



MBTA
RETIREMENT
FUND

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

August 20, 2021

John P. Barry

About this Mid-Year Status Report

- » **Purpose.** The purpose of this Mid-Year Status Report is to provide the Retirement Board with management’s overview of the Retirement Fund’s accomplishments thus far in 2021 and to preview proposed actions for the remainder of 2021 (and beyond) – it is not meant to be an exhaustive report of all activities or actions items. While respecting the bounds of confidentiality and privacy, the Retirement Board is committed to transparency, and is publically posting this abbreviated version of the Mid-Year Status Report that was originally delivered by John Barry to the Retirement Board on August 20, 2021.
- » **Continuous Improvement.** The Retirement Fund is dedicated to continuously improving its operations and customer service. Accordingly, it may revise or modify its Strategic Plan (*Project 2020*), as described in this Mid-Year Status Report, or thereafter, to dynamically adapt to changes in the operating environment or to otherwise reflect the needs of its membership. Feedback is encouraged.

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MBTARF Strategic Plan (2020-2023) – Operational Calendar and Staff Reorganization

» Operational Calendar.

- **Annual Schedule.** With its staff reorganization plan in place, see below, and in furtherance of its Strategic Initiatives – e.g. B3.2 (develop and evaluate standard operating procedures (SOPs) to improve efficient operations, productivity and uniformity), Fund Management proposes the formal adoption of an Operational Calendar to help establish and guide MBTARF activities annually.
- **Key Elements.** The Operational Calendar captures basic recurring events including, without limitation, Board Meetings, Staff Meetings, Manager Reviews, Payroll, Actuarial and Audit Interim ED Reporting, In-Service Training, and Work Group Meetings (e.g., Information Governance, Investment Compliance, Benefits SOPs, Unclaimed Property, and the like).

» **Staff Reorganization Update.** Pursuant to the MBTARF’s 2020-2023 Strategic Plan developed in connection with Project 2020, *an update of which is being separately posted*, Strategic Initiative B3.3 committed the Retirement Fund to: “[e]valuate the organizational chart and job descriptions to assure that roles match ever-evolving business responsibilities and service needs.” Last year Retirement Fund management, with input from staff, redefined the Fund’s structure, roles, and responsibilities producing a “flatter” cross-functional, service-oriented organization more reliant on sophisticated FinTech operations, leading to changes in job roles and increased efficiencies. The staff reorganization plan was approved by the Board. The PERAC Chair then assisted with implementation of the reorganization plan and provided an independent assessment of Fund operations.

PERAC Self-Reporting

- » **Self-Reporting.** In 2010, the Retirement 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.
- » **December 2018 Update.** On December 13, 2018, Retirement Fund management met with, and delivered a report to, PERAC representatives, including both the retiring Executive Director, and the incoming Executive Director. 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, Retirement Fund management met with PERAC representatives, including the Executive Director, to discuss, among other things, the MBTARF’s Project 2020 and PRIT investment compliance and monitoring issues.
- » **February 2020 Update.** On February 13, 2020, Retirement Fund management met with PERAC representatives, including the Executive Director, to update PERAC concerning the MBTARF’s progress with Project 2020 (including the MBTARF’s draft strategic plan) and seek advice concerning the MBTARF’s unclaimed property project.
- » **August 2020 Update.** On August 18, 2020, Retirement Fund management met via Zoom with PERAC representatives, including the Executive Director and the Assistant Deputy Director, to update PERAC on the MBTARF’s progress with its Strategic Plan and to discuss, among other things, the MBTARF’s response to COVID-19; the MBTARF’s website updates designed to increase information sharing; and investment performance.
- » **March 2021 Update.** On March 11, 2021, Retirement Fund management participated in a Zoom meeting with PERAC representatives, including the Executive Director and the Assistant Deputy Director, to update PERAC on the MBTARF’s COVID-19 response as well as its progress on its Strategic Plan.

PERAC Self-Reporting (cont.)

MBTARF Meeting Dates with PERAC – 2010-2021

- » 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
- » March 11, 2021



MBTARF Management Report – COVID-19 Response – Update

The COVID-19 pandemic caused less disruption to Retirement Fund operations during the first half of 2021 than during the prior year. Fund Management kept the following operational measures in place 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 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 6, 2021, 1,410 users have registered for the PTG Member Self-Service Portal. Of those registered users, 1,000 are active members and 410 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. Although the Commonwealth has loosened COVID restrictions, to ensure safety, 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. Fund Management is monitoring the MBTA's consideration of a mandatory COVID-19 vaccination policy and will likely mirror that policy for Fund staff. 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, 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.

Finance and Investment – GFOA Certificates

- » **Government Accounting Standards Board (“GASB”).** The Fund completed, and the Board approved, the GASB 67 and 68 Reports at the May 21, 2021 Board meeting. The Fund also completed and incorporated the required GASB 72 procedure for 2020 as a part of the 2020 Audit (this procedure measures and records the Fund’s investments using fair value measurement guidelines established by generally accepted accounting principles).
- » **Audit and Annual Report.** The 2020 Audit and Annual Comprehensive Financial Report (“**ACFR**”) were approved at the June 18, 2021 Board meeting.
- » **GFOA Certificate of Achievement.** For the last four years, the Fund received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its ACFR. The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (“**Financial Reporting 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 Financial Reporting 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 ACFR 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 ACFR 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 ACFR for the fiscal year ended December 31, 2018.
 - **2019 Certificate of Achievement.** In February of 2021, the Fund received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the fiscal year ended December 31, 2019.

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
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, 2017

Christopher P. Morill
Executive Director/CEO

2018 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, 2018

Christopher P. Morill
Executive Director/CEO

2019 Award



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**MBTA Retirement Fund
Massachusetts**

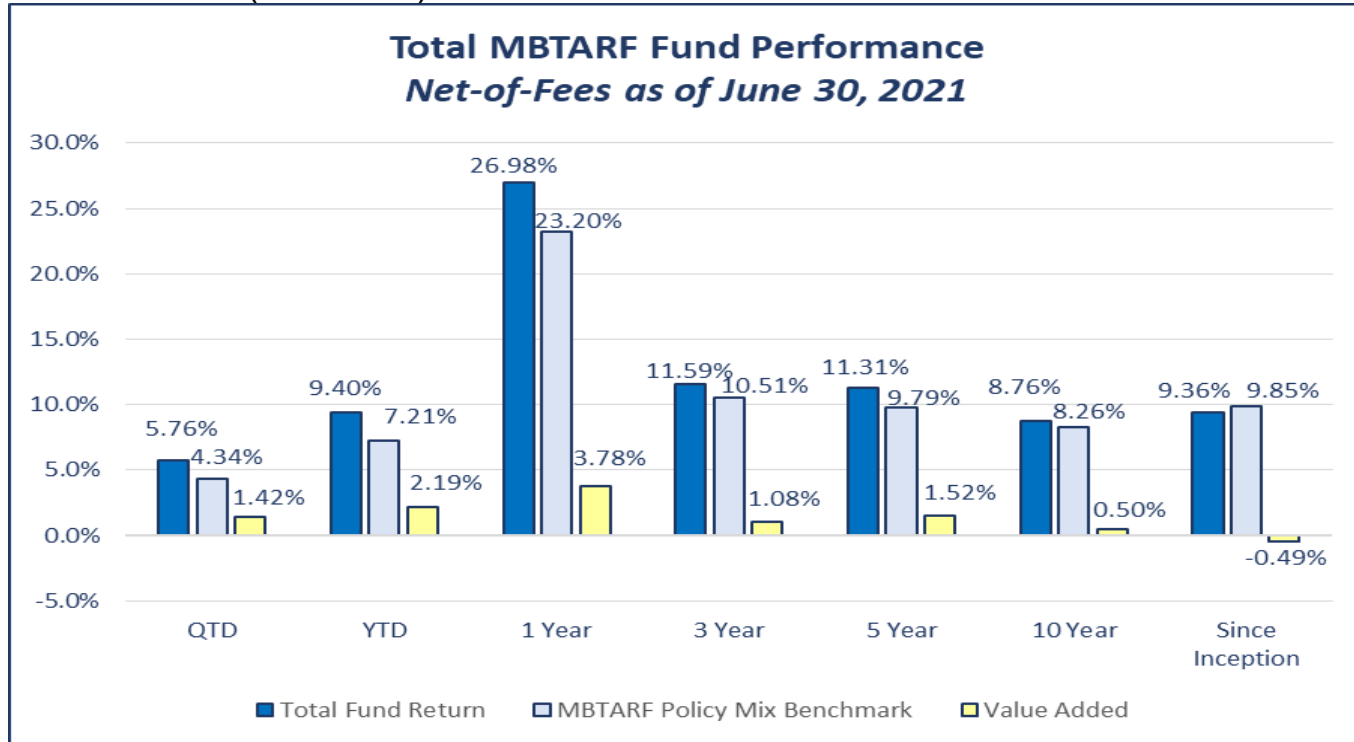
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill
Executive Director/CEO

Finance and Investment – Investment Returns as of June 30, 2021

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



- » 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 9.40% ranked in the 38th percentile among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.
- » The 3 and 5 year returns of 11.6% and 11.3% ranked in the 20th and 23rd percentiles, respectively, among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.

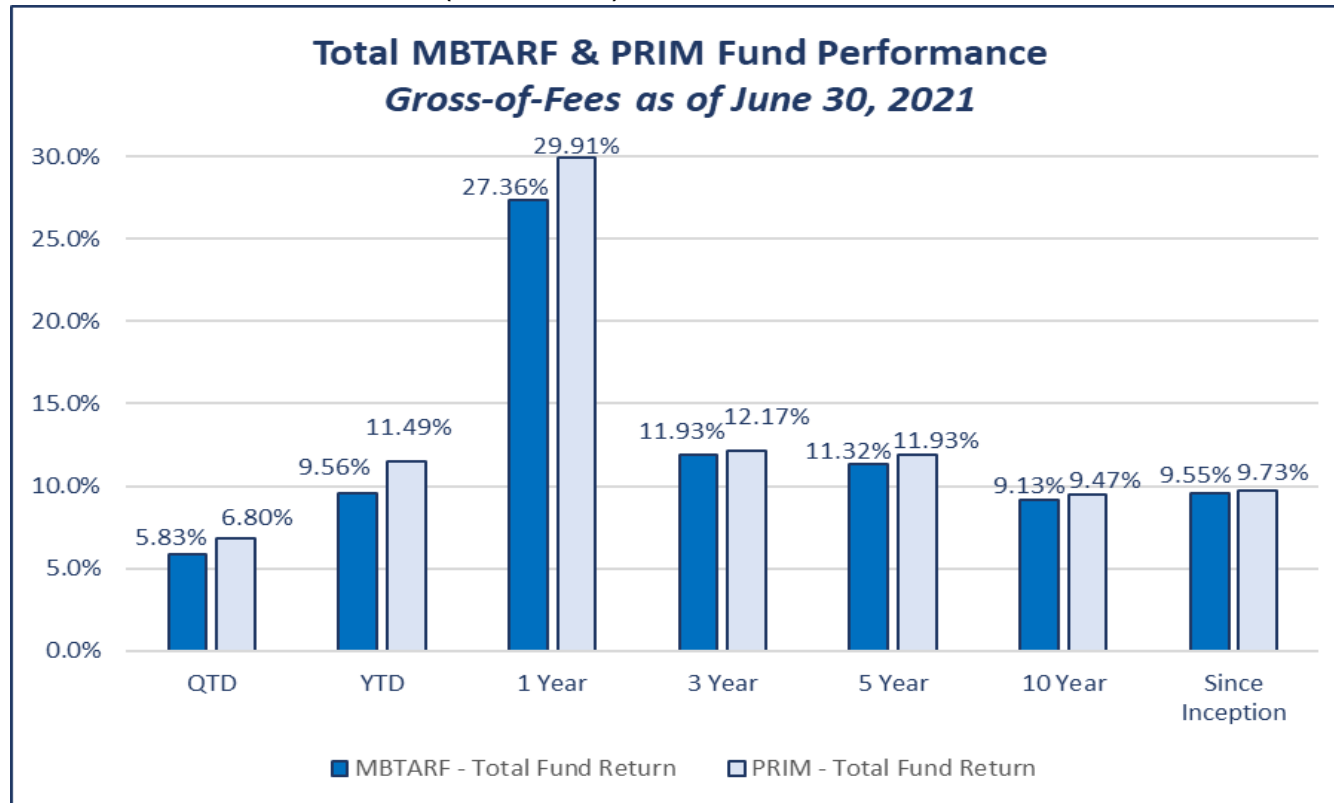
¹ These net returns for the quarter ending June 30, 2021 are preliminary. Expenses and fees are not treated uniformly in the rate of return calculations over the periods covered. .

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, 2021, the Fund’s preliminary total asset value was \$1,873,666,841, which is an increase of \$89,380,235 from the Fund’s March 31, 2021 asset value.³

¹ These Gross returns for the quarter ending June 30, 2021 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 2021.

Benefits Department – Status Report – Membership & Payments

- » **Meetings.** Due to COVID-19, the Fund suspended walk-in consultations and configured its phone system to instruct members and retirees to leave voicemails if they had benefits-related questions or otherwise required assistance. Between January 1, 2021 and July 31, 2021, Benefits staff returned 2,037 voicemail messages left by such individuals. Between January 1, 2021 and July 31, 2021, Benefits staff met directly (in-office or via Zoom) with 67 active and retired members.
- » **Membership.**
 - **Contributions.** As of August 1, 2021, 5,400 members are actively contributing to the Fund. 122 employees began to contribute to the Fund for the first time beginning in 2021.
 - **Benefits.** As of July 31, 2021, 6,523 Retired Members and beneficiaries are receiving monthly retirement allowances. This figure includes only retirees and survivors and excludes qualified domestic relations orders (each, a “**QDRO**”). From the period beginning on January 1, 2021 and ending July 31, 2021: (i) 53 Retired Members died with an option, and (ii) 113 Retired Members died without an option.

Benefits Department – Status Report – Membership & Payments (cont.)

» 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, 2021, 68% 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 are no pending legal cases. The Fund vigorously defended an action in Suffolk Superior Court brought by a member (current employee of the MBTA) and a retiree. Each plaintiff alleged that their lump sum “back pay” settlement from an award issued in a wrongful termination arbitration between the plaintiffs and the MBTA should be attributable to the year that it was received. The Retirement Fund argued that the lump sum settlement should be allocated across the years for which the salaries were earned, and that plaintiffs’ inaccurate interpretation of the Pension Agreement would result in an artificially “spiked” annual salary for the year the lump sum settlement was received (which spanned over three calendar years) and enhanced benefits over the duration of their retirements. The Retirement Fund settled the action consistent with the Pension Agreement and with no material financial impact or loss to the Retirement Fund beyond costs of defense.

» **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 regular 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 accord 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, the Fund is developing standardized SOPs for the Benefits Department. The Benefits Department SOPs will be written, standard, uniform, objectively measurable and auditable work-flow procedures designed to assure the prompt, consistent and accurate administration of benefits (including member consultation procedures, retirement procedures, disability procedures, QDRO procedures, contribution refund procedures, and unclaimed property procedures).
- » **Implementation Status.**
- **Lessons Learned.** The Fund held an internal KPMG “lessons learned” meeting with the Finance Department to solicit relevant auditor feedback applicable to the development of the Benefits Department SOPs.
 - **Regular, Weekly Meetings.** The Benefits Department and outside counsel have convened regular weekly meetings to develop the standardized procedures. The Benefits SOPs implementation team has completed procedures for service retirements and disability retirements.
 - **Form and Template Review.** The Benefits SOPs implementation team is also updating Benefits Department forms to assure consistency and compliance with the Pension Agreement, applicable law, and best practices.

Questions?

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