



# INTERIM EXECUTIVE DIRECTOR'S 2023 ANNUAL REPORT TO THE BOARD OF THE MBTA RETIREMENT FUND

*February 16, 2024*

*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 2023 and to preview proposed actions for 2024 (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 modified version of the Annual Report that the was originally delivered by John Barry to the Retirement Board on February 16, 2024.
- » **Continuous Improvement.** The MBTARF is dedicated to continuously improving its operations and customer service. Accordingly, it may revise or modify its planning for 2024, 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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# New Pension Agreement – Benefit Changes

## Overview of Membership in the Two-Tier Pension Benefit Structure

- » **New Pension Agreement; Side Letter.** The parties negotiated and executed a new Pension Agreement effective March 31, 2023. The new Pension Agreement was amended on January 29, 2024 when the parties entered into a side letter (the “**Side Letter**”) that made changes for employees who became Members of the Fund on or before June 30, 2023.
- » **Creation of Two-Tier Structure.** The new Pension Agreement created a two-tier pension benefit structure: (i) the Group A Plan, and (ii) the Group B Plan.
- » **Group A Plan Membership.** Employees who became Members of the Fund on or before June 30, 2023 are automatically in the Group A Plan unless they elect to join the Group B Plan (and then meet the requirements specified below).
- » **Group B Plan Membership.**
  - **Automatic Membership.** Employees who are or become Members of the Fund on or after July 1, 2023 are automatically in the Group B Plan. Members in the Group B Plan are not eligible to join the Group A Plan.
  - **Electing to Join Group B.** Members in the Group A Plan may elect to join the Group B Plan. For a Group A Plan Member to join the Group B Plan, the Member must meet the following conditions:
    1. The Member must elect to join the Group B Plan by providing written notice to the Fund between June 30, 2023 and March 29, 2024 by completing the election form on the Fund’s website or by mailing the Form to the MBTARF (which must be postmarked by March 29, 2024); and
    2. The Member must accumulate at least 24 months of creditable service after such election.
  - **Transferring to Group A.** A Member in the Group B Plan may not transfer to the Group A Plan after March 29, 2024. Eligible Group A Plan Members who transferred to Group B have a one-time option to transfer back to the Group A Plan by delivering written notice to the Fund revoking their election to Group B, utilizing the form on the Fund’s website, by March 29, 2024.

# New Pension Agreement – Benefit Changes

## Group A Plan Retirement Benefits - Non-Disability and Non-Vesting

- » **Retirement Eligibility.** Unless otherwise subject to retirement benefits under the Group B Plan:
  - **Normal Retirement.** A Member can retire at age 65 or older on a Normal Retirement.
  - **Early Normal Retirement.** An Early Normal Retirement is available to any Member with 23 years of creditable service if such Member was hired before December 6, 2012. For Members hired on or after December 6, 2012, who became Members of the Fund on or before June 30, 2023, an Early Normal Retirement is available if such Member is age 55 or older and has at least 25 years of creditable service.
  - **Early Reduced Retirement.** For individuals who became Members of the Fund on or before June 30, 2023, an Early Reduced Retirement is available if a Member is age 55 or over and has at least 20 years of creditable service; however, this retirement allowance will be reduced by  $\frac{1}{2}$  of 1% for each month between the age at retirement and age 65.
- » **Calculation of Pension Benefits.** Except as provided above, a Member's retirement allowance is calculated using the following formula:
  - the average of the Member's highest 3 years of pensionable earnings;
  - *multiplied by 2.46%;*
  - *multiplied by* the Member's years and months of creditable service.
- » **Maximum Retirement Benefit.** A Retired Member's retirement allowance cannot exceed 80% of the average of the Retired Member's highest 3 years of pensionable earnings.

# New Pension Agreement – Benefit Changes

## Group B Plan Retirement Benefits (Non-Disability and Non-Vesting)

- » **Retirement Eligibility.** A Member with at least 10 years of creditable service who has also reached the age of 55 is eligible to retire with an immediate retirement allowance.
- » **Calculation of Pension Benefits.** A Member's retirement allowance is calculated using the following formula:
  - the average of the Member's highest 3 years of pensionable earnings;
  - *multiplied by* the Age Multiplier, which is determined using the following table:

| Age at Retirement | Percentage |
|-------------------|------------|
| 61 or over        | 2.46%      |
| 60                | 2.375%     |
| 59                | 2.25%      |
| 58                | 2.125%     |
| 57                | 2.0%       |
| 56                | 1.875%     |
| 55                | 1.75%      |

- *multiplied by* the Member's years and months of creditable service.
- » **Maximum Retirement Benefit.** A Retired Member's retirement allowance cannot exceed 80% of the average of the Retired Member's highest 3 years of pensionable earnings.

# New Pension Agreement – Benefit Changes

## Vested Retirement Benefits

### » Vesting – Group A Plan.

- **Eligibility Requirements for Vesting Under Group A.** A Member who has at least 10 years of creditable service and does not receive a return of contributions qualifies for a vested retirement benefit if such Member's employment with the Authority ended through no fault of their own. If a Member resigns or is discharged for cause, then the former Member is not eligible for a vested retirement benefit.
- **Vesting Retirement Benefit Under Group A.** A vested Member is eligible to receive a retirement benefit the first of the month following or coincident with such vested Member's 65th birthday. A vested retirement allowance is calculated using the following formula:
  - the average of the Member's highest 3 years of pensionable earnings;
  - *multiplied by 2.46%*;
  - *multiplied by* the Member's years and months of creditable service.

### » Vesting – Group B Plan.

- **Eligibility Requirements for Vesting Under Group B.** A Member of the Group B Plan shall have a fully vested deferred retirement allowance if the following conditions are satisfied: (i) the Member has accrued 10 or more years of creditable service; (ii) the Member's service with the Authority was terminated for any reason prior to such Member becoming eligible for a retirement allowance set out in accordance with Article IV(2); and (iii) the Member has not withdrawn their contributions from the Fund.
- **Vesting Retirement Benefit Under Group B.** A vested Member's retirement allowance is calculated using the following formula:
  - the average of the Member's highest 3 years of pensionable earnings;
  - *multiplied by 2.46%*;
  - *multiplied by* the Member's years and months of creditable service.
- **Reduction if Retiring Before Age 65.** However, if a vested Member retires prior to the age of 65, then such vested Member's retirement allowance will be reduced, for such Member's entire retirement, by 6% per year, or ½ of 1% for each month, of retirement before age 65.



# New Pension Agreement – Benefit Changes

## Disability Retirement Allowance

- » **Eligibility for Disability Retirement Allowance.** For Members in either the Group A Plan or Group B Plan, a Member is required to accumulate 4 years of creditable service to be eligible for an occupational disability and required to accumulate 6 years of creditable service to be eligible for a non-occupational disability.
- » **Minimum Disability Retirement Allowance.** For Members in either the Group A Plan or Group B Plan, a Member receiving a disability retirement allowance will receive a minimum of 15% of the average of such Member's highest 3 years of pensionable earnings.
- » **Calculation of Disability Benefit Allowance.**
  - **Group A Plan.** A disability retirement allowance under the Group A Plan is calculated using the following formula:
    - the average of the Member's highest 3 years of pensionable earnings;
    - *multiplied by 2.46%*;
    - *multiplied by the Member's years and months of creditable service.*
  - **Group B Plan.** A disability retirement allowance under the Group B Plan is calculated using the following formula:
    - the average of the Member's highest 3 years of pensionable earnings;
    - *multiplied by the Age Multiplier, which is determined using the following table; provided, however, that the Age Multiplier is based on the Member retiring at the age of 55 or the Member's age at the time of disability retirement if the Member is over the age of 55;*

| Age at Retirement | Percentage |
|-------------------|------------|
| 61 or over        | 2.46%      |
| 60                | 2.375%     |
| 59                | 2.25%      |
| 58                | 2.125%     |
| 57                | 2.0%       |
| 56                | 1.875%     |
| 55                | 1.75%      |

- *multiplied by the Member's years and months of creditable service.*



# New Pension Agreement – Benefit Changes

## Returning and Retaining Member Contributions

- » **Group A Plan Members.** A Group A Plan Member that ceases to be an employee for any cause other than death or retirement may not elect to keep their contributions in the Fund. For a Group A Plan Member to have their creditable service restored, such Member is required to meet the requirements of the service buyback provisions of Article III(3), which require the Member to complete 3 years of creditable service and repay their withdrawn contributions to regain their creditable service.
- » **Group B Plan Members.**
  - **Election to Retain Contributions at the Fund.** Members in the Group B Plan who cease to be employed with the Authority may elect, upon written notification to the Fund on the Fund's designated application for return of contributions form, to keep their contributions in the Fund in order to maintain and resume creditable service in the event any such former Member is rehired by the Authority and becomes a Member of the Fund again in the future.
  - **Obtaining a Return of Contributions.** Any former Group B Plan Member who does not make such election to keep their contributions in the Fund and receives a return of their contributions will not have their creditable service restored when such Member becomes a Member of the Fund again unless such Member meets the requirements of the service buyback provisions of Article III(3), which require the Member to complete 3 years of creditable service and repay their withdrawn contributions to regain their creditable service.

# New Pension Agreement – Benefit Changes

## Contribution Rates; PRIT Investments; Retired Members

- » **Active Member Contribution Rate.** The changes to the Pension Agreement increase Active Member's individual contributions by 1.25% over the actuarially determined annual contribution rate beginning with the first full pay period after July 1, 2023. This means that the Active Members Contribution rate will be 10.3489% beginning on July 1, 2023.
- » **Authority Contribution Rate.** The changes to the Pension Agreement require the Authority's contributions to be maintained at a minimum floor of 25.8161% of payroll, paying increased amounts if prescribed by the actuarially determined annual contribution rate until the unfunded amount of the plan is less than 20%, as determined by the MBTARF's actuary. This means that the Authority's matching contributions will be 25.9511% beginning on July 1, 2023.
- » **Investment in PRIT.** The changes to the Pension Agreement require the Fund to use its best efforts, subject to the Trustees' exercising their fiduciary and investment obligations, to transfer 50% of the market value of the Fund's portfolio of assets as of April 30, 2023 to the Pension Reserves Investment Trust (PRIT) within five (5) years of March 31, 2023 (the "**PRIT Directive**"). In order to satisfy the Board's fiduciary duties and meet the PRIT Directive, the Trust Agreement was amended to create an investment exception recognizing the PRIT Directive. See Slide No. 24 for more information on the Fund's investments in PRIT.
- » **Rehiring of Retired Members.** The new Pension Agreement allows the Authority to rehire a maximum of 125 Retired Members for not more than 1200 hours per year without impacting the Retired Member's allowance.

# New Pension Agreement – Benefit Changes

## Cost of Living Adjustments for Retired Members

- » **COLA Raises.** Retired Members or their beneficiaries receiving retirement allowances as of June 30, 2018, who are also still living as of March 31, 2023, received a one-time “ad-hoc” 2% to 5% cost of living adjustment (COLA) to the first \$13,000 of their annual retirement allowances in effect as of June 30, 2018. COLA raises have been successfully implemented and retroactive raise payments were made on September 15, 2023.
- » **COLA Adjustment Rates.** The COLA adjustments are based on retirement date, as set out in the table below.

| Retirement Date            | Percentage Increase on First \$13,000 of Annual Retirement Allowance | Annual Increase on First \$13,000 of Annual Allowance | Monthly Increase on First \$13,000 of Annual Allowance | One-Time Retroactive Payment |
|----------------------------|--|---|--|------------------------------|
| <b>Before 1999</b>         | 5%   | \$ 650 yearly   | \$ 54.17 monthly                                       | \$3,250                      |
| <b>1999 – 2006</b>         | 4%   | \$ 520 yearly   | \$ 43.33 monthly                                       | \$2,600                      |
| <b>2007 – 2011</b>         | 3%   | \$ 390 yearly   | \$ 32.50 monthly                                       | \$1,950                      |
| <b>2012 – June 2018</b>    | 2%   | \$ 260 yearly   | \$ 21.67 monthly                                       | \$1,300                      |
| <b>July 2018 – Present</b> | No increase  | No increase   | No increase  | None                         |

Retirees with annual retirement allowances less than \$13,000 that qualify for a COLA adjustment will have their annual retirement allowance multiplied by the percentage in the table above based on their retirement date.

For example, if a retiree has a \$10,000 annual retirement allowance and a retirement date in 2005, then such retiree is subject to a 4% raise (Row 2, 1999 – 2005), which would be multiplied by the retiree’s \$10,000 annual retirement allowance for a \$400 annual COLA increase or a \$33.33 monthly COLA increase ( $\$400/12 = \$33.33$ ).

# New Pension Agreement – Education and Implementation

Fund Management took the following steps in 2023 to educate the MBTARF Membership and to operationally implement the benefit changes required by the new Pension Agreement:

- » **Informational Brochure; Website FAQs.** Produced brochure and created website FAQs describing changes to Pension Agreement.
- » **Milestones Newsletter.** Publicized changes to Pension Agreement through distribution and web posting of Milestones newsletter.
- » **Membership Mailings.** Mailed several informational notices, in addition to the Milestones newsletter, to the MBTARF membership including, most recently, a summary of the changes made to the Pension Agreement by the Side Letter that was mailed to membership on February 1, 2024.
- » **In Person Informational Meetings.** Held in-person meetings with membership explaining the new two-tier pension system (Boston Carmen's Union – 6/20/23; IBEW Local 103 – 6/22/23 and State Transportation Building – 6/23/23). Fund Management is also in the process of developing an online webinar describing modifications to the Pension Agreement.
- » **Forms and Procedures.** Created forms and SOPs to meet requirements of new Pension Agreement (*e.g.*, Group B election forms for Group A members).
- » **Raises and Retroactive Payments.** Calculated raises (which were effective with benefit payments made in July 2023) and delivered retroactive pay increases on September 15, 2023.
- » **Pension Benefit Software Updates.** Developed an SOW with the provider of the MBTARF's pension benefit software to incorporate Pension Agreement changes into the software system.

# MBTARF Strategic Plan (2020-2023)

- » **Project 2020.** The Project 2020 Team, 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 last year, in 2023, with the 75<sup>th</sup> Anniversary of the MBTARF's founding in 1948.
- » **MBTARF Strategic Plan.** The Project 2020 Team developed the MBTARF's long term strategic goals, specific objectives within those goals, and targeted strategic initiatives designed to achieve each objective after collecting and analyzing 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, which was approved by the Board in 2020.
- » **MBTARF Strategic Plan (Year #4) Progress Report:** During 2023, MBTARF management continued to pursue its strategic planning goals, and align them with immediate needs triggered by implementation of the new, two-tiered Pension Agreement. A detailed progress report on the MBTARF's execution of the Strategic Plan for 2020-2023 is provided separately in the document entitled *Strategic Plan Implementation Progress Report*.
- » **Operational Review of MBTARF Implementation of the 2020-2023 Strategic Plan.** The Honorary Member (and PERAC Chair) performed an assessment of the MBTARF's efforts to implement the Strategic Plan, which was presented to the Board at the March 15, 2024 Board meeting.

# MBTARF Strategic Plan (2024-2027) – Planning/Progress Report

- » **Strategic Plan Development Working Group (the “Working Group”).** A new Working Group was established in early 2023. The Working Group’s “kick-off” was postponed until July 2023 to allow MBTARF management and staff to focus attention on implementation of the new Pension Agreement.
- » **2024-2027 Strategic Development Project Plan (“Project Plan”).** The Working Group has since developed a Project Plan designed to collect and analyze data about the MBTARF using the following methodologies: SWOT analysis through anonymous staff surveys, MBTARF manager interviews, third-party service provider interviews, peer retirement fund interviews and informational meetings, review/comparison of peer and aspirational retirement fund strategic plans, and feedback received through the Operational Review of the Fund’s implementation of the 2020-2023 Strategic Plan.
  - **SWOT Surveys.** The Working Group developed an online survey for MBTARF staff to deliver input anonymously. The survey prompted staff to conduct individual SWOT analyses to identify the MBTARF’s strengths, weaknesses, opportunities, and threats. In addition to increasing staff awareness of organization-wide initiatives, this process provided management with a meaningful opportunity to extract valuable, constructive and honest feedback from staff.
  - **Senior Staff Interviews.** The Working Group is in the process of individually interviewing MBTARF senior staff to and to provide input on the MBTARF’s strategic initiatives and objectives on a go-forward basis.
  - **Peer Retirement Interviews.** The Working Group conducted interviews of various Chapter 32 public pension systems which were identified as either “peer” or “aspirational” systems.
  - **Service Provider Interviews.** The Working Group is in the process of obtaining additional, specialized input and feedback from its service providers. The Working Group has already conducted an interview CMIT and anticipates interviewing State Street Bank, KPMG, Segal Marco, and Buck.
- » **Building the Strategic Plan.** The Working Group will use the data collected through surveys, interviews and “best practice” analysis to review and, as appropriate, to develop the strategies (*e.g.*, Goals, Objectives and Initiatives) to build the Strategic Plan for Years 2024-2027.
- » **Presenting the Strategic Plan.** The goal for the Working Group is to present a draft 2024-2027 Strategic Plan to the Board for review and comment as early as the April 19, 2024 Board Meeting.



# PERAC Self-Reporting – Emerging Issues Forum

- » **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. 16.
- » **December 2018 Update.** On December 13, 2018, MBTARF 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, the retiring 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 met 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.
- » **April 2023 Update.** On April 27, 2023, MBTARF management met with PERAC representatives to report on, and solicit advice about, the MBTARF’s next Strategic Plan and begin planning for the MBTARF’s participation in PERAC’s 2023 Emerging Issues Forum.
- » **September 2023.** On September 21, 2023, Interim Executive Director John Barry and PERAC Chairman Philip Brown, Esq. were invited to appear and present together on a panel at PERAC’s 2023 Emerging Issues Forum.



# PERAC Self-Reporting – Emerging Issues Forum

- » **MBTARF Presentation.** On September 21, 2023, Interim Executive Director John Barry and PERAC Chairman/Honorary Member, Philip Brown, Esq. gave a presentation to PERAC’s Annual Emerging Issues Forum entitled “*An Introduction to the MBTA Retirement Fund – Where it Fits in the Landscape of Massachusetts Public Employees*”. This presentation has been posted to the MBTARF’s publicly available website.
- » **Attendance.** Representatives from most, if not all, of the Chapter 32 public pension systems attended the event held at Holy Cross College in Worcester, MA.
- » **Additional Speakers.** Other speakers at the Emerging Issues Forum included Executive Director of PERAC John W. Parsons, Esq.; President of Massachusetts Taxpayers Foundation, Doug Howgate; Principal Deputy Assistant Secretary of U.S. Department of Labor, Honorable Ali Khawar; and House Chair of Joint Committee on Public Service, Honorable Kenneth Gordon.
- » **Feedback.** Feedback on the presentation was positive, and the MBTARF’s materials for the Emerging Issues Forum are now posted on the MBTARF’s public website. In particular, individuals responding to the Emerging Issues survey stated:
  - *It was interesting to see how ch. 32 retirements compare to MBTARF.*
  - *I really liked the MBTARF presentation.*
  - *MBTA Retirement Fund - well organized and very informative.*

# PERAC Self-Reporting (cont.) – Emerging Issues Forum

## MBTARF Meetings with PERAC – 2010 through 2023

- » 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
- » April 27, 2023
- » September 21, 2023  
- Forum



# In-Service Training – Information Technology

- » **2023 Annual In-Service Training.** The 2023 Annual In-Service Training (11<sup>th</sup> Ed.) was delivered on November 30, 2023 (copies of the training materials will be provided to the Board upon request) 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 Policy for the Elimination of Unlawful Harassment and Discrimination.
  - **Phishing Email and Cyber Security 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.
- » **Intern Training.** Intern training for the MBTARF's 2023 interns was conducted on February 27, 2023.

# Information Governance – Technology Upgrades

- » **The MBTARF’s IG Group.** The MBTARF’s Information Governance (“IG”) Group is led by the Fund’s Data Security Coordinator, and includes the Interim Executive Director and a representative from CMIT, the MBTARF’s technology consultant, and Fund counsel from Holland & Knight. 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 2022 GASB 67 and 68 Reports at the May 19, 2023 meeting Board meeting. The MBTARF also continues to complete and incorporate the required GASB 72 procedure for 2022 as a part of the 2022 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 2022 Audit and Annual Comprehensive Financial Report (“**ACFR**”) was approved by the Board at the June 16, 2023 meeting.
- » **GFOA Certificate of Achievement.** For the last seven years (beginning with the MBTARF’s ACFR for the fiscal year ended December 31, 2016 and continuing through the the MBTARF’s ACFR for the fiscal year ended December 31, 2022), 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.

# 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

## 2022 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, 2022**

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Executive Director/CEO



# Finance and Investment – ICWG – Updates and Action Items

## » **The Investment Policy Statement.**

- **IPS Overhaul.** The MBTARF's Investment Compliance Working Group (“**ICWG**”), comprised of the Interim Executive Director, the MBTARF's finance department staff, investment advisor and investment counsel, developed a more comprehensive 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 is posted to the MBTARF's website.
- **Additional 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. The ICWG has additionally met in December 2022 and July 2023 in preparation of incorporating the Pension Agreement, PRIM Directive and asset allocation to the IPS. The ICWG identified the first quarter of 2024 as a reasonable timeline to both receive information from the actuary and investment consultant and make corresponding revisions to the IPS that are required to implement the PRIT Directive (see Slide No. 10).

## » **Investment Manager Meetings.** The Retirement Board completed all the 2023 meetings to date with Investment Managers as required by Sec. 9.3 of the IPS.

## » **Additional Finance Policy Updates.**

- **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 revisions to the IPS have been finalized.
- **Investment Manager Selection Process.** The IPS references and incorporates an Investment Manager Selection Process (“**IMS**”) document. The ICWG plans to review and, if necessary, update the IMS in 2024 after revisions to the IPS have been finalized.



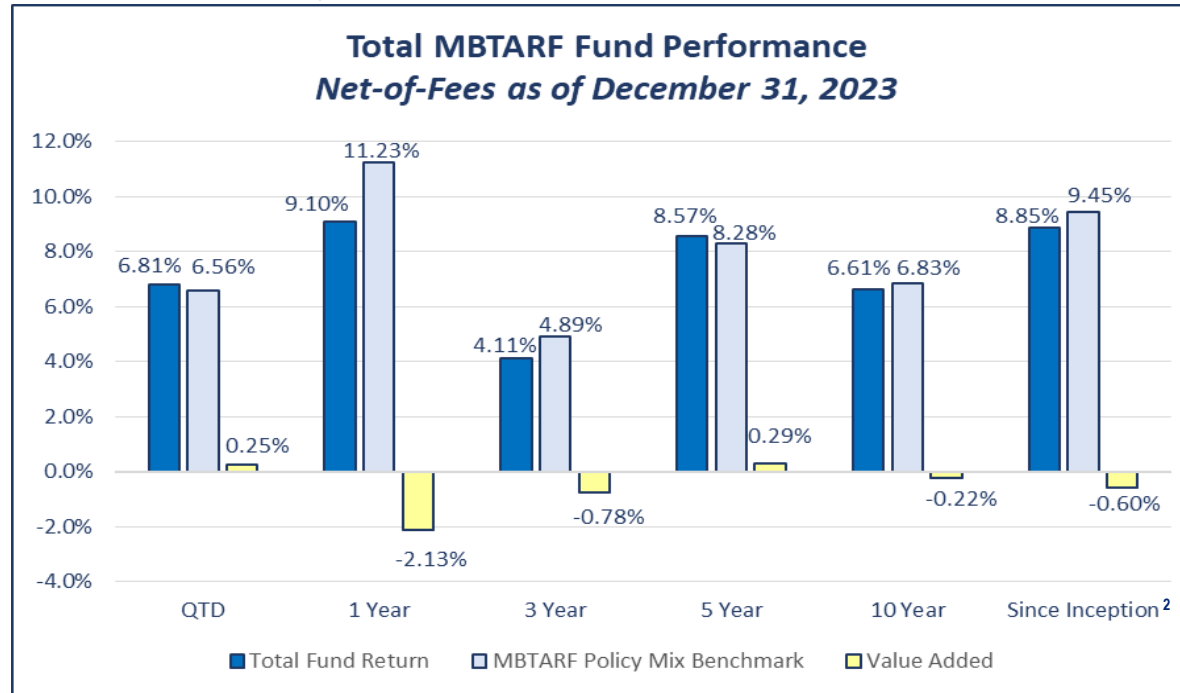
# PRIM/PRIT Investment Initiative

- » **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 Attorney Philip Brown, Julian Regan of 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                     |
| Emerging Markets Equity          | \$10,000,000         | 12/1/2023                    |
| Private Equity Vintage Year 2024 | \$12,500,000         | 1/1/2024                     |
| <b>Total</b>                     | <b>\$200,000,000</b> | <b>24% of PRIT Directive</b> |

# Finance and Investment – Investment Returns - December 31, 2023

» **Rate of Returns.** MBTARF (Total Plan) Preliminary Rate of Returns - Net of Fees<sup>1</sup>:



- » 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 is closely tracking its Policy Mix Benchmark.<sup>3</sup>
- » The 3, 5 and 10-Year returns of 4.11%, 8.57%, and 6.61% ranked in the 58<sup>th</sup>, 41<sup>st</sup>, and 31<sup>st</sup> percentiles, respectively, among the InvMetrics \$1 Billion Plus Public Defined Benefit Funds Universe.<sup>4</sup>

<sup>1</sup> These net returns for period ending December 31, 2023 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 2023 valuations for private equity, real estate and opportunistic investments.

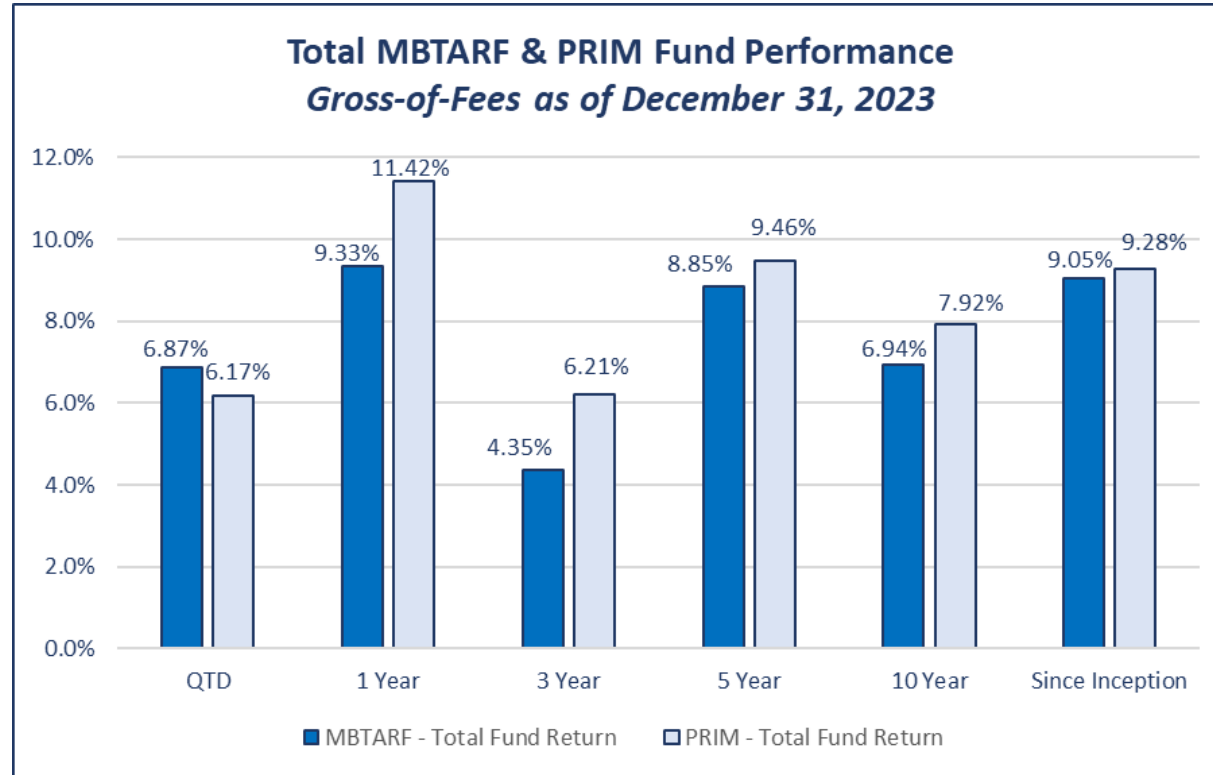
<sup>2</sup> The inception to date return begins January 1982.

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

<sup>4</sup> 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 Fees<sup>1</sup>



» **Total Fund Value.** As of December 31, 2023, the MBTARF’s preliminary total asset value was **\$1,697,928,043** which is an increase of **\$75,379,065** from the MBTARF’s December 31, 2022 asset value.<sup>3</sup>

<sup>1</sup> These gross returns for the periods ending December 31, 2023 are preliminary. Expenses and fees are treated uniformly in the rate of return calculations over the periods covered.

<sup>2</sup> The inception to date return begins January 1982.

<sup>3</sup> The preliminary market value does not include all fourth quarter 2023 valuations for private equity, real estate and opportunistic investments.

# Benefits Department – Status Report – Membership & Payments

- » **Implementation of Changes to the Pension Agreement.** The Benefits Department took pro-active steps to prepare for a possible surge in retirement applications based on changes to the Pension Agreement pursuant to the Arbitration Award, including creating and posting 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 were designed to make appointments to retire more efficient by reducing the time to complete a retirement application in-person. Following the Memorandum of Interpretation and new Pension Agreement, the MBTARF implemented measures designed to educate the MBTARF Membership and to operationally implement the benefit changes required by the new Pension Agreement, both of which were detailed on Slide No. 12.
- » **Member Self-Service Portal.** The MBTARF's pension management software includes a Member Self-Service Portal that provides Members and Retired Members with information on their MBTARF benefits via a self-service web-based platform. As of January 18, 2024, 3,032 users have registered for the Member Self-Service Portal. Of those registered users, 1,935 are Members and 1,097 are Retired Members.
- » **Membership.** As of December 31, 2023, there were a total of 5,542 members actively contributing to the MBTARF. 663 employees began to contribute to the MBTARF in 2023.

# Benefits Department – Status Report – Membership & Payments (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, 2023, 64% 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.

# MBTARF Staff Plan and Executive Plan Review

Given the changes to the Pension Agreement, MBTARF Management engaged Holland & Knight to review the ERISA-governed MBTARF Staff Retirement Plan and MBTARF Executive Retirement Plan for legally mandated changes and updates to create consistency with, to the extent applicable, the Pension Agreement. To date, that review has included:

- » Reviewing and analyzing the modifications and updates to the Pension Agreement;
- » Comparing the Pension Agreement to the MBTARF Staff Plan to determine whether the modifications and updates to the Pension Agreement could potentially apply to the MBTARF Staff Plan;
- » Analyzing whether the Pension Agreement changes are ERISA compliant;
- » Reviewing and analyzing the existing MBTARF Staff Plan structure and benefits in preparation for restatement of the MBTARF Staff Plan;
- » Revising and restating the MBTARF Staff Plan to reflect applicable Pension Agreement changes (including harmonizing terms, to the extent applicable);
- » Reviewing changes in the law (*e.g.*, ERISA) since the last restatement of MBTARF Staff Plan and determining the applicability of any such law changes;
- » Revising the MBTARF Staff Plan document to incorporate legally required changes, and as needed, updating and restating the MBTARF Staff Plan;
- » Revising the Executive Plan to permit lump sum distribution of benefits upon termination and clarify “interim” executive director participation in the plan;
- » Updating the Executive Plan for required law changes; and
- » Updating forms and notices for both the MBTARF Staff Plan and Executive Plan.