



MBTA
RETIREMENT
FUND

INTERIM EXECUTIVE DIRECTOR'S MID-YEAR STATUS REPORT TO THE BOARD OF THE MBTA RETIREMENT FUND

August 21, 2020

John P. Barry

About this Mid-Year Status Report

- » **Purpose.** The purpose of this Mid-Year Report is to provide the Retirement Board with management's overview of the Fund's accomplishments, thus far in 2020 and to preview proposed actions for the remainder of 2020 (and beyond) – it is not meant to be an exhaustive report of all activities or actions items. The Retirement Board is committed to transparency, and is publicly posting this abbreviated version of the Mid-Year Report that the was originally delivered by John Barry to the Retirement Board on August 21, 2020.
- » **Continuous Improvement.** The Fund is dedicated to continuously improving its operations and customer service. Accordingly, it may revise or modify its planning for the remainder of 2020, as described in this Mid-Year Report, or thereafter, to dynamically adapt to changes in the operating environment or to otherwise reflect the needs of its membership. Member and retiree feedback is encouraged.

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MBTARF Management Report – COVID-19 Response

The COVID-19 pandemic disrupted routine Retirement Fund operations during the first half of 2020. In response, Fund Management took the following steps to ensure the personal safety of staff while maintaining quality service:

» **Consultations.**

- **Walk-In Consultations.** The Retirement Fund temporarily suspended walk-in consultations while continuing to service members, retirees, and beneficiaries through e-mail and telephone.
- **Required In-Person Consultations.** Members, retirees, and beneficiaries requiring in-person services (e.g., to complete a retirement application) may schedule in-person consultations with Retirement Fund staff. The Retirement Fund practices social distancing measures to conduct in-office consultations in separate rooms with Retirement Fund staff via a Zoom video meeting.
- **PTG Self-Service Portal.** Members and retirees have access to the newly launched PTG self-service platform that enables members and retirees to review pension benefit information, calculate pension estimates, and update certain account information by downloading fillable forms to deliver to the Retirement Fund. As of August 19, 2020, 455 users have registered for the PTG Member Self-Service Portal. Of those registered users, 344 are active members and 111 are retired members.

» **Return-to-Work Guide; Remote Work.** The Retirement Fund developed a written return-to-work guide providing instructions and guidelines for employees working during the COVID-19 pandemic, as guided by Gov. Baker's phased approach to re-opening the Commonwealth.

- **Mandated Training.** The Retirement Fund conducted mandated social distance and sanitization training in conjunction with training on its return-to-work guide on 5/21/2020.
- **Remote Work.** While the return-to-work guide provides instructions for working in the office, Retirement Fund staff are encouraged to continue to work productively from home while travelling to the office as needed for essential business purposes to service Retirement Fund membership. The Retirement Board and Fund Management's adoption of the 2020-2023 Strategic Plan enabled the Retirement Fund to employ sophisticated technology to adapt nimbly to a remote work environment.

» **Disability Medical Evaluations.** The Retirement Fund, in conjunction with its independent medical evaluation provider, has secured access to telemedicine technology (i.e. examinations using HIPAA compliant video-conferencing tools) for members requiring a physician's examination in order to apply for disability retirement benefits.

MBTARF Strategic Plan (2020-2023) – Proposed Reorganization

- » **Staff Organizational Chart Evaluation.** Pursuant to the MBTARF’s 2020-2023 Strategic Plan developed in connection with Project 2020, Strategic Initiative B3.3 requires the Retirement Fund to: “[e]valuate the organizational chart and job descriptions to assure that roles match ever-evolving business responsibilities and service needs,” Retirement Fund management surveyed staff to obtain their input on the Fund’s current structure, roles, and responsibilities. In general, the majority of Fund staff supported redefining roles and responsibilities and promoting a “flatter” cross-functional organization, particularly given that Retirement Fund’s adoption of more sophisticated FinTech operations, which has led to greater efficiencies as well as changes in job roles and responsibilities.
- » **Proposed Reorganization.**
 - **Timing.** Fund management anticipates submitting its reorganization plan for Board approval at the September Board meeting.
 - **Key Considerations.** The Retirement Fund has retained a highly sophisticated, educated and team-focused staff. Accordingly, the proposed reorganization will focus on retaining current staff and redefining job roles and responsibilities to align them with new technologies and service needs. Fund management also anticipates proposing the reallocation of funds from a retiring staff member, who will not be replaced, to staff members that are taking on additional roles and responsibilities which will produce a net savings to the Fund.

PERAC Self-Reporting

- » **Self-Reporting.** In 2010, the Fund adopted the practice of self-reporting and best practice sharing with the Massachusetts Public Employee Retirement Administration Commission (“**PERAC**”) which is responsible for the oversight, guidance, monitoring, and regulation of the 104 Massachusetts Public Pension Systems. See Slide No. 7.
- » **December 2018 Update.** On December 13, 2018, Fund management met with, and delivered a report to, PERAC representatives. After the December 13th meeting, PERAC commended the Fund for its transparency and willingness to share information with PERAC.
- » **September 2019 Update.** On September 17, 2019, Fund management met with again with PERAC representatives to discuss, among other things, the Fund’s *Project 2020* and PRIT investment compliance and monitoring issues.
- » **February 2020 Update.** On February 13, Fund management met with PERAC representatives to update PERAC concerning the MBTARF’s progress with *Project 2020* (including the Fund’s draft strategic plan) and seek advice concerning the Fund’s unclaimed property project.
- » **August 2020 Update.** On August 18, 2020, Fund management met via Zoom with PERAC representatives to update PERAC on the MBTARF’s progress with its strategic plan developed as a result of *Project 2020* and to discuss, among other things, the MBTARF’s response to COVID-19, the MBTARF’s website updates designed to increase transparency and information sharing, and investment performance.

PERAC Self-Reporting (cont.)

MBTARF Meeting Dates with PERAC – 2010-2020

- » May 6, 2010
- » October 21, 2010
- » February 16, 2011
- » June 10, 2011
(Meeting at PERAC)
- » November 3, 2011
- » September 27, 2012
- » February 6, 2014
- » May 7, 2015
- » August 27, 2015
- » December 15, 2016
- » March 30, 2017
- » December 4, 2017
- » May 24, 2018
- » December 13, 2018
- » September 17, 2019
- » February 13, 2020
- » August 18, 2020



Finance and Investment – GFOA Certificates

» **Government Accounting Standards Board (“GASB”).**

- **GASB 67 and 68 Reports.** The Fund completed, and the Board approved, the GASB 67 and 68 Reports at the May 15, 2020 Board meeting. The 2019 Audit and CAFR were approved at the June 19, 2020 Board meeting.
- **GASB 72.** The Fund completed and incorporated the required GASB 72 procedure for 2019 (this procedure measures and records the Fund’s investments using fair value measurement guidelines established by generally accepted accounting principles).

» **GFOA Certificate of Achievement.** For its 2016 CAFR, 2017 CAFR, and 2018 CAFR, the Fund received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (“**CAFR Program**”) in 1945 to encourage agencies to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize agencies that succeed in achieving that goal. Reports submitted to the CAFR Program are reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee, which is comprised of individuals with expertise in public sector financial reporting and includes financial statement preparers, independent auditors, academics, and other finance professionals.

- **2016 Certificate of Achievement.** In January of 2018, the Fund received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended December 31, 2016.
- **2017 Certificate of Achievement.** In January of 2019, the Fund received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended December 31, 2017.
- **2018 Certificate of Achievement.** In February of 2020, the Fund received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the fiscal year ended December 31, 2018.

Finance and Investment – GFOA Certificate (cont.)

2016 Award



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**MBTA Retirement Fund
Massachusetts**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

2017 Award



Government Finance Officers Association

Certificate of
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for Excellence
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**MBTA Retirement Fund
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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

2018 Award



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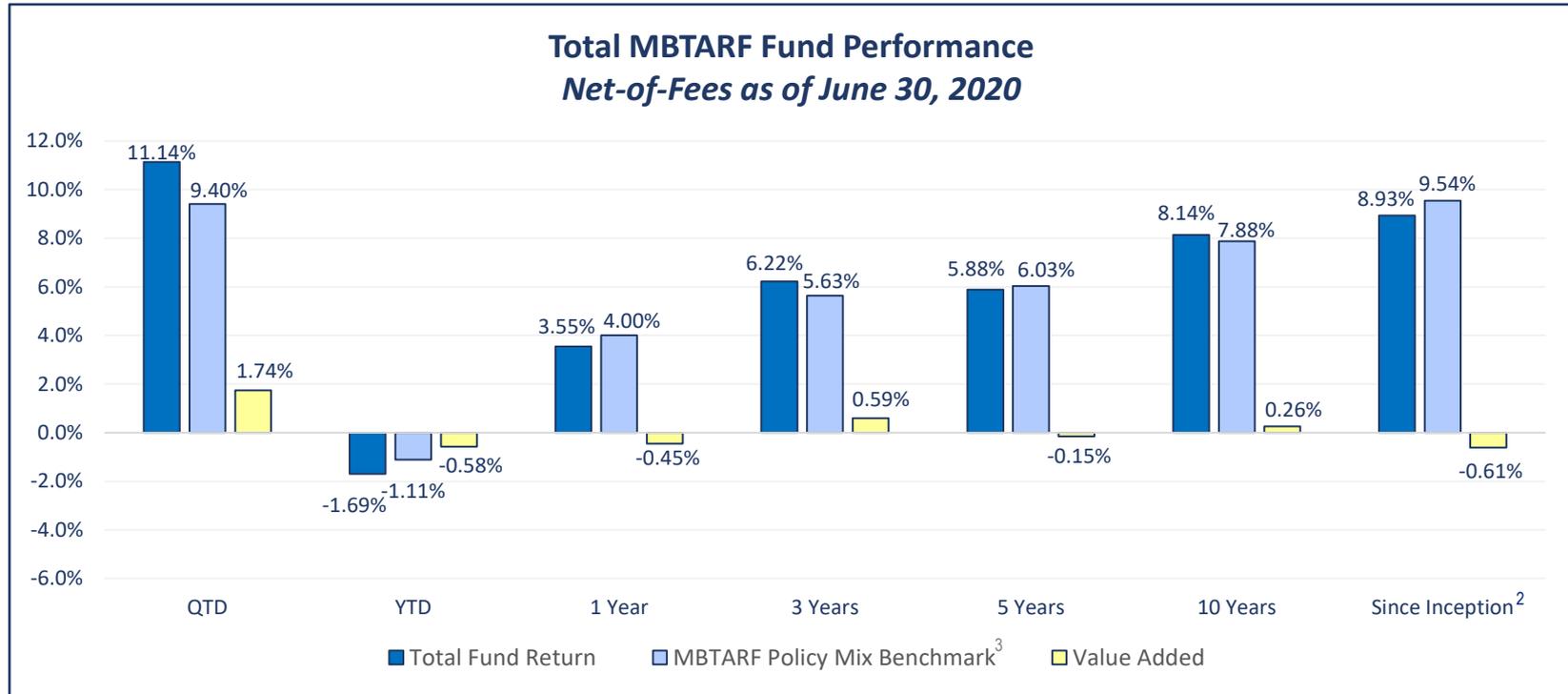
December 31, 2018

Christopher P. Morill

Executive Director/CEO

Finance and Investment – Investment Returns as of June 30, 2020

» **Rate of Returns.** MBTARF (Total Plan) Rate of Returns - Net of Fees¹ :



- » **Asset Allocation.** The Retirement Board recognizes that asset allocation decisions generally account for 90% of investment return. See IPS, p. 11.
- » The Year-to-Date return of -1.69% ranked in the 9th percentile among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.

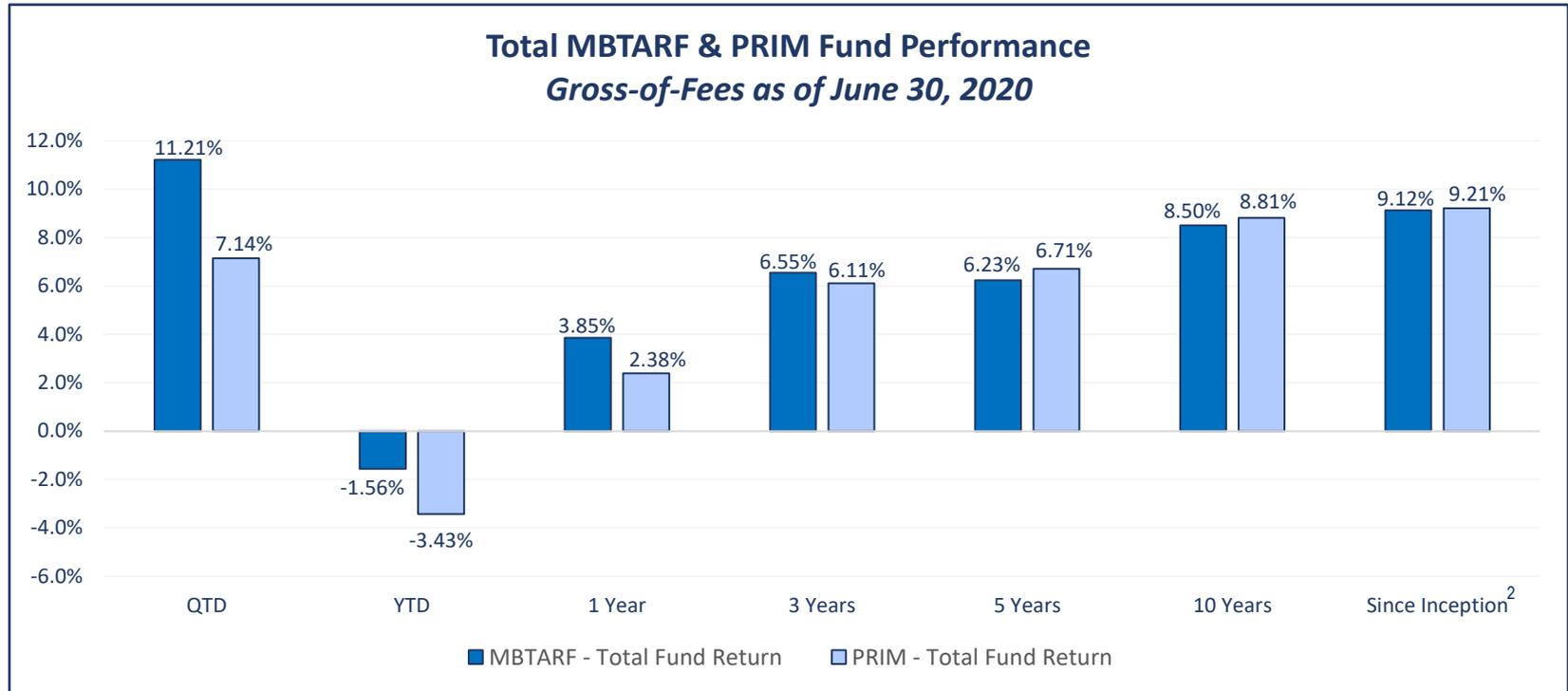
¹ These net returns for the quarter ending June 30, 2020 are preliminary. Expenses and fees are not treated uniformly in the rate of return calculations over the periods covered. .

² The inception to date return begins January 1982.

³ The Policy Index replicates the return if the Fund were passively invested in assets strictly adhering to the asset allocation targets.

Finance and Investment – Investment Performance Comparison to PRIM

» Rate of Returns. MBTARF & PRIM (Total Plan) - Gross of Fees¹



» **Total Fund Value.** As of June 30, 2020, the Fund’s preliminary total asset value was \$1,532,942,211, which is an increase of \$137,958,597 from the Fund’s March 31, 2020 asset value.³

¹ These Gross returns for the quarter ending June 30, 2020 are preliminary. Expenses and fees are treated uniformly in the rate of return calculations over the periods covered.

² The inception to date return begins January 1982.

³ The preliminary market value does not include all second quarter private equity and closed-end real estate funds for 2020.

Benefits Department – Status Report – Membership & Payments

- » **Retirement Incentives.** All retirement incentives offered by the Authority during calendar years 2016 and 2017 are no longer available. The Fund has no knowledge of any retirement incentive packages that may be offered by the Authority in the future.
- » **Meetings.** Due to COVID-19, the Fund suspended walk-in consultations and configured its phone system to instruct individuals to leave voicemails if they had benefits-related questions or otherwise required assistance. Accordingly, between March 1, 2020 and July 31, 2020, Benefits staff returned 1,586 voicemails left by such individuals. Between January 1, 2020 and July 31, 2020, Benefits staff met directly (either in-person or via Zoom) with 282 active and retired members.
- » **Membership.**
 - **Contributions.** As of August 1, 2020, there were a total of 5,538 members actively contributing to the Fund. 380 employees began to contribute to the Fund for the first time beginning in 2020.
 - **Benefits.** As of July 31, 2020, there were 6,602 Retired Members and beneficiaries receiving monthly retirement allowances. This figure only covers retirees and survivors and excludes qualified domestic relations orders (each, a “**QDRO**”). From the period beginning on January 1, 2020 and ending July 31, 2020: (i) 55 Retired Members died with an option; (ii) 95 Retired Members died without an option.

» Disability Examinations.

- **SCOPE Medical.** The Fund outsources disability examinations and reexaminations to SCOPE Medical, the provider used by the MBTA. The limited information the Fund receives in connection with these examinations and reexaminations is not subject to HIPAA as per an opinion from Fund counsel.
- **Disability Reexaminations.** As of July 31, 2020, 95% of payees in the disability pool have been retested. The disability pool refers to payees who (i) receive a Disability Retirement Allowance; (ii) have received a minimum of 24 payments; and (iii) have not met their normal retirement date (the first day of the month coincident with or next following the sixty-fifth anniversary of an employee's date of birth).

» **Member Benefits - Legal Claims.** As of this date there is one pending legal case brought by a member and a retiree, respectively, asserting benefit entitlements based on “back pay” settlement calculations that the Fund is vigorously defending as improper “spiking”.

» **CTHRU.** The Comptroller's CTHRU initiative has replaced the Commonwealth’s “Open Checkbook” website. The Fund delivers member and retiree information to the Commonwealth on a monthly basis including: Retiree Number, Employee Number, First and Last Name, Monthly Benefit, Annual Benefit, Compensation Offset or Court Order, Date of Retirement and Age at Retirement. The Comptroller has implemented this initiative under its powers and initiatives set out in M.G.L. c. 7A.

Benefits Department – Status Report – Benefits SOPs

- » **Overview.** In accordance with Strategic Initiative B3.2 (“[d]evelop and evaluate standard operating procedures (SOPs) to improve efficient operations, productivity and uniformity”) and to address the Fund’s changes in its standard practices based on technological enhancements (including the PTG implementation), the Fund has begun a project to develop SOPs for the Benefits Department. The Benefits Department SOPs will be written, standard, uniform, objectively measurable work flow procedures for the Benefits Department to follow that have the ability to be audited by a third party (and will include member consultation procedures, retirement procedures, disability procedures, QDRO procedures, contribution refund procedures, and unclaimed property procedures). The development of the Benefits Department SOPs will also require legal review and update of the Benefits Department forms to assure consistency and compliance with the Pension Agreement and applicable law.
- » **Current Status.** The Fund has convened an internal KPMG “lessons learned” meeting with the Finance Department to solicit relevant auditor feedback applicable to the development of the Benefits Department SOPs. The Fund has also conducted outreach to PERAC to identify a well-run Ch. 32 system to share benefits administration best practices and lessons learned related to the development of benefits procedures. PERAC selected the Middlesex County Retirement System as an appropriate model and the Fund is in the process of scheduling a meeting.

Questions?

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