

# Operational Review of MBTARF Management Accomplishments – 2016-2026

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# A Retrospective Look At the MBTARF



MBTA  
RETIREMENT  
FUND

As the Board considers this Operational Assessment and plans for the Fund's future, it is helpful to understand the history and status of the Fund prior to Fund management's implementation of various reforms beginning in 2015/2016.

# Primer on the Fund's History: 1894-1948

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- The Fund's roots extend back to 1903 when the Boston Elevated Railway Company – which was created in 1894 as a private company to own and operate trolley lines and America's first subway – established a pension roll with more than 100 men. “Every faithful employee has been cared for in his age.” --*Cambridge Sentinel*, July 8, 1912.
  - 1920: Boston Elevated established a non-contributory allowance plan.
  - 1941: Boston Elevated established a contributory retirement allowance plan.
  - 1947: The Massachusetts legislature creates the Massachusetts Transportation Authority (“MTA”) and acquires the assets of Boston Elevated.
- In 1947, The MTA and Local 589 agreed to “work out a contributory pension plan based on age, earnings, and length of service.” The Legislature specifically declined to establish a public pension system or retirement plan for the newly acquired employees of Boston Elevated. Section 18 of c. 544 provided that G.L. c. 32, the public employee retirement law, was not to apply to any retirement or pension system of the MTA.
- In 1948:
  - The Trust Instrument creating the Trust holding the pension assets for the benefit of its members, i.e., current and past employees of the MTA, was executed; and
  - The contributory pension plan was adopted when the MTA approved the “Rules and Regulations” and established the seven-member Board.

# Primer on the Fund's History: 1948 to 1980

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- 1964: Through the Acts of 1964, the MBTA was created and succeeded the MTA. The legislature confirmed that Mass. Gen. Laws ch. 32 – the statute governing state and municipal retirement boards – did not apply to the MBTARF.
  - Unlike Massachusetts state and municipal public employees, MBTA employees are eligible to receive social security benefits. Why? Because the Social Security Act mandated that if a transportation system was acquired from the private sector by a state between 1937 and 1950, and if that state did not cover the transportation system's employees within a state retirement system with Constitutionally protected benefits that could not be reduced or impaired by an action of the state legislature, the acquired transportation system was required to participate in the Social Security System.
  - In other words, the Commonwealth chose not to assume direct responsibility (and liability) for the transit worker's pension system when it acquired the MTA (succeeded by the MBTA) by excluding the transportation system workers from Mass. Gen. Laws ch. 32 thereby rendering them eligible for Social Security.
- 1970: The 1948 Rules and Regulations were replaced by a “Pension Agreement” between the MBTA and its employees. As such the current Pension Agreement can be traced back to the 1948 Rules and Regulations.
- 1980: The MBTA and the Retirement Fund's board terminated the 1948 Trust and restated the trust in the 1980 Trust Agreement, which was signed by the MBTA, Local 589, and the Board. Since that time, the Pension Agreement has been periodically re-negotiated between the MBTA and Local 589.

# Primer on the Fund's History: 1980 to 2006

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- From January 1983 to March 2002, management of the Fund was led by one Executive Director.
- During the 1990s the MBTARF outperformed PRIT – the Pension Reserves Investment Trust, Commonwealth's pension fund – which is managed by PRIM, the Pension Reserves Investment Management Board and the MBTARF reached full funding for a period.
  - The MBTARF's performance in the 1990s was achieved, in part, because, as a private entity, the MBTARF was able to access investment vehicles, such as private equity, that PRIT, as a public entity, could not. Today, PRIT has the same access to investment vehicles as the MBTARF.
  - Full funding was not sustained as the Fund encountered investment losses beginning when the dot-com bubble burst after 2000.
- From April 2002 to June 2006, the Fund was led by a former executive at Putnam, who had an investment background but no pension benefits administration experience.

# Primer on the Fund's History: 2006 to 2015

- In July 2006, a former General Manager of the MBTA was named Executive Director and John Barry, who had been a Board Member, became Deputy Director.
- Holland & Knight, LLP was retained as investment and outside counsel in 2007 after assisting the Fund in 2006 with the receivership and liquidation of an investment manager, Axxon Capital LLP (“Axxon”).
- Between 2006 and 2015, the Fund, with the assistance of Holland & Knight, began to focus attention on improving the Fund’s policies, practices and procedures for investments, benefits administration and governance.
- In 2010, John Barry initiated what have become semi-annual meetings with PERAC, the agency that oversees the Massachusetts retirement system, to share “best practices” and conduct informal self-reporting to the Commonwealth’s pension regulator.
- As of December 31, 2015, the Fund’s net position available for pension benefits was \$1,497.8 million; its total investment performance was .9% (its benchmark return was 2.01%); it had 6,472 retirees or beneficiaries receiving benefits and 5,885 active members paying into the Fund; and its administrative expenses were \$5,808,086 (those same expenses would cost \$7,750,927 as of December 31, 2024, according to the CPI Inflation Calculator issued by the U.S. Bureau of Labor Statistics).
- In comparison, as of December 31, 2024, the Fund’s net position available for pension benefits was \$1,802 million, its total investment performance was 7.98% (its benchmark return was 8.57%), it had 6,783 retirees or beneficiaries receiving benefits and 6,565 active members paying into the Fund; and its administrative expenses were \$4,271,610.
  - Although information for December 31, 2025 will not be available until May 2026 (when the actuary’s report is complete), as of December 31, 2025 the Fund estimates its net position is \$2,012 million with an estimated net performance of 12.49% (and an estimated benchmark return was 13.63%).
  - As of December 31, 2025, the Fund had 6,634 retirees or beneficiaries receiving benefits and had 6,652 active members paying into the Fund.

# Overview of Fund Governance

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- The Board is responsible for governance of the Fund while the staff manages day-to-day operations.
- Board members owe fiduciary duties to the members and beneficiaries of the Fund.
  - This means that the Board members owe their primary loyalty to the members and beneficiaries of the Fund and not to the organizations that appointed them. Board members must:
    - carry out their duties prudently;
    - follow the plan documents in accordance with the law – e.g., the Pension Agreement and the Trust Agreement;
    - diversify plan investments; and
    - pay only reasonable plan expenses.
- Acting prudently focuses on the *process* for making fiduciary decisions, not the outcome: e.g., does the process follow reasonable and prudent analysis designed to maximize fair and informed consideration of relevant factors?
- There are two main components of the Fund’s work:
  - Management of the Fund’s assets; and
  - Paying out the benefits to the beneficiaries and providing quality customer service to the members and beneficiaries, which includes everything from accepting retirement applications, to answering questions about individual retirements, to ensuring benefits are timely paid.

# General Issues Facing the Fund as of 2016

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- The Fund was a consistent target of media curiosity for many years because, as a private trust, it was not statutorily transparent like a PERAC-regulated, public retirement system and was, more pointedly, legally exempt from the Public Records Law.
- From 2006 through 2015, the Fund was involved in 11 different investment-related lawsuits, workouts and redemptions to recoup investment losses on troubled investments, which also provoked media attention.
- The Fund faced public criticism for its investment selections, funding status (since it had fallen from being fully funded) and for its overall performance, which was perceived to be not as strong as PRIT.
- Due to a combination of MBTA downsizing (hiring freezes, early retirements, etc.) and an aging workforce, the Fund was also “upside down” – paying out more in retirement benefits than it was taking in from active employer and employee contributions. This problem – beyond the control of Fund management - adversely impacted the funded ratio and the growth of net assets available for benefits.
- The Fund was facing allegations from the Boston Globe and Harry Markopolos that its financial reporting in 2011-2013 was inaccurate, prompting the Fund to engage FTI Consulting to conduct a forensic audit. *(FTI ultimately concluded that the allegations were baseless but public perception remained negative).*

# Operational Issues Facing the Fund as of 2016

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- The Fund had not conducted meaningful strategic planning;
- The Fund's pension benefit software was aging;
- The Fund's IT system was aging and vulnerable to cyber attacks such as ransomware;
- The Fund did not have a Board Handbook;
- The Fund did not have robust standard operating procedures for the Benefits Department;
- The Fund's Investment Policy Statement was due for an update;
- The Fund needed to review its organizational structure.

# Addressing the Issues

2016 to 2026

What did the MBTARF do to address these issues, to meet unforeseen challenges (*e.g.* the Pandemic), to reshape negative public perception, and to take advantage of new opportunities (*i.e.*, access to PRIT)?

# The Answer to the Question

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- This Operational Review evaluates how the Fund addressed the existential issues facing it as of 2016 and how management positioned the Fund for success in the future.
- Four key events occurred during this period:
  - In August 2016 John Barry became Interim Executive Director;
  - In 2017 the Legislature passed an Act authorizing, but not requiring, the MBTARF to invest in PRIT;
  - In March 2020, the COVID Pandemic began;
  - In 2023, major changes were made to the Pension Agreement, requiring fast and concerted action on the part of Fund management and staff to implement a new two-tier benefit structure and incorporate the “PRIT Directive” mandating that 50% of the Fund’s assets, measured as of April 2023, be invested in the PRIT Fund by 2028.

# Executive Overview of Scope of Work

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- **Operational Review.** An operational review is an independent assessment that offers insight into operations; it takes an in-depth, objective, look at an organization or a specific portion of an organization.
- **Scope of Work.** This operational review focuses on the MBTARF's implementation of the Board approved Strategic Plans for the past ten (10) years, roughly coinciding with John Barry's tenure as Interim Executive Director beginning in 2016. I conducted this review through interviews with staff and Fund counsel and relied on substantial prior work product, described more fully below.
- **Assessment.** As further detailed in the following slides, this operational review incorporated prior independent, objective assessments including the following:
  - Multiple Strategic Plan progress reports and Annual Reports to the Board beginning in 2015;
  - Operational Review of MBTARF Staff Reorganization Plan dated February 19, 2021;
  - Operational Review of MBTARF Retirement Benefits Department SOPs dated February 18, 2022; and
  - Operational Review: MBTARF's 2020-2023 Strategic Plan Implementation dated March 15, 2024.

# Executive Overview of Key Findings

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The following provides an executive overview of my key findings, which are detailed more fully in the subsequent slides:

- **Strategic Planning Serves An Important Purpose.** The Fund’s strategic planning process allows the Board to develop long-term goals and set strategic initiatives to help guide MBTARF management toward goal achievement.
- **Project Management of Plan Implementation Leads To Success.** Through rigorous project management, including regular meetings and detailed progress tracking, MBTARF management pursued its Strategic Plan initiatives diligently for over ten (10) years and reached many goals.
- **Operational Improvements Are Achieved.** From an efficient staff reorganization, to development of Standard Operating Procedures (SOPs), to improvements in information security and customer service, all as detailed later in this presentation, MBTARF management has professionalized and improved operations generally and across all departments – e.g., finance, benefits, operations/governance and IT/cybersecurity.
- **The MBTARF is Best in Class.** Using objectively measurable criteria to compare the Retirement Fund to its peers, e.g., similarly sized or larger, aspirational PERAC-regulated public pension funds, the operational capabilities and outputs of the Retirement Fund are best in class.

# As of 2026

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- The Fund amended the Trust, and revised its By-Laws, the Investment Policy Statement, and the Fiduciary Standards, to allow the Fund to invest in PRIT. The Fund also met the PRIT Directive two years early.
- The Fund implemented organizational changes involving staffing levels and investment selection that have saved the Fund millions of dollars.
- The Fund established an Investment Policy Working Group to regularly review and update the Investment Policy Statement.
- The Fund conducted multiple strategic planning efforts which produced, among other things, improvements in its computer hardware and pension benefit software, all of which allowed the MBTARF to operate seamlessly during the Pandemic.
- The Fund is not currently engaged in any lawsuits involving investments or benefits administration.
- The Fund secured robust cybersecurity protections and cyber insurance to protect it against bad actors.
- The Fund's financials are fully transparent; and it has been awarded the GFOA Certificate of Excellence for each of its ACFRs since 2016.
- The Fund implemented multiple processes for both investment review and for operations to ensure that the Board and staff are meeting their fiduciary duties to the members and beneficiaries.

# Strategic Planning

# Strategic Planning – 2015-2019 - Accomplishments

**MBTARF’s First Strategic Plan.** In 2014-2015, under the leadership of then Deputy Director John Barry, the MBTARF developed its first Strategic Plan. In 2016, John Barry was appointed Interim Executive Director. Achievements under the 2015-2019 plan include:

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

# Strategic Planning – Project 2020

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- **Project 2020.** Retirement Fund management, led by John Barry, staff and Fund counsel (the “**Project 2020 Team**”) developed a second Strategic Plan approved by the Board covering the years from 2020 through 2023.
- **Strategic Plan Methodology.** The Project 2020 Team employed a comprehensive methodology to collect and analyze relevant information, obtained through anonymous surveys and interviews of Fund senior staff, in order to develop long-term goals, specific objectives within those goals, and targeted strategic initiatives designed to achieve each objective. Information was collected via:
  - **Staff Surveys.** The Project 2020 Team developed an online survey for Fund staff to deliver input anonymously. The survey prompted staff to conduct individual SWOT analyses to identify the Fund’s strengths, weaknesses, opportunities, and threats. This process served to increase staff awareness of organization-wide initiatives and provided a meaningful opportunity for management to extract valuable, constructive and honest feedback from staff.
  - **Senior Staff Interviews.** The Project 2020 Team also interviewed Fund senior staff to review the Fund’s prior strategic plan and assess the effectiveness and impact of its strategic initiatives and objectives on a go-forward basis.
  - **Stakeholder and Service Provider Feedback.** The Project 2020 Team obtained feedback from relevant third-party service providers and stakeholders, including from Segal Marco, CMIT, PTG, and PERAC.
  - **Industry Best Practices.** The Project 2020 Team used the information collected from the methods described above and evaluated comparable strategic plans to ensure the Fund’s planning was comprehensive and aligned with pension industry best practices.

# Strategic Planning – 2020-2023 - Goals and Objectives

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- **Goal A – To Enhance Financial Technology Capabilities to Support a Secure and High Performing Customer Service Environment.**
  - Improve and modernize the Retirement Fund’s IT infrastructure.
  - Implement and maintain a sophisticated online self-service platform.
  - Educate financial technology users on upgraded service offerings.
- **Goal B – Cultivate a Sophisticated, Professional, Risk Intelligent Organization Dedicated to Customer Service.**
  - Retain and develop a highly competent staff.
  - Design and implement processes to continuously improve benefits administration, information security and other Retirement Fund practices and procedures.
  - Create a process-based organization that optimizes performance and efficiency.
- **Goal C – Become a Recognized Leader in Pension Benefit Administration.**
  - Collaborate with state regulators, public pension systems, and other industry stakeholders to identify innovative “best practices”.
  - Achieve a level of Retirement Board ethics and fiduciary accountability that meets or exceeds industry standards.
  - Educate stakeholders, including the public, about the Retirement Fund and its unique status/history.
- **Goal D – Sustain and Preserve a Financially Sound Pension Fund.**
  - Improve the long-term sustainability of the Retirement Fund.
  - Enhance financial reporting, accountability and transparency.
  - Regularly convene a professionally supported Working Group to review and improve the Investment Policy Statement and Finance Department Procedures.

# Strategic Planning – 2020-2023 - Accomplishments

**MBTARF’s Second Strategic Plan.** Operational accomplishments achieved by the MBTARF under the 2020-2023 plan include:

Strategic Plan Goal	Implementation Status
<p><b>Goal A:</b> To enhance financial technology capabilities to support a secure and high performing customer service environment.</p>	<ul style="list-style-type: none"> <li>• Migrated data storage to a cloud-based solution and upgraded operating system to Windows 10</li> <li>• Reduced “paper” records and improved records management by migrating to electronic record data storage</li> <li>• Created a web-based self-service platform allowing members online access to forms and benefits information.</li> <li>• Implemented SentinelOne to help prevent, detect and respond to cybersecurity threats.</li> </ul>
<p><b>Goal B:</b> Cultivate a sophisticated, professional, risk intelligent, organization dedicated to customer service.</p>	<ul style="list-style-type: none"> <li>• Engaged in a comprehensive staff reorganization aligning job functions with changes in technology and focusing on improved customer service</li> <li>• Developed a comprehensive set of Standard Operating Procedures (SOPs) for the benefits department.</li> <li>• Updated the Employee Handbook, Written Information Security Plan (WISP), and other policies.</li> </ul>
<p><b>Goal C:</b> Become a recognized leader in pension benefits administration.</p>	<ul style="list-style-type: none"> <li>• Met regularly with PERAC to exchange ideas and share “best practices” in pension fund administration.</li> <li>• Presented (John Barry) at PERAC’s Annual Emerging Issues Forum for Chapter 32 pension funds in 2023.</li> <li>• Engaged Chapter 32 pension fund representatives in staff reorganization and SOP development.</li> </ul>
<p><b>Goal D:</b> Sustain and preserve a financially sound pension fund.</p>	<ul style="list-style-type: none"> <li>• Updated Finance Department Procedures and Investment Policy Statement (IPS).</li> <li>• Implemented auditor recommendations including developing an unclaimed property procedure.</li> <li>• Sought and secured GFOA Certificates of Achievement for Excellence in Financial Reporting and regularly posted publicly its Annual Comprehensive Financial Report (ACFR) along with other financial information.</li> </ul>

# Strategic Planning- Operational Assessment of Strategic Planning Initiatives – 2020-2023

- MBTARF management implemented a staff reorganization plan approved at the Board's September 18, 2020 meeting designed to create a leaner, more cost-effective organization aligning the MBTARF's human resources with ever evolving technological advancements and risks.
- I delivered an organizational assessment of the reorganization to the Board at the February 19, 2021 meeting and, based on comparisons to peer pension funds, concluded that "the organizational capabilities and outputs of the MBTARF are best in class".
- In furtherance of its Strategic Initiatives, the MBTARF developed a set of Standard Operating Procedures (SOPs) for its reorganized Benefits Department to further improve efficiency, productivity and uniformity, and take advantage of technological enhancements.
- The SOP Project was completed in 2020 and its work has been essential to the smooth and successful operation of the Benefits Department, particularly during the benefit administration changes required by the creation of Group B in the 2023 Pension Agreement.
- In March of 2024, I presented to the Board my *Operational Review: MBTARF's 2020-2023 Strategic Plan Implementation* which analyzed the results achieved through the Plan; evaluated Fund management's operational implementation of its strategic goals; comparatively analyzed "best practices" followed by peer Chapter 32 pension funds; and helped develop recommendations for the next (2024-2027) Strategic Plan.

# Strategic Planning- MBTARF Strategic Plan (2024-2027)

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**Strategic Planning - 2023:** Utilizing techniques and a Working Group similar to Project 2020 (see Slide 18), and “lessons learned” through the prior Strategic Plan, MBTARF management developed a Project Plan using the following methodologies: anonymous survey SWOT analysis; MBTARF manager interviews; peer retirement fund interviews; and review/comparison of peer and aspirational retirement fund strategic plans. The Working Group then developed the “Goals, Objectives and Strategic Initiatives” built into the Strategic Plan approved by the Board at the May 17, 2024 meeting:

- **Goal A** – Continue to improve and enhance processes, technology, and capabilities to ensure excellence in delivery of services to members, retired members, and their beneficiaries.
- **Goal B** – Cultivate a sophisticated, professional, intelligent organization that is dedicated to achieving the organization’s goals.
- **Goal C** – Enhance financial technology capabilities to support a secure and high performing environment.
- **Goal D** – Maintain and preserve the long-term sustainability of the pension fund.

# Strategic Planning – 2024-2027 – Progress Report

**MBTARF’s Third Strategic Plan.** Progress achieved by the MBTARF under the current 2024-2027 plan includes:

Strategic Plan Goal	Implementation Status
<p><b>Goal A:</b> Continue to improve and enhance processes, technology, and capabilities to ensure excellence in delivery of services to members, retired members and their beneficiaries.</p>	<ul style="list-style-type: none"> <li>• Incorporated, standardized and communicated Group B Plan changes in new (2023) Pension Agreement.</li> <li>• Redesigned and modernized the MBTARF website – Boston Web Design.</li> <li>• Implement State Street Bank’s (“SSB”) MyPenPay functionality - <i>ongoing</i>.</li> <li>• Establish Benefit Verification Form and protocol (Chapter 32 model) and improve death auditor monitoring through PBI - <i>ongoing</i>.</li> </ul>
<p><b>Goal B:</b> Cultivate a sophisticated, professional, risk intelligent, organization that is dedicated to achieving the organization’s goals.</p>	<ul style="list-style-type: none"> <li>• Refreshed staff workstation hardware.</li> <li>• Participated in joint information security seminar in collaboration with PERAC and others.</li> <li>• Executed new Custody, Performance and Analytics and Benefit Payment Services Agreements with SSB.</li> <li>• Updated Fiduciary Standards, Investment Policy Statement (addressing PRIT Directive) and By-Laws.</li> </ul>
<p><b>Goal C:</b> Enhance financial technology capabilities to support a secure and high performing environment.</p>	<ul style="list-style-type: none"> <li>• Perform KnowBe4 phishing awareness training and education - <i>ongoing</i>.</li> <li>• Implemented and deployed a security information and event management (SIEM) solution</li> <li>• Developing an AI policy to guide MBTARF employees on job-related use of AI - <i>ongoing</i>.</li> </ul>
<p><b>Goal D:</b> Maintain and preserve the long-term sustainability of the pension fund.</p>	<ul style="list-style-type: none"> <li>• Received GFOA’s Certificate of Achievement for Excellence in Financial Reporting for 2023-2024 ACFRs</li> <li>• Revised IPS, Investment Manager Selection Policy and Finance Department Procedures – <i>ongoing</i>.</li> <li>• Developed tracking mechanism to monitor progress toward achieving the “PRIT Directive”.</li> </ul>

# Strategic Planning + Implementation = Lasting Impact

**Strategic Planning Implementation.** The product of careful Strategic Planning and diligent plan implementation is a professional organization built to deliver excellent customer service while protecting against technological threats and other risks inherent in pension benefit administration. The next series of slides covers a sampling of the improvements made by the MBTARF on a departmental basis – Finance, Benefits, IT and Management/Governance – including, without limitation, the following:

- **Finance Department:** produced 11 Annual Comprehensive Financial Reports (“ACFRs”) and received 8 GFOA certificates for excellence in financial reporting; improved investment policy, compliance and reporting; and implemented the “PRIT Directive.”
- **Benefits Department:** developed Standard Operating Procedures (SOPs); implemented Group B benefit administration under the 2023 Pension Agreement; and developed an Unclaimed Property program.
- **Information Technology (IT):** enhanced information security; delivered staff training; secured cyber liability insurance; implemented PTG/PensionPro; established an information governance (IG) group; completed cloud migration and worked on incident response and website upgrades.
- **Management/Governance:** reorganized staff to align jobs, adapt technology and create customer-facing improvements; developed fiduciary standards and training, updated service provider/vendor contracts and By-Laws; and made revisions to the staff pension plan to align with Pension Agreement changes and changes in applicable law.

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# Finance Department

# Finance Department – FTI Review and ACFRs

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- In 2015-2016, FTI Consulting, a global advisory firm, reviewed and confirmed the accuracy of the Fund’s audited financial statements and actuarial valuations for 2011-2013.
- The July 2014 Pension Agreement then added a requirement for the Board to “produce a Comprehensive Annual Financial Report (CAFR)[n/k/a ACFR] following the guidelines of the Government Finance Officers Association (GFOA).” Pension Agreement at IV(13).
- The MBTARF’s Finance Department Staff produced the MBTARF’s first ACFR covering the year 2014 resulting in more robust financial reporting and increased financial transparency.
- With input from FTI and the Fund’s auditor, KPMG, the Finance Department made improvements to the 2015 ACFR including: producing a Cost Roll Forward; GASB 67 and 68 reports; benchmarking all offcycle and unaudited alternatives; analyzing performance returns; and adopting the Fund’s first written Finance Department Procedures.
- Beginning with the MBTARF’s ACFR for the fiscal year ended December 31, 2016 and continuing through the MBTARF’s ACFR for the fiscal year ended December 31, 2024, the MBTARF has been awarded the *GFOA Certificate of Achievement for Excellence in Financial Reporting*, as further discussed on Slide 29.

# Finance Department – Investment Compliance

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- **Investment Compliance Working Group (ICWG):** Post-2016, MBTARF management created the ICWG (composed of staff, Fund counsel and the Fund’s investment advisor) and charged it with meeting the Fund’s investment selection, monitoring and compliance needs and requirements.
- **Investment Policy Statement (IPS):** The purpose of the IPS is to provide stakeholders with clear and concise guidelines by which the Board administers the investment portfolio generally and, specifically, how it makes and manages investments. The ICWG reviews the IPS annually and suggests revisions to the Board such as incorporating asset/liability studies, capital market assumptions and, recently, the “PRIT Directive” (see Slide 28).
- **Finance Department Procedures:** Based on feedback provided by FTI and KPMG following the 2015 ACFR, the Finance Department staff adopted the Fund’s first written Finance Department Procedures, which are also updated periodically.
- **Investment Manager Selection Policy:** Similarly, the Finance Department staff created an Investment Selection Process and Due Diligence Checklist to capture “lessons learned” through experience and memorialize both existing procedures and “best practices”.
- **Investment Manager Meetings:** The Board and Fund staff, supported by investment advisor Segal-Marco, have conducted annual reviews of all investment managers (e.g., traditional, hedge fund, private equity and real estate) every year during the period from 2016-2025.

# Finance Department – PRIM/ PRIT Diligence and Trust Revisions

- » **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, together the settlors of the 1980 Trust Agreement (the “**Trust**”), voted to amend the Trust to add PRIM as an investment manager pursuant to Section 7, thereby authorizing MBTARF investments in PRIT.
- » **August 19, 2019 – September 20, 2019** – PRIM representatives met with the MBTARF in August to discuss investment options available to “Purchasing Systems”.
- » **April 30, 2023** – The new Pension Agreement directed the Fund to transfer 50% of the Fund’s portfolio as of April 30, 2023 (\$834,752,518) to PRIT within five (5) years (the “**PRIT Directive**”). The Trust was amended a second time to acknowledge and incorporate the PRIT Directive.
- » **July 19, 2024** – The MBTARF and PRIM entered into a revised Letter Agreement confirming that PRIM serves in a fiduciary capacity when managing the MBTARF’s investments.
- » **PRIT Investments** – The Retirement Board has made or authorized investments in PRIT achieving the PRIT Directive well in advance of the deadline set by the 2023 Pension Agreement.

# Finance Department – GFOA Certificates

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- **GFOA Certificate of Achievement.** 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.
- **Certificates of Achievement.** For the last nine years (beginning with the MBTARF’s ACFR for the fiscal year ended December 31, 2016 and continuing through the MBTARF’s ACFR for the fiscal year ended December 31, 2024), the MBTARF received the GFOA Certificate of Achievement for Excellence in Financial Reporting for its ACFR.

# Finance Department – Investment Management Fees

As detailed below, the MBTARF has significantly reduced investment management fees while increasing the total fund value. Between 2015 and 2025, the MBTARF has saved over \$27.8 million (estimated) in investment management fees, and it has reduced its total management fee as a percent of fund value by approximately 33%. For comparison, PERAC released a 2022 Comparative Analysis of investment fees for Chapter 32 retirement systems (this is the most recent analysis) and, in 2022, for the 18 funds with assets greater than \$500 million, the average management fee was .58% of total fund value as compared to the MBTARF’s average management fee in 2022 of .52% of total fund value.

Year	Direct Investment Management Fees	Indirect Investment Management Fees (PE, RE, PRIM)	Total Management Fees	Total Fund Value	Total Management Fees as a Percent of Fund Value	Est. Fees Based on Total Management Fees as a Percent of 2016 Fund Value	Est. Total Management Fee Savings
2025	\$2,045,903*	\$9,010,986*	\$11,056,889	\$2,012,741,526*	0.55%	\$14,900,026.97	\$3,843,137.70
2024	\$2,911,897	\$7,603,944	\$10,515,841	\$1,801,743,684	0.58%	\$13,338,041.24	\$2,822,200.04
2023	\$3,275,260	\$7,533,013	\$10,808,273	\$1,694,401,260	0.64%	\$12,074,682.23	\$1,266,408.82
2022	\$3,736,480	\$4,631,524	\$8,368,004	\$1,622,548,978	0.52%	\$12,011,489.41	\$3,643,485.41
2021	\$5,294,960	\$5,214,419	\$10,509,379	\$1,939,942,425	0.54%	\$14,361,106.02	\$3,851,726.62
2020	\$4,690,081	\$3,717,026	\$8,407,107	\$1,769,941,276	0.47%	\$13,102,612.73	\$4,695,505.73
2019	\$4,682,788	\$5,206,230	\$9,889,018	\$1,614,144,213	0.61%	\$11,949,270.18	\$2,060,252.18
2018	\$4,999,426	\$3,797,781*	\$8,797,207	\$1,449,695,100	0.61%	\$10,731,877.79	\$1,934,670.79
2017	\$5,146,418	\$2,953,582*	\$8,100,000	\$1,603,176,196	0.51%	\$11,868,075.58	\$3,768,075.58
2016	\$5,364,252	\$5,633,468*	\$10,997,720	\$1,485,605,884	0.74%	N/A	N/A
2015	\$5,331,061	\$5,342,939*	\$10,674,000	\$1,497,848,035	0.71%	N/A	N/A
*Estimated						<b>Total Estimated Savings:</b>	<b>\$27,885,462.88</b>

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# Benefits Department

# Benefits Department - SOPs

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- Strategic Initiative B3.2 of the 2020-2023 Strategic Plan instructed the Fund to “(d)velop and evaluate standard operating procedures (SOPs) to improve operations, productivity and uniformity”.
- MBTARF management created a Project Plan and Development Team charged to implement the SOP initiative.
- The Development Team created an outline of procedures associated with each benefit administration operational topic and took a fresh look at those procedures to ensure they complied with “best practices”, new technologies, the Pension Agreement and applicable law.
- The SOPs developed by the Benefits Department: reduce the risk of human error; serve as a training tool; increase operational efficiencies by setting out clear, concise, uniform, efficient procedures for staff to follow; and improve specific procedures relating to disability re-testing, document/form standardization and access, and digitization of records, among other improvements. See, *Operational Review of MBTA Retirement Fund Benefit Department SOPs – Philip Y. Brown, Esq., dated February 18, 2022.*
- The Benefits Department’s experience in developing the SOPs was also invaluable for implementing the new Group B pension benefit structure created under the 2023 Pension Agreement.

# Benefits Department – Two-Tier/Group B Work

With respect to the new “two-tier” benefit structure, Fund Management took the following steps through 2023-2025 to implement and educate MBTARF Membership regarding the benefit changes required by the 2023 Pension Agreement:

- **Informational Brochure.** Produced an informational brochure for membership describing changes to Pension Agreement.
- **Milestones Newsletter.** Publicized changes to Pension Agreement through distribution and web posting of Milestones newsletter.
- **Website FAQs.** Drafted updates to the MBTARF’s website FAQs to incorporate changes from new Pension Agreement, including the Group B Plan.
- **Membership Mailings.** Mailed several informational notices, in addition to the Milestones newsletter, to the MBTARF membership.
- **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 Plan election forms for Group A Plan members, Group B Plan retirement forms).
- **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.

# Benefits Department - Unclaimed Property

- **Unclaimed Property Guidance.** In 2019, the ERISA Advisory Council published an opinion advising that an ERISA plan administrator can satisfy its fiduciary duty to lost beneficiaries by, after making reasonable location efforts, transferring their unclaimed funds to the appropriate state's abandoned property program. Although exempt from ERISA, this recommendation is a "best practice" (and likely mandated by state law) for non-ERISA pension plan fiduciaries like the MBTARF Board. In addition, the MBTARF regularly considers Chapter 32 and PERAC guidance for "best practices". Chapter 32 systems are required to transfer unclaimed property to that system's Pension Reserve Fund after the unclaimed property has been abandoned for 10 years. See G.L. c. 32, s. 11(3). Chapter 32 does not apply to the MBTARF requiring that the MBTARF complies with the Commonwealth's (and other states') general unclaimed property laws.
- **MBTARF's Recent Unclaimed Property Projects.** The MBTARF began reporting and escheating unclaimed property in 2020. The details of the MBTARF's recent unclaimed property projects are provided below.
  - **2023 Unclaimed Property.** In 2023, the Benefits Department identified, and sent diligence notices to, 109 individuals with ~\$1.1 million total in unclaimed property. The MBTARF received 33 applications in response to its diligence notifications with a total value of ~\$376,000. ~\$675,000 belonging to 76 individuals was escheated to the Commonwealth with arrears due to the MBTA and Union deducted prior to the funds being escheated.
  - **2024 Unclaimed Property.** In 2024, the Benefits Department identified, and sent diligence notices to, 150 individuals with ~\$1.3 million in unclaimed property. The MBTARF received 44 applications in response to its diligence notifications with a total value of ~\$580,000. ~\$730,000 belonging to 106 individuals was escheated to the Commonwealth with arrears due to the MBTA and Union deducted prior to the funds being escheated.
  - **2025 Unclaimed Property.** In 2025, the Benefits Department identified, and sent diligence notices to, 115 individuals with ~\$1.2 million in unclaimed property. The MBTARF received 30 applications in response to its diligence notifications with a total value of ~\$423,660. ~\$773,370 belonging to 85 individuals was escheated to the Commonwealth with arrears due to the MBTA and Union deducted prior to the funds being escheated.

# IT/Cybersecurity

# IT/Information Security and Staff Training

- To achieve “best practices” and satisfy its cyber liability insurance underwriting guidelines, the MBTARF implemented multifactor authentication (MFA) to protect access to the MBTARF’s network, directory services, switches, endpoints and servers. The MBTARF also completed the installation of enhanced mobile device management and email encryption technology.
- Working with the MBTARF’s Information Governance Group (“**IG Group**”), CMIT conducts routine, internal vulnerability scans to assess the security of the MBTARF’s network and remediate vulnerabilities detected by the scans. The MBTARF is planning to conduct an external vulnerability scan to help identify and close potential external entry points to its network for attackers.
- The MBTARF has implemented several technological enhancements designed to better protect the MBTARF’s IT network including: (i) SentinelOne: an anti-malware platform that uses AI to actively detect threats; (ii) a Security and Information Event Management (SIEM) system: a platform that analyzes data from network devices and alerts the MBTARF of unusual activity; (iii) the deployment of drive encryption on all desktop and laptop computers; and (iv) the deployment of MFA for all user accounts across all applications that may access MBTARF resources remotely.
- On a regular basis, MBTARF staff receives simulated phishing emails and conducts remediation training for employees unable to spot the phish to help them identify and avoid future attacks.
- On an annual basis, MBTARF staff undergo in-service training delivered by H&K and the MBTARF’s Manager of IT covering, among other things, the MBTARF’s written information security program (“**WISP**”), incident response plan, and general cybersecurity awareness (e.g., email phishing attacks and social engineering, etc.).

# IT/WISP Compliance, Annual Review and Cyber Insurance

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- The MBTARF developed a Written Information Security Program (WISP) in compliance with Massachusetts regulations – 201 CMR 17.00.
- To meet the requirements of the regulations, the MBTARF adopted and follows a systematic review program designed to assist the Data Security Coordinator with annual review, which includes evaluating the scope, application and effectiveness of the security measures implemented to protect covered records from unauthorized access or use.
- MBTARF management has made enhancements to its information security practices that are designed to: (i) ensure security and confidentiality of personal information; (ii) protect against threats or hazards to the security or integrity of that information; and (iii) protect against unauthorized access to or use of personal information belonging to retirees and members.
- Recent accomplishments include – renewing the Fund’s cyber insurance with increased policy limits; enforcing security measures such as MFA, device encryption and restrictions on remote access; performing disaster recovery and business continuity exercises; conducting comprehensive cybersecurity awareness training; and performing multiple external and internal vulnerability scans.

# IT/PTG PensionPro Implementation

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- In 2019, following a formal RFP and contract negotiation process, the MBTARF replaced its legacy pension benefit software system with PTG's PensionPro, a state-of-the-art pension management software system designed to enhance both customer service and MBTARF operational efficiency.
- The MBTARF has been using the PensionPro system successfully to process monthly benefit payments since April 2019 without any technical errors.
- The PensionPro system includes functionality that attaches scans of paper-based records to corresponding member files in PensionPro, giving MBTARF staff the ability to review all member and retiree records in one location, further increasing efficiency and customer service.
- The MBTARF installed PTG's Member Self-Service Portal in 2020. The portal enhances customer service by enabling 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.
- In 2024, the MBTARF began updating the PTG PensionPro software to accommodate the Group B Plan, which went live in 2025. The updates allow members to run Group B estimates and calculations through the Member Self-Service Portal.
- MBTARF management developed a webinar, which is posted on the MBTARF's website, to assist and instruct members on the use of the Member Self-Service Portal.

# IT/Information Governance (IG) Group

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- Pursuant to its 2015-2019 Strategic Plan, the MBTARF established the IG Group led by the Manager of Information Technology (IT) and including Interim ED, John Barry, technology consultant CMIT and outside counsel from Holland & Knight, LLP (“H&K”). Beginning in 2021, the IG Group has held quarterly meetings.
- The IG Group’s regular meetings have allowed the MBTARF to remain nimble and responsive to technological advances, challenges and threats including, without limitation, those posed by the Covid pandemic.
- The IG Group has implemented numerous technological advancements including information security enhancements, and cloud migration and pension benefit software upgrades, all of which were designed to improve the customer experience, safeguard personal information, and allow Fund staff to operate more effectively and efficiently. Some of these improvements are described in more detail in the following slides.

# Select IG Group Initiatives

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- **Cloud Migration:** Working with its managed service provider and technology consultant, CMIT, over the period from 2021-2022, the MBTARF migrated its email and office applications to Microsoft Office 365 and migrated its on premises phone network and fax server to a remote, Teams based system, thereby eliminating all on premises servers and related hardware. By migrating to a cloud-based solution, the MBTARF reduced operating costs, enhanced scalability and increased data security (adding the cloud provider's expertise to help manage cyber risks).
- **Incident Response:** Working with H&K, the MBTARF developed an Incident Response Plan to guide response to a Security Incident including mobilizing internal resources to facilitate an organized, timely response, notifying its cyber liability insurer and generally complying with applicable state and federal privacy laws.
- **Website Upgrades:** The MBTARF's website delivers clear and substantive information to members, retirees and the general public including financial statements, monthly flash reports, Board meeting minutes and newsletters. The PTG Member Self-Service Portal is accessible to members through the website providing access to pension benefit information, pension estimate calculations, downloadable forms and the like. In 2024, the MBTARF engaged Boston Web Design to modernize the website to ensure that content and services are efficiently and understandably delivered.
- **Information Security Enhancements; SIEM:** The MBTARF deployed a Security Information and Event Management (SIEM) platform at the end of 2024. This security tool allows the MBTARF to collect log data from connected devices, use AI to detect threats, and automatically respond to suspicious activity. The SIEM solution will supplement the MBTARF's AI based SentinelOne XDR platform, Webroot antivirus protection, and quarterly vulnerability scans (along with other technologies and infosec best practices). Additionally, the MBTARF is planning to replace its FTP Server and is currently performing due diligence on several products.

# Management and Governance

# Management/Governance - Overview

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- Fund management pursued initiatives and achieved goals identified in the various Strategic Plans, such as the staff reorganization plan and Benefits Department “SOPs”, creating a leaner, more efficient customer focused operation.
- Organizational tools developed in connection with Strategic Planning including, without limitation, monthly Staff Meetings, semi-annual Board reports by the Interim ED, creation of agenda driven committees (e.g., ICWG and IG groups) have become permanent governance fixtures.
- Focus on the integrity of processes - both in benefit administration and investment selection - have reduced distracting litigation and the number of complaints from members - the “litigation avoidance” model.

# Management/Governance – Staff Reorganization

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- On September 18, 2020, the Board approved a management recommended staff reorganization plan to meet the ever-evolving service needs of the membership and align internal resources with changes in technology. The reorganization plan resulted in a new org-chart and updated job descriptions developed through staff feedback, including surveys and interviews, and third-party peer comparisons.
- The reorganization plan helped the MBTARF become a leaner, more cost-effective organization focused on error-free customer service. Since the beginning of John Barry's tenure as Interim-Executive Director in 2016 and further accelerated by the Staff Reorganization in 2020, the Fund has saved over \$4,874,793 (including estimated insurance premiums) in salary and benefits based on absorbed job roles and reallocated responsibilities.
- During this time, the MBTARF retained and developed an experienced, educated and team-focused staff with the reorganization redefining job roles and responsibilities to align them with new technologies and service needs.
- To inform its reorganization plan, the MBTARF also interviewed Chapter 32 systems comparing favorably in staff size, member self-service, financial transparency (e.g., ACFR production) and commitment to strategic planning.

# Management/Governance – Fiduciary Standards and Fiduciary Training

- Working with outside counsel, Fund management maintains and updates periodically the Standards of Fiduciary Responsibility (“Fiduciary Standards”) applicable to Board members, staff and third-party professionals. The Fiduciary Standards are modeled, in part, on Massachusetts conflict of interest laws (Chapter 268A) and ERISA, though those laws do not generally apply to the private, governmentally sponsored, MBTARF.
- In addition to common law fiduciary duties, such as the duty of loyalty and prudence, the Fiduciary Standards define standards of Board member conduct with respect to gifts, advocacy, personal investment and the like.
- Annually, I conduct Board training focused on, among other things, the importance of: adhering strictly to the pension plan documents (e.g., Trust and Pension Agreement); discharging fiduciary duties exclusively for the benefit of the MBTARF’s beneficiaries (members/retirees), notwithstanding the jointly administered nature of the Board; investing the MBTARF’s portfolio assets prudently; protecting the attorney-client privilege; and generally adhering to the Fiduciary Standards.

# Management/Governance – Service Provider Agreements

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Strategic Plan Initiative B2.5 commits Fund Management to ensure “...agreements with service providers are regularly reviewed and updated (as needed) to ensure that they conform to industry best practices.” Fund Management, working with counsel at Holland & Knight, has achieved and continues to pursue this goal, thereby protecting the Board in the following ways:

- **State Street Bank.** Legacy contract documents with State Street Bank (“**SSB**”), dating as far as 2003, did not accurately describe the services SSB provides to the Fund and did not contain protections that are now considered industry standard. Over a period of 16 months, Fund management and SSB negotiated three contracts to replace the legacy contract documents – Custody Agreement; Benefit Payment Services Agreement; and Performance and Analytics Agreement. These agreements were negotiated to clearly set out SSB’s duties and performance obligations, provide balanced indemnification obligations for each party, and to require that SSB protects the Fund’s and its members’ information in accordance with industry standards.

# Service Provider Agreements - Continued

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- **SCOPE Medical.** Fund management is in the process of updating its agreement with SCOPE Medical, the Fund’s provider of disability retirement examinations and re-examinations.
- **CMIT.** CMIT Solutions of Boston | Cambridge (“**CMIT**”) is the Fund’s managed IT service provider. In 2021, Fund management negotiated an updated master services agreement with CMIT. The new agreement includes robust data protection requirements, strong indemnities in favor of the Fund, and detailed response and resolution times to ensure that CMIT is promptly correcting errors related to the Fund’s IT systems. In addition, the updated agreement requires CMIT to meet with the Fund each quarter (and such meetings have occurred since early 2021) to discuss emerging information security initiatives, the Fund’s IT infrastructure, and cybersecurity threats.

# Service Provider Agreements - Continued

- **Health and Welfare Benefit Trust.** The Transit Employees Health and Welfare Fund (the “**Transit Fund**”) provides retirement benefits (Medicare reimbursement, dental, life, and vision insurance) to Retired Members. The Fund withholds deductions and processes Medicare reimbursements for the Transit Fund. In 2021, both parties signed an administrative agreement that: (i) defines and limits the Fund’s services to the Transit Fund, and (ii) provides contractual remedies and protections to the Fund in connection with its provision of services to the Transit Fund, including adding the Fund as an additional insured on its insurance policies (including cyber), and providing the Fund with robust indemnities.
- **PTG.** Pension Technology Group (“**PTG**”) provides the Fund’s pension benefit software. In 2019, the Fund executed a subscription agreement with PTG. 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 that time. Given the mission critical nature of the software, the agreement requires PTG to provide service credits to the Fund if PTG fails to meet response and resolution times or if the software is unavailable to the Fund. The agreement also contains robust information security requirements and includes strong indemnities in favor of the Fund.

# Service Provider Agreements - H&K Legal Support

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- Evaluating the reasonableness, scope and cost of the Fund's legal expenses is necessary to fulfill management's duty to prudently manage the assets of the Fund.
- Toward that end, Fund management asked Holland & Knight, LLP ("H&K") to deliver a (i) summary of its historical and ongoing legal services and (ii) market assessment of H&K's billable rates/fees, all of which is included in a PowerPoint presentation entitled *MBTA Retirement Fund/Holland & Knight LLP: Scope of Legal Services (2006-2025) and Hourly Rate Assessment*.
- From approximately 2006-2016, the Fund engaged H&K primarily to handle investment manager workouts, investigations, litigation and redemptions; early policy and procedure development and compliance; and legal analysis involving the Fund's unique private status.
- From 2016 to the present, H&K's role evolved to support strategic planning and achieving operational goals including, without limitation, assisting with staff reorganization; pension benefit software upgrades; standard operating procedures (SOPs) and developing and updating policies and procedures; FinTech and Cybersecurity enhancements; staff training; and implementation of the new (2023) Pension Agreement.
- H&K's attorney rates on Fund matters have remained constant since 2016 and are significantly below industry peer averages in the Boston market.

# Management/Governance – By-Laws Update

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- **By-Law Update Project.**

- The Board’s By-Laws, which draw their structure in large part from the Trust and Pension Agreement, were last amended on March 20, 2009; many years prior to the 2023 Pension Agreement and Second Amended and Restated Trust Agreement.
- Strategic Plan Goal B, Objective B3 is to “Promote a culture of excellence in Retirement Board governance and administration”.
- Operational provisions of the existing By-Laws do not incorporate changes in (i) the Pension Agreement and Trust; (ii) technology generally (e.g., remote meeting participation); and (iii) current corporate governance “best practices”.
- The Indemnity Policy, which protects individual Board members from personal liability while conducting Fund business, is the product of a Board vote taken many years prior to the last amendment to the By-Laws and does not acknowledge changes in the Pension Agreement or Trust.
- Indemnity policies are typically included in corporate and other organizational By-Laws.

# By-Laws Update Continued

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- **Changes to By-Laws and Consolidation with Indemnity Policy.** Fund counsel at Holland & Knight and I were engaged to update and consolidate the By-Laws and Indemnity Policy. Recommended changes included the following:
  - Deleting reference to the long superseded “Rules and Regulations” of the Fund; acknowledging the practice of holding remote meetings using electronic devices; aligning the investment manager meetings (including PRIM) with the Investment Policy Statement (IPS); adding introductory paragraphs and defined terms for clarity; consolidating/updating descriptions of officers and committees; and adding a “checklist” to help guide the Board in managing Executive (a/k/a “Closed”) Session.
  - Adding a new Indemnity term (Article III) to the By-Laws and revising the scope of indemnity protection to align with current Massachusetts corporate statutes and the fiduciary duties imposed by the Pension Agreement and Trust; and
  - Revising the administrative procedure surrounding the tendering of an indemnity claim to make it less cumbersome.
  - Updating the timeline to propose and adopt the annual budget to align with current practices.

# Management/Governance – Staff (ERISA) Plans

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- The MBTARF maintains two tax-qualified retirement plans for its employees: (i) the MBTARF Staff Retirement Plan (the “**Staff Plan**”); and (ii) the MBTARF Executive Staff Defined Contribution Plan and Trust (the “**Defined Contribution Plan**”).
- The Staff Plan is an ERISA governed defined benefit pension plan for eligible employees of the Fund that is designed to mirror the benefits provided under the Pension Agreement.
- Effective January 1, 2024, the Staff Plan was amended to conform its terms to those of the 2023 Pension Agreement by, most notably, creating a two-tiered formula including the Group B benefit structure.
- The Defined Contribution Plan is a defined contribution profit sharing plan for eligible executive staff who are not eligible to participate in the Staff Plan; it does not mirror the benefits available under the Staff Plan or the Pension Agreement and its benefits are not insured by the PBGC.
- Also effective on January 1, 2024, the Defined Contribution Plan was amended to, among other things, add a lump sum distribution option for terminated and retired participants.
- There are currently 9 active members of the Staff Plan and 1 member of the Defined Contribution Plan. 7 retired members are currently collecting a monthly benefit from the Staff Plan and there are 2 vested members of the Staff Plan (who will collect monthly benefits upon their 65<sup>th</sup> birthday).

# Management/Governance – A Learning Organization

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- **Employee Reward Program (Educational Assistance).**
  - The MBTARF's Employee Reward Program provides educational assistance to eligible employees by reimbursing expenses for approved training and development courses, such as tuition, registration fees, and required course materials, that are of direct benefit to the MBTARF.
  - To qualify for reimbursement, employees must obtain advance approval from the Executive Director, remain actively employed throughout the course, and complete the course with a grade of C or better (or a passing grade in a pass/fail course), maintaining a cumulative GPA of at least 2.75 in degree programs.
  - Since 2006, 8 employees have used the Employee Reward Program to obtain 11 degrees and certificates.
- **As of February 28, 2026, the MBTARF has ten employees.**
  - Of those employees, five possess master's degrees, four possess bachelor's degrees, and one possesses an associate's degree.
  - The employee possessing an associate's degree is currently utilizing the Employee Reward Program to pursue a bachelor's degree.

# Management/Governance – 2028 Extension to Strategic Plan

- Fund Management is currently working to develop a presentation to the Board that will recommend extending the current Strategic Plan through 2028, which is the year the current Pension Agreement expires.
- This extension adds strategic objectives and initiatives, and an additional year, through a new Goal E under the current Strategic Plan.
- These new strategic objectives and initiatives are designed to support the Board in meeting its fiduciary duties and assure management continuity through the term of the current Pension Agreement, by:
  - Analyzing and restating existing Fund management roles through the end of 2028 by removing interim designations on staff and Board Members and reviewing current job titles and descriptions;
  - Developing succession, redundancy and transition planning for the years beyond 2028; and
  - Preparing for the development of the next Strategic Plan.

# Questions

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**Questions?**