

POLICIES AND PROCEDURES OF THE
STATE RETIREE BENEFITS TRUST FUND BOARD OF TRUSTEES
WITH RESPECT TO THE STATE RETIREE BENEFITS TRUST FUND
AS AMENDED December 3, 2020

ARTICLE 1

DEFINITIONS

Governmental Unit or Unit shall mean any political subdivision, municipality, county, agency or authority of the Commonwealth, including a municipal lighting plant, local housing or redevelopment authority, regional council of government established pursuant to M.G.L. c.34B, §20, and educational collaborative, as defined in M.G.L. c.40, § 4E, all as defined in M.G.L. c.32B, §20 (a) or M.G.L. c.32A, §24, that, in each case, has accepted Section 20 (or, if prior to the effective date of c.218, Section 15 of the Acts of 2016 elected to invest in the SRBT Fund pursuant to M.G.L. c.32A, § 24).

M.G.L. shall mean the Massachusetts General Laws.

OPEB Trust Fund shall mean the Other Post-Employment Benefits Liability Trust Fund established by a Governmental Unit pursuant to M.G.L. c. 32B, §20, as it may be amended from time to time.

OPEB Trust Fund Board of Trustees shall mean the Trustee or Board of Trustees of an OPEB Trust Fund designated by a Governmental Unit pursuant to M.G.L. c. 32B, § 20.

Participant shall mean an OPEB Trust Fund Board of Trustees which has elected to invest the OPEB Trust Fund in the SRBT Fund and such election has been approved by the SRBT Fund Board, or a Governmental Unit which elected to invest in the SRBT Fund and was approved by the SRBT Fund Board prior to the effective date of c.218, Section 15 of the Acts of 2016. Participants shall be solely responsible for complying with all applicable state and federal laws concerning the establishment and operation of OPEB Trust Funds.

PRIM Board shall mean the Pension Reserves Investment Management Board, established pursuant to M.G.L. c.32, § 23(2A) to administer the PRIT Fund.

PRIT Fund shall mean the Pension Reserves Investment Trust Fund, established pursuant to M.G.L. c.32, §22(8).

SRBT Fund shall mean the state Retiree Benefits Trust Fund established pursuant to c.32A, § 24, and the monies, amounts and investments held in such Fund.

SRBT Fund Board shall mean the Board of Trustees of the State Retiree Benefits Trust Fund (“SRBT Fund”) established pursuant to M.G.L. c.32A, § 24A, as it may be amended.

Section 20 shall mean M.G.L. c.32B, §20, as amended by c.218, Section 15 of the Acts of 2016.

Section 24(d) shall mean M.G.L. c.32A, §24(d), as amended by c.68, Section 50 of the Acts of 2011.

State System shall mean the state employees' retirement system for health care and other non-pension benefits.

ARTICLE 2

AUTHORITY OF THE SRBT Fund BOARD

Section 2.1 Investment of SRBT Fund. Pursuant to M.G.L. c.32A, §24(a), the SRBT Fund Board is the trustee of the SRBT Fund and is to administer the SRBT Fund for the purpose of depositing, investing and disbursing amounts to meet liabilities of the State System for health care and other non-pension benefits for retired state employees. As required by M.G.L. c.32A, §24(a), the SRBT Fund Board has voted to employ the PRIM Board to invest the SRBT Fund in the PRIT Fund. By virtue of that certain Amended and Restated Investment Services Agreement, dated as of October 1, 2011 as it may be amended, by and between the SRBT Fund Board and the PRIM Board, the assets in the SRBT Fund are invested in the PRIT Fund General Allocation Account on behalf of the SRBT Fund as a "Purchasing System" under the terms of the PRIM Board Operating Trust Agreement, dated as of September 22, 1998 (the "PRIM Board Operating Agreement").

Section 2.2 Investment Vehicle for Municipalities. The SRBT Fund Board is authorized by M.G.L. c. 32B, §20 to be the investment vehicle for OPEB Trust Funds. By virtue of M.G.L. c. 32B, §20, the SRBT Fund Board may approve the investment of monies by an OPEB Trust Fund

in the SRBT Fund, or may form a subcommittee for the purposes of reviewing and giving conditional approval for investment contingent on final SRBT Fund Board review

Section 2.3 Authorization. The SRBT Fund Board will approve the election by an OPEB Trust Fund Board of Trustees to invest in the SRBT Fund on the following conditions:

- (a) The Governmental Unit has taken all necessary votes and actions pursuant to M.G.L. c. 32B, § 20 and, if applicable, pursuant to its special legislation, to accept M.G.L. c. 32B, § 20, establish an OPEB Trust Fund, appropriate monies to be credited to the OPEB Trust Fund, designate an OPEB Trust Fund Board of Trustees/Trustee and comply with M.G.L. C. 32B, § 20 and all applicable state and federal laws concerning the establishment and operation of OPEB Trust Funds;
- (b) The OPEB Trust Fund Board of Trustees/Trustee has adopted a Declaration of Trust and taken all action pursuant thereto and pursuant to M.G.L. C. 32B, § 20 to direct the Custodian of the OPEB Trust Fund to invest the OPEB Trust Fund in the SRBT Fund;
- (c) The OPEB Trust Fund Board of Trustees/Trustee and the Governmental Unit understand and agree that the OPEB Trust Fund will participate in the SRBT Fund and, as a participant in the SRBT Fund, will be invested in the same investment vehicles as the SRBT Fund and commingled with funds of the State

System and other Participants;

- (d) The OPEB Trust Fund Board of Trustee/Trustee and the Governmental Unit understand and agree that the SRBT Fund Board has invested the SRBT Fund in the PRIT Fund General Allocation Account;
- (e) The OPEB Trust Fund Board of Trustees/Trustee and the Governmental Unit understand and agree that the PRIM Board is charged with supervision and management of the PRIT Fund General Allocation Account, and pursuant to an Administrative Services Agreement, dated as of October 1, 2011 as it may be amended, by and between the SRBT Fund Board and the PRIM Board, provides or causes its custodian, The Bank of New York Mellon Trust Company, N.A. or its successor, to provide all valuation, reporting and other recordkeeping services to the SRBT Fund and the Participants;
- (f) The OPEB Trust Fund Board of Trustees/Trustee and the Governmental Unit enter into an agreement regarding the above conditions with the SRBT Fund Board satisfactory in all respects to the SRBT Fund Board;
- (g) The Governmental Unit has presented evidence to the SRBT Fund Board of its plan for funding its Other Post-Employment Benefits liabilities; and
- (h) The Governmental Unit has appropriated a minimum of \$100,000, or such other amount as may be approved by the SRBT Fund Board at the request of the Governmental Unit, to be credited to the Other Post-Employment Benefits Trust

Fund.

Section 2.4 Municipal Funding. The SRBT Fund Board will maintain records of contributions made by each municipal entity.

The SRBT Fund Board will maintain records of contributions made by each municipal entity against the Other Post-Employment Benefits funding plan or schedule provided in the executed investment agreement with that entity and may notify an entity in the case of a funding variance or lapse.

Section 2.5 Annual Audit

In addition to the SRBTF's audit obligations pursuant to M.G.L. c. 32A, § 24, the SRBTF shall, within one month of receipt by the SRBTF, provide the following documents to all governmental units enrolled in the fund:

- (a) The Comprehensive Annual Financial Report produced by the Office of the Comptroller;
- (b) The Other Post-Employment Benefits actuarial valuations estimating the Commonwealth's liability for retiree health costs;
- (c) Any audits performed by the PRIM Board on investments and assets held in trust; and
- (d) Any additional audits that the SRBT Fund Board may order.

ARTICLE 3

PRIT FUND OPERATIONAL MATTERS

Section 3.1 Separate Investment Funds. The SRBT Fund consists of two investment funds, known as the "Capital Fund" and the "Cash Fund." Each of these Funds is separately held,

managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with by the PRIM Board. The Capital Fund portion of the SRBT Fund is invested in the General Allocation Account of the PRIT Fund. Portions of the SRBT Fund are invested in the Cash Fund on a temporary basis, in order to provide liquidity. References to the “SRBT Fund” shall be deemed to refer to both the Capital Fund and the Cash Fund, and each of them.

Section 3.2 Investments of the Capital Fund. The PRIM Board shall cause the Capital Fund portion of the SRBT Fund assets to be invested and reinvested in accordance with the standards set forth in these Policies and Procedures and as required by applicable law. The Capital Fund of the SRBT Fund as required by the PRIM Board shall be invested in the General Allocation Account of the PRIT Fund.

Section 3.3 Investments of the Cash Fund. The PRIM Board shall cause the cash deposits on behalf of the State System and Participants to be received, maintained and invested in the Cash Fund in such a way as to meet any liquidity requirements of the State System and the Participants, of which the PRIM Board has notice. To the extent not needed for current or future liquidity requirements, the PRIM Board shall use funds credited to the account of the SRBT Fund, on behalf of the State System or any Participant to purchase (on the first (1st) business day of any calendar month) Units of participation in the General Allocation Account of the PRIT Fund for the account of the SRBT Fund.

Section 3.4 Separate Accounts of Capital Fund. The PRIM Board has divided the beneficial interest in the Capital Fund of the PRIT Fund into separate accounts (“Accounts”) in accordance

with Article 3 of the PRIM Board Operating Agreement. Each account is a separate component of the assets of the Capital Fund and the holders of Units of participation representing the beneficial interest in the assets of an Account are considered “Unit Holders” of such Account. The SRBT Fund is a Unit Holder of the General Allocation Account. The PRIM Board holds the Account and all deposits received for the acquisition of Units in the General Allocation Account and all the assets in which such deposits are invested or reinvested and all interest, dividends, income, earnings, profits and gains therefrom and proceeds thereof are held by the PRIM Board in trust for the benefit of the SRBT Fund as a holder of Units of participation in the General Allocation Account. The SRBT Fund does not have any claim to the assets of any Account in which it is not a Unit Holder. The assets of a particular Account are charged with the liabilities and expenses attributable to the Account.

ARTICLE 4

PARTICIPATION IN AND WITHDRAWAL FROM THE SRBT FUND

Section 4.1 Acceptance of Deposits. The participation of the State System and any Participant in the SRBT Fund shall be subject to the provisions of policies and procedures to be adopted by the SRBT Fund Board from time to time. All deposits accepted from the State System or any such Participant or otherwise, together with the income therefrom, shall be held, managed and administered pursuant to these policies and procedures for the sole purpose of meeting the liabilities of the State System and the Participants for the health care and other non-pension benefits of their retirees.

Section 4.2 Conditions of Participation. The PRIM Board shall accept deposits on behalf of the State System and from Participants into the Cash Fund at any time and into the General Allocation Account on the first (1st) business day of the next calendar month or as the PRIM Board may otherwise determine.

Section 4.3 Changing Authorized Signer. A Participant must notify PRIM whenever the governmental unit's custodian changes thorough election, appointment, or other circumstance. Notice must occur by way of an SRBTF Board established form that is appropriately signed by the new custodian(s) and certified by the clerk of the participating governmental unit.

Section 4.3 Allocation of Deposits. Deposits shall be allocated by the PRIM Board to the General Allocation Account and credited to the SRBT Fund.

Section 4.4 Participation Based on Current Valuation. Each purchase, redemption or withdrawal shall be made upon the basis of the value of the PRIT Fund and its Units of participation, determined as of a Valuation Date in the manner set forth in PRIM Board Operating Agreement. Units of participation shall be purchased by the SRBT Fund Board, on behalf of the State System, and by Participants upon deposit in the SRBT Fund in the PRIT Fund and shall be redeemed from the SRBT Fund Board or such Participants upon withdrawal from the SRBT Fund in the PRIT Fund.

Section 4.5 Payments upon Issue and Redemption of Units of Participation.

- (a) On the payment on behalf of the State System or by a Participant in cash into the SRBT Fund of an amount equal to the total value of the Units to be issued, the PRIM Board shall issue Units of participation as of the first day of the following calendar month.
- (b) Upon a partial redemption of Units of participation by the SRBT Fund Board, on behalf of the State System, or by a Participant, the PRIM Board shall pay to the SRBT Fund Board or such Participant, as the case may be, in cash, an amount equal to the total value of the Units redeemed in accordance with Section 4.6 below.
- (c) Upon a total redemption of Units of participation by the SRBT Fund Board, on behalf of the State System, or by a Participant, the PRIM Board shall pay to the SRBT Fund Board or such Participant, as the case may be, in cash, an amount equal to the total value of the Units redeemed in accordance with Section 4.6, below.

Section 4.6 Procedure for Redemptions and Withdrawals. The SRBT Fund Board or a Participant may, from time to time, request the PRIM Board to redeem its Units of participation, either partially or fully, by giving thirty (30) days' prior written notice to the PRIM Board, with a copy to the SRBT Fund Board. The PRIM Board shall approve or deny such request within thirty (30) days of receipt of such notice. If such request is approved, in the case of a partial

redemption, distribution of the amount requested shall be made on the first (1st) business day of the calendar month following approval by the PRIM Board. In the case of a total redemption, upon approval, distribution of an amount equal to approximately 70% of the total value of the Units will be made by the PRIM Board on the first (1st) business day of the calendar month following approval by the PRIM Board. The balance will be distributed approximately three weeks after the last day of the then current month. The PRIM Board may deny such request only if there is insufficient liquidity in the SRBT Fund to meet such request and projected reasonable liquidity requirements. The SRBT Fund Board and PRIM Board shall not be obligated to disburse any funds in excess of amounts received from and held as Units on behalf of a Participant or the State System.

ARTICLE 5

UNITS OF PARTICIPATION; DETERMINATION OF UNIT VALUES

Section 5.1 Division Into Units. The beneficial interest of each Participant in the Capital and Cash Funds or the General Allocation Account shall be represented by Units. Each Unit of the General Allocation Account shall be of equal value to every other Unit of such Account, each Unit of the Cash Fund shall be of equal value to every other Unit of the Cash Fund, and each Unit of each such Fund or Account shall be without priority or preference one over the other. The PRIM Board shall evidence ownership of Units in the PRIT Fund by keeping books in which shall be clearly recorded the number of Units of the PRIT Fund standing to the credit of the SRBT Fund and each Participant therein. The PRIM Board shall not issue any certificates of such Units. The PRIM Board may from time to time divide or combine Units of the Capital Fund

or Cash Fund or any Account into a greater or lesser number, provided that the proportionate interest of each Purchasing System in each such Fund or Account is not thereby changed.

Fractional shares of Units may be credited to the SRBT Fund and Participant accounts.

Section 5.2 Determination of Unit Values. On each prescribed Valuation Date (or each additional Valuation Date designated by the PRIM Board), the PRIM Board shall determine, or cause to be determined, the value of the General Allocation Account, and the Units of such Account, in the manner set forth in the PRIM Board's Operating Trust Agreement.

Section 5.3 INTENTIONALLY OMITTED.

Section 5.4 Management and Ownership of Assets. Neither the SRBT Fund Board, on behalf of the State System, nor any Participant shall be deemed to have a severable ownership interest in any individual asset of the SRBT Fund or PRIT Fund, but the SRBT Fund shall have an undivided interest in the PRIT Fund General Allocation Account or other Account to which its deposits have been allocated and shall share with the others in the income, profits and losses thereof as provided herein.

ARTICLE 6

VALUATION OF UNITS

Section 6.1 Valuation of Assets of the Capital Fund. The valuation of the assets of the SRBT Fund in the General Allocation Account shall be done by the PRIM Board utilizing the methods set forth in the PRIM Board Operating Agreement.

Section 6.2 Valuation of Assets of the Cash Fund. The valuation of the assets of the SRBT Fund's Cash Fund, and each Participant's share thereof, shall be done by the PRIM Board utilizing the methods set forth in the PRIM Board Operating Agreement.

ARTICLE 7

ADMINISTRATION

Section 7.1 Statements and Accounts. The PRIM Board shall cause statements of assets and transactions to be prepared and distributed to the SRBT Fund Board and to each Participant in the SRBT Fund. Annually, within ninety (90) days after the close of the SRBT Fund's fiscal year, the PRIM Board shall furnish a written account of the operation of the SRBT Fund for the preceding fiscal year to the SRBT Fund Board and each Participant. Any Participant to which an account is furnished may approve such account by an instrument in writing delivered to the SRBT Fund and PRIM Board. If objections to specific items in such account are filed with the SRBT Fund and PRIM Board within sixty (60) days after the account has been furnished and the SRBT Fund Board and the PRIM Board believes such objections to be valid, the PRIM Board shall adjust the account in such manner as it deems equitable under the circumstances. The SRBT Fund Board and each Participant to which the PRIM Board furnishes an account shall be notified by the PRIM Board of any adjustments so made if:

(a) all Participants to which such account is furnished approve such account;
or

(b) no objections to specific items in such account are filed by any Participant with the SRBT Fund Board and PRIM Board within sixty (60) days after the account has been furnished; or

(c) objections to specified items in such account are filed with the SRBT Fund Board and PRIM Board within sixty (60) days after the account has been furnished, and the PRIM Board gives no notice of any adjustment to the account within one hundred and fifty (150) days after such account has been furnished.

Then, and in any of said events, the account of the PRIM Board, with respect to all matters contained therein (as originally furnished if no adjustment was made, or as adjusted if an adjustment was made), shall be deemed to have been approved by all Participants.

Section 7.2 SRBT Fund Board Contracts. It is the policy of the SRBTF Fund Board to contract for necessary services to conduct operations under M.G.L. c.32A, Section§ 24(a). These services may include, but are not limited to:

(a) legal counsel to advise on matters such as public meeting laws, public records requests, recordkeeping, Board governance, general compliance with state and federal law, as well as the specific requirements placed upon governmental units pursuant to M.G.L. c. 32B, § 20;

(b) auditing services to prepare reporting regarding Commonwealth's future financial liabilities for Other Post-Employment Benefits under relevant state and federal regulations;

(c) insurance and related brokerage services, including Director and Officer(D&O) coverage

to protect Trustees and other agents of the SRBTF Board as well as Fiduciary coverage;
and

(d) any other services deemed necessary to conduct the business of the SRBTF.

The Chair of the SRBT Fund Board is authorized to seek bidders and engage in negotiations for these services, as well as work with authorized vendors on related matters. The Chair will notify the Board on any proposed contract greater than \$5,000 and obtain Board approval of any contracts greater than \$5,000 as the SRBT Fund Board's public meeting schedule may permit.

Section 7.3 Internal Controls.

It is the policy of the SRBT Fund Board to adopt internal controls and maintain these controls consistent with applicable state law, regulations, and SRBT Fund Board Operating Trust and ByLawsBylaws.

Section 7.4 Chair's Authority to Hire & Supervise Board Employees.

As outlined by Article 4.1 of the SRBT Fund Board's Bylaws, the Chair shall have the authority to employ and direct staff as needed to fulfill the normal operations of the SRBT Fund. This authority includes, but is not limited to:

- (a) partnering with other state agencies to acquire office space and human resources services for any direct employees of the Board;
- (b) conduct performance evaluations in conjunction with the Board
- (c) approving access to electronic systems;
- (d) establishing job titles and descriptions;

- (e) posting and circulating position announcements;
- (f) approving hours and leave;
- (g) as needed, direct staff from other agencies to fulfill normal Fund Board operations; and
- (h) For direct employee(s) of the Fund Board, the Chair will collect performance evaluations from Fund Board members and review the scope and nature of their employment.

Section 7.5 Former Massachusetts Turnpike Authority (MTA) Sick Leave Transfers.

As the Fund Board has agreed to invest and maintain the sick leave balances for certain former Department of Transportation employees, the Chair shall bring any transfer requests made to the Board for approval at its next public meeting. The Chair may approve such transfers as needed before a regularly scheduled Board meeting to ensure requests are paid out and any such transfer by the Chair shall be ratified and approved by the Board, if it deems the Chair's action appropriate, at the next regularly scheduled Board meeting.

Section 7.6 GIC Transfer Payments

The Chair shall bring all requests to transfer appropriations provided to the SRBT Fund from the General Fund to the SRBT Fund Board for approval during the first regularly scheduled meeting of the fiscal year or when otherwise available.

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Amended: December 1, 2016
Amended: December 2, 2020