



INTERIM EXECUTIVE DIRECTOR'S 2022 ANNUAL REPORT TO THE BOARD OF THE MBTA RETIREMENT FUND

February 17, 2023

John P. Barry

About this Annual Report

- » **Purpose.** The purpose of this Annual Report is to provide the Retirement Board with management's overview of the MBTARF's accomplishments in 2022 and to preview proposed actions for 2023 (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 Annual Report that the was originally delivered by John Barry to the Retirement Board on February 17, 2023.
- » **Continuous Improvement.** The MBTARF is dedicated to continuously improving its operations and customer service. Accordingly, it may revise or modify its planning for 2023, as described in this Annual 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 Strategic Plan (2020-2023)

- » **Project 2020.** Four (4) years ago, the Project 2020 Team, including the MBTARF's Interim-Executive Director and MBTARF's outside counsel, with input from staff, board members, stakeholders and peers, developed a transformative Strategic Plan covering the four (4) year period commencing in 2020 and ending this year, in 2023, with the 75th Anniversary of the MBTARF's founding in 1948.
- » **MBTARF Strategic Plan.** To develop the MBTARF's long term strategic goals, specific objectives within those goals, and targeted strategic initiatives designed to achieve each objective, the Project 2020 Team collected and analyzed information, obtained through anonymous surveys and interviews of MBTARF senior staff and various stakeholders. This work provided the foundation for the MBTARF Strategic Plan for 2020-2023. The Retirement Board approved the Strategic Plan in 2020.
- » **MBTARF Strategic Plan (Year #3) Progress Report:** MBTARF management continues to pursue its strategic planning goals and align them with immediate needs triggered by the necessity of more online and remote operations required by the pandemic. The next slide highlights some of the MBTARF's accomplishments in 2022. A more detailed progress report is provided separately in the document entitled *Strategic Plan Implementation Progress Report*.

MBTARF Strategic Plan (2020-2023) – Progress Report and Future Planning

- » **Benefits Department SOPs.** In accord with Strategic Initiative B3.2 (to “[d]evelop and evaluate standard operating procedures (SOPs) to improve efficient operations, productivity and uniformity”) and to address the MBTARF’s changes in its standard practices based on technological enhancements, the MBTARF developed standardized SOPs for the Benefits Department. An overview of the Benefits SOPs project is included in Slides No. 23-24. The PERAC Chairperson also delivered to the Board in 2022 his evaluation of the MBTARF’s implementation of the Benefits SOPs.
- » **Staff and Operational Reorganization.** MBTARF management continues to implement the staff reorganization plan previously approved by the Board. The reorganization furthers the goals established in the MBTARF’s Strategic Plan to make the MBTARF a leaner, more cost effective organization. Since the beginning of John Barry’s tenure as Interim-Executive Director, several positions were restructured and/or combined, resulting in cost savings to the MBTARF based on the reconfigured roles of approximately \$2,064,000 (including estimated insurance premiums). In 2020-2021, the PERAC Chairperson assisted MBTARF management with implementation of its staff reorganization plan and delivered to the Board in February 2021 an independent assessment of MBTARF operations. The PERAC Chairperson concluded that, based on “objectively measurable criteria to compare the MBTARF to its peers, e.g., similarly sized or larger PERAC regulated public pension funds, the operational capabilities and outputs of the MBTARF are best in class.”
- » **Project 2023 and Future Planning.** The *Strategic Plan Implementation Progress Report* offers a summary of projects pursued in 2022. Priorities for 2023, such as offering educational webinars (A3.1) and developing succession/redundancy plans (B1.2) are incorporated into a standalone *Project 2023* implementation plan, a copy of which is included as Appendix A, to cap the final year of the current plan and serve as a bridge for developing the next Strategic Plan (2024-2027). Priorities for the next strategic plan will be determined by the Board with support from a working group to be convened by MBTARF management with Board input to commence work during the first quarter of 2023. Suggestions about the make-up and agenda for that working group are welcome.

In-Service Training – Information Technology

- » **2022 Annual In-Service Training.** The 2022 Annual In-Service Training (10th Ed., 107 slides) was held on December 2, 2022 and covered the following topics:
 - **MBTARF Policies.** Refresher on, and changes to, the following MBTARF policies:
 - The Employee Handbook;
 - The Acceptable Use Policy;
 - The Written Information Security Program;
 - The Records Management Program;
 - The Incident Response Plan; and
 - The Prevention of Unlawful Sexual Harassment and Discrimination Policy.
 - **Phishing Email Awareness Training.** The MBTARF understands that phishing attacks are one of the most common cyberattacks for criminals to employ. Accordingly, the Annual In-Service Training included employee training on how to spot and report suspected phishing emails in order to better protect the MBTARF from cybercriminals, hackers, and other bad actors.
 - **IT Policy Updates.** Training on certain portions of IT-related policies that were updated to: (i) include details related to the MBTARF's enhanced IT environment based on the upgrades made to the MBTARF's IT environment since the last policy updates in 2017, and (ii) apply to the MBTARF's new remote working environment.
 - **Intern Training.** Intern training for the MBTARF's summer 2022 intern was conducted on May 30, 2022.

MBTARF Management Report – COVID-19 Response Status

The COVID-19 pandemic caused less disruption to routine MBTARF operations in 2022 than it did during 2020 and 2021. The MBTARF's proactive steps described below at the onset of the pandemic helped ensure the personal safety of staff and members while maintaining quality service.

» **Consultations.**

- **Walk-In Consultations.** The MBTARF temporarily suspended walk-in consultations while permitting limited-in person walk-in services that are a 15-minute maximum per visitor (dropping off forms, obtaining notarizations, etc.). The MBTARF continues to service members, retirees, and beneficiaries through e-mail, telephone, and Zoom video conference.
 - **Scheduled In-Person Consultations.** Members, retirees, and beneficiaries requiring in-person service may schedule in-person consultations with MBTARF staff. Scheduling in-person consultations has enhanced customer service and has become a permanent feature of the MBTARF Benefits Department.
 - **PTG Self-Service Portal.** Members and retirees have access to the MBTARF's self-service platform which 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 MBTARF. As of February 7, 2023, 2,314 users have registered for the Member Self-Service Portal, of which 1,478 are Members and 836 are Retired Members.
 - **Remote Notarizations.** MBTARF staff utilized Massachusetts' remote notarization procedures to take retirement applications of Members that were extremely ill and unable to travel to the MBTARF office to submit an application for retirement.
- » **Return-to-Work Guide; Remote/Onsite Hybrid Work Model.** The MBTARF developed, and continued to evaluate during the pandemic, a written return-to-work guide providing instructions and guidelines for employees working remotely. While the return-to-work guide provides instructions for working in the office, MBTARF staff are servicing MBTARF membership using a hybrid onsite/remote schedule. The Retirement Board and MBTARF Management's adoption of the 2020-2023 Strategic Plan enabled the MBTARF to employ sophisticated technology to adapt nimbly to a remote work environment.
- » **Online Appointment Form.** The MBTARF developed an interactive form for the MBTARF's website enabling Members to request a retirement appointment online. The online form, now a permanent feature, instructs the Member to provide certain limited information, and reminds the Member what information and additional documentation to bring to their retirement appointment. The form is designed to enhance customer service and make the Member's in-person retirement consultation time more efficient.

PERAC Self-Reporting

- » **Self-Reporting.** In 2010, the MBTARF 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. 9.
- » **December 2018 Update.** On December 13, 2018, MBTARF management met with, and delivered a report to, PERAC representatives, including both the retiring PERAC Executive Director and the incoming Executive Director. After the December 13th meeting, the retiring PERAC Executive Director commended the MBTARF for its transparency and willingness to share information with PERAC.
- » **September 2019 Update.** On September 17, 2019, MBTARF 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, MBTARF 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, MBTARF management met via Zoom with PERAC representatives, including the Executive Director and 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, MBTARF management participated in a Zoom meeting with PERAC representatives, including the Executive Director and Assistant Deputy Director, to update PERAC on the MBTARF’s COVID-19 response as well as its progress on its Strategic Plan.
- » **April 2022 Update.** MBTARF management meet with PERAC representatives, including the Executive Director and Assistant Deputy Director, on April 28, 2022 to provide an update and obtain feedback on, among other things, the MBTARF’s Benefits SOPs project.
- » **March/April 2023.** MBTARF management is planning to meet again with PERAC representatives in March or April 2023.

PERAC Self-Reporting (cont.)

MBTARF Meetings with PERAC – 2010 through 2022

- » 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
- » April 28, 2022



Information Governance – Technology Upgrades

- » **The MBTARF’s IG Group.** The MBTARF’s Information Governance (“IG”) Group is led by the MBTARF’s Manager of IT, and including the MBTARF’s Interim-Executive Director, the MBTARF’s technology consultant from CMIT, and outside counsel from Holland & Knight, LLP. The IG Group has conducted strategic meetings with its technology consultant, CMIT, that coincide with the IG Group’s quarterly meetings. These meetings have occurred each quarter since early 2021 and are designed to better protect the MBTARF against new information security and cyber security threats.
- » **Technology Upgrades.** The IG Group has implemented the following technology upgrades:
 - **PTG PensionPro; Self-Service Webinar.** The MBTARF replaced its previous pension benefit software with PTG’s PensionPro, a state of the art pension management software system designed to enhance both customer service and MBTARF efficiency. The MBTARF has processed monthly benefit payments with PTG PensionPro since April 2019 and has not been made aware of any errors in the processing of monthly benefit payments since April 2019. The IG Group prepared a webinar that is designed to assist members with utilizing PTG’s Member Self-Service Portal and provides members with information on their MBTARF benefits via a self-service web-based platform. This webinar is currently available on the MBTARF’s website.
 - **Cloud Migration.** The MBTARF has successfully eliminated its on-premises solutions and related hardware, which is expected to reduce operating costs, enhance scalability and increase data security, by migrating its email and office applications to Microsoft Office 365, its phone system to a Teams-based solution, and other applications and data to a cloud-based Microsoft Azure solution.
 - **Information Security Enhancements; Vulnerability Scan.** In connection with its cybersecurity renewal process, the MBTARF implemented multifactor authentication (MFA) for access to the MBTARF’s network, directory services, switches, endpoints and servers. The MBTARF also completed its implementation of enhanced mobile device management and email encryption technology. CMIT conducted routine, internal vulnerability scan to assess the strength of the MBTARF’s IT network against known vulnerabilities and remediated vulnerabilities that were found.
 - **Teams Room and Tablets.** The MBTARF implemented a Teams room set-up in the Board Room allowing Board Members to attend meetings in-person or virtually and conduct interviews and meetings with investment managers in-person or virtually. MBTARF Management and the Manager of IT procured tablets for Board Members to use during Board Meetings to securely and efficiently provide Board Members with meeting materials.

Finance and Investment – GFOA Certificates

- » **Government Accounting Standards Board (“GASB”).** The MBTARF completed, and the Board approved, the 2021 GASB 67 and 68 Reports at the June 17, 2022 Board meeting. The MBTARF also completed and incorporated the required GASB 72 procedure for 2021 as a part of the 2021 Audit (this procedure measures and records the MBTARF’s investments using fair value measurement guidelines established by generally accepted accounting principles).
- » **Audit and Annual Report.** The 2021 Audit and Annual Comprehensive Financial Report (“ACFR”) were approved by the Board at the June 17, 2022 meeting.
- » **GFOA Certificate of Achievement.** For the last six years, the MBTARF received the 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 MBTARF 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 MBTARF 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 MBTARF 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 MBTARF received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the fiscal year ended December 31, 2019.
 - **2020 Certificate of Achievement.** In March 2022, the MBTARF received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the fiscal year ended December 31, 2020.
 - **2021 Certificate of Achievement.** In April 2023, the MBTARF received the GFOA’s Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the fiscal year ended December 31, 2021.

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

2020 Award



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**MBTA Retirement Fund
Massachusetts**

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill
Executive Director/CEO

2021 Award



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**MBTA Retirement Fund
Massachusetts**

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill
Executive Director/CEO

Finance and Investment – ICWG – Updates and Action Items

» **The Investment Policy Statement.**

- **IPS Overhaul.** In 2018 the MBTARF convened its Investment Compliance Working Group (“**ICWG**”), comprised of the MBTARF’s Interim-Executive Director, the MBTARF’s finance department staff, investment advisor and investment counsel. The ICWG revised and developed a more efficient and user friendly Investment Policy Statement (“**IPS**”). The revised IPS was approved by the Retirement Board on April 19, 2019. To increase transparency, the IPS has been posted to the MBTARF’s website.
- **2020 IPS Updates.** In 2020, the MBTARF again convened the ICWG and revised the IPS to incorporate (i) the amendment to the Trust Agreement authorizing the MBTARF to invest in PRIT, (ii) the Retirement Board’s new approved asset allocation and (iii) the updated Assumed Rate of Return (from 7.5% to 7.25% annually). The revised IPS was approved by the Retirement Board on July 17, 2020.
- **2022 IPS Updates.** At the end of 2022, the ICWG convened and confirmed that a review of the IPS would be needed following completion of the 2023 experience study by the MBTARF’s actuary, Buck Global LLC (which may lead to Board consideration of an updated Assumed Rate of Return and asset allocation). The ICWG also recommended certain modifications to the Investment Manager Benchmarks (Exhibit D to the IPS) and adopted a revised Compliance Questionnaire (Exhibit E to the IPS).

» **Investment Manager Meetings.** In 2022, the Retirement Board completed all meetings with Investment Managers as required by Sec. 9.3 of the IPS.

» **Finance Department Procedures.** During 2022 the ICWG reviewed the IPS and the Finance Department Procedures (“**FDP**”), a document describing how the MBTARF conducts its accounting and valuation of assets and reports that information to the Retirement Board. In 2022, the ICWG concluded that the IPS did not require revisions. The ICWG revised the FDP in 2022 to: (i) provide better understanding of the structure and governance of the MBTARF, and (ii) reflect changes in technologies and processes utilized by the MBTARF. The revised FDP was presented to the Retirement Board at its October 2022 meeting. The ICWG plans to review the FDPs once again after completion of the 2022 audit.

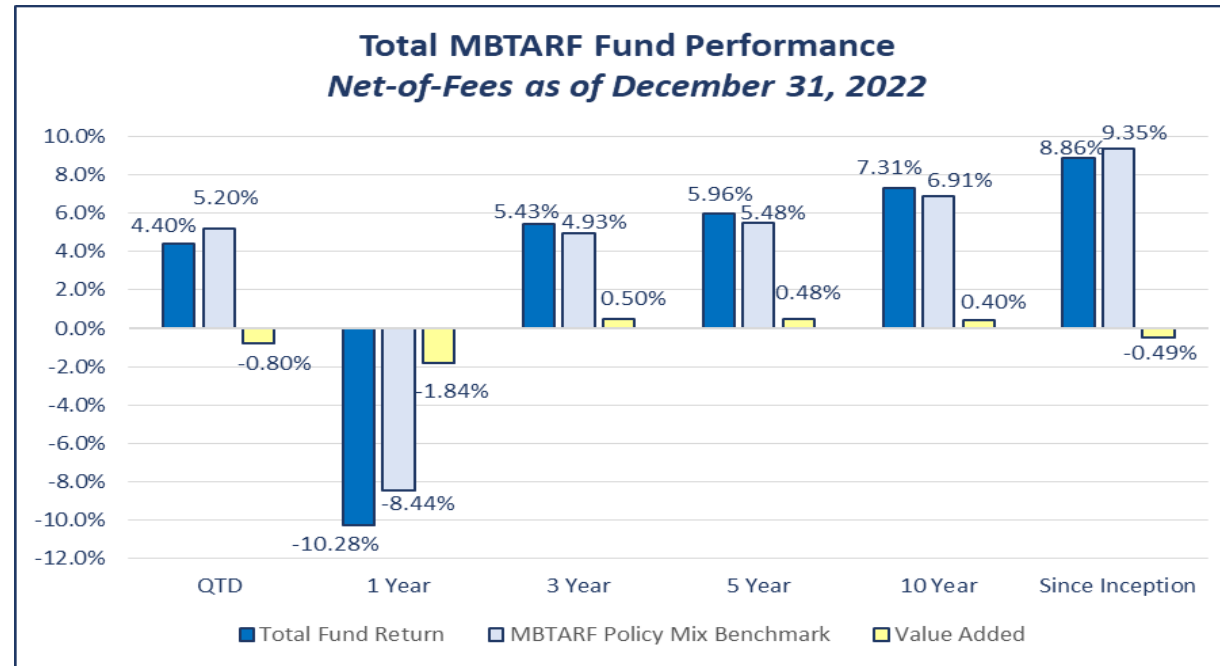
PRIM/PRIT Investment Initiative

- » **August 1, 2017** – Section 23 of the 2018 Budget Bill added the private MBTARF as a “system” under G.L. c. 32 allowing, not compelling, the MBTARF to invest in PRIT (Retirement Board has fiduciary obligations to the MBTARF).
- » **June 16, 2017 – June 21, 2019** – The Board convened a “PRIM Investment Feasibility Group” (the “**Group**”) in 2017 comprised of the PERAC Chairperson, and an investment consultant from Segal Marco and MBTARF staff to study the issue. The Group performed significant factual and legal due diligence over a two (2) year period leading to the MBTARF’s “*Roadmap to PRIT Fund Investment*,” a copy of which is in your Board Member Handbook.
- » **June 17, 2019 – July 19, 2019** – Local 589 and the MBTA’s Fiscal Management Control Board (“**FMCB**”), together the settlors of the 1980 Trust Agreement (the “**Trust**”), voted to amend the Trust (the “**Trust Amendment**”) to add PRIM as an investment manager pursuant to Section 7, thereby authorizing MBTARF investments in PRIT. The Retirement Board voted to approve the Trust Amendment at the July 2019 meeting.
- » **August 19, 2019 – September 20, 2019** – PRIM representatives met with the MBTARF in August to discuss investment options available to “Purchasing Systems”. The MBTARF and PRIM executed a Letter Agreement, dated September 26, 2019, to accommodate the MBTARF’s investments.
- » **PRIT Investments.** The Retirement Board has, consistent with the MBTARF’s IPS, voted to authorize the following investments in PRIT, which are governed by statutes and regulations pertaining to PRIT as well as a Letter Agreement that is updated to reflect each new investment:

| Investment | Amount Committed | Date |
|----------------------------------|----------------------|-----------|
| PRIT Fund Portfolio: Hedge Funds | \$20,000,000 | 10/1/2019 |
| Private Equity Vintage Year 2020 | \$25,000,000 | 1/1/2020 |
| Emerging Markets Equity | \$30,000,000 | 8/3/2020 |
| Private Equity Vintage Year 2021 | \$17,500,000 | 1/1/2021 |
| Real Estate Segmentation | \$15,000,000 | 7/1/2021 |
| PRIT Fund Portfolio: Hedge Funds | \$10,000,000 | 7/1/2021 |
| PRIT Fund Portfolio: Hedge Funds | \$10,000,000 | 10/1/2021 |
| Private Equity Vintage Year 2022 | \$10,000,000 | 1/1/2022 |
| PRIT Fund Portfolio: Hedge Funds | \$25,000,000 | 4/1/2022 |
| Private Equity Vintage Year 2023 | \$15,000,000 | 1/1/2023 |
| Total | \$177,500,000 | |

Finance and Investment – Investment Returns - December 31, 2022

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



- » The Retirement Board recognizes that asset allocation decisions generally account for 90% of investment return. See IPS, p. 7.
- » Over the 3, 5 and 10- year periods the MBTARF outperformed its Policy Mix Benchmark by 50, 48, and 40 basis points, respectively.
- » The Year-to-Date net return of (10.28)% ranked in the 45th percentile outperforming the median return of (11.1)% among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.⁴
- » The 3, 5 and 10-Year returns of 5.43%, 5.96%, and 7.31% ranked in the 31st, 23rd, and 43rd percentiles, respectively, all above the median among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.⁵

¹ These net returns for period ending December 31, 2022 are preliminary. Expenses and fees are not treated uniformly in the rate of return calculations over the periods covered. The preliminary market value does not include all fourth quarter 2022 valuations for private equity, real estate and hedge funds.

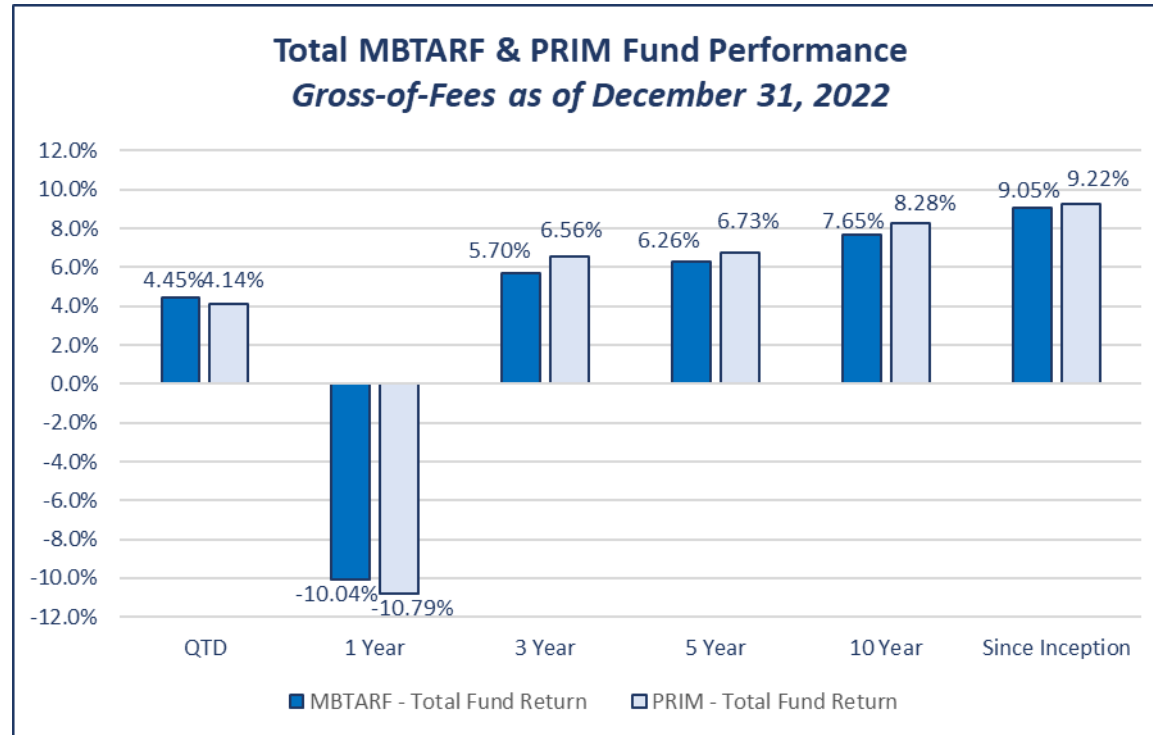
² The inception to date return begins January 1982.

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

^{4,5} For periods profiled, peer group percentile rankings may change modestly, as additional plan sponsor data is made available.

Finance and Investment – Investment Performance Comparison to PRIM

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



» **Total Fund Value.** As of December 31, 2022, the MBTARF’s preliminary total asset value was **\$1,626,972,186** which is a decrease of **\$312,970,239** from the MBTARF’s December 31, 2021 asset value.³

¹ These gross returns for the periods ending December 31, 2022 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 fourth quarter 2022 valuations for private equity, real estate and hedge funds.

Benefits Department – Status Report

- » **Increasing Consultation Efficiency.** The Benefits Department created and posted a fillable form on the website for Members to complete when requesting an appointment for retirement and making other forms required for retirement available online. These steps are designed to make appointments to retire more efficient by reducing the time to complete a retirement application in-person.
- » **Meetings.** Due to COVID-19, the MBTARF suspended walk-in consultations while permitting limited-in person walk-in services that are no more than 15-minutes per visitor (dropping off forms, obtaining notarizations, etc.) and performed other consultations by appointment. Between January 1, 2022 and December 31, 2022, Benefits staff conducted (either in-person or via Zoom) 357 consultations with active and retired members. Also, due to COVID-19, the MBTARF re-configured its phone system from January 1, 2022 and April 30, 2022 to instruct individuals to leave voicemails if they had benefits-related questions. During that period, Benefits staff returned 1,504 voicemails left by such individuals. Beginning on May 2, 2021, the MBTARF reverted its phone system back to pre-COVID-19 operations and answered benefits-related questions as they were received without instructing individuals to leave voicemails.
- » **Transit Fund Admin Agreement.** The Transit Employees Health and Welfare Fund (the “**Transit Fund**”) provides benefit programs to Retired Members, including Medicare reimbursement, dental insurance, life insurance and vision insurance. In order to assist Retired Members participating in the Transit Fund’s benefit programs, the MBTARF withholds deductions and provides Medicare reimbursement payments on behalf of the Transit Fund. In 2021, the MBTARF executed an administrative agreement with the Transit Fund that (i) sets out and defines limitations to the services the MBTARF provides to the Transit Fund, and (ii) provides contractual remedies and protections to the MBTARF in connection with its provision of services to the Transit Fund, including adding the MBTARF as an additional insured on its insurance policies (including cyber), and providing the MBTARF with robust indemnities.
- » **Membership.** As of December 31, 2022, there were a total of 5,240 members actively contributing to the MBTARF. 507 employees began to contribute to the MBTARF in 2022.

Benefits Department – Status Report (Cont.)

» **Disability Examinations.**

- **SCOPE Medical.** The MBTARF outsources disability examinations and reexaminations to SCOPE Medical, the provider also used by the MBTA. The limited information the MBTARF receives in connection with these examinations and reexaminations is not subject to HIPAA as per an opinion from MBTARF counsel.
- **Disability Reexaminations.** As of December 31, 2022, 70% 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 the payee's date of birth).

» **Member Benefits - Legal Claims.** As of this date, there are no legal cases pending against the MBTARF involving members or retirees.

» **CTHRU.** The Comptroller's CTHRU initiative has replaced the Commonwealth's "Open Checkbook" website. The MBTARF delivers member and retiree information to the Commonwealth on an annual 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 (Cont.)

- » **Overview.** The Benefits Department SOPs are 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 MBTARF held an internal KPMG “lessons learned” meeting at project commencement 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 convened weekly meetings to develop the standardized procedures. Rigorous project management ensured timely and accurate development of the standardized procedures.
 - **Form and Template Document Review.** The Benefits SOPs implementation team updated the Benefits Department forms and template documents to assure consistency and compliance with the Pension Agreement, applicable law, and best practices. The forms are hyperlinked to the Benefits SOPs to ensure that the Benefits Department has access to the most recent version of the forms and template documents as they continue to be updated in the future.
 - **Feedback from External Stakeholders and Service Providers.** The Benefits Department solicited feedback from external stakeholders and service providers, including its actuary (Buck), outside counsel for QDRO implementation and outside tax counsel to ensure that the Benefits SOPs conformed with current best practices. The PERAC Chairperson also provided feedback in connection with his operational review of Benefits SOP implementation.

Benefits Department – Status Report (Cont.)

- » The former PERAC Executive Director was engaged to perform a comparative analysis of the MBTARF’s Standard Operating Procedures. The former PERAC Executive Director’s full report was distributed to the Board with the Mid-Year Report. The following provides an executive overview of his key findings and opinions:
 - **Development of Benefits SOPs Consistent with Best Practices.** The process implemented by the MBTARF to develop the Benefits SOPs, which included weekly meetings and subject matter experts contributing their expertise to the work product, is consistent with industry best practices.
 - **Benefits SOPs Create Operational Efficiencies.** The Benefits SOPs meet or exceed best practices for pension funds, particularly those Systems that are the size of the MBTARF. The Benefits SOPs set out the most efficient ways to perform tasks, fully utilizing the collective knowledge of the SOP Development Team and the MBTARF’s technological capabilities. Because the Benefits SOPs provide clear step-by-step instructions to accomplish these tasks, the risk and possibility of human error is reduced. The Benefits SOPs provide detailed guidance for MBTARF employees to perform benefit tasks while also establishing a baseline for training new employees.
 - **The MBTARF Performs at a Level Higher than Peers.** Using objectively measurable criteria to compare the MBTARF to its peers, *e.g.*, similarly sized or larger regulated public pension funds, information from the PERAC Chairperson’s Operational Review, and information obtained from his interviews with other pension funds, the MBTARF outperforms comparable retirement funds and the development of its Benefits SOPs are a “best in class” operational achievement.

Questions?

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