



MBTA
RETIREMENT
FUND

MBTA Retirement Fund Strategic Plan (2020-2023) Progress Report to the MBTA Retirement Board

July 17, 2020

John P. Barry

MBTARF Strategic Plan (2015-2019) – Accomplishments

In 2019, the MBTARF completed the final year of its 2015-2019 Strategic Plan. Accomplishments achieved pursuant to that Plan include:

» **Goal A - Improve financial reporting, accountability and transparency**

- Produced the Fund's first four (4) CAFRs following GFOA Guidelines (received three (3) Certificate(s) of Excellence)
- Supplied the MBTA and Commonwealth with information for the "Open Checkbook" and "CTHRU" initiatives
- Complied with the Public Records Law (PRL)

» **Goal B - Cultivate a high-performing, professional and innovative organization**

- Hired and Developed Professional Staff
- Conducted Annual In-Service Trainings/Adopted Best Practices
- Fostered a "Customer Service" Culture

» **Goal C - Develop a technologically sophisticated infrastructure to better serve members and retirees**

- Developed and Maintained the Fund's Website
- Incorporated Information Governance, Information Technology, Cybersecurity Protections and related Best Practices
- Improved Pension Benefit Service and Software Performance – *(PTG rollout)*

» **Goal D - Adopt fiduciary and governance "best practices" to attain the highest levels of ethics and accountability**

- Updated Fiduciary Standards and Investment Policy Statement (IPS) – Conducted Board Training
- Improved Internal Investment Compliance Procedures
- Developed a Self-Reporting Working Relationship with PERAC

Development of 2020-2023 Strategic Plan – “Project 2020”

- » **Project 2020.** The Project 2020 Team (comprised of Fund management and its outside counsel) developed a new, transformative Strategic Plan. Unveiled for Board review and feedback at the February 2020 meeting, the Strategic Plan covers the four (4) year period commencing in 2020 and ending in 2023 with the 75th Anniversary of the Fund’s founding in 1948.
- » **Methodology.** The Project 2020 Team collected and analyzed information, utilizing the methods described below, in order to develop long term goals, specific objectives within those goals, and targeted strategic initiatives designed to achieve each objective.
 - **Staff Surveys.** The Project 2020 Team developed an online survey for Fund staff to deliver input anonymously. The survey prompted staff to conduct individual SWOT analyses to identify the Fund’s strengths, weaknesses, opportunities, and threats. This process served to increase staff awareness of organization-wide initiatives and provided a meaningful opportunity for management to extract valuable, constructive and honest feedback from staff.
 - **Senior Staff Interviews.** The Project 2020 Team interviewed Fund senior staff to review the Fund’s prior strategic plan and assess the effectiveness and impact of its strategic initiatives and objectives.
 - **Stakeholder and Service Provider Feedback.** The Project 2020 Team interviewed, and obtained input and feedback, from relevant third parties including Segal Marco, CMIT, and PERAC.
- » **Industry Best Practices.** The Project 2020 Team evaluated the information collected from the methods described above and evaluated comparable strategic plans to ensure the Fund’s planning was comprehensive and aligned with current pension industry best practices.

MBTARF Strategic Plan (2020-2023) – Overview

- » **Vision.** A trusted pension industry leader respected by our members and stakeholders for our integrity, accountability and service.
- » **Mission.** Provide responsible and efficient stewardship to deliver promised retirement benefits, while promoting retirement security for members and retirees.
- » **Core Values.**
 - **Accountability.** We strive to measure ourselves against the highest standards of integrity and fiscal responsibility.
 - **Integrity.** We aim to provide transparency, honesty and collaboration in our day-to-day business and all matters we encounter.
 - **Professionalism.** We maintain a professional and qualified staff, dedicated to our members and the sustainability of the Retirement Fund.
 - **Quality.** We take pride in providing high value customer service, as we aim to continuously meet or exceed the expectations of our members, retirees and their beneficiaries.
 - **Respect.** We respect the needs of our members, retirees and their beneficiaries as well as coworkers and other stakeholders, treating everyone with fairness, honesty and courtesy.
 - **Stewardship.** We recognize our fiduciary responsibility to our members, retirees and their beneficiaries as the foundation for our decision-making.

MBTARF Strategic Plan (2020-2023) – Overview (Cont.)

- » **Goal A – Enhance financial technology capabilities to support a secure and high performing customer service environment.**
 - Objective A1: Improve and modernize the Retirement Fund’s IT infrastructure.
 - Objective A2: Implement and maintain a sophisticated online self-service platform.
 - Objective A3: Educate users on upgraded technological service offerings and evaluate customer satisfaction.
- » **Goal B – Cultivate a sophisticated, professional, risk intelligent organization dedicated to customer service.**
 - Objective B1: Retain and develop a highly competent staff.
 - Objective B2: Design and implement *Kai Zen*-like processes to constantly improve benefits administration, information security and other fund practices and procedures.
 - Objective B3: Strive to create a process-based organization that optimizes performance and efficiency.
- » **Goal C – Become a recognized leader in pension benefit administration.**
 - Objective C1: Collaborate with state regulators, public pension systems and other industry stakeholders to identify innovative “best practices” and educate stakeholders about the Retirement Fund.
 - Objective C2: Achieve a level of Retirement Board ethics and fiduciary accountability that meets or exceeds industry standards.
 - Objective C3: Educate stakeholders including the public about the Retirement Fund.
- » **Goal D – Sustain and preserve a financially sound pension fund.**
 - Objective D1: Improve the long-term sustainability of the Retirement Fund.
 - Objective D2: Maintain and enhance quality financial reporting, accountability, and transparency.
 - Objective D3: Regularly convene Investment Compliance Working Group (“ICWG”) meetings to review and improve IPS and Finance Department procedures.

MBTARF Strategic Plan (2020-2023) – Progress Report

- » **Strategic Initiatives.** The following slides identify Strategic Initiatives for each Objective. A Strategic Initiative is the mechanism by which the Retirement Fund translates its Objectives into business practice.
- » **Accomplishments and Action Items.** A non-exhaustive list of accomplishments and action items for select Strategic Initiatives are described in the following slides.

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal A – Enhance financial technology capabilities to support a secure and high performing customer service environment.

- » **Objective A1:** Improve and modernize the Retirement Fund’s IT infrastructure.
 - **Strategic Initiative A1.1:** Implement technological improvements consistent with legal standards and best practices to better protect confidential information.
 - **Planning:** Enhanced mobile device management and email encryption will be completed with the Fund’s cloud migration (discussed in A1.2).
 - **Complete:** Implemented laptop hard drive encryption.
 - **Complete:** Incorporated HIPPA-compliant processes to allow for disability retirement applicants to undergo physical examinations utilizing telemedicine.
 - **Strategic Initiative A1.2:** Migrate from a traditional on-premises hosting solution to a cloud-based hosting solution and upgrade the Retirement Fund’s operating system from Windows 7 to Windows 10.
 - **Planning:** The Fund has solicited proposals from vendors for the cloud migration, which is expected to begin in the third quarter of 2020.
 - **Complete:** The Fund successfully migrated to Windows 10.
 - **Strategic Initiative A1.3:** Complete migration to an electronic records management and retention program to improve storage and retrieval, while reducing the burden of maintaining paper records.
 - **Planning:** Determining the feasibility of utilizing a digital record system for official records. PTG provided an SOW to implement a mechanism for scanning paper-based member files in PTG PensionPro.

Goal A – Enhance financial technology capabilities to support a secure and high performing customer service environment.

- » **Objective A2:** Implement and maintain a sophisticated online self-service platform.
 - **Strategic Initiative A2.1:** Implement password protected account access for members and retirees to obtain and monitor basic retirement data including pension benefit information by completing PTG Pension Pro benefit software implementation.
 - **In Progress:** The PTG Member Self-Service Portal is live on the Fund’s website. As of July 15, 2020, 300 users have registered for the PTG Member Self-Service Portal. Of those registered users, 219 are active members and 81 are retired members.
 - **Strategic Initiative A2.2:** Ensure that the Retirement Fund’s website is secure and maintained properly.
 - **Complete:** The Fund’s Manager of Information Technology and Keza implemented website updates for the Member Self-Service Portal and other items, including website layout, member and retiree account access.
 - **Complete:** The Fund updated its Privacy Policy and Terms of Use both of which are posted on website. These updates were implemented to cover enhanced website and PTG functionality.

Goal A – Enhance financial technology capabilities to support a secure and high performing customer service environment.

- » **Objective A3:** Educate users on upgraded technological service offerings and evaluate customer satisfaction.
 - **Strategic Initiative A3.1:** Identify online and traditional educational tools to educate members, retirees and their beneficiaries on the Retirement Fund's online service offerings.
 - **Planning:** The Fund anticipates rolling out educational tools related to the PTG Member Self-Service Portal (such as detailed FAQs with illustrations and a webinar).
 - **Complete:** The Fund announced its launch of the PTG Member Self-Service Portal in the June 2020 *Milestones* newsletter.
 - **Strategic Initiative A3.2:** Conduct customer satisfaction surveys and evaluate customer service delivery and offerings based on findings to improve financial technology and customer facing business processes to achieve and deliver high quality, timely, effective and efficient customer service to our members.
 - **Planning:** The Fund plans to offer rolling customer satisfaction surveys to evaluate performance of the PTG Member Self-Service Portal, and customer services related thereto.

Goal B – Cultivate a sophisticated, professional, risk intelligent organization dedicated to customer service.

» **Objective B1:** Retain and develop a highly competent staff.

- **Strategic Initiative B1.1:** Enhance and encourage employee training and development opportunities (internally and externally) and promote continuing education, cross-training, risk awareness, and knowledge transfer to ensure workforce efficiency, sustainability, and innovation.
 - **Ongoing:** Staff members are pursuing education including: (i) CFA Level II; (ii) Master’s in Business – Corporate Finance; and (iii) Master’s in Science – Industrial Org. Psychology.
 - **Complete:** The Fund conducted Massachusetts mandated social distance and sanitization training in conjunction with the Fund’s COVID-19 Return-to-Work Guide.
 - **Complete:** Management and Staff completed various CLEs on timely, cutting edge topics, such as: (i) Employment Law Issues & Opportunities in Remote Work; (ii) Cyber Security Threats and Best Practices in the Remote World of COVID-19; and (iii) Post-Quarantine Return-to-Work Guide.
- **Strategic Initiative B1.2:** Develop succession and redundancy plans to ensure availability of experienced and capable employees to assume new roles as needed and assure continuity of quality service.
 - **Planning:** To be addressed in conjunction with the reorganization of the Fund’s organizational chart described in Slide 12 (Strategic Initiative B3.3).

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal B – Cultivate a sophisticated, professional, risk intelligent organization dedicated to customer service.

- » **Objective B2:** Design and implement *Kai Zen*-like processes to constantly improve benefits administration, information security and other fund practices and procedures.
 - **Strategic Initiative B2.1:** Regularly evaluate, update and refine internal policies governing operations and management to reduce risk, enhance quality, improve discipline and encourage internal cooperation.
 - **In Progress:** The Fund developed a COVID-19 Return-to-Work Guide to govern return to office operations for employees. The Fund is monitoring local, state, and federal COVID-19 return to work guidance and updating its Return-to-Work Guide as appropriate.
 - **Complete:** The Fund conducted outreach to PERAC to determine its best practices related to PTG/benefit software, mortality vendor, remote online notarizations, and telemedicine.
 - **Strategic Initiative B2.2:** Adopt a program of assessments and audits to evaluate internal controls, policies, performance and risk, and develop improvements and enhancements to the Retirement Fund’s policies and procedures.
 - **Planning:** WISP annual review to be completed in December (this has been completed annually since 2017).
 - **In progress:** ICWG updated the IPS to account for new asset allocation targets effective 7/1/2020. IPS revisions to be reviewed by the Board at the July 17, 2020 meeting.
 - **Strategic Initiative B2.3:** Convene regular Information Governance meetings to improve information security awareness and customer facing “FinTech” processes.

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal B – Cultivate a sophisticated, professional, risk intelligent organization dedicated to customer service.

- » **Objective B3:** Strive to create a process-based organization that optimizes performance and efficiency.
 - **Strategic Initiative B3.1:** Convene “agenda-driven” monthly staff meetings to promote internal synergy and organization while increasing accountability.
 - **Ongoing:** The Fund implemented monthly staff meetings beginning in September 2019.
 - **Strategic Initiative B3.2:** Develop and evaluate standard operating procedures (SOPs) to improve efficient operations, productivity and uniformity.
 - **In progress:** The Fund is in the process of developing written standard operating procedures for the Benefits department.
 - **Strategic Initiative B3.3:** Evaluate the organizational chart and job descriptions to assure that roles match ever-evolving business responsibilities and service needs.
 - **In progress:** The Fund is obtained feedback on job descriptions and Fund organization structure from employees via Organizational Chart Evaluation Survey. Fund management will present an updated recommended organizational chart to the Board after it is developed utilizing input from information obtained from employees.

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal C – Become a recognized leader in pension benefit administration.

» **Objective C1:** Collaborate with state regulators, public pension systems and other industry stakeholders to identify innovative “best practices” and educate stakeholders about the Retirement Fund.

- **Strategic Initiative C1.1:** Meet semi-annually with PERAC and PRIM leadership and staff to discuss cutting-edge issues relevant to pension benefit administration and investment.
 - **Complete:** The Fund met with PERAC in February 2020.
 - **Planning:** The Fund is in the process of scheduling a late summer 2020 meeting with PERAC. The Fund has maintained ongoing contact with PERAC remotely during the pandemic.
- **Strategic Initiative C1.2:** Attend industry meetings and join industry trade groups to identify and adopt industry best practices to continuously improve and adapt the Retirement Fund to an ever-changing environment.
 - **Complete:** Government Finance Officers Association (GFOA) Award Management System Training.
 - **Complete:** The Interim-Executive Director attended the International Foundation of Employee Benefit Plans (IFEBP) - 65th Annual Employee Benefits Conference that covered the following topics: (i) economic outlook; (ii) managing risks; (iii) environmental, social and governance (ESG) – investment initiatives; and (iv) modern asset allocation.

Goal C – Become a recognized leader in pension benefit administration.

- » **Objective C2:** Achieve a level of Retirement Board ethics and fiduciary accountability that meets or exceeds industry standards.
 - **Strategic Initiative C2.1:** Provide fiduciary training to educate the Retirement Board Members regarding their duties of undivided loyalty, accountability and prudent investment to the Retirement Fund and its members, retirees, and their beneficiaries, both as a matter of law and pursuant to the Retirement Fund’s Fiduciary Standards and its Investment Policy Statement.
 - **Complete:** Retirement Board Member fiduciary training was conducted in January 2020.
 - **Planning:** The Fund is planning to invite the PERAC Chairman to conduct a refresher fiduciary duty and prudent investment training session at the October 2020 Board Meeting.
 - **Strategic Initiative C2.2:** Implement techniques to increase the effectiveness of management’s communication to the Retirement Board.

Goal C – Become a recognized leader in pension benefit administration.

- » **Objective C3:** Educate stakeholders including the public about the Retirement Fund.
 - **Strategic Initiative C3.1:** Increase awareness of the Retirement Fund’s unique and important historical role within the Commonwealth’s transportation and pension benefit systems.
 - **Complete:** The Fund updated its website to include additional information in the “About Us” section to help promote transparency and information sharing. Fund management encourages Retirement Board members to review the Fund’s updated “About Us” page.
 - **Strategic Initiative C3.2:** Educate stakeholders about the Retirement Fund’s achievements and its limitations, including funding challenges created through demographic forces such as disproportionate increases in retirees through increased life expectancy and decreases in active, contributing members.
 - **Complete:** The Fund announced its launch of the PTG Member Self-Service Portal and the impact of COVID-19 on the Fund’s investments in the June 2020 *Milestones* newsletter.

Goal D – Sustain and preserve a financially sound pension fund.

- » **Objective D1:** Improve the long-term sustainability of the Retirement Fund.
 - **Strategic Initiative D1.1:** Strive to ensure the long-term sustainability of the Retirement Fund by achieving the highest level of investment performance compatible with risk tolerance and prudent investment practices utilizing a highly capable and diversified external network of global investment consultants.
 - **Strategic Initiative D1.2:** Adhere to the designated asset allocation developed through actuarial studies while striving to meet or exceed the target rate of return.
 - **In progress:** ICWG updated the IPS to account for new asset allocation targets effective 7/1/2020. Board to review at 7/17/20 meeting.

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal D – Sustain and preserve a financially sound pension fund.

- » **Objective D2:** Maintain and enhance quality financial reporting, accountability, and transparency.
 - **Strategic Initiative D2.1:** Maintain effective internal controls over financial reporting and working with the auditor (KPMG) produce a Comprehensive Annual Financial Report (CAFR) compliant with the Government Accounting Standards Board (GASB) for the annual Independent Auditor’s Report.
 - **Complete:** Adopted and implemented State Street Bank’s eCFM platform (Electronic Cash Flow Module), which is a State Street Bank application that provides the Fund with the ability to electronically provide State Street Bank with authorization for the transfer of funds and foreign exchange transactions. eCFM provides a number of security features through user entitlements, an option for dual approval, industry standard encryption protocols and user authentication requirements.
 - **Strategic Initiative D2.2:** Strive to receive the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting annually.
 - **In progress:** The Fund completed and submitted its 2019 CAFR to the GFOA for consideration of Certificate of Achievement for Excellence in Financial Reporting.
 - **Strategic Initiative D2.3:** Make CAFRs and monthly, quarterly, one-, three-, five-, and ten-year investment returns publicly available via the Retirement Fund’s website.
 - **Ongoing:** This information is continuously posted on the Fund’s website as it become available.
 - **Strategic Initiative D2.4:** Evaluate and, as needed, implement technology to improve financial reporting abilities.

MBTARF Strategic Plan (2020-2023) – Progress Report (Cont.)

Goal D – Sustain and preserve a financially sound pension fund.

- » **Objective D3:** Regularly convene Investment Compliance Working Group (“ICWG”) meetings to review and improve IPS and Finance Department procedures.
 - **Strategic Initiative D3.1:** ICWG to review and continuously improve Finance Department policies and procedures including, without limitation, the Investment Policy Statement (IPS) to reduce risks and ensure internal and third-party compliance.
 - **Ongoing:** ICWG meetings held (via telephone conference) on 3/5/2020 and 4/24/2020 to discuss, and draft, required revisions to the IPS based on new asset allocation targets approved by the Board in February 2020 and effective in July 2020. IPS revisions to be reviewed by the Board at the July 17, 2020 meeting.
 - **Ongoing:** ICWG sub-committee is drafting revisions to Selection of Investment Managers policy.
 - **Strategic Initiative D3.2:** ICWG to conduct internal (Retirement Fund) reviews and coordinate external agreed upon procedures audits of IPS and other Finance department policies and procedures to determine compliance, feasibility and effectiveness of controls.

Questions?

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