

State Retiree Benefits Trust Fund Frequently Asked Questions

1. *What is the legislative authority and procedures related to the SRBTF?*

Overview

Chapter 218 of the Acts of 2016 was signed into law by the Governor in August 2016. Section 15 of Chapter 218 amends **Section 20 of Chapter 32B (Section 20)** of the General Laws allowing any political subdivision of the Commonwealth to establish a liability trust fund for funding retiree benefits (other than pension), also known as Other Post-Employment Benefits (OPEB). The legislation also ensures that these entities have access to the state's investment trust, the State Retiree Benefits Trust Fund (SRBTF), for purposes of investing OPEB funds. Section 24 of Chapter 32A provides that, upon authorization of the State Retiree Benefits Trust Fund Board of Trustees (SRBT Fund Board), any political subdivision, municipality, county or agency or authority of the Commonwealth may participate in the SRBTF using procedures and criteria adopted by the SRBT Fund Board. The SRBT Fund Board is following the procedures set forth in Section 20. Section 20, as amended, designates the treasurer of the governmental unit as the custodian of such funds and requires that the governing body of the governmental unit designate a trustee or board of trustees to supervise the management, investment and reinvestment of the OPEB funds. The governing body may designate as the trustee or board of trustees: (i) the custodian; (ii) the governmental unit's retirement board, or (iii) an OPEB fund board of trustees established by the governmental unit. If a separate OPEB fund board of trustees is established, the board shall consist of 5-13 individuals, including (a) a person with investment experience, (b) a citizen of the governmental unit, (c) an employee of the governmental unit, selected by current employees, (d) a retiree of the governmental unit, selected by current retirees, and (e) an officer of the governmental unit, as detailed in Section 20(e). The trustee or board of trustees is the "investing authority" for the OPEB funds and direct the custodian. The trustee or board of trustees is to adopt a declaration of trust setting forth the duties and obligations of the trustees.

Section 20 of Chapter 32B –Governmental units accepting the section

Governmental units that have not yet established an OPEB trust fund should adopt Section 20. Entities that adopt this section may invest in the SRBTF through the action of the custodian as directed by the trustee or board of trustees, acting as the "investing authority". Investment in the SRBTF requires approval of the SRBT Fund Board as described in question 4 below.

Section 20 may be accepted by any political subdivision of the Commonwealth. A city or town may accept the Section by vote of its legislative body pursuant to M.G.L. Chapter 4, Section 4. Section 20 may be accepted by a county, by vote of the county commissioners; by a regional school district, by vote of the regional school committee; and in a district or other governmental unit, by vote of the district meeting or other appropriate body.

Governmental units that have already established an OPEB Trust through special legislation may invest in the SRBTF under Section 20 upon acceptance of that Section.

Governmental units and OPEB trust fund boards of trustees are solely responsible for compliance with applicable laws and accounting standards.

2. *What is the name of the Commonwealth's OPEB liability fund and how is the money invested?*

The seven-member SRBT Fund Board, established by section 24 of Chapter 32A of the General Laws, is responsible for the administration and general investment oversight of the State Retiree Benefits Trust Fund (SRBTF), the Commonwealth's OPEB liability fund. The SRBT Fund Board is comprised of the Secretary of Administration & Finance or a designee, the Executive Director of the Group Insurance Commission or a designee, the Executive Director of the Public Employee Administration Commission (PERAC) or a designee, the State Treasurer or a designee, the Comptroller or a designee, an appointee of the Governor, and an appointee of the State Treasurer (both appointed members are required to have investment, financial management, legal, or public management experience).

In August 2011, the SRBT Fund Board voted to assign full investment management of the SRBTF assets to the nine-member Pension Reserves Investment Management (PRIM) Board, which manages the approximately \$50 billion Pension Reserves Investment Trust (PRIT) Fund, the state pension fund. PRIM and PRIT were established in 1983 to address the Commonwealth's unfunded pension liabilities. The PRIM Board is chaired by the State Treasurer, or his/her designees, and includes the Governor, or his/her designee, appointees of the State Treasurer and Governor, and other elected beneficiary representatives. In addition to investing the pension funds of state employees, municipal teachers, and Boston teachers, PRIM also manages the assets of 90 local retirement systems, which represent 88% of all the retirement systems in the Commonwealth (there are 105 retirement systems). PRIM employs a professional staff of approximately 25 people that oversees the daily investment and financial functions of the PRIT Fund.

The SRBTF is invested in the PRIT Fund's General Allocation Account (GAA), also known as the PRIT Core Fund. The SRBTF works in close partnership with PRIM, and PRIM provides full investment and back office support to the SRBTF, pursuant to Investment Services and Administrative Services Agreements signed by both parties in October 2011 and amended in December 2014. More detailed information about PRIM and PRIT and the PRIT Core Fund can be found on the website at <http://www.mapension.com>.

3. *What are some of the benefits to investing in the PRIT Core Fund through the SRBTF?*

PRIM and PRIT were created for the sole purpose of reducing the state's unfunded pension liability through modern investment portfolio management, and investment of OPEB funds in the PRIT Core Fund is a natural adjunct to PRIM's retirement asset-focused mission. Because of its asset size, PRIM enjoys economies of scale, and can offer participation in the PRIT Core Fund to its investors at fees that are significantly lower than the investors could get on their own. Participants that invest in the PRIT Core Fund also have access to alternative investments that may be unavailable to smaller investment funds, such as private equity (venture capital and special equities or buyouts), directly owned private real estate, private debt, and hedge funds, which mitigate overall portfolio risk because of their low correlation to traditional stock and bond portfolios.

4. *How does an OPEB fund trustee or board of trustees make an investment in the SRBTF?*

The OPEB fund trustee or board of trustees who determine to invest funds in the SRBTF for purposes of funding the governmental unit's OPEB liabilities are required to execute an Investment Agreement with the SRBT, which documents the authority to make the investments and makes reference to certain governing, policy, and procedures documents that dictate how the funds are managed and administered. (These documents [Exhibits B-F] may be downloaded from this website.) The governmental unit is also required to enter into the Investment Agreement.

The assets of a local OPEB fund trust will be "commingled" with other participants in the SRBTF, and each participant will receive units of participation, or shares, in the SRBTF. Each local OPEB fund trustee or board of trustees will receive a monthly capital account statement directly from PRIM's custodian bank, showing beginning and ending net asset value balances, management fees, realized and unrealized investment gains/losses, and other investment income attributable to its portion of the SRBTF.

The approval of the SRBT Fund Board requires that the SRBTF be an allowable investment vehicle based on the authorization of the OPEB fund trustee or board of trustees for a governmental unit. Authorizing resolutions adopted pursuant to Section 20 and all agreements with the SRBT Fund Board will be reviewed at SRBT Fund Board meetings according to the calendar shown at [SRBTF Board Information | Mass.gov](#)

Fully completed submissions should be submitted at least **two** weeks before the scheduled SRBT Fund Board meeting. To be placed on the agenda for the next Board meeting, all submissions must be in order and properly completed with all required authorizations and signatures at least one week before the scheduled meeting.

SRBT Board meetings are held virtually, usually on Thursdays at 9:30 AM. Please contact the SRBTF through the website [State Retiree Benefits Trust Fund | Mass.gov](#) to gain access to the virtual meetings.

An OPEB fund trustee or board of trustees may terminate its Agreement with SRBTF following 30 days' prior written notice. Redemption of assets would be made on the first business day of the month following the receipt of such written notice. Such a decision will require a vote of the trustees of the governmental unit's OPEB Trust.

5. *Does an OPEB fund trustee or board of trustees have the option to invest in separate asset classes of the PRIT Core as an alternative to investing in the total PRIT Core?*

No. This type of investment, which is called “Segmentation” by PRIM, and made available to participants investing pension assets in the PRIT Fund, is not an option available to participants investing OPEB assets in the SRBTF at this time. Because OPEB liabilities are severely underfunded, the SRBT Fund Board believes that the most appropriate model to address unfunded liabilities is the PRIT Core asset allocation, as it is positioned to close the pension asset/liability gap in accordance with an amortization schedule mandated by state law. Going forward, as the SRBTF program matures and OPEB liabilities become more fully funded the option of allowing Segmentation may be revisited.

6. *What if my governmental unit had special legislation approved to establish an OPEB liability trust fund prior to the enactment of the provisions contained in Chapter 218 of the Acts of 2016?*

A governmental unit that had already established an OPEB liability trust fund prior to the enactment of Chapter 218 of the Acts of 2016 may invest in the SRBT fund pursuant to the provisions of Section 20 upon the acceptance of the provisions of Section 20, and approval by the SRBT Fund Board. Section 20(e) establishes the votes and procedures to be followed by the various governmental units for acceptance. A governmental unit that is already participating in the SRBTF as of the effective date of Chapter 218 is grandfathered.

7. *What about fees?*

Investment management fees are netted out of investment returns and are paid from the SRBTF’s cash account, so there is no need for the local government unit to ever “cut a check” to the SRBTF or PRIM for services rendered. Each governmental unit will be assessed its share of fees on a pro rata basis. Fees are based on the actual expenditures incurred by PRIM and PRIT in administering the SRBTF and are “passed through” to the SRBT Fund Board and the participating state and local government units that invest in the SRBTF. According to the most recent audited financial statements of the PRIT Fund, the ratio of expenses, including all fees associated with the operation of PRIM and PRIT, was 0.53%, or 53 basis points. Please be advised that the aforementioned basis point fee reflects actual expenditures incurred in FY 2015 and is not meant to represent or guarantee future fees.

8. *Is the SRBTF a Qualified OPEB Trust under GASB 43?*

Yes. The SRBTF is a qualified OPEB trust.

9. *Are there any annual minimum or maximum contribution requirements?*

The SRBT Fund Board of Trustees has set a minimum investment requirement of \$100,000 or such other amounts as may be approved by the SRBT Fund Board at the request of the governmental unit. The documentation accompanying an application must include a justification acceptable to the SRBT Fund Board for an initial investment amount below the minimum level.

10. *We have some funds currently invested in bonds and stocks. Can we transfer those assets “in-kind.”?*

The SRBT will only accept cash transfers into the SRBTF. Securities, such as stocks and bonds, must be liquidated before any transfer to the SRBTF takes place.

11. *Where can I find information on the historical returns of the PRIT Core Fund, including comparisons to market indices, and peer trust funds?*

Detailed current and historical information on the PRIT Core Fund and the PRIM Board can be found on the PRIM website at: <http://www.mapension.com>.

You may also find additional historical investment performance information comparing the PRIT Fund to other Massachusetts public employee contributory retirement systems on the Public Employee Retirement Administration Commission (PERAC) website at: <http://www.mass.gov/perac/index.htm>.

12. *Where do I submit the documents and whom do I contact for more information?*

You may contact the PRIM Client Service Group at clientservice@mapension.com

The Client Service team is also available to meet with you or your local officials at any time to discuss the benefits of investing in the SRBTF.