



**Massachusetts Bay
Transportation Authority**

MBTA Deferred Compensation Update A&F Subcommittee

December 12, 2024
Joe Pagliuca, Controller

Executive Summary

- Provide an update on the MBTA-controlled retirement plans for executives (unaffiliated employees) and executive unions (STW/TEA/L453) with particular focus on the MBTA Deferred Compensation Savings Plan 401(a)
- Request a Board vote for replacing and adding members to the Deferred Compensation Plans Committee



Summary of Prior Board Action in October 2022

- In October 2022, the MBTA Board of Directors was presented the six (6) MBTA-controlled retirement plans¹ for executives (unaffiliated employees) and executive unions (STW/TEA/L453).
 - 2 of the 6 plans remain open to new members
 - The MBTA Deferred Compensation Savings Plan 401(a)
 - The Deferred Compensation Plan
 - 4 of the 6 plans are closed to new members
 - Annuity Contracts
 - Excess Benefit Annuity Plan
 - Executive Deferred Compensation Contribution Plan
 - Executive Deferred Compensation Annuity Plan

- The Board took the following actions:
 - Approved the new MBTA Deferred Compensation Plans Committee and Charter²,
 - Appointed members to the new Committee,
 - Authorized the committee to administer all the MBTA-controlled deferred compensation plans and to comply with recent federal legislation and federal requirements, and
 - Froze new membership in three (3) of the plans:
 - Excess Benefits Annuity Plan
 - Executive Deferred Compensation Contribution Plan
 - Executive Deferred Compensation Annuity Plan

¹ See Appendix A for Approved Resolution Text from October 2022 Board Presentation

² See Appendix B for Approved Charter from October 2022 Board Presentation



MBTA-Controlled Retirement Plans Closed to New Members

	Annuity Contracts - as of 11/1/2024	Excess Benefits Annuity Plan - as of 11/1/2024	Executive Deferred Compensation Contribution Plan	Executive Deferred Compensation Annuity Plan
Number of Plan Participants	602 outstanding Annuity Contracts (Retirees)	7	0	0
Funding Source/Annual Payments	<ul style="list-style-type: none"> Funded by the MBTA PAYGO Est. yearly cost \$4.22M; incl. \$136k in management fees for Benesys/BPAS 	<ul style="list-style-type: none"> Funded by the MBTA PAYGO \$52k paid yearly incl. \$4k in management fees for Benesys/BPAS 	TBD	TBD
Benefits	1% of average of 3 highest years x years of service	N/A	N/A	N/A
Vesting	Vesting of minimum contract payments at 10 years of service	Vesting of minimum payments at 10 years of service	Fully vested at five years of service	Vesting of minimum payments at 10 years of service
Trustee, Administrator, Actuary	BPAS administers the Plan. Funds Flow through Nottingham, Nottingham Trust holds funds for the Custodian Agreement. Buck is the actuary for the Plan.	BPAS administers the Plan. Funds Flow through Nottingham, Nottingham Trust holds funds for the Custodian Agreement. Buck is the actuary for the Plan.	None	None
Status of Plan	Closed for staff in 2009 Committee & Charter updated	Closed to new members Committee and Charter updated	Closed to new members Committee & Charter updated	Closed to new members Committee & Charter updated



Active MBTA-Controlled Retirement Plans

	Deferred Compensation Savings Plan 401(a) - as of 12/1/24	Deferred Compensation Plan - as of 11/1/2024
Number of Plan Participants	635 contributing members (active)	342 contributing members (Retirees)
Funding Source/Annual Payments	<ul style="list-style-type: none"> Funded by employee and MBTA contributions There is a \$90M fund balance \$11.8M in YTD employee and company contributions 	<ul style="list-style-type: none"> Funded by the MBTA PAYGO Est yearly cost \$2.47M; incl. \$77k in management fees for Benesys/BPAS
Benefits	Employee entitled to the value of their contributions and their vested employer contributions including investment gain or loss at end of employment with the MBTA.	3.36% of highest three years compensation x number of years of service offset by primary retirement payments for only those executives in Main Fund
Vesting	Essentially, fully vested at 5 years service	Vested upon retirement
Trustee, Administrator, Actuary	Lincoln Financial Administers the Plan Lincoln Financial Group Trust Co holds funds for the Plan	BPAS administers the Plan. Funds Flow through Nottingham, Nottingham Trust holds funds for the Trust Agreement. Buck is the actuary for the Plan.
Status of Plan	Active Committee and Charter updated	Active Committee and Charter updated



MBTA Deferred Compensation Savings Plan 401(a)

Key Actions Post October 2022 Vote

- The MBTA held an open and public procurement for Deferred Compensation Plans - Financial Advisory and Legal Services
 - The purpose of this procurement was to:
 - Ensure that the Plan, today, and in the future, complies with all federal legislation and federal requirements, and
 - To assist the MBTA Deferred Compensation Plan Committee with the procurement of the MBTA Deferred Compensation Plan – Recordkeeping and Administrative Services
 - The result of the procurement was to award won by Hooker and Holcombe / USI Consulting, in conjunction with the Wagner Law Firm in FY24
- The MBTA Deferred Compensation Plan Committee conducted another open and public procurement for recordkeeping and administrative services
 - The purpose of this was to:
 - Ensure that the investment options of the plan were the best available, and
 - The related costs associated with those plans, were as reasonable as possible.
 - The result of that procurement was to award Lincoln Financial as the recordkeeper and administrator, which was formalized in August 2024



MBTA Deferred Compensation Plans Committee Request for Vote

Over the past several months, the MBTA Deferred Compensation Plans Committee has reevaluated its membership and is looking for this Subcommittee to approve the following changes with a vote as follows:

- *Voted: That the Board hereby approves the appointment of the individuals named below as members of the MBTA Deferred Compensation Plans Committee (the “Committee”), who would join the other already approved committee members*

- 1) Chief Legal Counsel – Add to Committee
- 2) Chief Workforce Officer – Replaces Director of Compensation
- 3) Senior Payroll Analyst – Replaces Director of Treasury

- *Voted: That the Board herewith appoints John Martin (Chief Counsel), Ahmad Barnes (Chief Workforce Officer), and Tim Owens (Sr. Payroll Analyst) to serve as members of the MBTA Deferred Compensation Plans Committee; and the General Manager is hereby authorized to sign, on behalf of the Authority, the Member Acceptance Form for each of the abovenamed individuals. A copy of each such Member Acceptance Form, once executed, is hereby Ordered filed with the records of this Meeting and within each of the plan records for which the Committee shall serve as the administrative body.*

← Amends Committee Charter

← Appoints Committee Members

Complete Deferred Compensation Plans Committee If Approved:

- Chief Legal Counsel
- Chief Workforce Officer
- Controller
- Senior Payroll Analyst
- Treasurer



Appendix



Summary of 6 MBTA-Controlled Plans as of June 30, 2022

	Deferred Compensation Savings Plan 401(a)	Deferred Compensation Plan	Annuity Contracts	Excess Benefits Annuity Plan	Executive Deferred Compensation on Contribution Plan	Executive Deferred Compensation Annuity Plan
Number of Plan Participants	303 contributing members (active)	369 Members (Retirees)	542 outstanding Annuity Contracts (Retirees)	7	0	0
Funding Source/Annual Payments	<ul style="list-style-type: none"> Funded by employee and MBTA contributions There is a \$52.2M fund balance \$2.8M paid in FY22 	<ul style="list-style-type: none"> Funded by the MBTA PAYGO \$2.85M paid in FY22; incl. \$225k in management fees for Benesys 	<ul style="list-style-type: none"> Funded by the MBTA PAYGO \$3.4M paid in FY22 	<ul style="list-style-type: none"> Funded by the MBTA PAYGO \$51k paid yearly 	TBD	TBD
Benefits	Employee entitled to the value of the fund upon retirement or vested amount upon termination of employment	3.36% of highest three years compensation x number of years of service offset by primary retirement payments	1% of average of 3 highest years x years of service	N/A	N/A	N/A
Vesting	Essentially, fully vested at 5 years service	Vested upon retirement	Vesting of minimum contract payments at 10 years of service	Vesting of minimum payments at 10 years of service	Fully vested at five years of service	Vesting of minimum payments at 10 years of service
Trustee, Administrator, Actuary	ADP Administers the Plan Reliance Trust holds funds for the Plan	No Trust Benesys administers the Plan. Funds Flow through Comerica, Buck is the actuary for the Plan.	Benesys administers the contract payments. Funds flow through Comerica. Buck is the actuary for the annuity contracts.	Benesys administers the Plan. Funds flow through Comerica.	None	None
Status of Plan	Active Committee and Charter updated	Active Committee and Charter updated	Closed for staff in 2009 Committee & Charter updated	Close to new members Committee and Charter updated	Close to new members Committee & Charter updated	Close to new members Committee & Charter updated



Appendix A

Approved Resolution Text from October 2022

VOTED: That the Board hereby approves, authorizes and adopts the Charter of the MBTA Deferred Compensation Plans Committee (the “Committee”) presented at this meeting of the Board which Charter shall supersede the By-Laws of the MBTA Deferred Compensation Savings Plan Board of Trustees, and further directs that said Charter become effective immediately upon the appointment of the individuals in the roles identified below as members of the Committee.

Adopts Committee Charter

- 1) Treasurer
- 2) Director of Finance
- 3) Controller
- 4) Human Resources Director

Appoints Committee Members

VOTED: That the Board herewith appoints the individuals identified in the roles above to serve as members of the MBTA Deferred Compensation Plans Committee; and the General Manager is hereby authorized to sign, on behalf of the Authority, the Member Acceptance Form for each of the abovenamed individuals. A copy of each such Member Acceptance Form, once executed, is hereby directed to be filed with the records of this Board Meeting, the records of the Committee and within each of the plan records for which the Committee shall serve as the administrative body.

Defines scope of Committee – all MBTA-controlled plans

VOTED: That the Committee shall serve as the administrative body for the Authority’s Deferred Compensation Plan, Deferred Compensation Savings Plan, Deferred Compensation Annuity Plan, Executive Deferred Compensation Contribution Plan, Executive Deferred Compensation Annuity Plan and Excess Benefit Annuity Plan and that all prior appointments of trustees of the Deferred Compensation Savings Plan are superseded by this Resolution.

Approves DCP Amendment

VOTED: That the Board hereby approves and authorizes the amendments to each of the Massachusetts Bay Transportation Authority Excess Benefit Annuity Plan; the Massachusetts Bay Transportation Authority Executive Deferred Compensation Annuity Plan; and the Massachusetts Bay Transportation Authority Executive Deferred Compensation Contribution Plan presented at the Meeting, freezing eligibility to participate in such plans; and the General Manager is hereby authorized to sign said Amendments on behalf of the Authority.

Approves amendments to freeze the three excess benefits plans

VOTED: That the Board hereby authorizes the Committee to amend the Massachusetts Bay Transportation Authority Deferred Compensation Savings Plan to comply with the SECURE Act and the CARES Act and to take any further action to amend and update the plans and plan documents under its administration to make improvements or to ensure compliance

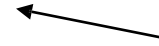


Appendix A

Approved Resolution Text from October 2022

AND FURTHER VOTED: That within one calendar year hereof, the Committee shall provide a status report and update to the Board, including the results of actuarial reviews of each of the plans.

Authorizes Committee to convert current plan document for Deferred Comp. Savings Plan to IRS pre-qualified plan



Appendix B – Charter October 2022



ARTICLE I – ESTABLISHMENT OF COMMITTEE; MEMBERS OF COMMITTEE



Charter

1. There is hereby established a committee (the “Committee”), consisting of such number of individuals as the board of directors (the “Board”) of the Massachusetts Bay Transportation Authority (the “Authority”) may determine, to serve as the plan administrator of each plan of deferred compensation specified in Appendix A hereto (a “Plan”).
2. The Board shall appoint one or more individuals who need not be employees or officers of the Authority to serve as members of the Committee until their removal or resignation. Each Member who has accepted his appointment as a Member shall show such acceptance on a Member Acceptance Form.
3. A Member may be removed by the Authority at any time upon vote or resolution of the Board and may resign upon 30 days’ written notice to the Authority. A Member who is an employee of the Authority shall be deemed to have resigned on the day on which he ceases to be an employee of the Authority and the Authority shall be deemed to have waived any requirement of notice of such resignation.
4. The Members at their option may elect by a majority vote any Member or other person to serve as Secretary, and may revoke such election at any time. Such Secretary shall serve a one-year term, commencing on the date of his appointment.
5. Upon the removal or resignation of a Member, the Authority shall appoint and designate a successor Member. Each successor Member, upon accepting his appointment on a Member Acceptance Form, shall become vested with all the rights, powers, duties and obligations of the replaced Member.
6. The ongoing Members shall not be liable for the acts or omissions of a removed or replaced Member.
7. Each Member who is an employee or an officer of the Authority or of the Commonwealth of Massachusetts, or any agency or instrumentality thereof, shall at all times while serving as a Member and in his conduct as such remain subject in all respects to the Massachusetts State Conflict of Interest Law, M.G.L.c. 268A.



Charter

8. Each Member shall recuse himself from participating in any resolution, decision or other action, whether taken by the Committee as a decision or an action of the Committee or a decision or an action that the Member is authorized to make without the consent of any other Member, if the Member is a participant in or beneficiary under a Plan, or a family member of either, and such action or decision directly relates to the eligibility for participation in, or entitlement to any benefit under, the Plan, or the amount or timing thereof, of himself or any related person.
9. Notwithstanding Section 8, a Member is not required to recuse himself from any resolution, decision or other action that includes an effect on his, or a related person's, eligibility or entitlement, if such effect is uniformly applicable to a class of employees or participants under the Plan that includes himself or a related person and multiple other individuals (other than other Members).
10. For purposes of the indemnification provided by the Authority, each Member who is acting within the scope of his authority under this Charter shall be deemed to be acting within the scope of his or her official duties with the Authority.

ARTICLE II – MEETINGS OF THE COMMITTEE

1. The regularly scheduled or established meetings of the Committee shall be held, not less frequently than quarterly, in the offices of the Authority unless another place shall so be designated by a majority of the Members.
2. Special meetings of the Committee may be called at any time by the Secretary on 24 hours' written notice to all Members or by written request of a majority of the Members. Any such special meeting shall not be in lieu of a regularly scheduled meeting.
3. A quorum of a meeting of the Committee shall consist of a majority of the Members then serving.
4. Any action or decision concurred in by a majority of the Members, either at a meeting or in writing without a meeting, will constitute an action or decision of the Committee.
5. The Committee shall have no power to adopt a less restrictive rule either as to the composition of a quorum, as specified in section 3 above, or as to the vote required to reach a decision, as specified in section 4 above.
6. Each Member shall serve without compensation.



ARTICLE III – RESPONSIBILITIES AND POWERS OF THE COMMITTEE

1. The Committee shall have all the powers and authority necessary or appropriate to manage the operation and administration of each Plan except to the extent that such responsibilities are specifically assigned under the Plan or its trust to the Authority or another person. The Committee's powers and responsibilities shall include, but shall not be limited to, the following:
 - (a) To delegate to one or more third-party vendors the responsibilities for the day to day operations, administration and accounting of the Plan, including but not limited to:
 - a. Preparing for and facilitating Committee meetings;
 - b. Preparing and filing external reports, applications and other regulatory filings with government agencies as required by law as necessary to maintain the Plan's tax-exempt status;
 - c. Maintaining Plan records;
 - d. Producing all required audits of the Plan;
 - e. Determining the status of qualified domestic relations orders;
 - f. Effecting payment of Plan benefits
 - (b) To appoint or employ persons to assist it in the administration of the Plan and appoint and employ such other agents as it deems advisable, including legal counsel, actuaries, auditors, bookkeepers and record keepers to serve at its discretion, provided that the Committee may appoint as legal counsel an individual other than an employee of the Authority only when so authorized by the General Counsel of the Authority;
 - (c) To interpret and construe the Plan's provisions;
 - (d) To determine the eligibility of employees to become participants in the Plan and to receive Plan benefits;
 - (e) To review and decide all claims for benefits under the Plan;
 - (f) To authorize the payment of Plan benefits;
 - (g) To take all such other actions as may be necessary or appropriate to maintain the Plan's status as a plan exempt from taxation under Sections 401 and 501 of the Internal Revenue Code.
 - (h) To discharge such other duties and responsibilities as are reserved to the Committee in accordance with the terms of the Plan;
2. The Committee shall make all final determinations concerning eligibility, benefits and rights under each Plan and all other matters concerning administration and interpretation of each Plan.
3. To the extent permitted by a Plan, the Committee shall have the power to delegate some or all of its powers and responsibilities to one or more third-party vendors to assist the Committee in the administration of the Plan.



Charter



Charter

4. The Secretary, or a majority of the Members then in office, shall have the authority to execute all instruments or other documents necessary or appropriate to carry out the actions and decisions of the Committee; and each person dealing with the Plan or the Committee shall be entitled to rely upon any instrument or other documents so executed as evidence of the Committee's action or decision indicated thereby.
5. The Committee shall record its proceedings, acts and decisions, and shall retain all data, records, books of accounts and instruments pertaining to Plan administration. The Committee shall keep true and accurate accounts of all investments, receipts, disbursements and other transactions under each Plan.

ARTICLE IV – ORDER OF BUSINESS

At each meeting of the Committee, the following order of business shall be observed:

Roll call.
Reading, correction and approval of minutes of previous meeting.
Report of Secretary.
Report of committees.
Unfinished business.
New business.
Adjournment.

ARTICLE V – AMENDMENT OF CHARTER

Subject to the limitations of each Plan, this Charter may be amended at any duly called or scheduled meeting of the Committee by a vote of the majority of the Members of the Committee whether present or not at such meeting, but any such amendment shall be effective only if and when ratified by the Board.



Charter

EXHIBIT A

The committee hereby created shall fulfill the functions of the plan administrator of the following plans of deferred compensation maintained by the Authority:

Massachusetts Bay Transportation Authority Deferred Compensation Savings Plan

Massachusetts Bay Transportation Authority Deferred Compensation Plan

Massachusetts Bay Transportation Authority Deferred Compensation Annuity Contracts

Massachusetts Bay Transportation Authority Executive Deferred Compensation Contribution Plan

Massachusetts Bay Transportation Authority Executive Deferred Compensation Annuity Plan

Massachusetts Bay Transportation Authority Excess Benefit Annuity Plan

