive will be deemed to be timely only if filed within sixty days of the date on which the facts are first known to the complainant and in any event within two years of the alleged violation.

3.2.2 Any Member of the Fund, and any Trustee, employee, consultant or financial advisor who is the subject of a complaint or directive under the foregoing Article shall forthwith be provided a copy of the complaint or directive. Such individual shall be afforded an opportunity for a hearing before a hearing officer selected by the Board at which he or she may be represented by counsel. The complaint or directive and all proceedings thereon shall be strictly confidential until the Board takes final action thereon.

3.2.3 The hearing officer shall have full access to all resources available to the Board and may, with the approval of the Board, retain independent consultants to assist him in the conduct of proceedings under this Article. Any person so retained shall be bound by the provisions of these Standards. The hearing officer shall make findings of fact and a recommendation to the Board concerning sanctions.

3.2.4 The Board shall accept the findings of the hearing officer if supported by the evidence and shall thereafter consider his recommendations. The Board shall act as promptly as may be consistent with due deliberation.

3.2.5 Notwithstanding anything contained herein, no provision hereof shall be interpreted or applied in a manner which is inconsistent with, or in derogation of, the requirements of the Pension Agreement of 2002, the Rules and Regulations adopted by the Fund or the Trustees, including therein and without implied limitation, policy statements, bylaws, guidelines, Standards of Fiduciary Responsibility, or other statements of procedure or substantive rights, howsoever adopted by the Fund, the Board or its designee or agent.

Massachusetts Bay Transportation Authority Retirement Fund Privacy Policy

*We at the Massachusetts Bay Transportation Authority Retirement Fund are committed to maintaining your privacy. We believe it is important to inform you about how we use and protect personal information that we may hold on your behalf. To this end, we have developed the following privacy policy (the "**Privacy Policy**" or "**Policy**"). This Privacy Policy applies to all of our members, and covers how we collect, use, disclose and protect personal information that is provided to us. The terms "**you**" and "**your**" refer to anyone qualifying as a member (or a member's designee) under the Massachusetts Bay Transportation Authority Retirement Fund Pension Agreement (the "**Pension Agreement**"). The terms the "**Fund**", "**we**" and "**us**" refer to the Massachusetts Bay Transportation Authority Retirement Fund.*

1. The Type of Information that We Collect

To provide the services that we offer, the Fund receives and uses a variety of information about our members, including Personal Information (as this term is defined below). Please read on to learn more about the types of information that we collect and use.

1.1. Personal Information. We use the term "**Personal Information**" to refer to two broad categories of information that consist of: (i) information—such as your name, phone number, street address, and employer's name—that is available from public sources (referred to as "**Non-Sensitive Personal Information**"), and (ii) information—that is sensitive, and generally private to you, such as your Social Security Number, financial information, and medical information (subject to the limitations set out in Section 1.2 (Medical Information)) (referred to as "**Sensitive Personal Information**").

1.2. Medical Information. Our Privacy Policy and our practices reflect the heightened sensitivity of medical information. Our disability-related decisions require reliance on medical information. We have structured our practices, however, in such a way that the Fund need not rely directly on medical information. Instead, when a member is applying for disability status, and the member's physician recommends Disability Retirement, that member's healthcare provider sends relevant medical information to an independent doctor, engaged by the Fund (the "**Evaluating Doctor**"). The Evaluating Doctor reviews the information (along with other information, including job duties and workers compensation/ light duty letters, if any) and/or conducts an examination, and then makes a recommendation concerning the member's disability status. The Evaluating Doctor sends this recommendation to the Fund's Board, which reviews the recommendation, together with other information, and makes a final determination concerning the member's status. The process, therefore, does not rely on the transfer of any medical information other than the recommendation of the Evaluating Doctor. We treat the Evaluating Doctor's recommendation as Sensitive Personal Information.

1.3. Potential Receipt of Medical Information. If by chance we do receive medical information, for whatever reason, we will protect it as Sensitive Personal Information

1.4. Sources of Personal Information. The Fund may receive or collect both Sensitive Personal Information and Non-Sensitive Personal Information about you from a variety of sources, including: (i) from you, through forms or applications that you may submit to the Fund, (ii) from your healthcare providers, subject to Section 1.2 (Medical Information), (iii) from your current or former employer, (iv) from other interactions that you have with the Fund such as through discussions with our staff, (v) from publicly available sources; and (vi) from non-public sources with your consent (which consent we may presume, based on the nature of your request).

2. Our Uses of Your Personal Information

We will use your Personal Information: (i) to provide you with the services that we offer, (ii) to fulfill transactions you may request, in accordance with the Pension Agreement, (iii) to manage and administer the Fund, as provided in the Pension Agreement, (iv) for proper management and administration of the Fund's subcontractors and vendors; and (v) as otherwise required by law or regulation. We may, for example, use the Personal Information that we have concerning you as follows:

2.1. Member Contributions and Account Maintenance. We may use your Personal Information to track and update contributions to your account, and to make sure that your membership account is current and accurate.

2.2. **Benefit Payments.** We may use your Personal Information to determine your eligibility to receive your retirement allowance, and to issue you the payments to which you are entitled under the Pension Agreement.

2.3. **Responding to Your Requests.** If you contact us with questions regarding your membership or account, then we may access and use your Personal Information in order to respond to your inquiries.

2.4. **Fulfilling Your Transactions.** We will use the information to fulfill transactions allowed by the Pension Agreement, upon your request. For example, if you are permitted to borrow funds based on your account with the Fund, we will comply with requests by the lender for information and for other purposes, in accordance with the loan documents to which you have agreed.

3. We Do Not Disclose Personal Information to Unaffiliated Third Parties; Limited Exceptions

Without your express consent, we will not disclose your Personal Information to third parties unaffiliated with the Fund, except in the following limited circumstances:

3.1. **The Fund's Related Vendors.** We may retain other companies (collectively, "**Related Vendors**") to perform services or other functions on our behalf, such as maintaining and updating your contributions to the fund, determining your eligibility to receive a benefit allowance, determining your initial and continued eligibility to receive a disability allowance, issuing allowances to eligible parties, storing and safeguarding your Personal Information, responding to your questions, providing management and administration services (such as legal or accounting services), and other functions established or envisioned for the Fund by the Pension Agreement. We provide Related Vendors only with that amount and type of Personal Information that they reasonably need to perform their functions on our behalf. In addition, we require that Related Vendors agree to protect all Personal Information that we provide to them in accordance with this Policy.

3.2. **Risk of Harm.** If we believe: (i) that you are at risk of harm from another, or (ii) that you are harming or interfering (or will imminently harm or interfere) with others, then we may reveal your Personal Information to alleviate this risk of harm.

3.3. **Legal.** To the extent we are required to do so by law, the Fund will disclose your Personal Information. If we receive legal process calling for the disclosure of your Personal Information we will make reasonable efforts to notify you before we respond to the request, unless such notification is not permitted by law.

3.4. **Public Records Requests.** The Fund is not subject to the Public Records Law, Massachusetts General Laws Chapter 66A (Fair Information Practices Act), Executive Order 412, or other laws and regulations addressing the dissemination of information held by public entities. Accordingly, the Fund will not disclose information sought pursuant to such requests.

4. How We Protect Your Personal Information

We have put in place physical, electronic, and administrative controls designed to prevent unauthorized access to, or disclosure of, the Personal Information that we hold, and we take reasonable steps to secure and safeguard this Personal Information. Our employees (and employees of our Related Vendors) are permitted access to Personal Information only on a "need-to-know" basis, with the "need-to-know" tailored to the sensitivity of the Personal Information. For example, access to Sensitive Personal Information requires a greater need-to-know than access to Non-Sensitive Personal Information. Further, we will use best efforts to disclose only the minimum necessary Sensitive Personal Information.

Although we take reasonable commercial efforts to safeguard your Personal Information, please understand that we cannot assure that the information you provide us will remain free from loss, misuse, or alteration by third parties who, despite our efforts, are able to obtain unauthorized access to your Personal information.

5. Application Of This Policy to Your Representatives

Under the Fund's Pension Agreement, certain parties, including your beneficiaries or appointed representatives, may provide Personal Information of their own, and may in addition be entitled to access your Personal Information. Please be aware that we will treat anyone who has the authority to act on your behalf pursuant to the Pension Agreement or applicable law as if they were you for the purposes of this Privacy Policy.

6. Record Retention; Updating Personal Information

6.1. **Our Retention of Your Personal Information.** We retain your Personal Information in accordance with our records management practices. In any event, we retain this Information at a minimum for as long as we believe may be necessary to provide you with services under the Pension Agreement, and as required by law or regulation.

6.2. **Accessing Personal Information.** You may access your Personal Information, and you may provide us with new Personal Information, by contacting us as provided in Section 11 (Contact Us), below. We will update our records with the Information that you provide within a reasonable period after receiving it from you.

6.3. **Deleting Information.** Finally, if you request, we will remove your name and all other Personal Information from our files. Please understand, however, that it may be impossible to remove this information completely, due to backups and records of deletions. Moreover, if you request that we remove your Personal Information from our files, then we will be unable to provide you with further services that rely upon the use or disclosure of such Information.

7. Modification of Policy

We perform periodic reviews of this Privacy Policy, designed to ensure that it comports with current practices and procedures. Should we implement new practices or procedures, we will revise this Policy and make a copy of the updated version available. To the extent permitted by law or regulation, any new practices or procedures that we implement will apply retroactively to Personal Information that we have maintained prior to the implementation, as well as to Personal Information that we collect after the implementation.

8. Relationship to Our Fiduciary Standards

Among other governance documents, we have adopted a Members' Bill Of Rights And Standards For Reporting And Confidentiality (the "**Bill of Rights**"). We have created this Privacy Policy to elaborate on, and harmonize with this Bill of Rights, and particularly with respect to Article 1 of the Bill of Rights. To the extent there is a Material Conflict (defined below) between (i) this Privacy Policy, and (ii) the Bill of Rights, this Privacy Policy will control. By "**Material Conflict**," we mean a conflict between the express provisions of two documents, such that it is not possible to comply with both provisions.

9. Further Resources

For additional information concerning the Fund and the services that we offer, please review the Massachusetts Bay Transportation Authority Retirement Fund Pension Agreement, a copy of which is available at our offices.

10. Regulatory Structure

There are a range of regulations governing certain industries' use and protection of personal information. For example, the Gramm-Leach-Bliley Act ("**GLBA**"), 15 U.S.C. §§ 6801 et seq., regulates use of "non-public personal information" by "financial institutions," as those terms are defined in GLBA. In addition, the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**"), 42 U.S.C. §§ 1320d et seq., regulates the use of "protected health information" by "covered entities," as those terms are defined in HIPAA.

The Fund is not a "covered entity" under HIPAA, and is not a "financial institution" under GLBA. The Fund, therefore, does not implement this Policy due to regulatory requirements. Instead, we implement this Policy: (i) because we have dealings with vendors subject to GLBA and HIPAA, and this policy is designed to be consistent with these vendors' obligations, and (ii) because we wish to expressly inform our members of our privacy and data protection practices.

11. Contact Us

If you have any questions or concerns about this Privacy Policy, please contact us at: 617-316-3800.

12. Effective Date

The effective date of this Privacy Policy is February 16, 2008.

Notes

This Agreement is made and entered into as of the 1st day of July, 2014 by and between the Massachusetts Bay Transportation Authority (hereinafter, the "Authority") and Local Union 589, Amalgamated Transit Union, AFL-CIO, CLC, (hereinafter, the "Union").

WHEREAS, the Union and the Authority entered into an Agreement dated July 1, 1970 which Agreement has been amended many times over the years, and

WHEREAS, the Parties wish to restate such Agreement by incorporating changes to reflect the most recent collective bargaining agreement between the Parties, including the Memorandum of Understanding dated September 10, 2014, and by incorporating changes required by amendments to applicable federal law.

NOW, **THEREFORE**, the Parties hereto in consideration of mutual promises and covenants do hereby agree to amend and restate the Agreement dated July 1, 1970, as amended, as follows. Except as otherwise provided herein, the rights and benefits of any Member who terminated employment prior to the date hereof shall be governed by the provisions in effect as of the date his employment terminated.

ARTICLE I – Definition of Terms in this Agreement

The following words and phrases as used herein shall have the following meanings unless a different meaning is plainly required by context:

(1) "Fund" shall mean the Massachusetts Bay Transportation Authority Retirement Fund.

(2) "Rules" shall mean the Rules and Regulations of the Massachusetts Bay Transportation Authority Retirement Fund; and, wherever "rules" appear herein, these refer to the rules established by the Retirement Board for the administration of the Fund and the transaction of its business.

(3) "Effective date of the Fund" shall mean January 1, 1948.

(4) "Authority" shall mean Massachusetts Bay Transportation Authority.

(5) "Directors" shall mean the Board of Directors of the Authority.

(6) "Fiduciary" shall mean the trustee by whom the assets of the Fund are held, as provided in Article VII.

(7) "Retirement Board" shall mean the managing board of the Fund as provided in Article VI.

(8) The term "Union" shall mean Boston Carmen's Union, Local Union 589 of the Amalgamated Transit Union, AFL-CIO. The term, "union," shall mean any union recognized by the Authority for collective bargaining purposes.

(9) "Employee" shall mean any person regularly employed by the Authority who receives a regular stated compensation from the Authority, other than a pension, severance pay, retainer or fee under contract.

(10) "Member" shall mean any person included in the membership of the Fund as provided in Article II.

(11) "Retired Member" shall mean a former Member who has been retired under this Agreement or the Rules, or a former employee retired from service prior to the effective date of the Fund and entitled to a benefit under Article IV, section (6).

(12) "Compensation" shall mean the full regular remuneration paid to an employee for services rendered to the Authority, excluding overtime pay (i.e., pay which is other than the pay for the normal and customary work in the employee's workday or workweek), and excluding the Authority's cost for any public or private employee benefit plan including this Fund, under rules uniformly applicable to all employees similarly situated. Compensation shall, however, include contributions made on behalf of a Member by the Authority pursuant to a salary reduction agreement pursuant to this Fund as described in Section 414(h)(2) of the Internal Revenue Code, pursuant to a cafeteria plan established under Section 125 of the Code, pursuant to a deferred compensation plan within the meaning of Section 457(b), pursuant to a deemed Section 125 election, or pursuant to a qualified transportation fringe benefit within the meaning of Code section 132(f).

Compensation paid after a Member's severance from employment with the Authority shall be excluded, except that the following amounts shall be included in Compensation if they are paid by the later of 2 ½ months after severance from employment or the end of the Limitation year that includes the date of severance from employment:

(i) Regular pay for services by the Member, which would have been included as Compensation as defined above, which would have been paid to the Member prior to a severance from employment if the Member had continued in employment with the Authority.

(ii) Payment for unused accrued vacation, but only if the Member would have been able to use the leave if employment had continued.

Notwithstanding the foregoing, and subject to the following sentence, solely for purposes of determining the retirement allowance of any Member who has retired, any back pay or retroactive payments resulting from negotiated increases shall be counted as Compensation for the Member's final year regardless of whether such payments are received more than 2 ½ months after the Member's severance from employment. However, effective July 1, 2015, the foregoing sentence shall not apply, and for purposes of calculating a retirement allowance of any active or Retired Member, and paying required contributions by the Authority and by any active or Retired Member, any back pay or retroactive payments resulting from negotiated or arbitrated wage increases received after July 1, 2015, or arbitrator's awards shall be counted as Compensation in the year the wages were earned and not the year in which actually paid.

In addition, Compensation shall not include:

(a) salary continuation payments for Members on qualified military leave, if any; and

(b) salary continuation payments for disabled Members, if any.

For any fiscal year commencing on or after January 1, 1996 and before January 1, 2002, a Member's compensation taken into account under the Fund for any fiscal year of the Fund shall not exceed $150,000, as adjusted from time to time by the Secretary of the Treasury in accordance with Section 401(a)(17)(B) of the Internal Revenue Code.

For fiscal years commencing on and after January 1, 2002, compensation taken into account under the Fund for any fiscal year of the Fund shall not exceed $200,000, as adjusted from time to time by the Secretary of the Treasury in accordance with Section 401(a)(17) of the Internal Revenue Code.

Any change in the dollar amounts set forth above as adjusted by the Secretary of the Treasury in accordance with Section 401(a)(17) of the Internal Revenue Code shall apply only to compensation taken into account for the calendar year in which such change is effective.

(13) "Service" shall mean all service rendered to and paid for by the Authority or its predecessors.

(14) "Membership service" shall mean the period of service rendered by an employee as a Member for which credit is allowed as provided in Article III, section (2).

(15) "Creditable service" shall mean membership service.

(16) "Normal retirement date" shall mean the first day of the month coincident with or next following the sixty-fifth anniversary of an employee's date of birth.

(17) "Retirement allowance" shall mean the annual payments for life hereunder. All retirement allowances shall be payable in monthly installments, commencing at the end of the month in which the retirement allowance becomes effective, and ceasing with the last monthly payment prior to death. Notwithstanding the above, upon the death of the Retired Member only, there shall be payable a fractional monthly payment based on the number of days during the month that the Member survived. Upon the direction of the Retirement Board, a lump sum payment, which is the actuarial equivalent of the retirement allowance, may be made in lieu of any retirement allowance amounting to less than $120 per annum.

(18) "Actuarial equivalent" shall mean a benefit of equivalent value when computed according to the 1989 George B. Buck Mortality Table (male and female), assuming all Members are male, and all beneficiaries are female, and an interest rate of 5% per annum, compounded annually, unless specifically provided otherwise in the Fund.

ARTICLE II – Membership

(1) Commencing on the effective date of the Fund, employees who are or may become members of the Union shall be included in the membership of the Fund.

(2) 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 this Agreement shall be included in the membership of the Fund.

(3) If an employee retires or ceases to be an employee for any reason whatsoever, his membership in the Fund shall thereupon terminate, and if he thereafter again becomes a Member, he shall receive no

benefits on account of service rendered prior to the date he last became a Member, except as provided in Article III, section (3), and Article IV, section (5); provided that under rules uniformly applicable to all employees similarly situated, the Retirement Board may continue the membership of an employee during a period of absence from service without loss of creditable service, and shall continue membership for a period of not less than two years in the case of an employee laid off for lack of work, if such Member does not withdraw his own contributions, but no credit shall be allowed for any such period, and no benefit shall become payable to or on account of any Member during a period of absence, except the return of his own contributions, with interest, as defined in Article IV, section (3)(d). Membership in the Fund shall terminate only as provided in this section.

(4) Anything herein to the contrary notwithstanding, an employee granted a leave of absence by the Authority for service with a union shall be deemed to be an employee in the service of the Authority during such leave, with compensation for the purposes of the Fund at his full regular rate of remuneration paid to him by such union, and if he is a Member of the Fund, credit under the Fund shall be allowed, as in the case of other employees, for the period of such leave provided all Member contributions with respect thereto are made on his account as provided herein. If the employee is engaged in union work exclusively among employees of the Authority, the employer's contributions shall be paid by the Authority. If the employee is not exclusively engaged in work among employees of the Authority, no credit shall be allowed unless the union pays the employer's contribution thereon.

(5) Effective December 31, 1983, all part-time employees shall be included in the membership of the Fund.

ARTICLE III – Creditable Service

(1) Creditable service shall mean membership service.

(2) Membership service shall include all service rendered by an employee since he became a Member, or since he last became a Member in the event of a break in membership, for which contributions are made by the Member and by the Authority or a union in accordance with Article II, section (4).

(3) A Member whose creditable service is interrupted by reason of resignation or dismissal shall be offered an opportunity promptly upon the completion of three years of creditable service after he has been rehired to repay to the Fund all amounts he has withdrawn from the Fund, together with an amount equal to their reasonable earnings (the average earnings of the Fund during the period of the aforementioned withdrawal). Upon the repayment of such withdrawn funds, the Member shall be entitled to credit for the sum of both periods of service as though they had been a single period of creditable service. All Members eligible to exercise this right shall be advised by the Authority of that fact at least 60 days in advance of the date on which they first become eligible to make such repayment. The Member shall, upon such notification, have a period of six months within which to exercise the right to make such repayment.

Effective on or after January 1, 2002, a Member may use funds accumulated under an annuity contract described in Section 403(b) of the Internal Revenue Code or an eligible plan under Section 457(b) of the Internal Revenue Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of the state, if such funds are transferred to the Fund by a direct trustee-to-trustee transfer pursuant to Sections 403(b)(13) or 457(e)(17) of the Internal Revenue Code.

(4) If, during any period of service, the Member is classified as a part-time employee, he shall accrue creditable service as follows:

(a) For the purposes of determining the amount of retirement benefit only, creditable service shall accrue at the rate of one month of creditable service, or fraction thereof, for each 173 pay hours received (not to exceed 12 months of creditable service for any calendar year). For the purposes of this paragraph, "pay hours" shall mean hours for which Compensation is credited under this Plan.

(b) For all other purposes, creditable service shall accrue for part-time employees in the same manner as for full-time employees.

(5) Time spent in service in the Armed Forces or the Merchant Marine of the United States or its allies during a period of national emergency, or on account of compulsory military service shall not be considered a break in creditable service if:

(a) the employee was a Member of the Massachusetts Bay Transportation Authority Retirement Fund at the time such leave of absence commenced;

(b)the employee has returned or returns to service of the Authority after his honorable discharge within the period prescribed by law or within ninety (90) days after such discharge, if there is no period prescribed by law; and

(c) the employee did not voluntarily re-enlist or consent to active military service after the completion of the time he was required to remain in military service.

Provided, however, that any absence from service of the Authority on the foregoing grounds exceeding four (4) years shall be deducted in computing the pension credit to be granted for such military service.

Notwithstanding the foregoing, effective on and after December 12, 1994, creditable service shall be recognized for periods of service in the uniformed services of the United States in accordance with Section 414(u) of the Internal Revenue Code. Contributions shall not be required to be paid for this period of service. A Member's compensation for his period of service in the uniformed services shall be deemed to be the compensation the Member would have received for that period if he had remained continuously employed or, if that compensation is not reasonably certain, his average compensation for the 12-month period immediately preceding his service in the uniformed services.

For purposes of this paragraph, the terms "service in the uniformed services of the United States" and "uniformed services" shall have the meaning given to those terms in Section 4303(13) and 4303(16) of the Uniformed Services Employment and Reemployment Rights Act of 1994, respectively.

(6) Unused sick leave accumulated at the time of a Member's retirement shall be included in creditable service for the purpose of computing the amount of his retirement allowance, but not to establish eligibility for retirement.

(7) Absence from work time due solely to the inability of a Member to work by reason of a compensable industrial accident shall not be considered a break in creditable service.

(8) Membership service prior to November 23, 1983

A Member with part-time service prior to November 23, 1983 shall receive the Creditable Service he could have earned had he joined the plan ninety (90) working days after hire (or at any later date that he may have elected), only if he paid to the Retirement Fund no sooner than one hundred and fifty (150) days but no more than one hundred and eighty (180) days from November 23, 1983, the amount of Member contributions he would have paid for that period of prior service had he then been a Member.

ARTICLE IV – Benefits

(1) Normal Retirement Allowance –

(a) Any Member in service who reaches his/her normal retirement date shall be eligible to retire on a normal retirement allowance to become effective on his/her normal retirement date. However, no Member will be involuntarily retired by the Retirement Board solely because of the age of the Member.

(b) The normal retirement allowance shall consist of:

(1) A membership service allowance equal to 2.46 percent of the average compensation in those three (3) years in which the employee had maximum compensation, multiplied by the number of years of membership service, provided, however, that such allowance shall not exceed seventy-five (75) percent of such average compensation.

(2) The minimum normal retirement allowance for any employee who has completed at least ten (10) years of creditable service shall be one hundred dollars ($100) per month, and for any employee who has completed at least fifteen (15) years of creditable service shall be one hundred and fifty dollars ($150) per month. If, during any of the years used in the computation of the highest three (3) years of Compensation, the Member was a part-time employee, Compensation for that year, for the purposes of this section, shall be actual Compensation multiplied by the ratio, not less than 1.0, of 173 hours times the number of months worked in the year in question, divided by actual pay hours received during that year. The term "pay hours" as used in this paragraph shall have the same meaning as in Article III, paragraph (4) above.

(c) Any employee in service who has not reached his normal retirement date, but who has completed at least twenty-three (23) years of creditable service may be retired by the Retirement Board on an early normal retirement allowance on the first day of the calendar month coincident with or next following such date. The early normal retirement allowance shall be computed in the same manner as a normal retirement allowance, but on the basis of his compensation and creditable service only to the time of actual retirement.

Notwithstanding the above, Members whose date of hire with the Authority commences 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 as provided herein above.

(d) An employee who has completed twenty (20) years but less than twenty-three (23) years of creditable service (25 years for Members whose date of hire with the Authority commences on or after December 6, 2012) and who has attained age 55 may be retired and upon retirement shall receive an early reduced retirement allowance computed in the same manner as a normal retirement allowance but on the basis of his compensation and creditable service only to the time of actual retirement, reduced by one-half percent for each month of retirement before age 65.

(2) Disability Retirement Allowance –

(a) Any Member in service who has not reached his normal retirement date and files application for retirement, shall be retired by the Retirement Board on a disability retirement allowance as of the first day of the calendar month next following receipt by the Retirement Board of written application therefor made by the Member; provided that a physician or physicians designated by the Retirement Board shall certify, and the Retirement Board shall find, that such Member is incapacitated, mentally or physically, to perform the work of his job classification or any other job classification(s) in which a job is available with the Authority and has been offered to such Member by the Authority, and that such Member should be retired; and provided further that such Member has completed four (4) years of creditable service in case of disablement due to an occupational accident or sickness, and has completed six (6) years of creditable service in case of disablement due to any other cause.

The surviving spouse of a Member whose death results solely from an injury or injuries sustained in the performance of duty, including, but not limited to, injuries resulting from assault and/or battery, shall upon such death be entitled to the Disability Retirement Allowance to which the Member would have been entitled if at the time of such death the Member had become totally incapacitated, mentally or physically, for the further performance of duty and that such incapacity was likely to be permanent, provided that if the Member had less than four (4) years of creditable service, the surviving spouse shall receive the minimum allowance available under subsection (b) hereof.

No employee shall be entitled to receive a disability allowance if the disability results from:

(A) Habitual and excessive use of intoxicants, drugs, narcotics;

(B) Injuries or diseases sustained while under the influence of intoxicants, drugs or narcotics habitually used to excess;

(C) Injuries or diseases sustained while willfully and illegally participating in fights, riots, civil insurrections or committing a crime;

(D) Injuries or diseases sustained while serving in the Armed Forces or the Merchant Marine of the United States or her allies;

(E) Injuries or diseases incurred while working for another employer and arising out of such other employment while also employed by the Authority;

(F) Injuries or diseases sustained while riding in aircraft, except as a farepaying passenger on regularly licensed and scheduled airlines;

(G) Injuries or diseases sustained while the employee is on leave of absence for any reason other than –

(i) holding office in the Union or its International Office or in any other union or its International Office; or

(ii) sickness or accident; provided, however, that an employee while on leave of absence for the reasons listed under (i) and (ii) shall not be eligible to receive benefits if the injuries or diseases so sustained fall within sub-paragraphs (A) to (F) above.

(b) The disability retirement allowance shall become effective immediately upon retirement as provided in the foregoing Section (2) (a) of Article IV and shall be computed as a normal retirement allowance on the basis of the Compensation and creditable service to the time of the disability retirement, with a minimum of 15% of the Member's average compensation in those three

(3) years in which the employee had maximum compensation.

(c) Except as may be otherwise required by law, any amounts which may be paid or payable to any Retired Member or his dependents as the result of premiums, taxes or contributions paid by Workmen's Compensation Law, or policy, or similar plan, whether self-insured or otherwise, on account of disability, shall not be offset against any Disability Retirement allowance provided hereunder.

(d) Once each year the Retirement Board may require any Retired Member receiving a disability retirement allowance who has not reached his normal retirement date to undergo a medical examination by a physician or physicians designated by the Retirement Board, such examination to be made at the place of residence of such Retired Member or other place mutually agreed upon. Should any such Retired Member refuse to submit to such medical examination, his disability retirement allowance shall be discontinued by the Retirement Board until his withdrawal of such refusal, and should his refusal continue for a year, all his rights in and to such disability retirement allowance shall cease. If it appears from such medical examination that the disability of a Retired Member who has not reached his normal retirement date has been removed or if the Retirement Board shall find that he has regained his earning capacity, his disability retirement allowance shall be discontinued by the Retirement Board, or if such disability has been partly removed and his earning capacity partly regained, such disability retirement allowance shall be reduced proportionately by the Retirement Board. No discontinuance or reduction shall be made unless the Authority shall offer to restore the Retired Member with accumulated seniority to his former position or, in the case of partial recovery, to a suitable other position the duties of which he may be able to perform. If a disability retirement allowance is discontinued or reduced and if the Retired Member again loses his earning capacity because of the same disability, he shall be entitled to apply to the Retirement Board to have his original disability retirement allowance restored, and the Retirement Board may restore all or part thereof on the basis of a medical examination by a physician or physicians designated by the Retirement Board. Any Retired Member whose allowance has been discontinued and who has not accepted restoration to service may withdraw from the Fund and receive the amount of his contributions, with interest as defined in Article IV, section (3)(d), less the sum of all retirement allowance payments previously made to him and no further payments to him or on his account shall be made.

(3) Return of contributions –

(a) Any Member, upon ceasing to be an employee for any cause other than death or retirement, shall be paid in one sum within six months after filing a written application for such payment, the amount of his own contributions, with interest as defined in Article IV, section (3)(d).

(b) Upon receipt of proof, satisfactory to the Retirement Board, of the death of a Member or Retired Member before his retirement allowance has become effective, the amount of his own contributions, with interest as defined in Article IV, section (3)(d), shall be paid in one sum to the person, if any, nominated by him by written designation duly acknowledged and filed with the Retirement Board if such person is living, otherwise to the estate of such Member.

(c) Upon receipt of proof, satisfactory to the Retirement Board, of the death of a Retired Member, and of the survivor of a Retired Member, and of the person, if any, designated under an optional benefit pursuant to section (4) of this Article IV, after the retirement allowance has become effective, any excess of the Retired Member's contributions at retirement with interest as defined in Article IV, section 3(d), over the sum of all retirement allowance payments made shall be paid in one sum to the person, if any, nominated by the Retired Member by written designation duly acknowledged and filed with the Retirement Board if such person is living, otherwise to the estate of the aforesaid survivor.

(d) Interest on contributions made on and after July 1, 1967, shall be computed at the rate of 3 per cent per year compounded annually, up to the first day of the month in which the employee becomes separated from the Authority's service, dies or retires, whichever occurs first; provided, however, that such interest on contributions made prior to July 1, 1967, shall be computed at the rate of 2 per cent per year compounded annually.

(4) Automatic and Optional Payment Forms of Benefits –

(a) A Member's Retirement Allowance shall be paid to him for life as described in Article 1, Section (17). However, the retirement allowance of a married Member shall automatically be paid as a reduced benefit under Option B below, with 50% of his reduced benefit continuing to his surviving spouse after his death. Any Member may, by written notice received by the Retirement Board before retirement, elect to convert the automatic form of retirement allowance described above into a benefit of equivalent actuarial value, in accordance with one of the optional forms named below, but subject to all of the provisions of this Section (4). A married Member, however, may elect an option other than Option B with at least 50% continuing to his surviving spouse or Option C with at least 66 2/3% continuing to his surviving spouse only upon the written consent of his spouse witnessed by a notary public or a Fund representative.

Option A. Term Certain. A retirement allowance of lesser amount, payable to the Member for his life and in the event of his death within a period of 5, 10 or 15 years after his retirement (whichever period shall be specified by the Member in his election, and provided that such period shall not exceed the maximum period permitted under applicable Treasury regulations issued under section 401(a)(9) of the Internal Revenue Code), the same lesser amount shall be payable for the remainder of such period to a survivor designated by him.

If the last designated beneficiary under this option is not alive at the time of the Member's death, the balance of the payments for the specified term, if any, commuted to a lump sum on the basis of an interest rate of 3% per annum, compounded annually, is paid to the Member's estate; if the last designated beneficiary survives the Member but dies before receiving the entire balance of the payments, the part of the balance still unpaid commuted to a lump sum on the basis of an interest rate of 3% per annum, compounded annually, shall be paid to such beneficiary's estate.

Option B. A reduced retirement allowance during the Retired Member's life and, following his death, such lesser amount or 75%, or 66 2/3%, or 50%, or 33 1/3%, or 25% of such lesser amount as the Member may specify in his election shall be payable to his designated joint pensioner for the life of such survivor. However, if the Member's designated joint pensioner is not his or her spouse, then the percentage payable to such designated joint pensioner may not exceed the percentage determined under Q&A-2 of Treasury regulation §1.401(a)(9)-6.

Option C. A reduced retirement allowance during the Retired Member's life, and following his death, such lesser amount or 75%, or 66 2/3%, or 50%, or 33 1/3% or 25% of such lesser amount as the Member may specify in his election, shall be payable to his designated joint pensioner for the life of such survivor. However, if the Member's designated joint pensioner is not his or her spouse, then the percentage payable to such designated joint pensioner may not exceed the percentage determined under Q&A-2 of Treasury regulation §1.401(a)(9)-6.

If the designated joint pensioner shall predecease the Retired Member, the Member's monthly pension shall increase to the monthly pension amount that would have been payable had the pensioner not chosen this option. This increase shall be effective with the first benefit payment due coincident with or next following the date of death of the designated joint pensioner.

(b) The election of an optional form of benefit shall become effective as follows:

(1) If the Member retires on his normal retirement date, the election shall become effective on his normal retirement date.

(2) If the Member retires prior to his normal retirement date, the election shall become effective on the first day of the month for which a retirement allowance is due.

(3) If the Member continues in service as an employee after his normal retirement date and the notice of his election is received by the Retirement Board prior to his normal retirement date, the election shall become effective on his normal retirement date. If the notice of the election

is received by the Retirement Board after the Member's normal retirement date, the election shall become effective as of the date it is received by the Retirement Board. In the event of the death of a Member in service as an employee on or after his normal retirement date and after his election has become effective, payments of the benefit under the option computed as of the time it became effective shall commence on the last day of the month of death if the beneficiary designated under the option is then living; or, upon the retirement of such a Member, the amount under the option computed as of the time it became effective shall be payable to the Member; but no payments shall commence or accrue to him until the last day of the month of retirement.

(c) The election of an optional benefit, after having been filed, may be revoked or changed by the Member only by written notice received by the Retirement Board before the election becomes effective. If, however, the Member or the person designated under the option dies before the election has become effective, the election shall thereby be revoked.

(d) In the event a Member who has completed ten (10) years of creditable service dies before he/she retires without having an effective option hereunder, his/her contributions and interest thereon shall be paid to his/her nominee or estate in accordance with the provisions of Article IV, Section (3) herein, provided, however, that if said Member is survived by a spouse and/or dependent children, which spouse and/or dependent children, are the sole beneficiaries designated to receive the return of contributions and interest, such survivors(s) shall have the option to take, in lieu of such return of contributions and interest, the following:

(i) if the Member had completed 23 or more years of creditable service, 100% of the reduced retirement allowance under the 100% joint and survivor provision (Option B) thereof,

(ii) if the Member had completed less than 23 years of creditable service, one half (½) of the amount of reduced retirement allowance computed under the 50% joint and survivor provision (Option B) thereof.

For the purposes of determining this benefit, the actuarial reduction accounting for the difference between the employee's age and eligibility for a Normal Retirement allowance shall be waived.

(e) If a Member dies on or after January 1, 2007, while performing qualified military service (as that term is defined in Section 414(u) of the Internal Revenue Code) such Member's survivors shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) that may be provided hereunder had the Member resumed employment and then died immediately thereafter.

(5) Restoration to Service –

Anything to the contrary notwithstanding, if any Retired Member is restored to service, his retirement allowance shall cease, he shall again become a Member of the Fund, and any Option elected under section (4) of this Article IV shall thereby be revoked. Any membership service standing to his credit when he retired shall be restored to him, and the amount of his contributions, with interest as defined in Article IV, section (3)(d), less the sum of all retirement allowance payments previously made to him, shall be restored to him as contributions standing to his credit under the Fund; provided, however, that if his first retirement was on an early normal retirement allowance, his retirement allowance upon subsequent retirement shall be reduced by the actuarial equivalent of the payments he received prior to his normal retirement date during his previous retirement.

(6) Waiver of Benefits –

A Retired Member who is receiving a monthly retirement allowance, for personal reasons and without disclosure thereof, may make written request that the Retirement Board discontinue the payment of all or any part of such monthly retirement allowance payment to him, by filing with the Retirement Board a written waiver thereof, in such form as the Retirement Board shall require. The Retirement Board, on receipt of such waiver, shall authorize such discontinuance in which event the Member or Retired Member shall forfeit all right to the amount or amounts waived but shall retain the right to have the retirement allowance otherwise payable to him hereunder reinstated in full or in part after receipt by the Retirement Board of written notice that the Member has properly revoked or altered the waiver filed in accordance herewith.

(7) Vesting –

Notwithstanding that he has not reached his normal retirement date, any Member in service who has completed at least ten (10) years of creditable service and who has not received a refund on his contribution, with interest, under Article IV, section (3), shall be eligible for a vested retirement pension which shall be payable in the event he is permanently laid off by the Authority or his employment terminates for reasons which are beyond his control (specifically excluding voluntary quit or discharge for cause) before he becomes eligible for an early or normal retirement allowance under the Retirement Plan. Such vested retirement pension shall be based on the total creditable service of the Member up to the time his employment terminates and his then computed "average final compensation" and shall be paid to such Member beginning with the first day of the month coincident with or next following the sixty-fifth anniversary of his date of birth in amount as follows: 50 percent of Normal Retirement Allowance if he has completed 10 years of Creditable Service up to the time his employment terminates plus 5 percent of Normal Retirement Allowance for each additional year of creditable service up to 20 years total service.

(8) Limitations Under IRS Code –

In no event shall the amount of a benefit payable by this Plan exceed the maximum benefit limitations of Section 415 of the Internal Revenue Code and the regulations issued thereunder, which limitations and regulations are incorporated herein by reference. If a Member is a participant in two or more qualified plans maintained by the Authority, benefits under this Fund shall be reduced, if necessary, so that the total benefits receivable under all plans maintained by the Authority shall not exceed the limits described above, or, if applicable for calendar years prior to January 1, 2001, the limitations under Section 415(e) of the Internal Revenue Code.

Benefits increases resulting from the increase in the limitations of Section 415(b) of the Internal Revenue Code effective January 1, 2002 will be provided to all employees participating in the Fund who have one hour of service on or after January 1, 2002.

As of January 1 of each calendar year commencing on or after January 1, 2002, the dollar limitation described in Section 415(b)(1)(A) of the Code as determined by the Commissioner of Internal Revenue for that calendar year shall become effective as the maximum permissible dollar amount of retirement allowances payable under the Fund during that calendar year, excluding retirement allowances payable to Members who retired prior to that calendar year.

(9) Coordination of benefits with Police Association Retirement Plan –

This section shall apply to employees who were employed by the Authority as of July 1, 1991.

(a) Transferred-Out Members. A Member who accepts a position normally covered by the Police Association Retirement Plan shall become a Transferred-Out Member of this Plan. Neither he nor the Authority shall make any further contributions to this Plan on his behalf. He shall not accrue any additional creditable service in this Plan, but he shall retain the creditable service accumulated to the date of transfer.

(b) Transferred-In Members. A former member of the Police Association Retirement Plan who accepts a position normally covered by this Plan shall become a Transferred-In Member. Both he and the Authority shall make the regular contributions required by this Plan.

(c) Upon the retirement or death of either a Transferred-Out Member or a Transferred-In Member, there shall be payable from this Plan a benefit determined under the then current provisions of the Plan using:

(i) the Member's compensation or average compensation as of the date of death or retirement,

(ii) for purposes of determining the amount of benefit under this Plan, the creditable service accumulated under this Plan, and

(iii) for purposes of determining eligibility for benefits under this Plan, the sum of creditable service accumulated under this Plan plus creditable service under the Police Association Retirement Plan.

The maximum benefit payable from this Plan will be the Plan's regular maximum benefit multiplied by a ratio the numerator of which is the Members' creditable service under this Plan and the denominator of which is the sum of the Member's Creditable Service under this Plan and the Police Association Retirement Plan.

(d) Upon the disability retirement of either a Transferred-Out Member or a Transferred-In Member there shall be payable from this Plan a benefit determined in a manner similar to the benefits determined under (c) above. However, if at any time while in receipt of disability benefits the benefit shall be determined under a formula part of which is not related to the employee's service, the benefit determined according to the non-service related part of the formula shall be multiplied by the ratio of the Member's creditable service in this Plan to the sum of the Member's creditable service in this Plan and the Police Association Retirement Plan.

(10) Direct Rollover Distributions –

(a) Notwithstanding any provision of the Fund to the contrary, if any distribution to a Member, the Member's spouse, the former spouse of a Member who is an alternate payee under a qualified domestic relations order or, for distributions made after December 31, 2006, a non-spouse beneficiary of a deceased Member (i) totals $200 or more, and (ii) constitutes an "eligible rollover distribution" (within the meaning of Section 402(c)(4) of the Internal Revenue Code), the individual may elect on a form provided by the Retirement Board to have all or part of such eligible rollover distribution paid in a direct rollover to an "eligible retirement plan" selected by the individual.

(b) For this purpose, an "eligible retirement plan" means:

(i) an individual retirement account as described in Section 408(a) of the Internal Revenue Code;

(ii) an individual retirement annuity (other than an endowment contract) as described in Section 408(b) of the Internal Revenue Code;

(iii) with respect only to Members and alternate payees under qualified domestic relations orders and, on and after January 1, 2002, surviving spouses:

(A) a qualified trust as described in Sections 401(a) of the Internal Revenue Code, the terms of which permit the acceptance of rollover contributions; or

(B) an annuity plan as described in Section 403(a) of the Internal Revenue Code.

(iv) with respect only to Members and alternate payees under qualified domestic relations orders and surviving spouses, on and after January 1, 2002:

(A) an annuity contract described in Section 403(b) of the Code, and;

(B) an eligible plan under Section 457(b) of the Code which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Fund.

(v) for distributions made after December 31, 2007, a Roth IRA described in Section 408A(b), provided however, that prior to January 1, 2010, (i) the distributee satisfied the requirements for making a Roth contribution to such IRA, (ii) any amounts rolled over to a Roth IRA shall be taxable as required under section 408A(d)(3)(A), and (iii) neither the Retirement Board nor the Trustee shall be responsible for determining whether the distributee was eligible to make a rollover to a Roth IRA.

(c) A portion of a distribution shall not fail to be an eligible rollover distribution on and after January 1, 2002, merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be paid only to an individual retirement account or annuity described in Section 408(a) or (b), or, after December 31, 2007, 408A(b) of the Internal Revenue Code, or to a qualified defined contribution plan described in Section 401(a) or 403(a) of the Internal Revenue Code that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

(d) Direct rollovers shall be accomplished in accordance with procedures established by the Retirement Board. If an election is made to have only a part of an eligible rollover distribution paid in a direct rollover, the amount of the direct rollover must total $500 or more. If the Member, the Member's surviving spouse, or the Member's alternate payee does not make a timely election whether or not to roll over the distribution, such distribution shall be made directly to the applicable individual.

(11) Distribution Limitation –

Notwithstanding any provision of the Fund to the contrary, payment of a Member's allowance shall commence no later than the April 1 of the calendar year following the calendar year in which the Member attains age 70½ or retires, if later. In addition, all distributions from the Fund shall conform to the regulations issued under Section 401(a)(9) of the Internal Revenue Code, including the incidental death benefit provisions of Section 401(a)(9)(G) of the Internal Revenue Code. Furthermore, if a Member dies before payment of his retirement allowance has begun, then distribution of any benefit payable hereunder to a beneficiary or beneficiaries of the Member shall be made by or shall commence by the December 31 of the calendar year immediately following the calendar year in which the Member died. Further, such regulations shall override any Fund provision that is inconsistent with Section 401(a)(9) of the Internal Revenue Code.

(12) Effective December 6, 2012, any Member who is hereafter convicted or pleads guilty to any felony of Federal Law or State Law, which arises out of their service to the MBTA or out of service to a Collective Bargaining organization representing MBTA employees, shall thereupon be ineligible to receive any benefit under the Plan.

Where a Member has not yet retired and is not receiving a benefit at the time their eligibility ends under this provision, they shall be entitled to withdraw their own contributions, plus accrued interest as provided by the Plan for such withdrawals.

Where a Member has retired and is receiving a benefit at the time their eligibility ends under this provision, the Member may opt to withdraw from the pension fund their own contributions plus accrued interest as may be provided by the Plan for such withdrawals, only to the extent that the amount withdrawn is equal to their own contributions less benefits paid to the Member.

If the conviction is later reversed or the plea set aside, or either is expunged from the Member's record by Order of a Court, the Member's eligibility shall be restored together with benefits withheld, conditioned upon full repayment by the Member of contributions withdrawn and accrued interest.

ARTICLE V – Contributions

(1) Contributions by Members –

(a) Effective July 1, 2006, the Members' Required Contribution established by the December 31, 2004 actuarial valuation shall be increased or decreased by one-fourth of the change (expressed as a percent of compensation) in the Total Required Contribution Rate between the December 31, 2004 actuarial valuation and the December 31, 2005 actuarial valuation. Thus, in the event total required contributions decrease from the December 31, 2004 base, each Member shall receive one-quarter of such reduction; if total required contributions increase from the December 31, 2004 base, each Member shall pay one-quarter of such increase. Subsequent adjustments in Member contribution rates (effective on and after July 1, 2007) shall be based on the change from the total required contribution rate established by the December 31, 2004 actuarial valuation and applied to the Members' Required Contribution established by the December 31, 2004 actuarial valuation.

(b) The Authority shall deduct such contributions from the compensation of each Member on each and every payroll, and shall transmit the sums so deducted to the Fiduciary.

(c) In determining the compensation of a Member in a payroll period, the Authority may, with the approval of the Retirement Board, to facilitate the making of deductions, consider the rate of compensation payable to the Member on the first day of the payroll period as continuing through the payroll period, and it may omit deductions from compensation for a period less than a full payroll period if an employee was not paid or was not a Member as of the first day of the payroll period, and may make such other modifications as shall not substantially change the contributions of Members.

(d) For purposes of this Article V, the term "Required Contribution Rate" shall mean the percent of compensation required as the normal contribution, plus the percent of compensation required to pay interest on the excess of actuarial liabilities net of adjusted assets, plus an allowance for anticipated administrative expenses expressed as a percent of compensation, all as shown on the actuarial valuation prepared by the actuary for the Fund.

(e) A Member receiving pension benefits shall have deducted from such pension the health insurance contribution, if any, required under Article 115C of the Collective Bargaining

Agreement between Local Union 589, ATU and the Massachusetts Bay Transportation Authority and any contributions made to the General Insurance Commission as provided under applicable state law.

(2) Contributions by Authority –

(a) Commencing July 1, 2006, the Authority shall contribute to the Fund the difference between the Total Required Contribution Rate and the Members' Required Contribution Rate.

(b) Any and all contributions made to the Fund by the Authority shall be irrevocable and shall be transferred by the Authority to the Fiduciary, to be used in accordance with the provisions hereof in providing the benefits and paying the expenses of the Fund, and neither such contributions nor any income therefrom shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and Retired Members or their beneficiaries under the Fund.

(3) IRC Section 414(h)(2) –

(a) The Authority shall "pick-up", within the meaning of IRC Section 414(h)(2), the employee contribution required of all Members in the MBTA Retirement Fund.

(b) In exchange for such "pick-up", all Members shall agree to reduce their Compensation (as defined in the Retirement Fund) by the amount "picked up" by the Authority.

(c) The Authority and the Union acknowledge that the additional Authority contributions paid to the Fund by the terms of this agreement shall, as permitted by IRC Section 414(h)(2), be considered employee contributions for all purposes of the Fund and included as employee compensation as defined by the Plan.

(4) In the event that Member contributions required under Section (1)(a) above fall below four percent (4%) of compensation, the actual Member contribution shall be fixed at four percent (4%) nevertheless. The amount by which the Members' actual contributions exceed their required contributions shall be segregated and accumulated within the Fund at the actuary's assumed rate of investment return. This segregated account (the Members' Excess Contributions Accounts) may be used at the sole discretion of the Union to (i) offset the Members' share of any increases in required contribution which may be required during the course of the Agreement; or (ii) fund benefit improvements which shall be subject to negotiations during the next round of bargaining and made effective no earlier than July 1, 2018.

(5) Notwithstanding the cost-sharing requirements under Article V(1)(a), the cost of the post-retirement adjustments effective July 1, 2006 as provided under Article IV(6) shall be financed by the Members with the assets accumulated in the Members' excess contribution account established under Article V(4).

ARTICLE VI - Administration of Fund

(1) The general administration of the Fund and the responsibility for carrying out the provisions hereof shall be placed in a Retirement Board of seven persons appointed or elected to office as follows:

(a) Three persons appointed by the Authority from time to time to serve at the pleasure of the Authority, at least one of whom shall be a Director.

(b) One Member of the Fund elected by vote conducted by the Authority for a term of three years by Members of the Fund who are not members of the Union.

(c) Two Members of the Fund to be designated by the Union to serve at the pleasure of the Union.

(d) One person, to be known as the honorary member who shall have no vote except as hereinafter provided, to be elected, for such period as the Retirement Board may determine, by the other six (6) members of the Retirement Board. In the event the Retirement Board is unable to reach a decision on a replacement for the currently elected honorary member, disputes arising under Article VI, Section 5, shall be submitted to final and binding determination on a case by case basis before a temporarily appointed honorary member. Such temporary shall substitute for the Retirement Board's invitation to the honorary member to cast the deciding vote only for as long as the Retirement Board fails to elect a new honorary member. The temporary shall be selected from a list of seven (7) persons qualified to decide pension administrative issues, furnished by the American Arbitration Association. In an order determined by lot, each Board member shall be entitled to strike one name from the list until one name remains.

Upon election of the Honorary Board Member, said member shall serve a term of up to three (3) years which may be renewed, without limit to the number of terms, by vote of the Board. The Board retains the authority to terminate the services of the Honorary Board Member at any time.

(e) Each member of the Retirement Board other than the honorary member shall have an alternate who shall have been elected or appointed in the same manner and for the same terms as his principal, and who may act as a member of the Retirement Board in the absence of his principal and when so acting shall be deemed a member of the Retirement Board.

(2) Any person appointed or elected a member of the Retirement Board shall signify his acceptance by filing written acceptance with the Authority and with the Secretary of the Retirement Board. Any member of the Retirement Board may resign by delivering his written resignation to the Authority and Secretary of the Retirement Board. If a vacancy occurs in the office of a member of the Retirement Board, it shall be filled in the same manner as the office was previously filled.

(3) The members of the Retirement Board shall elect a Chairman, from its members, and a Secretary who shall not be one of the members of the Retirement Board, and may appoint from their number such committees with such powers as they shall determine; may authorize one or more of their number or any agent to execute or deliver any instrument or make any payment on their behalf, and may employ such actuarial and other special professional services not available in the Authority as they may require in carrying out the provisions hereof.

(4) The Retirement Board shall hold monthly meetings upon such notice, at such place or places, and at such time or times as it may from time to time determine. A quorum shall consist of four (4) members, two (2) of whom shall be members appointed by the Board of Directors of the Massachusetts Bay Transportation Authority, and two of who shall be members designated under either section 1(b) or 1(c) of this Article to represent employees.

(5) At least four (4) votes, including the votes of at least two (2) members appointed by the Board of Directors of the Massachusetts Bay Transportation Authority, and the votes of at least two (2) members designated under either section 1(b) or 1(c) of this Article shall be necessary for a decision of the Retirement Board, except that in the event of a failure to so reach a decision, the Retirement Board shall invite the honorary member to cast a vote at the next meeting of the Retirement Board. His vote, together with the votes of a least two (2) members appointed by the Board of Directors of the Massachusetts Bay Transportation Authority or of at least two (2) members designated under either section 1(b) or 1(c) of this Article, shall be deciding. As used herein, "decision" shall include any action taken by the Retirement Board in the exercise of powers granted it under this Agreement. Whenever the Retirement Board is directed, in accordance with the provisions hereof, to invite the honorary member to cast a vote, any member of the Retirement Board is hereby specifically empowered to extend such invitation.

(6) The Retirement Board shall have no power to adopt a less restrictive rule either as to the composition of a quorum than that specified in section (4) above, or as to the vote required to reach a decision than that specified in section (5) above, notwithstanding any previous rule, regulation or precedent of any kind to the contrary.

(7) No member of the Retirement Board shall receive any compensation for his services as such, except that the member of the Retirement Board elected pursuant to section (1)(d) of this Article may receive such per diem compensation for attendance at meetings as the other members of the Retirement Board shall determine. No bond or other security need be required of any member of the Retirement Board in such capacity in any jurisdiction.

(8) Subject to the limitations hereof, the Retirement Board from time to time shall establish rules for the administration of the Fund and the transaction of its business and shall publish, in the Annual Report, a statement of Members' rights, as it presently appears in Members' Bill of Rights and Standards for Reporting and Confidentiality, Article 1 Section 1.1 – Information and Disclosure, and Article 1 Section 1.2 – Availability of Board Records. The determination of the Retirement Board as to any disputed question not reserved to the Union or the Authority, shall be conclusive.

(9) As an aid to the Retirement Board in fixing the rates of contributions payable to the Fund, the Actuary designated by the Retirement Board shall make annual actuarial valuations of the contingent assets and liabilities of the Fund, and shall certify to the Retirement Board the rates which he would recommend for use by the Retirement Board.

(10) The Retirement Board shall maintain accounts showing the fiscal transactions of the Fund, and shall keep in convenient form such data as may be necessary for actuarial valuations of the Fund. The Retirement Board shall prepare annually a report showing in reasonable detail

the assets and liabilities of the Fund and giving a brief account of the operation of the Fund for the past year. Such report shall be filed in the office of the Fund, where it shall be available for review by any Member of the Fund.

(11) The members of the Retirement Board shall use ordinary care and diligence in the performance of their duties, but no member shall be personally liable by virtue of any contract, agreement, bond or other instrument made or executed by him or on his behalf as a member of the Retirement Board; nor for any mistake of judgment made by himself or any other member of the Retirement Board; nor for any loss, unless resulting from his own gross negligence or willful misconduct; and no member of the Retirement Board shall be liable for the neglect, omissions or wrongdoing of any other member thereof, or of the agents or counsel of the Retirement Board.

(12) At the request of either Party, the Retirement Board shall provide access to data and information necessary for either Party to conduct, at its own expense, an independent actuarial valuation of the Plan.

(13) The Retirement Board shall disclose to the Authority at least monthly, and to the Union upon request, full and complete information concerning total annual and monthly pension benefit contributions for all employees and retirees, including name, position, annual salary, monthly and annual pension payment, age, and number of years in service at retirement in a format capable of being uploaded by the Authority to Open Checkbook to the extent that such information is available to the Retirement Board. The Authority shall be permitted but not required to disclose such information publicly. In addition, the Retirement Board shall produce a Comprehensive Annual Financial Report (CAFR) following the guidelines of the Government Finance Officers Association (GFOA).

ARTICLE VII – Management of Funds

All of the assets of the Fund shall be held by the Fiduciary in trust under the Trust Agreement of the Massachusetts Bay Transportation Authority Retirement Fund entered into between the Authority, the Union and the Retirement Board as Fiduciary as of the 28th day of October, 1980, for use in providing the benefits and paying the expenses of the Fund, and no part of the corpus or income shall be used for, or diverted to, purposes other than for the exclusive benefit of Members and Retired Members or their beneficiaries under the Fund. No person shall have any interest in or right to any part of the earnings of the Trust, or any rights in, to or under the Trust or any part of the assets thereof, except as and to the extent provided in the Rules and Regulations and in the aforementioned Agreement and Declaration of Trust.

ARTICLE VIII – Certain Rights and Limitations

(1) 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 under the Fund, and for no other purpose. Each Member, and each Retired Member or his 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 his benefits bears to the total reserves required under the Fund as determined by 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.

(2) The establishment of the Fund shall not be construed as conferring any legal rights upon any employee or other person for a continuation of employment, nor shall it interfere with the rights of the Authority to discharge any employee and to treat him without regard to the effect which such treatment might have upon him as a Member of the Fund.

(3) The Authority or the Union or any other union shall have no liability for the payment of the benefits under the Fund, nor shall they have any liability for the administration of the Fund or of the assets paid over to the Fiduciary, and each Member and Retired Member or other beneficiary under the Fund shall look solely to the assets of the Fund for any payments or benefits under the Fund.

(4) In the event of the death of a Member or Retired Member who is not survived by a person designated to receive any return of his contributions, or in the event that the Retirement Board shall find that a Retired Member or other person entitled to a retirement allowance is unable to care for his affairs because of illness or accident, any benefit payments due may, unless claim shall have been made therefor by a duly appointed guardian, conservator or legal representative of his estate, be paid by the Retirement Board to the spouse, a child, a parent, or other blood relative, or to any person deemed by the Retirement Board to have incurred expense for such deceased or Retired Member, or other person enti-

tled to a retirement allowance and any such payments so made shall be a complete discharge of the liabilities of the Fund therefor, anything herein to the contrary notwithstanding.

ARTICLE IX – Non-alienation of Benefits

No benefit under the Fund shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt so to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit, except as specifically provided hereunder, and in the event that the Retirement Board shall find that any Member, Retired Member or any other beneficiary under the Fund has become bankrupt or has attempted to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit under the Fund, except as specifically provided hereunder, then such benefit shall cease and determine, and in that event, the Retirement Board shall in its absolute discretion hold or apply the same to or for the benefit of such Member or Retired Member or other beneficiary, his spouse, children, or other dependents, or any of them.

Notwithstanding the foregoing provisions, a Member, or any other beneficiary under the Fund, may give to the Retirement Board written authorization for deductions from his benefit payments of specified sums for payment of his union dues or assessments, payment to the Union Committee on Political Education and/or to one or more MBTA retiree clubs, and for payment of sums due the MBTA Employees' Credit Union, or its successor, or sums due the Authority, and such deductions may be made in accordance with such authorization and paid over to the Authority, his union, retiree club, and/or to the aforesaid Credit Union.

Notwithstanding the foregoing provisions, a Member, Retired Member or any other beneficiary under the Fund may give to the Retirement Board written authorization for deductions from his benefit payments of sums necessary for his share of the cost of any health, accident or insurance plan which may from time to time be in effect for him. Such deductions may be made in accordance with such authorizations and paid over to the payees designated or described in such authorizations.

Notwithstanding the foregoing provisions, upon written certification to the Retirement Board by the union that a Member or Retired Member has failed to make settlement with the union for unpaid dues and assessments or upon written certification to the Retirement Board by the Authority that the Member or Retired Member has failed to make settlement with the Authority for unpaid debts, the Retirement Board may deduct from his benefit payments or return of contributions and pay to the Authority and/or the union the sum necessary to discharge such indebtedness.

Notwithstanding the foregoing provisions, the Fund will adhere to the terms of qualified domestic relations orders (in compliance with 414(p)(1)(A)(i) and Section 414(p)(11) of the Internal Revenue Code, as amended) issued by a court of competent jurisdiction, provided that any such order is consistent with such rules and regulations as may be developed by the Board.

ARTICLE X – Amendments

This Agreement and the individual provisions hereof shall continue in force and be binding upon the Authority and the Union until and including the 30th day of June, 2018, and from year to year thereafter unless changed by the Parties. Either of the Parties to this Agreement desiring a change in any provision of this Agreement shall notify the other Party in writing that they desire a change sixty (60) days prior to the 30th day of June, 2018, and thereafter, sixty (60) days prior to the end of the year, which is the 30th day of June.

After such notice, this Agreement shall then be opened up and the change or changes desired shall then be considered and then, upon written request, either Party shall, within ten (10) days from date of such request, submit to the other, in writing, the specific change or changes desired. Upon failure to reach a mutual agreement upon any of the changes desired by the Parties hereto, the same shall be submitted to final and binding arbitration and the arbitration award shall then be incorporated into and become a part of this Agreement. Neither Party relinquishes any rights in the present litigation over the method of arbitration used.

No modification or amendment may be made which will deprive any Member or Retired Member or other person receiving a retirement allowance, without his consent, of any benefits under the Fund to which he would otherwise be entitled by reason of the accumulated assets held under the Fund in his account at that time and provided that no such modification or amendment shall make it possible for any part of the assets of the Fund to be used for or diverted to purposes other than for the exclusive benefit of Members and Retired Members or their beneficiaries under the Fund.

ARTICLE XI – Construction

(1) This Agreement shall be construed and administered under the laws of the Commonwealth of Massachusetts.

(2) The masculine pronoun shall mean the feminine wherever appropriate.

Investment Professionals

The MBTA Retirement Fund Board of Trustees employs a team of money managers who are among the best professionals in the financial industry. The Board has chosen the Fund's managers to complement each other in a way which is meant to produce strong and steady returns without taking on too much risk.

The Fund utilizes a broad spectrum of investment vehicles providing diversification as well as enhanced potential for growth.

The Fund's Equity (stock) Managers are chosen by the style of stocks they select, enabling the Fund to diversify its market exposure and to take advantage of all the opportunities the markets offer.

The Fund's approach to the Fixed Income Market (bonds) is a similar one. Our Fixed Income Managers invest in all types of publicly traded bonds. Each manager specializes in certain areas of the market such as Government Bonds, Mortgage Backed Securities or Corporate Debt Instruments.

The Fund's Real Estate Portfolio is diversified by property type and geographic location thus reducing the risk of overexposure to any one segment of the market.

The Fund's Alternative Investments seeks to gain the higher potential return of these markets while keeping a close check on the volatility of this asset class.

The Fund's Hedge Fund Investments seek to craft unique strategies designed to protect assets.

Below is a list of the Fund's Traditional Managers:

AFL•CIO Housing Investment Trust

AFL-CIO Housing Investment Trust, Washington, D.C. –
Hired by the Board in 1994 to manage a Fixed Income Portfolio for the Fund concentrating in construction and long-term mortgage loans.

AB AllianceBernstein

Alliance Bernstein, New York, NY –
Hired by the Board in 1992 to manage a Small Cap Equity Portfolio.

AB Amalgamated Bank America's Labor Bank

Amalgamated Bank, Washington, D.C. –
Hired by the Board in 2006 to manage the Long View Ultra I Fund.

Buckhead Capital Management, LLC

Buckhead Capital Management, LLC, Atlanta, GA –
Hired in 2003 to manage a Small Cap Value Equity Portfolio for the Fund.

DePrince, Race & Zollo, Inc. Investment Advisors

DePrince, Race & Zollo, Inc., Orlando, FL –
Hired in 2004 to manage a Large Cap Value Portfolio.

Eaton Vance Investment Managers

Eaton Vance Investment Managers, Boston, MA –
Hired by the Board in 2013 to manage a Senior Loan Fixed Income Portfolio.

Franklin Templeton Investments

Franklin Templeton Investments, Atlanta, GA –
Hired in 2011 to manage a Global Fixed Income Portfolio.

Gryphon International

Gryphon International Investment Corporation, Toronto, Canada –
Hired in 2005 to manage a Large Cap Growth Portfolio for the Fund.

Henderson Investors

Henderson Global Investors, London, England –
Hired by the Board in 1994 to run a Global Equity Portfolio concentrating in smaller companies.

Holland Capital Management

Holland Capital Management, Chicago, IL –
Hired by the Board in 2012 to manage a Large Cap Growth Equity Portfolio.

Income Research & Management, Boston, MA –
Originally hired by the Board in 2006 as a Domestic Fixed Income Manager. Additionally, in 2010, the Board approved IRM to manage a Treasury Inflation-Protected Securities (TIPS) Portfolio.

INTECH, Palm Beach Gardens, FL –
Hired in 2004 to manage a U.S. Large Cap Portfolio.

Invesco, Boston, MA –
Hired by the Board in 2012 to manage a Balanced Risk Allocation Strategy.

Loomis-Sayles & Company, L.P., Boston, MA –
Hired by the Board in 1989 to actively manage a Fixed Income Portfolio.

MORGAN STANLEY DEAN WITTER

Morgan Stanley Asset Management, New York, NY –
Hired by the Board in 1994 to manage a Global Equity Portfolio

RBC Global Asset Management, Minneapolis, MN –
Hired by the Board in 2005 to manage a Small Cap Growth Equity Portfolio.

Robeco Investment Management, Boston, MA –
Hired by the Board in 2012 to manage a Small Cap Value Portfolio.

Sands Capital Management, Inc., Arlington, VA –
Hired in 2004 as a Large Cap Growth Manager. In 2012 the Board approved the implementation of a Global Growth Strategy.

Alternative Asset Managers

The following Managers have been hired by the Retirement Board to manage small pools of assets in the non-traditional areas of Venture Capital, Private Equity, Oil and Gas. All of these investments are pooled with other investors in investment partnerships which generally have a life of 7-10 years:

ABS CAPITAL PARTNERS

ABS Capital Partners, Baltimore, MD –
Originally hired by the Board in 1994. The Board reinvested in Growth Equity Funds III & IV.

ADD Partners Ltd., London, UK –
Hired by the Board in 1999 to manage a Venture Capital Portfolio concentrating in Communications & Technology in Europe.

Angelo, Gordon & Co., New York, NY –
Hired by the Board in 2000 to manage a Growth Equity Portfolio.

AIG Capital Management Corp., New York, NY –
A Global Emerging Market Venture Capital Fund hired by the Board in 1998.

Alliance Technology Ventures, Alpharetta, GA –
Hired in 2000 to manage a Venture Portfolio concentrating in the area of Medicine and Technology. The Fund invested in ATV Fund III.

Ascent Venture Partners, Boston, MA –
The Board originally invested in Ascent in 1995 and reinvested in 2000 to manage a Venture Portfolio, Ascent III.

Boston Millennia Partners, Boston, MA –
The Board originally invested in Boston Millennia Partners' Venture Fund in 1998 and reinvested in Boston Millennia II in 2000.

Chartwell Capital Management Company, Jacksonville, FL –
In 1998 the Board invested in Chartwell Capital Investors II, L.P. to manage a Growth Equity Portfolio.

Crescendo Ventures, Palo Alto, CA –
The Board originally invested with Crescendo in 1995 and reinvested in Fund IV in 2000 to manage a Venture Portfolio.

Cross Atlantic Capital Partners, Radnor, PA –
Hired in 2000 to manage a Venture Portfolio concentrating in Technology and Communications in Ireland, England & the United States.

Dominion Ventures, Inc., Boston, MA –
Originally hired in 1993 to manage a Venture Portfolio, the Board reinvested in Fund IV in 1997 and Fund V in 1999.

Grosvenor Capital Management, Chicago, IL –
Hired by the Board in 2013 to manage Grosvenor Opportunistic Credit Fund III.

THE HALIFAX GROUP

The Halifax Group, Washington, DC –
The Board invested in Halifax Buyout Fund II in 2006.

Lazard Technology Partners, New York, NY –
The Board hired Lazard Technology Partners II in 2000 to manage a Buyout Portfolio.

Lexington Partners, Boston, MA –
Originally hired by the Board in 2005 to manage Secondary Fund of Funds. The Board reinvested in Lexington Partners VI in 2006, Middle Market Fund II in 2008, Lexington Partners VII in 2009 and Middle Market III in 2013.

Lightspeed Venture Partners, San Francisco, CA –
The Board first invested in Lightspeed Venture Fund III in 1994, reinvested in Fund IV in 1997, Fund V in 1999, and Fund VI in 2000.

Morgan Stanley Global Emerging Markets, New York, NY –
The Board first invested in this Global Emerging Markets Private Equity Fund in 1998.

New Mountain Capital, New York, NY –
Originally hired by the Board in 2000 to manage Buyout Funds. The Board reinvested in Fund II in 2004 and Fund III in 2007.

Oaktree Capital Management, L.P., Los Angeles, CA –
Hired by the Board in 2010 to manage a Corporate Delay Portfolio. The Fund invested in Mezzanine Fund III class A & B.

Och-Ziff Capital Management Group, New York, NY –
Hired by the Board in 2011 to manage an Energy Fund.

Opus Capital Ventures, LLC, Menlo Park, CA –
Hired by the Board in 2006 to manage the Venture Portfolio, Opus Capital Venture Partners V.

Pacific Venture Group, Encino, CA –
The Board invested in Venture Fund II, L.P in 1998.

Paul Capital, New York, NY –
Hired by the Board in 2008 to manage the Mezzanine Portfolio, Paul Capital Healthcare III.

Pharos Capital Group, LLC, Dallas, TX –
Originally hired by the Board in 1998 to manage a Growth Equity Portfolio. The Board reinvested in Fund II in 2003 and Fund III in 2012.

Progress Investment Management Company, San Francisco, CA –
The Board invested in this group of Venture Capital Funds in 1999.

Quadrangle Capital Partners, New York, NY –
The Board hired, Buyout Fund, Quadrangle Capital Partners II in 2005.

SCP Private Equity Partners, L.P., Wayne, PA –
The Board originally invested in SCP Private Equity Partners I in 1996 and reinvested in SCP II in 2000.

Siguler Guff & Company, New York, NY –
Originally hired by the Board in 2006 to manage the Distressed Opportunities Fund II. The Board reinvested in the Distressed Opportunities Fund III and the BRIC Opportunities Fund II in 2008.

Silicon Valley Bank, Santa Clara, CA –
Hired by the Board in 2007 to manage the Venture Fund, SVB II and the Strategic Investors Fund III.

Alternative Asset Managers *(continued)*

Standard Life Investments, Edinburgh, Scotland, UK –
Originally hired by the Board in 2000 to manage Buyout Fund, ESP I. The Board reinvested in ESP II in 2004, ESP 2006B in 2007 and ESP2008A in 2008.

Sterling Capital Partners, Northbrook, IL –
Originally hired by the Board in 2008 to mange the Growth Equity Portfolio, Sterling Capital Partners I. The Board reinvested in Sterling Partners II in 2005, Sterling Partners III in 2007 and Sterling Partners IV in 2012.

TCW Crescent Mezzanine, Los Angeles, CA –
Hired by the Board in 2008 to manage a Mezzanine Portfolio.

TH Lee Partners, L.P., Boston, MA –
Hired by the Board in 2006 to manage the Thomas H. Lee Equity Fund VI, Buyout Portfolio.

Thomas Weisel Partners LLC, Boston, MA –
Hired by the Board in 2003 to manage the Secondary Fund of Fund Portfolio, Thomas Weisel Global Secondary Fund II.

Vanguard Ventures, Palo Alto, CA –
The Board originally invested in the Venture Portfolio in 1998 and reinvested in Fund VII in 2000.

Venture Lending & Leasing, Inc., New York, NY –
The Board invested in Venture Lending & Leasing Fund I in 1994, and reinvested in Fund II in 1997, Fund III in 2000, Fund IV in 2004, Fund V in 2006, Fund VI in 2010 and Fund VII in 2012.

Wellington Partners Venture Capital, Munich, Germany –
Hired by the Board in 2000 to manage a Venture Portfolio concentrating in Technology and Communications in Germany. The Board invested in their Fund IIA.

W.L. Ross & Co., LLC, New York, NY –
Originally hired by the Board to manage a Distressed Securities Fund in 1997. The Board reinvested in WLR Recovery Fund V in 2011.

White Oak Global Advisors, LLC, San Francisco, CA –
Portfolio of credit based strategies transferred to the Fund in 2013.

Z Capital Partners, New York, NY –
Hired by the Board in 2013 to manage Z Capital Special Situations Fund II.

Real Estate

The Fund invests in a number of Pooled Real Estate Funds. These funds are generally several hundred million dollars or more in size and are made up of a number of Real Estate Investments with the type of property (i.e. office buildings, apartments, industrial, etc.) varying from fund to fund. The MBTA Retirement Fund's Real Estate Portfolio is well diversified by property type, size and geographical location. The following managers invest money for the Fund in Real Estate:

AFL-CIO Building Investment Trust, Washington, D.C. –
Hired by the Board in 2007 to manage an Open-Ended Building Investment Trust.

ARES Commercial Real Estate Corporation ***(formerly VEF Advisors),*** New York, NY –
Originally hired by the Board in 1993 as a Closed End/Opportunistic Manager. The Board reinvested in VEF Fund II in 1996 and VEF Fund IV in 1999.

Colony Investors, L.P., Los Angeles, CA –
The Fund invested in 2005 in Colony Investors VII, L.P., a Closed-End/Opportunistic Fund.

Intercontinental Real Estate Corporation, Boston, MA –
Originally hired by the Board in 1999 as a Closed End/Value Add Manager. The Board reinvested in the Closed End/Core Plus Fund III in 2001 and in the US-REIF in 2008.

JPMorgan Asset Management, New York, NY –
Invested in 2005 in JPMorgan-Special Situation Property Fund, an Open-Ended/ Value-Add Manager.

Multi-Employer Property Trust, ***(formerly Landon Butler & Co.),*** Washington, DC –
The Board invested in the Multi-Employer Trust in 1989. This fund invests in new construction which is 100% Union built.

Pearlmark Real Estate Partners ***(formerly Transwestern),*** Chicago, IL –
Originally the Board invested in the Value Add Manager in 1999. The Board reinvested in Aslan Realty Partners III in 2005, Pearlmark Multifamily Partners in 2007 and Pearlmark Mezzanine Partners in 2008.

Prudential Asset Management, Parsippany, NJ –
This portfolio invests in assisted living properties for seniors. Invested in 2005 in Prudential Senior Housing Partners III L.P.

Siguler Guff & Company, New York, NY –
The Board invested in the Distressed Real Estate Opportunities Fund in 2010.

TA Associates Realty, Boston, MA –
Originally the Board hired TA Associates in 1987 to manage a Value Add Portfolio. The Board has invested in seven funds TA Associates manages. The Board reinvested in Funds VII, VIII, and IX in 2004, 2006 and 2008 respectively.

Hedge Fund Managers

The Fund has further diversified its investments by employing the following Hedge Fund Managers:

Entrust Capital, New York, NY –
Hired in 2007 to manage a Hedge Fund of Funds portfolio.

Silver Creek Capital Management, Seattle, WA –
Hired in 2003 to manage a Core Fund of Funds Portfolio for the Fund.

The Rock Creek Group, Washington, DC –
Hired in 2010 to manage a Fund of Fund Portfolio.