

OPERATIONAL REVIEW: MBTARF'S 2020-2023 STRATEGIC PLAN IMPLEMENTATION

A RETROSPECTIVE AND ANALYSIS

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THE SCOPE OF WORK

- Review the 2020-2023 Strategic Plan
- Analyze the results achieved through the Strategic Plan
- Evaluate the Fund's operational implementation of its strategic goals through the Strategic Plan
- Conduct a comparative analysis of "best practices" from Mass. Gen. Laws C. 32 Funds engaged in strategic planning
- Develop recommendations for future planning

75 Years Of History

The Diamond Jubilee

RETIREMENT FUND HISTORY-*EARLY YEARS*

1948: The Metropolitan Transit Authority (MTA) and the Local 589 Transit Workers Union (Union) establish the Fund by an instrument entitled “[MTA] Retirement Fund Agreement and Declaration of Trust” (1948 Trust Agreement). The contributory retirement plan contemplated by an earlier 1947 Memorandum of Agreement was adopted through the MTA's approval of the “Rules and Regulations of the [MTA] Retirement Fund” (1948 Rules).

1964: The MBTA is created by the legislature as the successor to the MTA.

1970: The 1948 Rules are replaced by a “Pension Agreement” between the MBTA and its employees. The current Pension Agreement, as amended, is a direct descendant of the 1948 Rules.

1980: The MBTA, with the approval of the Union, terminates the 1948 Trust Agreement and contemporaneously restates the trust in the 1980 Trust Agreement; the primary change being the substitution of the MBTA Retirement Board for the Bank then serving as the fiduciary charged with management of Fund assets.

RETIREMENT FUND HISTORY-*STRATEGIC PLANNING*

2014: The MBTARF Board approves and adopts its first Strategic Plan covering the period from 2015-2019. The Strategic Plan proved successful. See slides 8-9.

2016: The MBTARF receives its first GFOA Certificate of Achievement for Excellence in Financial Reporting; John P. Barry becomes Interim Executive Director.

2020: The MBTARF Board approves and adopts its second Strategic Plan covering the period from 2020-2023, leading up to the 75th Anniversary of the creation of the Fund. See slides 10-37.

2023: The Union and the MBTA adopt a new Pension Agreement effective through June 30, 2028, and the parties execute a Second Amended and Restated Trust Agreement to incorporate changes made in the Pension Agreement impacting the Board acting in its fiduciary capacity.

2023: Fund management, with Board approval, initiates work on its third Strategic Plan, which will cover the period from 2024-2027. See slides 42-44.

The Fund Today

- As members of the Board, you are fiduciaries charged with overseeing the investments, finances and management of the MBTARF.
- Day-to-day management of the Fund involves:
 - delivering top-flight customer service to members;
 - resolving benefits issues;
 - working with the Investment Consultant and others in finance to identify investment options to the Board;
 - providing accurate monthly reports to the Board;
 - protecting against cyber threats and other risks;
 - working with the Fund's vendors (e.g., the auditor and the actuary);
 - carrying out Board directives and initiatives; and
 - ensuring that the Board is fully and accurately informed.

Why Strategic Planning

- Strategic planning allows Retirement Fund Management to anticipate future needs and risks, and helps the Board meet its fiduciary duties.
- Strategic planning provides the Retirement Fund with direction in identifying and achieving high priority strategic goals and long-term objectives.
- Strategic planning helps the Retirement Fund create a consensus-driven, forward-focused vision.
- Management uses the strategic planning process to prioritize work, effectively allocate resources, define goals and align employee jobs with those goals.
- Strategic planning helps the MBTARF prepare proactively and address issues with a more long-term view. Planning has also allowed the Retirement Fund to be nimble in its response to unforeseen events (e.g., Covid pandemic).

2015-2019 Strategic Plan

2015-2019 Strategic Plan - Overview

Goal	Implementation Status
<p>Goal A: Improve financial reporting, accountability and transparency.</p>	<ul style="list-style-type: none"> • Produced the Retirement Fund’s first four ACFRs following GFOA Guidelines (obtained GFOA Certificates of Excellence for 2016, 2017 and 2018) • Supplied the MBTA and Commonwealth with Information for “Open Checkbook” and “CTHRU” • Complied Voluntarily with the Public Records Law (PRL)
<p>Goal B: Cultivate a high-performing, professional and innovative organization.</p>	<ul style="list-style-type: none"> • Hired and Developed Professional Staff • Conducted In-Service Trainings/Adopted Best Practices to Support Staff Development • Fostered a “Customer Service” Culture
<p>Goal C: Develop a technologically sophisticated infrastructure to better serve members and retirees.</p>	<ul style="list-style-type: none"> • Created, Maintained and Improved the Retirement Fund’s Website • Incorporated Information Technology and Cybersecurity Protections and Best Practices • Improved Pension Benefit Service and Software Performance (e.g. PTG benefit software rollout)
<p>Goal D: Adopt fiduciary and governance “best practices” to attain the highest levels of ethics and accountability.</p>	<ul style="list-style-type: none"> • Updated the Fiduciary Standards and the Investment Policy Statement • Conducted Board Training • Adopted Written Internal Investment Compliance Procedures • Developed a Self-Reporting Working Relationship with the Public Employee Administration Commission (PERAC)

Project 2020

Strategic Planning for 2020-2023

Developing the 2020-2023 Strategic Plan

- Retirement Fund management, led by John Barry and Retirement Fund counsel at Holland & Knight LLP (the “Project 2020 Team”), developed the Project 2020 Strategic Plan, which was reviewed and approved by the Board.
- At the outset, the Project 2020 Team limited the plan to the period ending in 2023 (which coincides with the 75th anniversary of the Retirement Fund) to account for the rapid changes in technology and finance.
- Strategic Plan Methodology. The Project 2020 Team employed a comprehensive methodology to collect and analyze relevant information (obtained through anonymous surveys and interviews of Retirement Fund senior staff) to develop long term goals, specific objectives within those goals, and targeted strategic initiatives designed to achieve each objective.
- Assessment. The Board-approved Strategic Plan provides Retirement Fund management with direction in identifying and achieving high priority strategic goals and long-term objectives.

Overarching Principles:

To Provide Retirement Security to MBTA Employees Who Devote Their Lives To Providing Public Transport

- **THE MBTARF'S VISION:** To be a trusted pension industry leader respected by members and stakeholders for its integrity, accountability, and service.
- **THE MBTARF'S MISSION:** To provide responsible and efficient stewardship to deliver promised retirement benefits, while promoting retirement security for members and retirees.



Strategic Plan Goals – 2020-2023

Assessment

PLANNING GOAL A

To Enhance Financial
Technology Capabilities To
Support A Secure And High
Performing Customer Service
Environment.

Goal A

- Objective A.1.
 - Improve and modernize the Retirement Fund's IT infrastructure.
- Objective A.2.
 - Implement and maintain a sophisticated online self-service platform.
- Objective A.3.
 - Educate financial technology users on upgraded service offerings and evaluate customer satisfaction.

PLANNING GOAL A

QUESTION:

Has the Fund enhanced its technology to improve security and customer service?

ANSWER:

Yes, the Fund achieved Goal A.

HOW DID THE FUND ACHIEVE GOAL A?

- By migrating data storage to a cloud-based solution and upgrading its operating system to Windows 10.
- By reducing the paper record burden by migrating to electronic record data storage, which improved record management, retention, and retrieval.

PLANNING GOAL A

HOW DID THE FUND ACHIEVE GOAL A?

- By creating a web-based self-service platform enabling members to obtain online access to their benefits information, obtain benefits estimates, and access certain forms. Between 2022 and 2023, the number of members signed up for the online portal more than tripled.
- By adopting procedures to allow disability retirement applicants to undergo their examinations through telemedicine.
- By implementing SentinelOne, which automatically prevents, detects, and responds to cybersecurity threats, as part of the Fund's overall upgrades in cybersecurity.

PLANNING GOAL A

ASSESSMENT OF GOAL A:

As part of our assessment, we contacted CMIT Solutions, Inc., which provides the Fund with managed IT services, including support and security. CMIT is an industry leader focused on managed IT support for businesses between 5 and 100 employees.

CMIT responded to written questions and participated in an interview regarding the MBTARF's IT capabilities and security measures. CMIT stated:

For its size, MBTARF is one of CMIT's more sophisticated clients. MBTARF takes cyber security very seriously and makes it a high priority.

* * *

Among CMIT's clients the MBTARF is a leader in adopting emerging security technologies, and consistently works with CMIT to understand and/or adopt advanced infrastructure technologies most well suited to the Fund's needs.

PLANNING GOAL A

ASSESSMENT OF GOAL A:

- The Fund currently takes advantage of all professionally recommended infrastructure related technologies.
- While the Fund conducts, among other things, vulnerability scanning, phishing testing, cyber security training, CMIT identifies the Fund's most significant security vulnerability as arising from the human component. To that end, CMIT recommends:
 - Continued phishing testing on all employees at more frequent intervals.
 - More frequent cybersecurity trainings for employees.
 - Penetration testing, which is an authorized simulated hacker attempting to access the Fund's IT systems, to evaluate its security.
 - Developing a Disaster Recovery testing project and a Business Continuity Policy.

PLANNING GOAL A

ASSESSMENT OF GOAL A:

- The member self-service portal is fulfilling a membership need and streamlining benefit administration.
 - The portal has been open to membership since 2020. As of January 2024, over 3,032 users (1,935 are active members and 1,097 are retired members) have registered. The Fund's tutorial video for active members has been viewed approximately 200 times. A tutorial video for retired members is forthcoming.
 - Online portal access allowed the Fund to implement the election option in the new Pension Agreement remotely through *DocuSign*, avoiding a rush to the Fund's offices. From August 2023 through December 2023, 739 members joined Group B. Year to date in 2024, 115 members joined Group B and 10 members revoked their election.
 - The Fund is conservative in implementing new features on the portal to ensure security and member privacy but a formal survey to obtain member feedback on the portal may be useful.

PLANNING GOAL A

RECOMMENDED NEXT STEPS:

1. Follow up on CMIT's recommendations, including more frequent staff cybersecurity trainings.
2. Ensure that appropriate resources are allocated so that the Fund's Manager of Information Technology has access to the latest educational opportunities to remain informed about industry trends and threats.
3. Consider providing additional personnel support to the Manager of Information Technology to ensure continuity and redundancy in that role.
4. Consider surveying membership about the features and functionality of the member self-service portal and implementing additional features on the portal. For example, allowing members to generate and print their own statement of accumulated contributions, which members need when applying for a mortgage, could help eliminate 5,000+ mailings a year.

Cultivate A Sophisticated,
Professional, Risk Intelligent,
Organization Dedicated To
Customer Service

Goal B

- Objective B.1.
 - Retain and develop a highly competent staff.
- Objective B.2.
 - Design and implement continuous improvement processes to improve benefits administration, information security and other Retirement Fund practices and procedures.
- Objective B.3.
 - Strive to create a process-based organization that optimizes performance and efficiency.

PLANNING GOAL B

QUESTION:

Has the Fund cultivated a sophisticated, professional, risk intelligent, organization dedicated to customer service?

ANSWER:

Yes, the Fund achieved Goal B.

HOW DID THE FUND ACHIEVE GOAL B?

- By empowering staff to help develop their own job descriptions.
- By engaging in a thoughtful and comprehensive staff reorganization.
- By developing comprehensive standard operating procedures (SOPs) for its Benefits Department.

PLANNING GOAL B

HOW DID THE FUND ACHIEVE GOAL B?

- By encouraging employees to take advantage of continuing education.
- By updating and following its Written Information Security Plan (WISP), Finance Department Procedures and Selection of Investment Managers policy.
- By updating its Employee Handbook to capture changes in the law and employment best practices.
- By conducting an operational assessment of the Fund's reorganized structure, organizational chart, and job functions.
- By conducting an operational assessment of the implementation of the Benefits Department's SOPs.

PLANNING GOAL B

ASSESSMENT OF GOAL B:

- The Fund distinguishes itself by its commitment to developing its employees and by its proactive strategic planning.
 - The Fund values educational achievement as evidenced by the fact that 7 of its 10 employees have earned at least a bachelor's degree. In addition, the Fund has developed interns into full-time employees. The Fund also encourages employees to complete continuing education courses.
 - Because of the changes the Fund made in its technical capabilities, it needed to update its organizational structure to align the new tools with existing jobs responsibilities. Recognizing this, the Fund engaged in a strategic planning exercise to determine how to re-organize most effectively.
 - Management engaged the employees in this process by obtaining input from employees on their own job descriptions, functions and cross-departmental “teaming” opportunities.
 - By reorganizing, the Fund now has a flatter organizational structure, which has resulted in a cost savings of approximately \$3,310,000 (including estimated insurance premiums) since John Barry added the job of Interim-Executive Director while continuing to serve in his existing role as Deputy Executive Director.

PLANNING GOAL B

ASSESSMENT OF GOAL B:

- **Congruent with implementation of the organizational restructuring, the Fund developed standard operating procedures. In a flatter organization like the Fund, SOPs help employees reduce errors and support each other in the event of absences or high-volume demands (e.g. Pension Agreement changes).**
 - **The Benefits Department SOPs also help ensure a consistent, uniform customer experience.**
 - **Management obtained buy-in from employees by having employees become subject matter experts and then providing input into the SOPs.**
 - **The final SOPs included detailed, uniform instructions as to how to conduct benefits interviews with members so that members receive “best in class” customer service.**
 - **The reduction of errors due to implementation of the SOPs has virtually eliminated any benefits related litigation, thereby reducing legal costs.**

PLANNING GOAL B

ASSESSMENT OF GOAL B

- By implementing and conducting monthly agenda-driven staff meetings, the Fund encourages employee teamwork and cross-departmental knowledge.
- The Fund also engages in regular governance meetings to promote cybersecurity awareness, including annual trainings, all of which promotes sensitivity to risk.

RECOMMENDED NEXT STEPS:

- Continue regular staff and governance meetings.
- Conduct a follow-up assessment of the organizational structure to ensure that it continues to meet the Fund's needs in light of changes in technology.
- Consider whether other departments could benefit from developing SOPs.

**Become A Recognized
Leader in Pension
Benefit Administration**

Goal C

- Objective C.1.
 - Collaborate with state regulators, public pension systems, and other industry stakeholders to identify innovative “best practices” and educate stakeholders about the Retirement Fund.
- Objective C.2.
 - Achieve a level of Retirement Board ethics and fiduciary accountability that meets or exceeds industry standards.
- Objective C.3.
 - Educate stakeholders, including the public, about the Retirement Fund.

PLANNING GOAL C

QUESTION:

Has the MBTARF collaborated with state regulators, public pension systems, and other industry stakeholders, identified innovative “best practices,” and educated stakeholders about the Retirement Fund?

ANSWER:

Yes. The Fund achieved Goal C.

HOW DID THE FUND ACHIEVE GOAL C?

By reaching out to and meeting regularly with PERAC (since 2010) to exchange ideas and share “best practices” related to pension fund management. This culminated in PERAC’s invitation to John Barry to speak at PERAC’s Annual Emerging Issues Forum in 2023 with a distinguished group of fellow panelists from the State Legislature, PERAC, the United States Department of Labor, and the Mass Taxpayers Association.

PLANNING GOAL C

HOW DID THE FUND ACHIEVE GOAL C?

- By meeting with PERAC, ch. 32 systems and pension funds outside the Commonwealth to obtain new ideas to improve operations; learn how other retirement funds operate; and identify how other retirement funds meet their fiduciary duties.
- By attending symposia, including the 65th Annual Employee Benefits Conference for the Foundation of Employee Benefit Plans.
- By educating ch. 32 Funds about the MBTARF and the new Pension Agreement at PERAC's 2023 Emerging Issues Conference.
- By improving and utilizing its website to communicate a broad array of information to members and the public.
- By publishing and posting an informative newsletter entitled Milestones.
- By arranging for annual fiduciary training for Board members.

PLANNING GOAL C

ASSESSMENT OF GOAL C:

- The Fund has used what it has learned through its bi-annual meetings with PERAC to establish best practices.
- The Fund has consulted PERAC regulations when evaluating and updating its Investment Policy Statement and Fiduciary Standards.
- The fiduciary trainings delivered to the Board incorporate Best Practices from PERAC as do the annual in-service trainings for the staff.
- The Fund uses the PTG member self-service portal to educate members about their benefits.
- Feedback the Fund received following the 2023 Emerging Issues Conference was very positive. Attendees were surprised to learn, among other things, how much MBTA employees contribute to their retirements.

PLANNING GOAL C

RECOMMENDED NEXT STEPS:

- Consider website upgrades to enhance functionality and increase use.
- Continue the Fund's outreach to other/peer systems to ensure that the Fund is incorporating best practices into its operations, policies and procedures.
- Continue developing and deepening the Fund's thirteen (13) year relationship with PERAC through outreach to the new PERAC Executive Director, and any new PERAC leadership team members.

Sustain And Preserve A Financially Sound Pension Fund

Goal D

- Objective D.1.
 - Improve the long-term sustainability of the Retirement Fund.
- Objective D.2.
 - Enhance financial reporting, accountability, and transparency.
- Objective D.3.
 - Regularly convene the Investment Compliance Working Group (“ICWG”) meetings to review and improve Finance Department procedures.

PLANNING GOAL D

QUESTION:

Has the MBTARF taken steps to sustain and preserve a financially sound pension fund?

ANSWER:

Yes. The Fund achieved Goal D.

HOW DID THE FUND ACHIEVE GOAL D?

- By working through the ICWG, a group comprised of staff, and the MBTARF's investment advisor and investment counsel, to update Finance Department procedures and investment manager selection policies.
- By evaluating its asset allocation mix and updating its Investment Policy Statement (IPS) to reflect recommended changes in asset allocation.

PLANNING GOAL D

HOW DID THE FUND ACHIEVE GOAL D?

- **By convening regular meetings of the ICWG to review the IPS, the asset allocation mix, and Finance Department procedures.**
- **By implementing recommendations received from its Auditor related to, among other things, unclaimed member contributions.**
- **By seeking and securing the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting.**
- **By promoting transparency through its regular posting on its website of the Annual Comprehensive Financial Report (ACFR), along with other financial reports and investment information.**

PLANNING GOAL D

ASSESSMENT OF GOAL D:

- The Fund's use of the ICWG and professional consultants has enabled it to take a deep dive into Finance Department Procedures and conduct a comprehensive review of its asset allocation in light of its changing membership balance and demographics. This has allowed the Fund to achieve an asset allocation mix that best reflects its membership size and mortality expectations.
- Producing an ACFR that meets the GFAO's Certificate of Excellence indicates that the MBTARF is objectively meeting transparency goals in its reporting.
- Posting the ACFR and other financial reporting on the Fund's website provides detailed information on the Fund's operations and investments to the membership, the media, and the general public.

PLANNING GOAL D

RECOMMENDED NEXT STEPS:

- **Continue to produce an ACFR that meets the standards for the GFOA Certificate of Excellence.**
- **Continue to use the ICWG to ensure that (i) the Fund remains in compliance with its IPS and (ii) the asset allocation mix in the IPS meets the needs of the membership, particularly given changes in the new Pension Agreement.**
- **Recognize that the Fund can only control what is in its power to control. For example, the Fund has no control over member contributions or certain volatilities in the investment market.**
- **Continue to use the website as the platform to disseminate information related to the Fund.**

PLANNING GOAL D

RECOMMENDED NEXT STEPS:

- Complete the Fund’s work, through the ICWG, to update the IPS based on the new investment mandate (the “PRIT Directive”) and the “two-tiered” benefit structure established in the Pension Agreement.
- Once the IPS is complete, review and, if necessary, update the Investment Manager Selection process and Finance Procedures in 2024.

Peer Comparison

How Does The MBTARF's Strategic Planning Compare
To Other Chapter 32 Funds?

HOW WE CONDUCTED A PEER ASSESSMENT

- For the peer assessment we looked at ch. 32 systems that were similar in size to the MBTARF as well as larger, more aspirational, ch. 32 systems.
 - Ch. 32 Funds that are similar in size are directly comparable to the MBTARF.
 - Ch. 32 Funds that are much larger, with greater resources and staff, and more mechanized procedures and planning.
- The information for the peer comparison was collected through publicly available sources relating to PERAC regulated funds, and through informational interviews with each retirement system.

PEER COMPARISON

Comparison Metric	MBTA Retirement Fund (reported 12/31/2022)	Retirement Fund A (reported 12/31/2022)	Retirement Fund B (reported 12/31/2022)	Retirement Fund C (reported 12/31/2022)	Retirement Fund D (reported 12/31/2022)
Assets Under Management	\$1.6 B	\$1.3 B	\$1.9 B	\$6.4 B	\$34.7 B
Number of Full Time Staff Members	10	10	14	50	~100
Active Members	5,555	5,824	9,432	14,581	98,926
Retired Members	6,714	4,546	6,284	9,898	69,727
Provides Member Self-Service Platform	Yes	Yes	Yes	No	Yes
Produces ACFRs	Yes	No	No	No	No
Received GFOA Certificate of Excellence	Yes	No	No	No	No
Conducts Strategic Planning	Yes	No	No, but has Technology Plan	No	Yes
Has Benefits Department SOPs	Yes	No	No	No	Yes

Comparison to Peer Funds

- The MBTARF's strategic planning process and, in particular, its development of Standard Operating Procedure, is similar to what much larger funds with more resources engage in.
- As previously discussed, strategic planning has led to website improvements. Executive Directors from other retirement system have commended the Fund for the breadth of information contained on the Fund's "very impressive" website and the Fund's transparency.
- The MBTARF has a lean and flat staffing structure when compared to peer systems. Forty percent (40%) of the MBTARF's staff have overlapping roles. Other peer systems range from no overlapping roles to twelve and a half (12.5%) of overlapping roles.

Lessons Learned For Future Strategic Planning

- The Board's strategic planning process serves an important role in supporting Fund Management, and in identifying and achieving long-term strategic initiatives to fulfill the Board's fiduciary duties to members.
- Strategic planning goals should be well-defined so that progress and achievement can be measured.
- Once a goal is defined, include multiple stakeholders in the planning to embrace and meet the goal, e.g., employees and vendors, when appropriate.
- Consider measuring progress against, and gaining input from, peer funds.

Lessons Learned For Future Strategic Planning

- Improvements in technology informed development of the Fund’s prior strategic planning goals and facilitated delivery of customer service seamlessly through the pandemic and changes in the Pension Agreement. The Fund’s focus on financial technology and cybersecurity should continue and include analysis of the potential utility (e.g., benefit administration) and risks (e.g., deep fakes) posed by artificial intelligence (AI); and the potential of other new technologies to enhance operational efficiencies and customer service.
- Strategic planning can be used to assist the Board in meeting its fiduciary duties. For example, Environmental, Social, and Governance (ESG) and Diversity, Equity, and Inclusion (DEI) initiatives remain hot button topics with the Department of Labor and in the courts. A strategic planning initiative might include study of the “prudent investment” rules and caselaw related to ESG and DEI investing to shape future development of the IPS, particularly in light of the recently adopted PRIT Directive.

Additional Possible Topics To Address In Future Strategic Plans

- Implement a procedure to regularly review existing key policies and procedures and update as necessary based on those reviews (e.g., Fiduciary Standards, WISP, etc.).
- Identify ways customer service and communications can be improved using technology.
- Analyze the Fund's insurance policies to ensure appropriate coverages (e.g. cyberliability) and reasonable costs.
- Survey the Board for feedback on how Fund management can help each Board member exercise informed decision-making and best serve the Fund.
- Formalize regular outreach to other pension funds and administrative agencies to gather “best practices” and improve overall operations.
- Review and, as needed, revise investment management agreement(s) to identify and define investment management duties, and improve financial reporting.
- Consider other actions in continuity with the prior plan identified in the *Recommended Next Steps* portion of this presentation.

Summary

- The Fund is at the forefront of strategic planning in general and when compared to peer pension funds.
- The Fund has successfully used strategic planning concepts to identify and achieve important operational goals.
- As learned from surveying peer funds, knowledgeable and engaged employees are crucial to any pension fund's success. MBTARF Management has an enviable record of developing employees internally and providing benefits (e.g., educational tuition reimbursement, etc.) that have helped with both retention and employee development in their jobs.
- The strategic planning process has fostered a learning environment that has improved customer service, technical literacy, and overall communication.
- The Board's strategic planning efforts both fulfill and evidence the Board's commitment to meet its fiduciary duties to members and beneficiaries.

Questions?