

SEARCH DESCRIPTION

The Board Members of the Plymouth County Retirement Association (hereinafter "Board") are seeking proposals from managers of open-end core real estate funds.

The Board currently invests approximately \$50 million in open-end core real estate in two strategies. Only proposals for well-established and experienced managers will be considered. More specifically, the investment proposed should: 1) have a minimum net asset value of \$1 billion and 2) be well diversified both geographically and by property type. The objective of this Request for Proposal shall be to identify that manager whose expertise will best meet the Board's goals and needs.

The funds shall be managed in compliance with Massachusetts General Laws, Chapter 32 and Chapter 176, the regulations of the Massachusetts Division of Public Employee Retirement Administration Commission, 840 CMR, and the Placement Agent Policy (available from <http://www.mass.gov/perac/docs/forms-pub/memos/2011/perac-placement-agents-policy.pdf>).

All bidders are hereby advised that any proposal selected shall be subject to (1) approval of the Board, (2) a written contract and (3) approval of the engagement by the Massachusetts Public Employee Retirement Administration Commission (PERAC).

Any questions pertaining to this Request for Proposal are to be emailed directly to:

John Humphreys or Leanne Moore
Meketa Investment Group
100 Lowder Brook Drive, Suite 1100
Westwood, MA 02090
jhumphreys@meketagroup.com or lmoore@meketagroup.com



INSTRUCTIONS

Please read instructions before completing this questionnaire.

1. Proposals must be received at the Board prior to 3:00 PM Eastern Standard Time on Thursday, January 5, 2018 at the Board's offices.

Proposals or unsolicited amendments will not be accepted after the closing date and time.

2. Bidders mailing materials should allow adequate time to assure timely arrival. Bidders may correct, modify, or withdraw their proposals prior to the deadline only. Correction or modification must be in writing and must be admitted and received in the same manner as the original proposal. Requests to withdraw proposals must be in writing.
3. All questions and all blank space must be completed in precise detail. Blank or incomplete responses to applicable questions may preclude the proposal from consideration.
4. Please answer as N/A, should any question not be applicable.
5. Please forward one copy of your firm's Proposal to:

David Sullivan, Executive Director
Plymouth County Retirement Association
10 Cordage Park Circle, Suite 234
Plymouth, MA 02360

AND

Peter Manning, Investment Officer
Plymouth County Retirement Association
10 Cordage Park Circle, Suite 234
Plymouth, MA 02360

6. Additionally, please send via e-mail an electronic copy to Meketa Investment Group at rfpresponse@meketagroup.com with E-mail Subject: 2018 PCRA Real Estate

E-mail: rfpresponse@meketagroup.com

E-mail Subject: Code: 2018 PCRA Real Estate

7. If deemed necessary by the Board, bidders may be selected for interview. Each bidder selected for an interview will be allotted sufficient time to orally present its proposal and to answer any questions that may be posed by the person(s) appointed by the Board to interview bidders. The bidders would be evaluated on the basis of the criteria set forth in this request for proposal.



Minimum Criteria Certification

If you do not satisfy all of the minimum criteria, please do not respond to this RFP

Bidders must meet all of the following minimum criteria. Failure to satisfy any of the minimum criteria will result in the disqualification of the bidder. Please respond to each of the following by initialing the "YES" response to certify that you do meet the minimum criteria.

1. The bidder and each key individual is a registered investment advisor pursuant to the Investment Advisors Act of 1940, or is exempt from registration (with the nature of the exemption provided). _____ Yes
2. The firm has been in operation for at least five years and has total net assets under management exceeding \$1 billion as of 9/30/2017. _____ Yes
3. The bidder has experience managing investments for tax-exempt or state, municipal, or other governmental defined benefit plans. _____ Yes
4. The firm has managed assets in a manner that satisfies Massachusetts Laws Chapter 32, including the regulations of the Massachusetts Division of Public Employee Retirement Administration Commission, 840 CMR. _____ Yes
5. The firm has filled out and attached required PERAC disclosures (New Vendor Contact Form, New Vendor Disclosures, Placement Agent Statement, Vendor Certification) in their entirety. (See <http://www.mass.gov/perac/compliance-investments/compliance-forms/>) _____ Yes
6. If selected, the Firm is willing and able to include the mandatory contractual terms and conditions into the contract, as required under Massachusetts General Laws Chapter 32, as amended by Chapter 176 of the Acts of 2011. (See Exhibit A.) _____ Yes
7. The investment proposed: 1) has a minimum net asset value of \$1 billion _____ Yes

Certified and Initialized by:

Name	Title	Date
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REQUEST FOR PROPOSAL

I. GENERAL INFORMATION

Firm Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Contact Name: _____ Phone: _____

Title: _____ Fax: _____

E-mail: _____

Strategy/Fund/Product under Consideration: _____

Projected Allocation Amount: _____ RFP Due Date: January 5, 2018

Notes: _____

II. FIRM INFORMATION

1. When was the Firm's inception date?

2. Where is the Firm located (include headquarters and satellite offices)?

3. Is the Firm a Registered SEC Investment Advisor? Yes: ____ No: ____
If *yes*, please complete the following:
a. Name of Firm (as registered with the SEC):

b. SEC File Number:

4. Is the Firm a Qualified Professional Asset Manager (QPAM)? Yes: No:

5. Is the Firm a Real Estate Operating Company (REOC)? Yes: No:

6. Firm's legal/ownership structure: *Please note any recent (within the last five years) or pending changes in ownership structure. (If the firm is a subsidiary, please indicate what percentage of the parent company's revenue the firm generates.)*
Public Corporation: _____ Employee-Owned: _____
Private Corporation: _____ Subsidiary of: _____
Partnership: _____ % of Parent's Revenue: _____
Sole Proprietorship: _____ Other (Please specify): _____
Notes: _____



7. Type of Firm (please check one):

- | | | | | | |
|---------------------------------|-------|-------------------------|-------|---------------------------|-------|
| Broker | _____ | Insurance Co. | _____ | Merchant Bank Affiliate | _____ |
| Broker Affiliate | _____ | Insurance Co. Affiliate | _____ | Investment Bank Affiliate | _____ |
| Joint Venture | _____ | Bank/Trust Co. | _____ | Group Trust | _____ |
| Limited Partnership | _____ | Bank Affiliate | _____ | Private REIT | _____ |
| Other (<i>Please specify</i>) | _____ | | | | |

8. How is the Firm capitalized?

9. If applicable, please provide the percentage ownership of each owner of the Firm (*provide data for the last three years*).

10. Please provide a brief description of any past or pending regulatory action, litigation or other legal proceedings involving the Firm or any registered employees and/or principals. Has the firm ever been out of compliance with the SEC, Department of Labor, or other regulatory agency? If so, please explain

11. Who is the Firm's current auditor? Has the Firm changed auditors in the past five years? If so, please explain.

12. What types of liability insurance (e.g. Errors and Omissions) and other forms of coverage does your Firm carry to protect your clients? Please provide dollar amounts and proof of coverage.

13. Please provide a Firm wide organization chart with all investment professionals.

14. Are any investment professionals under employment contracts? If so, please discuss the nature of the contracts.

15. Please complete the following table on an end-of-year basis, with year-to-date through 09/30 information for 2017.

<i>Assets and Clients</i>	YTD 2017	2016	2015	2014	2013	2012
Total Firm AUM						
Total # of Clients						
Real Estate AUM						
Total # of Real Estate Clients						
<i>Taft-Hartley Fund Clients</i>						

16. Please provide the number of real estate clients, and their portfolio value, gained and lost during the past five years. For clients lost, please state the reason.

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17. Please complete the following table through 06/30/2017. Please categorize your real estate clients account types for both commingled funds and separate accounts.

<i>Accounts by Type (as of September 30, 2017): Tax Exempt Commingled Funds</i>	<i># of Accounts</i>	<i>Gross Market Value</i>
Employee-Benefit Funds:		
Corporate:		
Multi-Employer:		
Public:		
Endowments and Foundations:		
Other: <i>(please specify)</i>		
Total:		
<i>Accounts by Type (as of September 30, 2017): Tax Exempt Separate Accounts</i>	<i># of Accounts</i>	<i>Gross Market Value</i>
Employee-Benefit Funds:		
Corporate:		
Multi-Employer:		
Public:		
Endowments and Foundations:		
Other: <i>(please specify)</i>		
Total:		

18. Please provide a list of all the real estate investment products the Firm manages, including: name of the strategy/fund, total gross assets, structure, strategy, inception date, and if applicable, legal life of the vehicle:

Name of Strategy	Gross Size (\$mm)	Open, Closed-Ended, Separate Accts.	Investment Strategy <i>(core, value-add, etc.)</i>	Date Formed	Legal Life

19. Which real estate products is the Firm currently emphasizing?

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20. Please list any real estate products the Firm has completely liquidated or merged with an existing product. *Include the reason(s) why the product was liquidated/merged.*

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21. What is the Firm's growth strategy for the next three years?

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22. How does the Firm allocate resources to investment products? How will new and existing resources be allocated?

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- 23. What percentage of AUM are in discretionary accounts? Non-discretionary?
- 24. Describe your Firm’s policy with respect to union labor and construction or development projects. Provide detail, such as the use of union labor for building services such as janitorial work.
- 25. Please state your Firm’s ethics policy. How do you ensure that employees follow this ethics policy? How are violations of the Firm’s ethics policy handled? How are conflicts of interest managed?
- 26. Do your ethics policies, procedures, and culture differentiate your Firm?
- 27. Is your Firm represented by any third party firm or individual whose purpose is marketing and/or gathering assets for the Firm and are compensated as such? If so, list all relationships and their nature.
- 28. Will any third party or individual be compensated if your Firm were to be hired for a future mandate?

III. PRODUCT INFORMATION

- 1. Please provide an organization chart with all investment professionals involved in this Fund.
- 2. Where is the individual/team that runs this Fund located?
- 3. What is the inception date of this Fund?
- 4. Please complete the following table on an end-of-year basis, with year-to-date through 9/30 information for 2017.

<i>Assets and Clients</i>	YTD 2017	2016	2015	2014	2013	2012
Product AUM						
Total # of Product Clients						
<i>Public Fund Clients</i>						

- 5. Please provide the number of this Fund’s clients, and their portfolio value, gained and lost during the past five years. For clients lost, please state the reason.
- 6. Please identify any real estate products (from the ones listed in the previous section) that compete or overlaps with this Fund. What percentage of the portfolios overlap?



7. For your three largest client relationships in this Fund, please provide the investment size of the mandate and the inception date for each account/relationship.

8. Please provide two client references for this Fund. Include name and phone number of contact person, the type and size of the account and the inception date of the account.

9. Please provide the names of the portfolio manager(s) and client service personnel who will be assigned to this Fund.

10. What is your account minimum for this Fund? Any exceptions to the minimum?

11. What is the legal structure of this Fund (eg. *Limited Partnership, REIT, LLC, etc.*)?

12. What types of investors are permitted to invest in this Fund (eg. *Pension Funds, High Net Worth Individuals, employees, etc.*)?

13. Does this Fund have any liquidity constraints? Discuss in detail your policy for honoring client contribution and redemption requests for this Fund. How can clients contribute and withdraw funds or receive cash income and capital gain distributions? What special provisions (i.e., lock-ups, reserves, distributions-in-kind payments, exit fees, delayed payments, queues, etc.) if any, exist?

14. Describe the Fund's current investment and redemption queues in terms of:

- a. Amount (aggregate dollar amount)
- b. Percentage (weight of the dollar queue)
- c. Payout (expected amount paid next quarter)
- d. Distribution (first come first serve basis or pro-rata)?
- e. Date (date of queue inception)
- f. Restrictions (restrictions that may withhold redemptions)

15. What is the aggregate commitment target of this Fund? What are the investor, firm, and aggregate minimum and maximum commitment constraints for this Fund (percent and numeric terms)? For open-ended funds, does the Firm have a policy limiting AUM for this strategy? If yes, what is the stated level? If no, what do you think is the Fund's capacity?

16. Does this Fund have a "clawback provision?" If so, please describe.



17. Describe this Fund’s policy with respect to union labor and construction or development projects. Provide detail, such as the use of union labor for building services such as janitorial work.

18. Do you offer separate accounts for this strategy? What is the account minimum?

IV. INVESTMENT STRATEGY

1. Please describe your investment process for this Fund.

2. What is the performance benchmark employed for the Fund? Does this benchmark include all asset types, property types and life-cycle stage you would consider investing in?

3. What are the projected total gross and net returns? Approximately what proportion of the Fund’s total return is expected to be generated from income, and what proportion from capital appreciation?

4. Describe the Fund’s target, or typical investment strategy in terms of:

- a. Expected number of investments and assets
- b. Expected maximum percentage of total capital commitments to be allocated to a single investment
- c. Expected size (investment and gross market value) and capital structure of investments
- d. Regions, property types and/or industries that will be avoided
- e. Risk/Return Profile (Core, Core-Plus, Value-Add)
- f. Quality (occupancy, age, tenant profile) of assets
- g. Criteria for selecting target markets and/or sub-markets
- h. Criteria for selecting potential projects within target market

5. To what degree, if any, are development, renovation, and property repositioning components of the Fund’s strategy? For each component, please provide an example. Please describe any additional strategy components.

6. Current Fund Holdings -- Please specify what percentage of the Fund’s assets (gross market value) is composed of the following categories. Each section should total 100% and dollars should be in millions.

- a. Property Type: If the level of detail required below is not available, please complete the top-level categories (Office, Apartments, Retail, Industrial, Hospitality, Land, Other).

Property Type	%	\$	Age	Years
Office				
Suburban				
CBD				
Apartments				
Garden				



<i>Property Type</i>	<i>%</i>	<i>\$</i>	<i>Age</i>	<i>Years</i>
High Rise				
Retail				
Mall				
Shopping Center				
Convenience Center				
Strip Commercial Development				
Outlet/Off-Price Center				
Industrial				
Multi-Tenant Business Park				
Warehouse/Distribution				
Research & Development				
Hospitality				
Hotel				
Motel				
Resort				
Land				
Other (<i>please specify</i>)				

b. Geographic Region

<i>Region</i>	<i>Percent</i>	<i>GMV</i>
East, Total		
Northeast		
Mideast		
Midwest, Total		
East N. Central		
West N. Central		
South, Total		
Pacific		
Mountain		
West, Total		
Pacific		
Mountain		
Non-US, Total		
Western Europe		
Eastern Europe		
East Asia		
South Asia		

c. Property Size

<i>Amount (\$ in millions)</i>	<i>Number</i>	<i>GAV</i>	<i>Percent</i>
\$0 - 20			
\$20 - 50			
\$50 - 100			
\$100 - 150			



Over \$150			
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d. Investment Life Cycle

<i>Life Cycle</i>	<i>Number</i>	<i>GAV</i>	<i>Percent</i>
Pre-Development (Land)			
Development			
Leasing			
Fully/Substantially Leased			
Redevelopment			
Forward Commitments			
Other <i>(please specify)</i>			

e. Financial Structure

<i>Financial Structure</i>	<i>Number</i>	<i>GAV</i>	<i>Percent</i>	<i>NAV</i>	<i>Percent</i>
Un-Leveraged Equity Ownership					
Direct Equity Ownership					
JV Equity Ownership					
Leveraged Equity Ownership					
Direct Equity Ownership					
JV Equity Ownership					
Preferred Equity					
Mezzanine Debt					
B-Note Mortgage					
First Mortgage					
Other <i>(please specify)</i>					

7. Fund Diversification Targets -- Provide the Fund's diversification targets once fully invested as a percentage of the total Fund. Also include the minimum and maximum constraints. Please describe any additional diversification targets or constraints placed on the Fund.

<i>Property Type</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Target</i>
Office			
Apartments			
Retail			
Industrial			
Hospitality			
Land			
Other <i>(please specify)</i>			
<i>Location</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Target</i>
East			
Midwest			
South			
West			
Non-US			
<i>Asset Limits</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Target</i>
Cash			
Joint Venture			



8. Describe the Fund's expected use of joint ventures and operating partners. Historically, what percentage of investments has been with joint venture partners? What percentage of joint venture partnerships has the Fund been a controlling partner?

9. Does the Fund intend to be a lead investor, control investor, co-investor, or sole investor in portfolio investments? How, in the view of the Manager, is a control position defined and achieved? Once established, what level of control does the Manager plan on exercising?

10. If not control, to whom would the Fund be secondary: operating partners, portfolio company management, other investors, or other parties? To what extent (as a percentage of total portfolio investments) does the Fund plan to be a lead investor?

11. How is leverage employed on a total Fund basis and on an individual property basis? Is there a policy for limiting leverage (i.e. maximum level of debt financing permitted in a single investment and a portfolio basis)? What is the Fund's current leverage on both a total Fund and individual property basis (if applicable)? How has this range changed in terms of macro issues and in response to the current lending environment, vis-à-vis interest rates and tightening/loosening credit standards?

12. Describe your loan, or debt, sourcing process. What terms other than interest rates, maturities, and payment forms are discussed? How are these determined, through negotiations or a Dutch Auction?

13. Discuss the Firm's view of "leveraged recapitalization" (the use of external debt to issue dividend payments).

14. Are there any restrictions on what may be purchased for the Fund under the proposed strategy? If so, please describe.

15. How has the investment strategy of the Fund changed over time in response to: market conditions, opportunistic investments, competition, pricing disciplines, the knowledge and experience of the Manager? What has the Manager been able to learn from past disappointments and how has that impacted the investment thesis going forward?

16. Describe this Fund's competitive advantages. How does the product differentiate itself with respect to the competition?



V. INVESTMENT PROCESS

1. Who is the decision-making body that has final authority for this Fund (e.g. Does it take the form of an investment policy committee, a team of portfolio managers and/or investment professionals, or some other form)? Include the name and background of all investment committee members. Describe in detail how the Manager sets investment policy and/or strategy and how significant investment decisions will be made. Is there a separate investment policy committee that governs the proposed Fund and/or real estate strategy in general? If so, who sits on these committees?

2. Describe the level of consent (e.g., unanimous, majority (>50%), supermajority (>67%), etc.) required from the members of the investment committee to approve an investment.

3. How frequently does the committee meet?

4. What are the responsibilities of the committee and of the individual portfolio managers? What latitude do portfolio managers have to override investment committee and/or research recommendations?

5. Describe the expected source(s) of deal flow, both in terms of overall deal flow and in terms of deals executed. How does the Firm generate proprietary deal flow? Describe the expected source(s) of deal flow and the strategy the Manager employs to source and diligence deals?

6. Who manages the daily operations of the portfolio properties? Are property management responsibilities outsourced or performed in-house?

7. Describe the due diligence process that is used to screen potential investments. To the extent permissible, provide copies of the standard acquisition due diligence checklist, questionnaires, and/or other internal control documents.

8. Please provide a copy of a recent investment committee memorandums for a completed acquisition.

9. Describe the Firm's asset management team and process.

10. How does the Firm's asset managers handle investments in joint venture structures?

11. How will the Manager monitor the success or performance of portfolio investments?

12. What are the anticipated exit strategies for the properties in this Fund?



[Empty text box]

- 13. How do you decide to sell an investment? Who is primarily responsible for handling dispositions?

[Empty text box]

VI. VALUATION

- 1. Does the Manager expect the Fund to comply with GAAP accounting standards, and, in turn, FAS 157 (ASC 820) valuation standards?

[Empty text box]

- 2. If the Manager does not expect the Fund to comply with GAAP accounting standards, to what accounting standards is the Fund expecting to comply?

[Empty text box]

- 3. Provide the Manager’s valuation policy for the Fund. Please include frequency, sources (third-party, internal, etc.), and valuation methodologies.

[Empty text box]

VII. INVESTMENT RESEARCH

- 1. Describe the research process for the Fund. What is distinctive about the research process relative to your peers?

[Empty text box]

- 2. How are research ideas communicated to portfolio managers? What latitude do portfolio managers have to deviate from investment committee policies and/or recommendations?

[Empty text box]

- 3. Please provide specific examples of how your research can be differentiated from your competitors.

[Empty text box]

- 4. What external research sources do you use in the real estate process? Please approximate annual expenditures for third-party research (and associated technology) in each of the past three years.

[Empty text box]

- 5. What is the Firm’s investment outlook for the next five (5) years? How are concerns being addressed?

[Empty text box]

VIII. INVESTMENT RESOURCES

- 1. In addition to the organization chart requested above, please detail the real estate investment professionals below (both involved in this product as well as Firmwide). Please make sure that the table adds to the total number of real estate professionals; this may require allocating portions of professionals to various strategies.

<i>As of September 30, 2017</i>	# in Product	# Firmwide
Portfolio Management		



Research		
Acquisitions		
Asset Management		
Dispositions/ Asset Sales		
Property Management		
Leasing		
Accounting/Financial		
Investment Committee		
Legal		
Other: <i>(please specify)</i>		
Total:		

2. Please list the key professionals involved in this Fund. *Please include the portfolio manager(s) targeted for this Fund and all investment committee members.*

Name	Title / Responsibility	Location	Education/ Credentials	# Yrs With Firm	# Yrs of RE Experience

3. Please indicate the turnover of the management team(s) responsible for this Fund over the past five years as follows:

Name/Title	Date Left	Reason for Leaving	Replaced By

4. How does the Firm address turnover of investment professionals?

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5. Please list the portfolio managers and investment professionals responsible for this Fund who invest their own assets in this product. What percentage of their assets does each invest in this Fund? What percentage does each invest in the Firm's other products?

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6. Discuss the current level of staff (both investment professionals and other staff) relative to the level that the Firm believes is appropriate to optimally execute the activities of the Firm and Fund. Does the Firm expect any personnel departures or additions during the next 18 months?

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7. Will any of the investment professionals allocate any business time and attention to activities that are not related to the activities of the Firm and/or Fund ("outside activities")? Please describe the nature of and expected time requirement for the outside activities of each investment professionals.

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8. What are your organization's plans for management succession? For all employee-owners, please describe the arrangements for repurchasing the interest of retiring or deceased partners.

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9. Describe the compensation structure for portfolio managers and investment professionals.

10. How many assets (value, number of properties, and as a share of total real estate assets) are assigned to each portfolio manager under this strategy?

11. What software and hardware resources are used to evaluate investment opportunities?

12. Are computer systems developed internally or provided by vendors?

13. What is your Firm's plan regarding the backup of computer files and systems? In the event of a disaster, how long would it take to become fully functional?

IX. PERFORMANCE

1. Time-weighted returns (if available) -- Please provide net of fees quarterly performance history since inception for the Real Estate Fund offered. Include a discussion of the performance calculation methodology and whether it is GIPS compliant.

If available, please include the following additional information:

- a. Gross of fee returns.
- b. Two parallel series of returns that indicate the income and capital (gain / loss) components of the total return.
- c. A series of total return figures calculated to eliminate the effect of leverage.

This information **must be in an Excel spreadsheet**, and emailed to recorrespondence@meketagroup.com, or sent via a disc, formatted as follows:

	A	B	C	D
1		Fund Name Gross Return	Fund Name Net Return	Fund Name Un-Levered Gross Return
2	Jun-02	0.00442	0.00442	0.00442
3	Sep-02	0.02216	0.02216	0.02216
4	Dec-02	0.05762	0.05762	0.05762
5	Mar-03	-0.01122	-0.01122	-0.01122
6	Jun-03	0.00762	0.00762	0.00762

Cell (A1) must be empty.

The first row, starting with the second column (B1) must contain the firm name, up to 40 characters (spaces count as characters).

Dates in column A must be in either mmm-yy (Jan-) or mmm-yyyy (Jan-2007) format.

Numbers can be in percent or decimal format.

Data must start from earliest and end with latest.

Empty cells for which there is no return should have a N/A entered, otherwise a zero will be read.

Or, input returns in the attached spreadsheet.



Note: If performance composite figures are shown, please detail the dollar amount of assets in the composite annually, as well as the number of accounts. Include all other composite footnotes.

- 1. For Fund performance measures, is debt marked to market? If not, please provide an account of portfolio performance with debt marked to market.

- 2. Is Fund accounting performed in house or by a third party vendor? If third party vendor, please provide the name of the auditor.

- 3. How soon after month/quarter/year end are Fund returns available?

- 4. Please provide a table with the Fund’s gross and net performance by NCREIF-defined property type and geographic region in accordance with the Real Estate Information Standards published by NCREIF (if available).

- 5. Please provide a detailed summary of all previous funds and/or partnerships created by the Firm. Include the fund’s inception year, strategy, total capital commitment, number of investments, number of properties, gross annualized IRR, gross multiple of equity invested, net annualized IRR, net multiple of equity invested for each fund/or partnership.

- 6. Please provide a detailed account of all realized and unrealized investments from all previous funds and/or partnerships created by the firm. Include for each investment the following: name, location, property type, source, date of purchase, purchase price, equity as a percentage of purchase price, date sold, realized gain/loss, remaining appraised value, gross annualized IRR, gross multiple of equity invested, net annualized IRR, net multiple of equity invested, and a summary of all cash flows.

- 7. Provide a detailed summary of five recent investments by the Firm. Include a description of the investment, the fit of the investment within the overall portfolio strategy, the reasons for the investment, and the expected return of the investment. Include all relevant support documentation, such as industry analysis, comparable analysis, and multiple scenario analysis.

- 8. What elements of your strategy have had the greatest influence on returns?

X. FEES & RELATED MANAGEMENT COSTS

- 1. Please provide a management fee structure (in numbers and words) for the Fund. Include a sample fee schedule at the following asset levels:

Assets (Millions)	Fee
\$5	



10	
20	

2. Please detail (numbers and words) any incentive fee structure(s) associated with this Fund. Over what period is performance evaluated and against what benchmark? Is there a maximum fee (a cap)?

3. Please specify any additional fee structures according to the following categories:

Category	Fee
Acquisition	
Asset Management	
Disposition	
Incentive	
Other: <i>(Detail)</i>	

4. Do all clients pay the same fee? Please explain any discrepancies. Do you offer a Most Favored Nations (MFN) clause? If so, would you be willing to provide future clients a MFN?

5. How are fees paid? Are fees paid on the basis of committed, contributed, or invested capital?

6. Are there any other fees or expenses which will impact the client's returns? Please explain.

7. Please provide return data net of all fees under normal market conditions for the gross return assumptions below. Please detail assumptions for "normal market returns," including portfolio turnover, leverage, interest rates, and other relevant variables.

Gross Return	Net of Fees Return
25%	
20	
15	
10	
5	
0	
-5	

XI. SUPPLEMENTAL INFORMATION

1. Provide biographical information for each of the Fund's investment professionals.

2. Provide a copy of the Private Placement Memorandum for the Fund.



3. Provide one copy each of the "clean" version of the Limited Partnership Agreement for the Fund, and the "black lined" version of the Limited Partnership Agreement for the Fund against the prior Fund's agreement, if available.

4. Please provide the latest Investment Management Agreement, Operating Agreement, Subscription Agreement, and Contribution Agreement, if available.

5. Please provide the Fund's labor policy agreement or memo, if available.

6. Provide a copy of a recent new investor presentation for this Fund and the Firm, if available.

7. Please provide a sample of a recent market outlook or strategy letter to clients, as well as a sample client report for the proposed strategy (if available).

8. Provide a copy of opportunities that Manager is currently evaluating as prospective investments for the Fund.

9. Provide a copy of the Firm's internal investment memorandum created for each of the most recent investments.

10. Provide a copy of "Watch-list" investments.

11. Provide a copy of the Fund's valuation methodology.

12. Please provide a complete copy of your form ADV, and a statement of your financial condition.



Placement Agent Disclosure

List all placement agents, third-party marketers, and other entities currently and/or previously engaged by the Firm and its affiliates, directly or indirectly, for the purpose of securing limited partner commitments, and the Firm's primary contact at each entity. Additionally, for each provide the following information

a) indicate whether it is a registered investment advisor, registered as a broker-dealer with the SEC, pursuant to the Securities Act of 1934, the NASD, members of FINRA, or any other financial regulatory agency.

b) describe the terms of agreements and compensation arrangements between the Firm and the entity. Also, indicate whether such compensation is paid by the Firm, the Fund, or another entity.

c) disclose whether the entity has in the last 10 years been, or is anticipated to be, the subject of any actions, inquiries, or investigations by any federal, state, or local government agencies or regulatory bodies.

EXHIBITS

EXHIBIT A

MANDATORY CONTRACTUAL TERMS AND CONDITIONS

MANDATORY CONTRACTUAL TERMS

Mandatory contractual terms and conditions to be incorporated into the contract including provisions:

- a) stating that the contractor is a fiduciary with respect to the funds which the contractor invests on behalf of the retirement board;
- b) stating that the contractor shall not be indemnified by the retirement board;
- c) requiring the contractor to annually inform the commission and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the contractors services to the retirement board or any other client;
- d) requiring the contractor to annually disclose to the commission and the retirement board compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the contractor or a related person to others in relation to the contractors services to the retirement board or any other client; and
- e) requiring the contractor to annually disclose to the commission and the retirement board in writing any conflict of interest the contractor may have that could reasonably be expected to impair the contractor's ability to render unbiased and objective services to the retirement board.
- f) Other mandatory contractual terms and conditions shall address investment objectives, brokerage practices, proxy voting and tender offer exercise procedures, terms of employment and termination provisions.

EXHIBIT B

CHAPTER 32

MASSACHUSETTS GENERAL LAWS

GENERAL LAWS OF MASSACHUSETTS

PART I. ADMINISTRATION OF THE GOVERNMENT.

TITLE IV. CIVIL SERVICE, RETIREMENTS AND PENSIONS.

CHAPTER 32. RETIREMENT SYSTEMS AND PENSIONS.

Chapter 32: Section 22. Methods of financing.

Section 22. All the assets of each system as they exist at the commencement of business on January first, nineteen hundred and forty-six, and all the assets of each system received, acquired or held on or after such date shall, subject to the provisions of sections one to twenty-eight, inclusive, be credited according to the purposes for which they are received, acquired or held to one of the seven following funds in the system: the Annuity Savings Fund, the Annuity Reserve Fund, the Pension Fund, the Special Fund for Military Service Credit, the Expense Fund, the Pension Reserve Fund, and the Commonwealth's Pension Liability Fund. As provided in subdivision (8), all of the assets of the state employees' and teachers' retirement systems and of any other participating system shall be held in the PRIT Fund, as well as such assets of purchasing systems as shall be transferred to the PRIT Fund upon the purchase of shares therein.

(1) Annuity Savings Fund. (a) The annuity savings fund of each system shall be the fund provided for the accumulation of the regular deductions and additional deductions of the members of the system and into which such deductions shall be paid as they are made and to which regular interest shall be transferred to be credited to the accounts of such members as provided for in subdivision (6) of this section.

(b) The treasurer or other disbursing officer in charge of payroll in any governmental unit to which a system pertains, and the treasurer or other disbursing officer in charge of payrolls in any free public library the employees of which are eligible for membership in a system, shall, upon written notice from the board, withhold on each pay day five per cent of the regular compensation of each employee who is a member in service of the system, which is received on such day by such member on account of service rendered to him on or after January first, nineteen hundred and forty-six, and not later than the date of his attaining the maximum age for his group, in the case of an employee who entered the service of the commonwealth or a political subdivision thereof prior to January first, nineteen hundred and seventy-five; withhold on each pay day seven per cent of the regular compensation of each employee who is a member in service of the system, which is received on such day by such member on account of service rendered by him on or after January first, nineteen hundred and seventy-five, and not later than the date of his attaining the maximum age for his group in the case of an employee who entered the service of the commonwealth or a political subdivision thereof on or after January first, nineteen hundred and seventy-five but prior to January first, nineteen hundred and eighty-four; and withhold on each pay day eight per cent of the regular compensation of each employee who is a member in service of the system, which is received on such day by such member on account of service rendered by him on or after January first, nineteen hundred and eighty-four, and not later than the date of his attaining the maximum age for his group in the case of an employee who entered the service of the commonwealth or a political subdivision thereof on or after January first, nineteen hundred and eighty-four but before July first, nineteen hundred and ninety-six; and withhold on each pay day nine percent of the regular compensation of each employee who is a member in service of the system, which is received on such day by such member on account of service rendered by him on or after July first, nineteen hundred and ninety-six, and not later than the date of his attaining the maximum age for his group in the case of an employee who entered the service of the commonwealth or a political subdivision thereof on or after July first, nineteen hundred and ninety-six; and withhold on each pay day twelve percent of the regular compensation of each employee who is a member of the state police appointed pursuant to section ten of chapter twenty-two C, and is a member in service of the system, which is received on such day by such member on account of service rendered by him on or after July first, nineteen hundred and ninety-six, and not later than the date of his attaining the maximum age for his group in the case of such employee who entered the service of said state police on

or after July first, nineteen hundred and ninety-six; provided, that in the case of any teacher such withholding shall be made upon written notice from the school committee, board of trustees or other employing authority, to the treasurer or other disbursing officer of the political subdivision by which such teacher is employed.

The provisions of section fifty of chapter three hundred and sixty-seven of the acts of nineteen hundred and seventy-eight shall not apply to any member of the state employees' and state teachers' retirement system, or systems electing to accept the provisions of this paragraph. Any system may accept the provisions of this paragraph by majority vote of the board of each such system, subject to the approval of the legislative body. For purposes of this paragraph "legislative body" shall mean a town meeting in a town, the city council in a city, the county retirement board advisory council in a county, and the district members in a district. Acceptance shall be deemed to have occurred upon the filing of a certification of such votes with the commission. Any system electing to accept the provisions of this paragraph shall be required to annually appropriate to the Pension Reserve Fund, in addition to such other amount as might be required by this chapter, an amount equal to the employer's normal cost of removing the restriction provided by said section fifty of said chapter three hundred and sixty-seven, plus such amount as is required to amortize over thirty years the liability created by such removal for such of those employees who entered service on or after January first, nineteen hundred and seventy-nine and prior to January first, nineteen hundred and eighty-eight. For any member of any system accepting the provisions of this paragraph who entered the service of the commonwealth or a political subdivision thereof on or after January first, nineteen hundred and seventy-nine, the treasurer or other disbursing officer in charge of payroll in any governmental unit to which a system pertains, shall withhold on each pay day, in addition to the amounts withheld pursuant to paragraph (b) an additional two per cent of such member's regular compensation over thirty thousand dollars. In any system filing a certificate of acceptance with the commission on or before July first, nineteen hundred and eighty-eight, the treasurer or other disbursing officer in charge of payroll in any governmental unit to which a system pertains shall withhold, from the regular compensation of such member subject to the additional amounts provided for by this paragraph, in such installments as the retirement board shall direct, an amount equal to the additional amount which would have been withheld from such member's regular compensation pursuant to this paragraph between January first, nineteen hundred and eighty-eight and the date the certificate of acceptance is filed. In any system filing a certification of acceptance with the commission after July first, nineteen hundred and eighty-eight, the additional deduction shall start as of the date of filing said application and no deductions shall be made from any regular compensation received between January first, nineteen hundred and eighty-eight and the date said certification is filed; provided, however, that the liability created by removing the restriction provided by said section fifty for the payroll period from January first, nineteen hundred and eighty-eight and the date said certification is filed shall be added to the amount to be amortized over thirty years through the annual appropriation as required by this paragraph; and provided, further, that all service in such system after January first, nineteen hundred and eighty-eight shall be credited as non-section fifty restricted service. Notwithstanding any other provision of this chapter, the calculation of the retirement allowance of any member who entered service after January first, nineteen hundred and seventy-nine where such member has both section fifty restricted service and non-section fifty restricted service, shall be calculated based upon the years of creditable service subject to the restriction and the years of non-section fifty service, as the actuary shall determine. In the state employees' retirement system and the state teachers' system, and in any other system accepting the provisions of this paragraph, the allowance payable to any member, or eligible beneficiary thereof, who entered the service of the commonwealth or a political subdivision thereof on or after January first, nineteen hundred and seventy-nine and who retired from said system prior to the date on which such system accepted this paragraph, shall be recalculated as of the date of such acceptance, and as of said date the provisions of said section fifty of said chapter three hundred and sixty-seven shall not apply to such allowance; provided, however, that the provisions of this sentence shall not be deemed to require any additional contributions to be made by any such member or eligible beneficiary thereof. The

state employees' and state teachers' retirement systems shall be deemed to have accepted the provisions of this paragraph as of January first, nineteen hundred and eighty-eight.

(c) Any such treasurer or other disbursing officer in charge of payrolls, for the purpose of determining the regular compensation and regular deductions of any member in service who is receiving a non-cash maintenance allowance in the form of full or partial boarding and housing, shall add to the amount of the cash payment for the regular services of such member an amount at a rate which shall be determined by the personnel administrator if such member is a member of the state employee's retirement system or of the teachers' retirement system, by the county personnel board if such member is a member of any county system, and by the retirement board if such member is a member of a city or town system. The sum of such amount and the amount of such cash payment shall be the regular compensation upon which regular deductions shall be made on and after January first, nineteen hundred and forty-six. The regular compensation of any such member for any period, for purposes of computing retirement allowances, shall include not only the amount of the cash payment for his regular services but also the amount of any non-cash maintenance allowance at the rate in effect for him for such period under the provisions of this paragraph or under corresponding provisions of earlier laws.

(d) Any member in service of any system, whose regular deductions during any period of his employment were made at a lower rate, or on the basis of a lower maximum limit, than that in effect during such period for a majority of the members of such system, may, before the date any retirement allowance becomes effective for him, pay into the annuity savings fund of the system in one sum, or in installments over a period not exceeding five years, upon such terms and conditions as the board may prescribe, an amount equal to the difference between the aggregate of the regular deductions which would have been credited to his account in such annuity savings fund had they been made at the rate, and subject to the maximum limit, in effect for a majority of the members of such system during such period and the aggregate of the regular deductions actually credited to his account therein. In addition to the payment of such sum or installments thereof, such member shall also pay into the annuity savings fund an amount of interest such that at the date of completion of such payments the total value of his regular deductions actually made, including such payments, together with regular interest on all such deductions and payments to such date, shall be equal to the value of what his regular deductions would have been, together with regular interest thereon to such date, had they been made at the rate, and subject to the maximum limit, in effect for a majority of the members of such system throughout the whole period of his employment.

(e) In addition to the regular deductions referred to in paragraphs (b) and (c) of this subdivision, any such treasurer or other disbursing officer in charge of payrolls shall, upon written notice to him by the board, deduct from the regular compensation of any member in service such sums as the board shall designate and upon such terms and conditions as it shall prescribe, as may be required for the purpose of carrying out the provisions of paragraph (d) of this subdivision, or the provisions of subdivision (3), (4), (5), (6) or (8) of section three or of paragraph (2) (c) of section four, or other corresponding applicable provisions of sections one to twenty-eight inclusive. The board may permit a reduction, suspension or termination of any such deductions being made under the provisions of this paragraph if such member shall so request in writing and if it finds that he is unable to continue them without undue hardship, but no withdrawal of the same shall be made except in the manner provided for the withdrawal of other accumulated regular deductions.

(f) The deductions provided for under this subdivision shall be made notwithstanding that the minimum compensation provided by law for any member may be reduced thereby. Each member shall be deemed to consent and agree to the deductions provided for in this subdivision and shall receipt for his full salary or compensation. The payment of his full salary or compensation less such deductions shall be considered a full and complete discharge and acquittal of all claims and demands whatsoever for the services rendered by him during the period covered by such payment, except as to any benefits in the nature of an annuity, pension, retirement allowance or return of accumulated total deductions as provided for in sections one to twenty-eight inclusive.

(g) Any member in service or any member inactive on authorized leave of absence, may, before the date any retirement allowance becomes effective for him, pay into the annuity savings fund of the system in one sum, or in installments over a period of years, for the purpose of providing an additional annuity, such amount as he shall designate, subject to the limitation hereinafter specified in this paragraph and subject to such terms and conditions as the board may prescribe. Any such member may authorize the board in writing to instruct the treasurer or other disbursing officer in charge of payrolls to withhold for such purpose on each pay day from the regular compensation of such member such amount as he shall designate, subject to such limitation and subject to such terms and conditions as the board may prescribe. All amounts so paid or so withheld shall be considered as additional deductions as defined in section one. The total additional deductions for any such member as of any date shall be so limited that such total, together with regular interest on such additional deductions to such date, shall not exceed the portion of his accumulated regular deductions on such date which is derived from that part of his annual regular compensation not in excess of thirty-six hundred dollars in any year. Such accumulated additional deductions shall be used upon his retirement to provide an additional annuity for him in accordance with the provisions of subdivision (2) of section twelve, or shall be paid as provided for in section eleven upon his prior death or withdrawal from the system. The board shall permit a reduction, suspension, or termination of such additional deductions if such member shall so request in writing.

(h) The various amounts withheld under the provisions of this subdivision for deposit in the Annuity Savings Fund of any system shall, subject to the provisions of paragraphs (i), (j) and (k), be transferred forthwith to such system by the treasurer or other disbursing officer in charge of payrolls, accompanied on a prescribed form by a statement or voucher for such deductions. Such amounts shall be credited by the board to the accounts of the respective members for whom such deductions have been made, and shall be paid into and become a part of the Annuity Savings Fund of such system.

(i) In the case of teachers who are members of the teachers' retirement system, the various amounts withheld for any month for deposit in the annuity savings fund of such system shall, together with proper vouchers therefore, be transmitted by the disbursing authorities to the secretary of the teachers' retirement board on or before the tenth day of the next succeeding month. The secretary shall thereupon credit the accounts of such members with their respective deductions and pay all such sums received to the state treasurer for deposit in the annuity savings fund of such system.

(j) In the case of each member of any county system whose regular compensation is paid by the commonwealth, the state treasurer shall make the withholdings for any month required by the provisions of this subdivision and shall transmit them, together with proper vouchers therefore, on or before the tenth day of the next succeeding month to the county treasurer for deposit in the annuity savings fund of such system to the credit of the respective accounts of each such member.

(k) The treasurer or other disbursing officer in charge of payrolls in any free public library the employees of which are eligible for membership in a system, shall transmit forthwith to the city or town treasurer of the city or town in which such library is located, the amounts which he has withheld from the members as provided for in this subdivision, together with proper vouchers therefore. Such city or town treasurer shall thereupon transfer such amounts for deposit in the annuity savings fund of such system to the credit of the respective accounts of such members as provided for in paragraph (h) of this subdivision in the case of other members thereof.

The amount of the accumulated total deductions of any member paid or withdrawn under the provisions of sections one to twenty-eight inclusive shall be paid from the annuity savings fund of the system and charged to his account therein. Upon the retirement of any member, the amount of his accumulated total deductions shall be transferred from his account in the annuity savings fund of the system to the annuity reserve fund thereof. Amounts shall be transferred to the annuity savings fund from the annuity reserve fund as provided for in paragraph (2) (b) of this section and from the annuity savings fund to the pension fund as provided for in paragraph (6) (d) of this section.

(2) Annuity Reserve Fund (a) The annuity reserve fund of each system shall be the fund to which the accumulated total deductions of a member shall be transferred from his account in the annuity savings fund of the system when a retirement allowance becomes effective for him, and to which also shall be

transferred at such time from the special fund for military service credit any amounts then standing to the credit of his account therein. The total amounts so transferred on account of any member shall thereby establish the initial annuity reserve for the annuity provided for him under the provisions of subdivision (2) of section twelve. Interest at the annual rate set forth in the definition of actuarial equivalent appearing in section one shall be transferred to the annuity reserve fund as provided for in subdivision (6) of this section. All annuities and all benefits for which such initial annuity reserve was established shall be paid from the annuity reserve fund.

(b) If any member who has been retired for disability is later restored upon recovery to active service before attaining the age sixty-five as provided for in paragraph (b) of subdivision (2) of section eight, an amount equal to the annuity reserve at the date of his restoration with respect to his annuity shall be transferred from the Annuity Reserve Fund of the system to the credit of his account in the Annuity Savings Fund thereof.

(c) If the balance remaining in the annuity reserve fund of any system at the close of business on December thirty-first of any year after the transfer of interest thereto as provided for in clause (ii) of paragraph (a) of subdivision (6), is in excess of the total amount of the annuity reserve determined for such system as of such date in accordance with the provisions of paragraph (b) of subdivision (3) of section twenty-one, the amount of such excess shall be transferred as of the next following September thirtieth from the Annuity Reserve Fund to the Pension Reserve or Commonwealth's Pension Liability Fund of such system. If such balance is less than the total amount of such annuity reserve, an amount equal to such deficiency shall, to the extent not included in any deficiency being made up under the provisions of this paragraph, be similarly transferred as of such next following September thirtieth from the Pension Fund to the Annuity Reserve Fund.

(3) Pension Fund (a) The Pension Fund of each system shall be the fund to which shall be credited all amounts appropriated by the governmental unit or transferred from the Pension Reserve Fund or Commonwealth's Pension Liability Fund pursuant to a funding schedule established pursuant to section twenty-two C or twenty-two D for the purpose of providing for the cost of operation of the system exclusive of the expenses of administration, except such amounts as may be appropriated for the special fund for military service credit under the provisions of subdivision (4). Any balance remaining in the investment income account of the system at the close of business on December thirty-first of any year shall be transferred to the Pension Reserve Fund or the Commonwealth's Pension Liability Fund, and any deficit in such account at such time shall be made up by transfer from the pension fund to such account of an amount equal to such deficit as provided for in clause (iii) of paragraph (a) of subdivision (6).

(b) All pensions to members or to beneficiaries and all pensions paid under the provisions of paragraph (c) of subdivision (8) of section three or paragraph (b) of subdivision (4) of section seven shall be paid from the pension fund of the system, and all amounts received under said provisions shall be credited to such fund. Amounts shall be transferred between the Pension Fund or the Commonwealth's Pension Liability Fund, as applicable, and the annuity reserve fund as provided for in paragraph (c) of subdivision (2) and shall be transferred to the Pension Fund or the Commonwealth's Pension Liability Fund, as applicable, from the annuity savings fund as provided for in paragraph (d) of subdivision (6) and from the special fund for military service credit as provided for in paragraph (c) of subdivision (4). Amounts shall also be paid from the Pension Fund or the Commonwealth's Pension Liability Fund, as applicable, of one system and transferred to the special fund for military service credit of a second system as provided for in paragraph (d) of said subdivision (4). The board shall, with the approval of the actuary, make any other transfer between the Pension Fund or the Commonwealth's Pension Liability Fund, as applicable, and any other fund of the system which may be necessary to effectuate the purposes of sections one to twenty-eight, inclusive; provided, however, that no such transfers shall be made from the Commonwealth's Pension Liability Fund except pursuant to schedules submitted in advance by the commissioner of administration to the house and senate committees on ways and means.

(c) Any profit realized on the sale or maturity of any investment of any system, due to the amount received therefore being in excess of its book value on the date of its sale or maturity, shall be credited to the Pension Reserve Fund of the system or recognized over a period of years as prescribed by the

commissioner of public employee retirement. Any loss sustained on the sale or maturity of any investment, due to the amount received therefore being less than its book value on the date of its sale or maturity, shall be charged to said Pension Reserve Fund or amortized over a period of years as prescribed by said commissioner. Any investment which is required to be valued at its market value under the provisions of paragraph (b) of subdivision (1) of section twenty-one, shall be included in the assets of the system on the date of any valuation thereof at its market value on such date as determined in accordance with said provisions. Any excess of such market value over the value at which such investment was included in the assets of the system on the date of the last previous valuation thereof, shall be credited forthwith to said Pension Reserve Fund or recognized over a period of years as prescribed by said commissioner, and any amount by which such market value is less than the value at which such investment was included in such assets, shall be charged forthwith to such fund or amortized over a period of years as prescribed by said commissioner.

In prescribing the period of years for amortization of gains and losses the public employee retirement administration commission shall act in a manner consistent with the periods prescribed by the government accounting standards board or allowed by the Employee Retirement Income Security Act.

Notwithstanding the foregoing provisions or any other general or special law to the contrary, the commonwealth shall assume the cost to any retirement system participating in the Pension Reserves Investment Trust Fund for the charge to the pension fund of such system for the amortization of any loss sustained on the transfer of such system's assets to the Pension Reserves Investment Trust Fund due to the value of the units in said fund upon such transfer being less than the book value of the system assets transferred to said fund on the date of transfer; provided, however, that the commonwealth shall assume only the cost of such system for a loss in an amount equal to or less than twenty per cent of the book value of the system's total portfolio on said date of transfer; provided, further, that the commonwealth shall assume only the costs for such losses to participating systems transferring their assets to the Pension Reserves Investment Trust Fund on or before July first, nineteen hundred and eighty-six; and provided further, that such assumable losses shall not be included in the determination of required appropriations set forth in subparagraph (iii) of paragraph (d). Such losses incurred by participating systems upon the transfer of their assets to the Pension Reserves Investment Fund shall be amortized over the average time to maturity of the entering system's fixed income securities transferred or ten years, whichever is less.

(d) The amount to be appropriated for any fiscal year for the pension fund of any system, as provided for in subdivision (7) of this section, shall be equal to the excess of the sum of the charges in clauses (i) to (iv) inclusive of this paragraph over the sum of the credits in clauses (v) to (vii), inclusive:

Charges (i) The total amount, as estimated by the actuary from data furnished by the board, of the pension payments to be paid from the pension fund of the system during the fiscal year for which such appropriation is being made;

(ii) The amount of that part of the deficiency, if any, in the annuity reserve fund of the system as of January first, nineteen hundred and forty-six, to be made up during such fiscal year under the provisions of paragraph (2) (c) of this section;

(iii) The amount of the deficiency, if any, in the pension fund at the close of business on the September thirtieth immediately preceding such fiscal year, after the transfers provided for in paragraph (2) (d) of this section have been made as of such date and after the credits and charges to such fund have been made as of such date following the valuation provided for in paragraph (c) of this subdivision; and

(iv) The amount, if any, by which the total yearly amount of the pensions payable from the system with respect to all retired members and beneficiaries who are receiving pensions there from at the close of business on the September thirtieth immediately preceding such fiscal year, exceed any balance in the pension fund remaining at the close of business on such date after the transfers, credits and charges referred to in clause (iii) of this paragraph applicable for such fiscal year have been made; provided, that the amount of the charge to be made under the provision of this clause shall not be greater than twenty per cent of such total.

Credits (v) The sum of the amounts, if any, received and credited to the pension fund under the provisions of paragraph (8) (c) of section three and paragraph (4) (b) of section seven during the twelve-

month period ending on the September thirtieth immediately preceding such fiscal year, and the amounts, if any, transferred from the special fund for military service credit to the pension fund under the provisions of paragraph (4) (c) of this section during such period; provided, that the amount of the credit to be allowed under the provisions of this clause shall not be greater than the amount by which any balance in the pension fund remaining at the close of business on such date after the transfers, credits and charges referred to in clause (iii) of this paragraph applicable for such fiscal year have been made, exceeds five per cent of the ledger assets of the system as of such date after the valuation referred to in said clause (iii) has been made, nor greater than the amount by which such balance exceeds the total yearly amount of the pensions payable from the system with respect to all retired members and beneficiaries who are receiving pensions therefrom at the close of business on such date; and

(vi) The amount, if any, by which the charge determined under the provisions of clause (i) of this paragraph applicable for such fiscal year, exceeds the largest of the corresponding charges included in such appropriations for the system for the first three full fiscal years of its operation after December thirty-first, nineteen hundred and forty-five; provided, that the amount of the credit to be allowed under the provisions of this clause shall not be greater than twenty per cent of such charge for such fiscal year, nor greater than the amount by which any balance in the pension fund remaining at the close of business on the September thirtieth immediately preceding such fiscal year after the transfers, credits and charges referred to in clause (iii) of this paragraph applicable for such fiscal year have been made, exceeds the sum of the amount of any credits allowed under the provisions of clause (v) of this paragraph applicable for such fiscal year and five per cent of the ledger assets of the system as of such date after the valuation referred to in said clause (iii) has been made, nor greater than the amount by which such balance exceeds the sum of the amount of any credits allowed under the provisions of clause (v) of this paragraph applicable for such fiscal year and the total yearly amount of the pensions payable from the system with respect to all retired members and beneficiaries who are receiving pensions therefrom at the close of business on such date.

(vii) The amount, if any, transferred to such pension fund from the pension reserve fund of the system pursuant to subdivision (6A).

(4) Special Fund for Military Service Credit (a) The special fund for military service credit shall be the fund provided in each system under the provisions of sections nine and nine A of chapter seven hundred and eight of the acts of nineteen hundred and forty-one, as amended by chapter four hundred and nineteen of the acts of nineteen hundred and forty-three and as may be further amended, to which shall be credited the amount appropriated for any fiscal year, as provided for in subdivision (7) of this section, for the purpose of establishing the amounts which would have been paid into such system as regular deductions by members thereof on military leave of absence from the governmental unit by which they were employed had such members remained in the active service of such governmental unit. Regular interest shall be transferred to the special fund for military service credit as provided for in subdivision (6) of this section.

If a city or town notifies the teachers' retirement board that all teachers referred to in section one of chapter seven hundred and eight of the acts of nineteen hundred and forty-one, as amended, have either returned to the public school service of Massachusetts, or that the period has expired during which they were permitted to return and have military assessments credited to their accounts, and that there are no other members who were formerly employed by the city or town who will be entitled to have military assessments credited to their accounts, the said board shall, during the month of January following the receipt of such notice, refund to the city or town any amount standing to its credit in the special fund for military service credit provided for in this section.

(b) In the event of the retirement of any member, or in the event a member-survivor benefit under the provisions of option (d) of subdivision (2) of section twelve becomes effective on account of any member whose last discharge or release from military service as set forth in said chapter seven hundred and eight of the acts of nineteen hundred and forty-one, as amended, and as may be further amended, was under honorable conditions as defined in defense department regulations, for whom a liability has been established in the special fund for military service credit, an amount equal to the value of the regular

deductions credited to his account under the provisions of sections nine and nine A of said chapter seven hundred and eight for the period of his military leave of absence, together with regular interest thereon to the date his retirement allowance becomes effective, shall be transferred from his account in such fund to the annuity reserve fund of such system and shall be added to and merged with the amount of his accumulated regular deductions being transferred as of such date from the annuity savings fund of such system to the annuity reserve fund thereof. The total of such amounts transferred on his account shall be used in determining the amount of the regular annuity provided for him under the provisions of subdivision (2) of section twelve, and the aggregate of his regular deductions, including the amount thereof transferred from the special fund for military service credit, shall be used in determining the normal yearly amount of his retirement allowance to the extent such allowance is dependent upon the amount of his regular deductions.

(c) In the event of the withdrawal from the system of any member, whose last discharge or release from military service as set forth in said chapter seven hundred and eight, as amended, and as may be further amended, was under honorable conditions as defined in defense department regulations, for whom a liability has been established in the special fund for military service credit, or in the event of his death before any retirement allowance becomes effective for him, and without a member-survivor benefit under the provisions of option (d) of subdivision (2) of section twelve or payment of allowances under the provisions of section twelve B becoming effective on account of the death of such member, any amount being held to the credit of his account in the special fund for military service credit shall be released and shall be used to reduce the amount of the next appropriation for the pension fund of the governmental unit or units which paid to establish the military service credit for him, in the proportions originally paid by each unit for that purpose; provided, that if such member shall later be reinstated in the system or become a member of another retirement system, and shall deposit in full the amount he withdrew with accumulated interest, said governmental unit or units shall add the amount of such reduction, with regular interest, to the amount of its or their next appropriation for the special fund for military service credit; and further provided, that if the person is a member of the teachers' retirement system, the whole or portion of the said amount, as the case may be, which was paid by a city or town shall be returned to the city or town with accumulated interest, and the portion, if any, of the said amount which was paid by the commonwealth shall be transferred to the pension fund of said system. If a former member of said system, on whose account such an adjustment has been made, is later reinstated a member of said system, and returns in full the amount he withdrew with accumulated interest, the city or town which received the refund as provided above shall be notified, and it shall pay to the special fund for military service credit of said system the amount it received from said fund, with accumulated interest at three per cent to the date of payment to said fund, and the portion, if any, which was transferred to the pension fund of said system shall be transferred from said pension fund with three per cent accumulated interest to the said special fund for military service credit, and these amounts shall again be held for the credit of the member, to be used only for retirement purposes.

(d) If any member, whose last discharge or release from military service as set forth in said chapter seven hundred and eight, as amended, and as may be further amended, was under honorable conditions as defined in defense department regulations, for whom a liability had previously been established in the special fund for military service credit of one system for any period of his military leave of absence while a member of such system, is retired while a member of a second system, or in the event a member survivor benefit under the provisions of option (d) of subdivision (2) of section twelve, or payment of allowances under the provisions of section twelve B becomes effective on account of his death while a member of a second system, an amount equal to the value of the regular deductions with which he was credited under the provisions of sections nine and nine A of said chapter seven hundred and eight for such period of his military leave of absence, together with regular interest thereon to the date his retirement allowance, member survivor benefit, or allowances provided for under the provisions of section twelve B becomes effective, shall be paid from the pension fund of the first system at the date on which said retirement, member survivor benefit, or allowances under the provisions of section twelve B

becomes effective and transferred to the special fund for military service credit of the second system to be credited to his account therein, and thereafter such account shall be handled in the manner set forth in paragraph (b) of this subdivision; provided, that such transfer shall be made and credit for such period of his military leave of absence allowed only if he has transferred his membership from the first system to the second system as provided for in paragraph (8) (a) of section three, or only if and only to the extent he has re-established credit for his former membership by paying into the annuity savings fund of the second system the make-up payments provided for in paragraph (8) (b) of such section.

(5) Expense Fund The expense fund of each system shall be the fund to which shall be credited the amount appropriated for any fiscal year, as provided for in subdivision (7) of this section, for the purpose of providing for the payment of all expenses of administration of the system for such year, and from which all such expenses shall be paid; provided, however, that each retirement board shall adopt an annual budget and supplemental budgets as deemed necessary by said board. Said budgets shall be funded solely from the investment income account of each system and without any further appropriation from the municipality, county or other governmental unit the current or former employees of which are served by said board. Notwithstanding the foregoing, at least thirty days prior to the adoption of said budgets, the boards shall file said budgets with the appropriate legislative body of the governmental unit the current or former employees of which are served by said board. Said governmental unit at its option may, but shall not be required to, appropriate additional monies for use by the retirement board in carrying out the purposes of section five B.

(6) Investment Income Account and Regular Interest (a) All income in each system derived from the interest and dividends earned on the invested funds of the system during any calendar year shall be credited to an investment income account. Upon the payment or transfer of funds from any member's account during any year, the amount of any regular interest to be credited for such year to his account in the annuity savings fund of the system upon his withdrawal, death or retirement, and the amount of any regular interest to be credited for such year to his account, if any, in the special fund for military service credit upon his retirement, shall be transferred to such accounts from such investment income account. Any balance remaining in such investment income account at the close of business on December thirty-first of such year shall be transferred to the several funds of the system as follows:

(i) Amounts equal to the amounts of regular interest to be credited for such year to the accounts in the annuity savings fund and in the special fund for military service credit of all members for whom accounts exist therein as of the end of such year, shall be transferred to such funds and credited to the accounts of such members;

(ii) An amount of interest computed at the annual rate set forth in the definition of actuarial equivalent appearing in section one shall be determined on the basis of the average of the balances outstanding in the annuity reserve fund on the first day of each month during such year and shall be transferred to such fund; and

(iii) Any balance remaining in the investment income account after the transfers heretofore provided for in this paragraph have been made, shall be transferred to the Pension Reserve Fund, and any amount by which such balance is insufficient to carry out the preceding provisions of this paragraph shall be charged to the pension fund and credited to the investment income account for the purpose of making up the deficit.

(iv) Prior to making the transfers provided for in clause (iii) the state employees' retirement system shall transfer from its investment income account to the General Fund an amount equal to the amount set forth in the state budget for the administration of said system and the state teachers' retirement system shall transfer from its investment income account to the General Fund an amount equal to the amount set forth in the state budget for the administration of said system.

(v) Prior to making the transfers provided for in clause (iii) the state employees' retirement system shall transfer to the General Fund an amount equal to the estimated amount, as certified to the secretary of administration and finance by the office of the treasurer, for those retirement-related costs incurred by the office of the treasurer on behalf of the state employees' retirement system; and the state teachers'

retirement system shall transfer to the General Fund an amount equal to the estimated amount, as certified to the secretary of administration and finance by the office of the treasurer, for those retirement-related costs incurred by the office of the treasurer on behalf of the state teachers' retirement system.

(b) The phrase "regular interest" as used in sections one to twenty-eight, inclusive, shall mean the interest credited to any member's account in the Annuity Savings Fund of any system during the period of his membership therein or to his account in the special fund for military service credit during such period. As applied to such interest for any period prior to January first, nineteen hundred and forty-six, "regular interest" shall mean interest at the rate in effect and allowed in such system from time to time during such period. As applied to such interest on balances outstanding in any such accounts as of the commencement of business on January first, nineteen hundred and forty-six, or as applied to such interest credited on regular deductions made on or after such date in the nature of make-up payments, or otherwise, on account of service rendered by any member prior to such date, "regular interest" shall mean interest credited at the rate of three per cent per annum. As applied to such interest credited on all other regular deductions and on all additional deductions made on or after January first, nineteen hundred and forty-six, and on all amounts thereafter transferred from any member's account in the Annuity Savings Fund or from his account in the special fund for military service credit in any contributory retirement system established under the provisions of a special law to his account in the corresponding fund of a system maintained under the provisions of sections one to twenty-eight, inclusive, "regular interest" for the calendar years nineteen hundred and forty-six and nineteen hundred and forty-seven shall mean interest credited at the rate of three per cent per annum. For any calendar year subsequent to nineteen hundred and forty-seven and prior to nineteen hundred and eighty-four, "regular interest" shall mean interest credited at the average earned rate which shall be determined by the actuary from the investment earnings of all systems maintained under the provisions of said sections and which shall be calculated on the basis of data contained in the annual statements of such latter systems filed in the office of the commissioner of insurance for the second calendar year preceding that for which such rate is to be applied. Such average earned rate shall be taken to the nearest tenth of one per cent and shall be obtained from the ratio which the total income derived from the interest and dividends earned on the invested funds of all such systems during the calendar year covered by such annual statements bears to the mean of the total ledger assets of all such systems at the beginning and end of such year. For any calendar year beginning subsequent to December thirty-first, nineteen hundred and eighty-three, "regular interest" shall mean interest credited at a rate established by the commission, in consultation with the commissioner of banks. The rate established by the commission shall be taken to the nearest tenth of one per cent and shall be obtained from the average rates paid on individual savings accounts by a representative sample of financial institutions; provided, that said commission shall sample no less than ten such financial institutions.

(c) Regular interest credited on or after January first, nineteen hundred and forty-six, shall be compounded annually on December thirty-first of each year, and subject to the provisions of paragraph (d) of this subdivision shall be allowed upon the balance outstanding in each member's account as of the immediately preceding December thirty-first. No interest shall be allowed on regular deductions or on additional deductions for the year in which they are made; except, that in the case of any make-up payment of regular deductions paid in full in one sum for deposit in any member's account in the annuity savings fund of any system, or in the case of any amount transferred from his account in the annuity savings fund or in the special fund for military service credit of one system for deposit in his account in the corresponding fund of another system, regular interest shall be allowed upon such sum or amount from the date of deposit if such date is the first day of a month, otherwise regular interest shall be allowed from the first day of the month immediately following such date of deposit. Upon the payment or transfer during any year of funds from any member's account in the annuity savings fund of any system, or upon the transfer during any year of funds from his account in the special fund for military service credit, regular interest shall, subject to the provisions of paragraph (d) of this subdivision, be allowed upon the balance outstanding in his account as of the immediately preceding December thirty-first, and also upon any deposit made for him during any year under the provisions set forth in the exception appearing in

the preceding sentence of this paragraph, for the number of completed months which have elapsed between such December thirty-first or the date of such deposit, as the case may be, and the date of the payment or transfer of the funds from his account.

(d) Anything in this subdivision to the contrary notwithstanding, regular interest in the case of any member inactive whose service was terminated prior to January first, nineteen hundred and forty-six, shall be allowed upon any balance outstanding in his account on such date only in accordance with and to the extent permitted under the provisions of the law applicable to him and in effect on the date of his termination of service. In the case of any member whose service is terminated on or after January first, nineteen hundred and forty-six, regular interest shall continue to accrue on any balance in his account, but no regular interest shall be included in the amount of any accumulated total deductions which are to be paid to the member under the provisions of subdivision (1) of section eleven for any period after the expiration of two years from the end of the month immediately preceding the date of his termination of service. Upon the payment to the member of the amount of his accumulated total deductions, any regular interest already credited to his account which is not to be included in such amount under the provisions of this paragraph, shall thereupon be transferred from his account in the annuity savings fund of the system to the pension fund thereof.

(6A) Pension Reserve Fund (a) The Pension Reserve Fund of each system shall be credited all amounts set aside by a system for the purpose of establishing a reserve to meet future pension liabilities, including such amounts as may be set aside pursuant to a funding schedule established in accordance with section twenty-two C or twenty-two D. Such amounts shall include without limitation the annual balance in the investment income account as provided for in clause (iii) of paragraph (a) of subdivision (6) the undistributed accumulated total deductions as provided for in section eleven and all monies recovered for the cost of fringe benefits from federal grants. From time to time, a system may credit to the Pension Reserve Fund other amounts appropriated to it or otherwise made available by the governmental unit. The Pension Reserve Fund for the state employees' and teachers' retirement systems shall be the Commonwealth's Pension Liability Fund.

(b) Amounts may be transferred to the Pension Fund for the purpose of meeting present pension liabilities in accordance with a schedule developed by the board of each system and approved by the actuary to amortize unfunded pension liabilities. Such schedule of payments shall be designed to maintain a funding schedule which pays the normal cost of benefits for the system and amortizes any unfunded actuarial liability either as a fixed ratio of payroll or in accordance with the funding schedules provided for in section twenty-two C or twenty-two D, as applicable; provided, however, that any such amounts transferred from the Pension Reserve Funds of the state employees' and state teachers' systems shall be detailed by the commissioner of administration in a written report submitted in advance to the house and senate committees on ways and means. Such schedule shall be adjusted in accordance with any state contributions provided from the PRIT Fund to meet the unfunded pension liability of the system.

(7) Appropriations In order to effectuate the provisions of sections one to twenty-eight, inclusive, and to provide for each system the amounts required for the Commonwealth's Pension Liability Fund, the Pension Fund, the special fund for military service credit and the expense fund described in subdivisions (3), (4), (5), and (8), respectively, of this section, the following provisions are hereby made:

(a) Expense Funds of the State Employees' Retirement System and the Teachers' Retirement System - The state board of retirement and the teachers' retirement board shall each adopt annual budgets and supplemental budgets as deemed necessary by the boards. Said budgets shall include all salaries for personnel employed by the state board of retirement and the teachers' retirement board and said budgets shall be funded from the investment income of each system without further appropriation. Said budgets shall not exceed 103 per cent of the prior year operating expenditures; provided, however, that for fiscal year 1998 said budgets shall not exceed 134 per cent of the fiscal year 1997 operating expenditures. In the event that said boards determine that said 103 per cent is not sufficient to fund said operations, said boards shall submit spending plans detailing all expenditures to the house and senate committees on ways and means for review 45 days prior to adopting a budget in excess of 103 per cent of the prior year

expenditure. At least thirty days prior to the adoption of said budgets the boards shall file said budgets with the house and senate committees on ways and means and the joint committee on public service.

(b) Pension funds of the state employees' retirement system and the teachers' retirement system. The state board of retirement and the teachers' retirement board, on or before October fifteenth in each year, shall furnish the actuary with such information as he may require to enable him to determine the amount to be distributed from the Commonwealth's Pension Liability Fund to the pension funds of said systems, for the fiscal year commencing on the next following July first. The actuary shall, on or before December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said boards the amounts so required. Upon the receipt of such notice, said board shall certify forthwith to the PRIM board the amounts necessary to be distributed and paid for such fiscal year for the Pension Fund and the special fund for military service credit of the respective system. The amounts necessary to be appropriated and paid for such fiscal year by the commonwealth for said Commonwealth's Pension Liability Fund shall be determined in accordance with the funding schedule adopted by the commissioner of administration pursuant to section twenty-two C, and items of appropriation for such amounts shall be included in the appropriations for such fiscal year for the PRIM board or such department as the commissioner of administration shall determine to be allocated to the Commonwealth's Pension Liability Fund.

Clause (i) of paragraph (c) of subdivision (7) as amended by 1991, 138, Sec. 366 and 1996, 450, Sec. 88. Governor's purported disapproval of 1991, 138, Sec. 366 was invalid. See Opinion of the Justices, 411 Mass. 1201 (1991)

(c) Systems for Counties, Cities and Towns (i) The retirement board of each county, city or town contributory retirement system maintained under the provisions of sections one to twenty-eight inclusive, shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund thereof for the fiscal year commencing on the next following July first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid; provided, however, that any community which has a valid and current actuarial report shall only appropriate the amount specified in their actuarial report and the actuary shall not require a larger amount to be appropriated. The amounts to be paid for the three aforesaid funds of any such system for any such fiscal year, shall be allocated to each governmental unit the employees of which are members of any such system, in the proportion that the aggregate of the annual rates of regular compensation of all members in service of such system who are employees of any such government unit at the close of business on the September thirtieth immediately preceding such fiscal year, bears to the total of such aggregates for all members in service of such system on such date.

(ii) The board of each such county contributory retirement system shall, on or before the January first next following the receipt of such notice from the actuary, certify to the county commissioners of any such county the amounts necessary to be paid for such fiscal year for the three aforesaid funds of any such system by each governmental unit the employees of which are members thereof. Items of appropriation providing for any such amounts allocated to such county shall be included in the appropriations for such fiscal year for such county for the several funds of such system. Any such amounts allocated to any hospital district the employees of which are members of such system, shall be assessed by such county commissioners in the following May, with the assessments for maintenance of such hospital district made in accordance with section eighty-five of chapter one hundred and eleven, and shall be collected in the same manner as therein provided and paid to the treasurer-custodian of such system to be credited to the several funds thereof. Such county commissioners shall, upon the receipt of such certification from such county retirement board, certify forthwith to the board of selectmen of each town and to the treasurer or other disbursing officer of each district the employees of which in either case are members of such system, the amounts which have been allocated to such town or district and the amounts so certified shall be appropriated and paid thereby to the treasurer-custodian of such system to be credited to the several funds thereof. Payments by towns and districts hereunder shall be made one half on the first day of July next following and the remainder on the first day of the following January.

(iii) The board of each such city or town contributory retirement system shall, on or before the January first next following the receipt of such notice from the actuary, certify to the mayor in a city or to the board of selectmen in a town, as the case may be, and to the treasurer or other disbursing officer of each district the employees of which are members of any such system, the amounts necessary to be paid for such fiscal year for the three aforesaid funds of such system which have been allocated to such city, town or district, and the amounts so certified shall be appropriated and paid thereby to the treasurer-custodian of such system to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of any such system for the period prior to the date when the first regular annual appropriation is due from any governmental unit the employees of which become eligible for membership in such system, shall be paid into the several funds thereof by special appropriations of such governmental unit.

(iv) If any governmental unit fails to include any amounts so certified in its appropriations for such fiscal year, the assessors or other taxing authorities shall nevertheless include such amounts in the next tax levy. All amounts so certified shall be a legal obligation of any such governmental unit and may be recovered in an action of contract by the retirement board of any such contributory retirement system.

(d) Such amounts as are necessary to cover the requirements or meet any deficiencies of any fund of any system prior to the date when an appropriation or assessment is available, shall be paid from any available funds in the treasury of the governmental unit obligated by law to support such system and charged against the next regular appropriation or assessment, as the case may be.

(e) Massachusetts Turnpike Authority Employees' Retirement System The retirement board of the Massachusetts Turnpike Authority employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of such system by the authority for the fiscal year commencing on the next following January first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the authority the amounts necessary to be paid for such fiscal year for the three aforesaid funds of such system and the amounts so certified shall be included by appropriate items in the authority's budgets for such fiscal year and shall be paid by the authority to the treasurer-custodian of such system to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the period prior to the date when the first regular annual payment is due from the authority shall be paid into the several funds thereof by special payments of the authority.

(f) Massachusetts Bay Transportation Authority Police Retirement System The retirement board of the Massachusetts Bay Transportation Authority police retirement system shall on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of such system by the authority for the fiscal year commencing on the next following January first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the authority the amounts necessary to be paid for such fiscal year for the three aforesaid funds of such system and the amounts so certified shall be included by appropriate terms in the authority's budget for such fiscal year and shall be paid by the authority to the treasurer-custodian of such system to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the period prior to the date when the first regular annual payment is due from the authority shall be paid into the several funds thereof by special payments of the authority.

(g) Massachusetts Housing Finance Agency Employees' Retirement System The retirement board of the Massachusetts Housing Finance Agency employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of such system by the agency for the fiscal year

commencing on the next following January first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the agency the amounts necessary to be paid for such fiscal year for the three aforesaid funds of such system and the amounts so certified shall be included by appropriate items in the agency's budgets for such fiscal year and shall be paid by the agency to the treasurer-custodian of such system to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the period prior to the date when the first regular annual payment is due from the agency shall be paid into the several funds thereof by special payments of the agency.

(h) The retirement board of the Massachusetts Port Authority employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of said system by the Authority for the fiscal year commencing on the next following July first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the Authority the amount necessary to be paid for such fiscal year for the three aforesaid funds of said system and the amount so certified shall be included by appropriate items in the Authority's budgets for such fiscal year and shall be paid by the Authority to the treasurer-custodian of said system in twelve equal monthly installments to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the fiscal year prior to the beginning of the next fiscal year after this section shall become effective shall be paid into the several funds thereof in equal monthly installments by special payments of the Authority.

(i) The retirement board of the Greater Lawrence Sanitary District employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of said system by the Greater Lawrence Sanitary District for the fiscal year commencing on the next following January first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the district the amount necessary to be paid for such fiscal year for the three aforesaid funds of said system and the amount so certified shall be included by appropriate items in the district budgets for such fiscal year and shall be paid by the district to the treasurer-custodian of said system in twelve equal monthly installments to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the fiscal year prior to the beginning of the next fiscal year after this section shall become effective shall be paid into the several funds thereof in equal monthly installments by special payments of the Authority.

(j) The Blue Hills Regional Vocational School employees' retirement system. The retirement board of the Blue Hills Regional Vocational School employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of such system by the Authority for the fiscal year commencing on the next following July first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The Board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the Authority the amount necessary to be paid for such fiscal year for the three aforesaid funds of such System and the amount so specified shall be included by appropriate items in the Authority's budgets for such fiscal year and shall be paid by the school system to the treasurer-custodian of such system in twelve equal monthly installments to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the fiscal year prior to the beginning of the next fiscal year after

this section shall become effective shall be paid into the several funds thereof in equal monthly installments by special payments of the school system.

(k) The retirement board of the Minuteman Regional Vocational Technical School District employees' retirement system shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be paid for the pension fund of said system by the school district for the fiscal year commencing on the next following July first. The actuary shall, on or before the December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said board the amount so required to be paid. The board shall, at least ten days before the January first next following the receipt of such notice from the actuary, certify to the school district the amount necessary to be paid for such fiscal year for the three aforesaid funds of said system and the amount so certified shall be included by appropriate items in the school district's budgets for such fiscal year and shall be paid by the school district to the treasurer-custodian of said system in twelve equal monthly installments to be credited to the several funds thereof. Such amounts as the actuary deems necessary to cover the requirements of the retirement system for the fiscal year prior to the beginning of the next fiscal year after this section shall become effective shall be paid into the several funds thereof in equal monthly installments by special payments of the school district.

(8) PRIT Fund (a) There shall be a Pension Reserves Investment Trust Fund administered by the PRIM board established in section twenty-three for the purpose of depositing, investing and disbursing amounts set aside to meet further liabilities of the various systems. The assets of the state employees' and teachers' retirement systems shall be held in the PRIT Fund.

(b) All amounts which the state may appropriate each year subsequent to January first, nineteen hundred and eighty-four pursuant to section twenty-two B to meet unfunded pension liabilities shall be deposited in the PRIT Fund and credited to the account of the state employees' retirement system, the teachers' retirement system and other participating systems as follows: the amount determined for each system shall be proportionate to the amount of assets of each system participating in the PRIT Fund as of July first for each fiscal year beginning on such date; provided, however, that for the purposes of this paragraph the amount of the combined assets of the state employees' and teachers' retirement systems shall be deemed not to exceed eighty percent of the total amount of the assets in the PRIT Fund as of June thirtieth, nineteen hundred and eighty-seven; and provided further, that a system electing to participate in the PRIT Fund after January first, nineteen hundred and eighty-eight shall receive the greater of either the system's share of the state appropriation pursuant to section twenty-two B or the amount the system would receive in an annual pension funding grant pursuant to section twenty-two D. Systems which elected to participate in the PRIT Fund on or before January first, nineteen hundred and eighty-eight and which are eligible to receive an annual pension funding grant from the commonwealth pursuant to section twenty-two D shall receive an amount equal to such system's share of the state appropriation pursuant to section twenty-two B in addition to the amount such system would receive in an annual pension funding grant pursuant to section twenty-two D. The amounts so determined for each participating system and an amount equal to the regular interest on assets in the PRIT Fund shall be credited to the several retirement systems.

(c) Upon notification by the chief executive officer and legislative body of a governmental unit of a decision to participate, systems shall transfer ownership and control of all the assets of the system to the PRIM board. The PRIM board shall hold such assets in trust for the participating systems. The PRIM board shall credit assets and earnings on such assets to the individual systems. The PRIM board shall calculate regular interest as defined in subdivision (6) to allocate earnings among the various funds of each system. The board of each system shall continue to administer the system in accordance with sections one to twenty-eight, inclusive, including the maintenance of accounts in accordance with the funds provided for in this section. The PRIM board shall transfer monies to the various funds of the participating systems to allow them to carry out their duties under this chapter. The board of each participating system shall notify the PRIM board of the amounts needed for the various funds for the next fiscal year no later than ninety days before the start of the next fiscal year. The PRIM board shall develop a schedule of transfers to be made to said systems during the next fiscal year and notify the systems of

that schedule no later than thirty days prior to the start of the next fiscal year. The PRIM board shall transfer such amounts in accordance with said schedule during the course of said fiscal year. From time to time such boards may make supplemental requests of the PRIM board if the initial request is found to be insufficient. Within thirty days of such request, the PRIM board shall approve or deny such request. Any denial of such a request must be accompanied by a written statement of the reasons therefore.

The procedure for determining participation shall occur as follows: on or before January first of each year, the PRIM board shall notify each system in writing of their option to participate in the PRIT Fund. A financial report and a description of the rights and duties of the PRIM board shall accompany such notice if a system elects to participate. The decision to participate shall be made by the board of each system, subject to the approval of the legislative body and the chief executive officer of each governmental unit. The decision of the board shall be deemed to have been approved unless the legislative body and the chief executive officer act to disapprove such decision by July first of the year in which the decision of such board is made. The board of each system shall notify the PRIM board and the appropriate legislative body and chief executive officer by May first of each year of its decision.

For any system which is receiving an annual pension funding grant from the commonwealth pursuant to the provisions of section twenty-two D in which the annualized time-weighted-rate of return is less than the assumption for investment rate of return approved by the actuary in the most recent actuarial valuation for the system, over any five year cycle, and said time-weighted-rate of return is less than the annualized time-weighted-rate of return for the pension reserve investment trust fund, over any five year cycle, the commission shall notify the PRIM board and the appropriate legislative body, chief executive officer, and the board of said system shall be deemed to have voted to participate.

After the decision of a board of a system to participate has been approved, the decision to participate may not be revoked for five years. Such revocation shall become effective six months after the PRIM board receives notification of such decision by such board. For purposes of this section, "legislative body" shall mean a town meeting in a town, the city council in a city, the county advisory board in a county, the district members in a district, and the members of an authority in an authority. For purposes of this section, "chief executive officer" shall mean the board of selectmen in a town, the mayor in a city, except in a city with plan D or plan E form of government it shall mean the city manager, municipality with a council form of government, the town manager and the county commissioners in a county. In a district or in an authority, "chief executive officer" shall mean the members of such district or authority. A system may purchase offerings of the PRIT Fund in accordance with paragraph (b) of subdivision (2) of section twenty-three without becoming a participating system for purposes of this section.

(d) The amounts in the PRIT Fund shall be invested and managed in accordance with the authority of the PRIM board as created in section twenty-three. Amounts in the PRIT Fund shall be transferred back to each system for withdrawal or payment to members as otherwise provided by sections one to twenty-eight, inclusive.

All other amounts shall be distributed to each system during such calendar years as the actuary shall determine pursuant to subdivision (6A). Such distributions shall be transferred to the pension fund of each system for such year. On March first, nineteen hundred and eighty-four and each subsequent calendar year, the public employee retirement administration commission shall publish a report of the projected schedule of distribution of amounts from the PRIT Fund, as developed by the actuary, and file such report with each system, with the commissioner of administration, and with the house and senate committees on ways and means.

(e) There shall be a Commonwealth's Pension Liability Fund which shall be within the PRIT Fund and to which shall be credited all assets of the state employees' and teachers' retirement systems, other than assets credited to the systems' Annuity Savings Funds, Annuity Reserve Funds, and expense funds. Except for transfers to and from the Annuity Savings Funds, Annuity Reserve Funds and expense funds of such systems in accordance with the provisions of sections one to twenty-eight, inclusive, all transfers of funds to or from such systems shall be made to or from the Commonwealth's Pension Liability Fund as provided herein. All amounts required by the pension funds, and special funds for military service credit of such systems shall be provided by distribution of such amounts from the Commonwealth's Pension

Liability Fund; provided, however, that any such distribution shall be detailed in a written report by the commissioner of administration and filed in advance with the house and senate committees on ways and means. Except as otherwise provided in this subdivision, and subject to the provisions of the operating trust agreement adopted by the PRIM board pursuant to subdivision (2A) of section twenty-three, any such distribution shall be made pursuant to the provisions of sections one to twenty-eight, inclusive.

Amounts in the Commonwealth's Pension Liability Fund shall include, but not be limited to, the following:

- (i) all amounts appropriated by the commonwealth to meet its pension liabilities, including amounts appropriated pursuant to clause (a) of the third paragraph of section twenty-one of chapter one hundred and thirty-eight, the state share of amounts appropriated pursuant to section twenty-two B and amounts appropriated pursuant to section twenty-two C; provided, however, that the state treasurer may act as agent of the PRIM board to disburse benefit payments pursuant to any such appropriation;
- (ii) all monies recovered for the cost of pension fringe benefits from federal grant funds pursuant to section six B of chapter twenty-nine;
- (iii) all monies recovered from federal grant funds pursuant to section five D of chapter forty for the cost of teachers' pension benefits;
- (iv) all monies transferred from the Annuity Reserve Funds of the state employees' and teachers' retirement systems pursuant to paragraph (d) of subdivision (2) or from the investment accounts of such systems pursuant to clause (iii) of paragraph (a) of subdivision (6);
- (v) all undistributed accumulated total deductions for the state employees' and teachers' retirement systems transferred pursuant to subdivision (3) of section eleven; and
- (vi) all assets of the state employees' and teachers' retirement systems except assets credited to such systems' expense funds, Annuity Savings Funds and Annuity Reserve Funds.

(9) In order to offset the anticipated costs for funding a county contributory retirement system, any governmental unit participating in the system may appropriate in any year an amount not exceeding five per cent of the amount raised in the preceding year by assessment under clause (i) of paragraph (c) of subdivision (7). Any interest shall be added to and become part of such special fund.

Such special fund shall be separate and distinct from any pension financing requirements of this chapter and all sums in such special fund shall be appropriated and used only for the purpose of offsetting the anticipated future cost of funding the contributory retirement system.

The treasurer of the governmental unit making the appropriation shall be the custodian of all funds deposited pursuant to this subdivision. Such funds may be invested in the same manner as retirement system funds pursuant to subdivision (2) of section twenty-three.

Such funds may be utilized in accordance with the provisions of subdivision (6A), or, subject to the approval of the actuary, in accordance with the provisions of paragraph (c) of subdivision (7), or subdivision (3) of section twenty-two D.

(10) Each governmental unit to which a system pertains and any free public library the employees of which are eligible for membership in a system, pursuant to the provisions of section four hundred and fourteen (h) (2) of the United States Internal Revenue Code, shall assume and pay the contributions which would be payable by the employees as members under paragraph (b) of subdivision (1). Such contributions, although designated as employee contributions, will be paid by the applicable governmental unit or free public library employing the employee in lieu of contributions by the employee. No employee will have the option of choosing to receive such contributed amounts directly instead of having them paid by the employing governmental unit or free public library to the applicable system. The contributions so assumed shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code. The contributions so assumed shall be treated and identified, without limitation, as member contributions for all purposes of the retirement system, except as specifically provided to the contrary in this subdivision, and for all purposes of chapter sixty-two.

Employee contributions assumed pursuant to this subdivision shall be paid from the same source of funds used for the payment of compensation to an employee. A deduction shall be made from an

employee's compensation equal to the amounts of the employee's contributions assumed by the employer. This deduction, however, shall not reduce the employee's compensation for purposes of computing benefits under the retirement system pursuant to this chapter or for purposes of determining any other employee benefits. Assumed contributions shall be transferred to the retirement system of which the employee is a member in accordance with the provisions of paragraph (h) of subdivision (1) and shall be credited to a separate fund within the employee's account in the Annuity Savings Fund of such system in order that the amounts contributed prior to the effective date for the assumption of employee contributions may be distinguished from the amounts contributed on or after the date on which the governmental employer is required by law to assume the employee's contributions.

GENERAL LAWS OF MASSACHUSETTS

PART I. ADMINISTRATION OF THE GOVERNMENT.

TITLE IV. CIVIL SERVICE, RETIREMENTS AND PENSIONS.

CHAPTER 32. RETIREMENT SYSTEMS AND PENSIONS

Chapter 32: Section 23 Management of funds

Section 23. (1) The funds of the state employees' and teachers' retirement systems shall be held in the PRIT Fund. The board of each such system shall annually, on or before May first, file in the office of the commissioner, on a form prescribed by the commissioner, a sworn statement of the financial condition of such system as of December thirty-first of the previous year and of all the financial transactions thereof during the previous year. The commissioner may, for cause shown, extend the time for filing any such statement.

(2) *Systems for Counties, Cities and Towns.* -- (a) The county, city or town treasurer, the secretary-treasurer of the Massachusetts Turnpike Authority, the treasurer of the Massachusetts Bay Transportation Authority, the treasurer of the Massachusetts Housing Finance Agency, the secretary-treasurer of the Massachusetts Port Authority, the treasurer of the Blue Hills Regional Vocational School system, the treasurer of the Greater Lawrence Sanitary District, and the treasurer of the Minuteman Regional Vocational Technical School District shall be the treasurer-custodian of the system established under the provisions of sections one to twenty-eight, inclusive, or under corresponding provisions of earlier laws, in any county, city or town, the Massachusetts Turnpike Authority, the Massachusetts Bay Transportation Authority, the Massachusetts Housing Finance Agency, the Massachusetts Port Authority, the Blue Hills Regional Vocational School system, the Greater Lawrence Sanitary District, or the Minuteman Regional Vocational Technical School District, as the case may be, and shall have the custody of the funds of any such system. Payments from such funds shall be made by him only upon vouchers signed by two persons designated by the board of any such system by a vote a duly attested copy of which, bearing upon its face specimen signatures of such persons, shall be filed with the treasurer-custodian as his authority for making payments upon vouchers so signed. No voucher shall be drawn unless it shall have been previously authorized by vote of the board.

(b) The board of each such system shall invest and reinvest the funds of such system, to the extent not required for current disbursements, in the PRIT Fund pursuant to subdivision (8) of section twenty-two, in the PRIT Fund by purchasing shares of said fund, as provided for in the trust agreement adopted by the PRIM board pursuant to subdivision (2A) or as follows:

(i) In securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the commonwealth; provided that:--

(A) Not more than twenty per cent of the assets of any such system shall be invested in railroad obligations, nor shall more than two per cent of said assets be invested in the obligations of any one operating railroad corporation, including its direct and assumed obligations and including the obligations of lessor railroad corporations which derive seventy-five per cent or more of their income from leases of their railroads to said operating railroad corporation.

(B) Not more than thirty-five per cent of the assets of any such system shall be invested in the bonds of the telephone companies, nor shall more than three and one-half per cent of such assets be invested in the bonds of any one telephone company.

(C) Not more than fifty per cent of the assets of any such system shall be invested in the bonds of public service companies, nor shall more than four per cent of such assets be invested in the bonds of any one such corporation.

(D) Not more than fifteen per cent of the assets of any such system shall be invested in obligations made eligible for investments under the provisions of section fifteen B of chapter one hundred and sixty-seven and section forty-nine of chapter one hundred and sixty-eight, in effect on June thirtieth, nineteen

hundred and eighty-three and included on the list of investments pursuant to section fifteen A of chapter one hundred and sixty-seven, nor shall more than one per cent of such assets be invested in the obligations of any one obligor so made eligible for investment.

(E) Not more than twenty-five per cent of the assets of any such system shall be invested in bank stocks, bank holding company stocks, and insurance companies stocks, nor shall more than two and one-half per cent of such assets be invested in the stock of any one bank or insurance company.

(ii) In deposits in the savings funds of savings banks organized under the laws of the commonwealth; and

(iii) In paid-up shares and accounts of and in co-operative banks.

(iv) In share accounts of federal savings and loan associations located in the commonwealth.

(v) In mortgage pass-through securities and mortgage-backed bonds which are rated Aa or better by Standard and Poor's or any other independent rating service designated by the investment committee and issued by a mortgage lender, as herein defined, or issued through a conduit pooling of loans of such mortgage lenders. Any corporate trust, as defined in section one of chapter sixty-two, organized and operated exclusively for the purpose of acting as a conduit for pooling such loans under this clause or clause (v) of paragraph (d) of subdivision (1), or both, shall be exempt from taxation under chapter sixty-two.

Each mortgage pass-through security and mortgage-backed bond shall be secured or backed by mortgage loans made or acquired by a mortgage lender on residential real estate located in the commonwealth. Each such loan shall generally meet the standards expected of a reasonably prudent investor.

All proceeds received by a mortgage lender from the sale of mortgage pass-through securities and mortgage-backed bonds to the retirement systems shall be used solely for mortgage loans on real estate located in the commonwealth.

The word "mortgage lender" as used herein, shall mean any savings bank, co-operative bank, credit union, trust company, federal savings and loan association, national banking association or mortgage banking company which is incorporated or maintains an office in the commonwealth; and provided, however, that any savings bank or group of savings banks may participate in the issuance of mortgage pass-through securities and mortgage-backed bonds by the Depositors Insurance Fund, as defined in section one of chapter forty-four of the acts of nineteen hundred and thirty-two, and such pass-through securities and bonds shall otherwise satisfy the criteria prescribed in this clause, and shall represent obligations of said fund and not of any bank or group of banks; provided, further, that any co-operative bank or group of co-operative banks may participate in the issuance of mortgage pass-through securities and mortgage-backed bonds by The Co-operative Central Bank, as defined in section one of chapter forty-five of the acts of nineteen hundred and thirty-two and such pass-through securities and bonds shall otherwise satisfy the criteria prescribed in this clause and shall represent obligations of said central bank and not of any such bank or group of banks; and provided further that any credit union or group of credit unions may participate in the issuance of mortgage pass-through securities and mortgage-backed bonds by the Central Credit Union Fund, Inc., as defined in section one of chapter two hundred and sixteen of the acts of nineteen hundred and thirty-two, and such pass-through securities and bonds shall otherwise satisfy the criteria prescribed in this clause, and shall represent obligations of said fund and not of any such credit union or group of credit unions.

(vi) In group annuity contracts or other retirement plan funding agreements issued by a life insurance company authorized to transact business in the commonwealth.

(vii) in shares of one or more combined investment funds approved by the commissioner of banks which invest in accordance with the provisions of subdivision (3) in stocks, bonds, notes and other interest bearing obligations appearing on the list prepared by the commissioner of banks under section fifteen A of chapter one hundred and sixty-seven.

(c) The board of each such system shall designate one or more banks or trust companies, organized under the laws of the commonwealth or of the United States, in which the treasurer-custodian shall keep on deposit such sums as may be required for current disbursements; provided, that any such sum on deposit in any one bank or trust company shall not exceed ten per cent of the amount of the paid-up capital and surplus thereof. The board shall also designate one or more such banks or trust companies in which the

securities of the system shall be kept under the name of the retirement system in one or more safe deposit boxes. The board, subject to rules promulgated by the commission, may deposit such securities in a securities depository registered with the Securities and Exchange Commission of the United States. Such securities may be kept under the joint custody of the treasurer-custodian and a member of the board other than the treasurer-custodian, who shall be designated by the board, or such securities may be kept by a custodian who shall be designated by the board, which custodian shall be a bank or trust company, organized under the laws of the commonwealth or of the United States. The board may cause any stock, bond or other security, or cash, of any such system to be registered and held, or deposited and held, in the name of one or more nominees appointed by him for the purpose of facilitating security trading, money management and certificate delivery. The board shall designate the members of any such nominee only from among the following individuals: the assistant treasurers of the respective county, city, or town; any employee of a custodian that is authorized pursuant to this paragraph to have custody of securities or cash of a system; and the treasurer-custodian himself. Each individual so designated shall be covered with respect to his service on behalf of any such nominee by a fidelity bond, in such form and amount as the public employee retirement administration commission may determine, which coverage may be by separate bond or by incorporation in a bond otherwise required by section three of chapter thirty-five, section thirty-five of chapter forty-one, section thirty-nine A of chapter forty-one or other applicable law or practice. Such custodian shall collect the interest and dividends on all securities deposited with it, shall collect all called and matured securities deposited with it, and shall deposit the same in a bank or trust company as directed by the board; shall advise the board of all such deposits, of all stock dividends, rights, calls and maturities of all securities deposited with it; shall purchase, sell, deliver, and receive securities on the order of the board; and shall prepare and deliver to the board a list, at such time as the board may require, of all securities held by it with their current market values. Such custodian may make a reasonable charge for such services.

(d) Any person who assists any board or member thereof in the purchase, sale, investment or reinvestment of the funds of any such system, without the written consent of the public employee retirement administration commission after notice in writing by him to such board or member to desist therefrom as provided for in subdivision (4) shall be punished as provided for in section twenty-four.

(e) The board of each such system shall annually, on or before May first, file in the office of the public employee retirement administration commission, on a form prescribed by him, a sworn statement of the financial condition of such system as of December thirty-first of the previous year and of all the financial transactions thereof during the previous year. The commission may for cause shown extend the time for filing any such statement.

(f) The board may employ any qualified bank, trust company, corporation, firm, or person to advise it on the investment of the fund and may pay for such advice.

(g) Clauses (i) to (vii), inclusive, of paragraph (b) shall not apply to the board of any local retirement system which upon application is determined by the commission to have a record of investment management which merits broader investment powers, provided that:--

(i) no funds are to be invested directly in mortgages or in collateral loans;

(ii) subsequent to the date of such determination no new investment of funds shall be made in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or development in any activity in South Africa, and no new investment of funds shall be made in the stocks, securities or other obligations of any company so engaged; provided, however, that if the board elects to invest in banks, financial institutions or any companies doing business in South Africa, excluding the aforementioned, the board shall review the platform of guiding principles defined in subdivision (5) and monies shall be invested as much as reasonably possible in such banks, financial institutions or companies which have adopted said platform of guiding principles so long as such use is consistent with sound investment policy and no new investment of funds shall be made in stocks, securities or other obligations of any company which derives more than 15 per cent of its revenues from the sale of tobacco products;

(iii) subsequent to the date of such determination no new investment of funds shall be made in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or development in any activity in Northern Ireland, and no new investment of funds shall be made in the stocks, securities or other obligations of any company so engaged. In making such determination the commission shall consider the diversification of the risk of the investments of such board, the return on the investments of such board, the past performance of the investment portfolio of such board and the extent and quality of professional advice received by such board regarding the investment of funds. Any such board shall invest and reinvest consistent with sound investment policy and the requirements of subdivision (3).

(h) Clauses (i), (ii), and (iii) of paragraph (g) shall apply to any retirement system named in paragraph (a).
(2A) *Pension Reserves Investment Management Board.* -- (a) There shall be an unpaid pension reserves investment management board which shall have general supervision of the investment and reinvestment of the PRIT Fund established under the provisions of subdivision (8) of section twenty-two.

Such board shall consist of nine members as follows: the governor, ex officio, or his designee, the state treasurer, ex officio, or his designee, who shall serve as chairman of the board, a private citizen experienced in the field of investment or financial management appointed by the state treasurer, an employee or retiree who is a member of the state teachers retirement system who shall be elected by the members in or retired from such a system for a term of three years in such a manner as the board shall determine, an employee or retiree who is a member of the state employees' retirement system who shall be elected by the members in or retired from such system for a term of three years in such a manner as the board shall determine, the elected member of the state retirement board, one of the elected members of the teachers' retirement board, who shall be chosen by the members of the teachers' retirement board, a person who is not an employee or official of the commonwealth who shall be appointed by the governor, and a representative of a public safety union who shall be appointed by the governor. The appointed members shall serve for four years. Any vacancy among the appointed members that may occur before the expiration of a term shall be filled by an appointment by the treasurer, or the governor, whoever had the right of making the initial appointment. Any appointed member of the board, including members appointed to fill a vacancy shall be eligible for reappointment. Any appointed member may be removed from his appointment for cause by the treasurer or the governor, whoever had the right of making the original appointment.

(b) Five members of the board shall constitute a quorum. The members of the board shall not receive a salary but shall be reimbursed for actual and necessary expenses. The provisions of chapter two hundred and sixty-eight A shall apply to all members of the board; provided, however, that the board may make investments in which a member has an interest or involvement if, however, such interest or involvement is disclosed in advance to the other members of the board and contemporaneously recorded in the minutes of the board; and provided, further, that no member having such an interest or involvement may participate in any particular matter, as defined in section one of chapter two hundred and sixty-eight A, relating to such investment.

(c) The PRIM board may commingle moneys on deposit in the PRIT Fund for purposes of investment; provided, however, that the board shall maintain appropriate records to account for amounts credited to particular accounts or funds. The PRIM board may offer to purchasing systems, and may allocate to the state employees' and teachers' retirement systems, shares in the PRIT Fund which represent undivided interests in specified portions of the assets of the fund rather than undivided interests in the whole.

(d) The PRIM board shall annually on or before May first, file with the clerk of the house of representatives and with the secretary of the retirement board of each system which is a participant in said fund, on a form prescribed by the commission, a sworn statement of the financial condition of said fund as of December thirty-first the previous year. The commission may for cause shown extend the time for filing any such statement.

(e) The PRIM board shall:

- (i) act as trustees for each participating retirement system for which it invests or manages monies in accordance with the standard of care set forth in subdivision (3); provided, however, that the duties and obligations of the PRIM board and of participating or purchasing systems shall be set forth in a declaration of trust adopted by the PRIM board; and provided, further, that any declaration of trust and any amendments thereto adopted by said board shall be subject to the approval of the joint committee on public service; and provided, further, that if said committee takes no final action relative thereto within forty-five days of the date of the filing thereof with the clerk of the house of representatives and the senate, such declarations of trust and such amendments thereto shall be deemed to be approved;
- (ii) employ an executive director as provided in paragraph (f);
- (iii) employ investment advisors, legal counsel, and consultants as it deems necessary;
- (iv) establish a formula to measure the value of the shares in said fund purchased by or held by participating retirement systems and other purchasing retirement systems;
- (v) determine and allocate annually to participating and other purchasing retirement systems earnings on shares owned by said systems;
- (vi) adopt an annual budget and supplemental budgets as deemed necessary by the board subject to the approval of the house and senate committees on ways and means; provided, however, that if the said committees has taken no final action to disapprove any such budget, within sixty days of its being filed with said general court it shall be deemed to be approved; and provided, further, that if the general court disapproves any such budget within such sixty days, said board shall operate under the annualized budgetary level most recently approved pending the filing and subsequent approval of any other such annual or supplemental request;
- (vii) approve or ratify decisions of the executive director;
- (viii) formulate policies and procedures deemed necessary and appropriate to carry out its function;
- (ix) maintain a record of its proceedings;
- (x) undertake any other activities necessary to implement the duties and powers set forth herein.
- (xi) File quarterly, on or before March first, June first, September first, and December first of each year, with the house and senate committee on ways and means and with the joint committee on public service a report detailing brokerage transactions, fees paid to investment consultants and managers, master trustee and custody fees, a detailed investment portfolio analysis describing all holdings in the PRIT Fund, and a budget status report detailing expenses by month; provided, however, that said analysis and said reports shall be made available on the first day of each month upon the request of the chairman of any said committees.
- (xii) Assess fees to participating and other purchasing retirement systems for the reasonable and necessary expenses incurred by the board in managing the PRIT Fund, which shall be paid by the board from earnings of the PRIT Fund without appropriation and in conformance with the budgetary levels established pursuant to clause (vi).
- [Clause (xiii) of paragraph (e) of subdivision (2A) effective until April 1, 2003. For text effective April 1, 2003, see below.]*
- (xiii) Acts as treasurer-custodian of the PRIT Fund and shall have the custody of the funds and securities of said fund.
- [Clause (xiii) of paragraph (e) of subdivision (2A) as amended by 2002, 502, Sec. 3 effective April 1, 2003. For text effective until April 1, 2003, see above.]*
- (xiii) acts as treasurer-custodian of the PRIT Fund and shall have the custody of the funds and securities of said fund.
- [Clause (xiv) of paragraph (e) of subdivision (2A) added by 2002, 502, Sec. 3 effective April 1, 2003.]*
- (xiv) put a mechanism in place to monitor current market conditions to detect and immediately notify the board of potential high-risk corporate investments, so that the board can take action, when possible, to prevent investment losses.
- (f) The PRIM board shall select an executive director who shall serve at the pleasure of the board. The provisions of sections nine A, forty-five, forty-six and forty-six C of chapter thirty, chapter thirty-one, and

chapter one hundred and fifty E shall not apply to the executive director or any other employees of the board.

(g) The executive director, shall with the approval of the board:

(i) plan, direct, coordinate and execute administrative and investment functions in conformity with the policies and directives of the board;

(ii) employ professional and clerical staff as necessary.

(iii) report to the board on all operations under his control and supervision;

(iv) require state officials from any department or officials from any participating retirement system to produce and provide access to any financial documents the board deems necessary in the conduct of its investment activities;

(v) undertake any other activities necessary to implement the powers and duties set forth herein.

(h) Subject to the approval or ratification of the PRIM board, the executive director shall invest and reinvest such funds held by such board to the extent not required for current disbursements, as much as reasonably possible to benefit and expand the economic climate within the commonwealth so long as such is consistent with sound investment policy and the other requirements of this section; provided, however, that no funds are to be invested directly in mortgages or in collateral loans; provided, further, that no investment of funds shall be made in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or development in any activity in South Africa, and no new investment of funds shall be made in the stocks, securities or other obligations of any company so engaged; provided, further, that if the board elects to invest in banks, financial institutions or any companies doing business in South Africa, excluding the aforementioned, the board shall review the platform of guiding principles defined in subdivision (5) and monies shall be invested as much as reasonably possible in such banks, financial institutions or companies which have adopted said platform of guiding principles so long as such use is consistent with sound investment policy; and provided, further, that no funds are to be invested in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or deployment in any activity in Northern Ireland, and no assets shall be invested in the stocks, securities or other obligations of any such company so engaged. No public pension funds under this subdivision shall remain invested in the stocks, securities, or other obligations of any company which derives more than 15 per cent of its revenues from the sale of tobacco products; provided, however, that if sound investment policy so requires, the PRIM board may vote to spread the sale of such stocks, securities or other obligations of such company over no more than three years, so that no less than one-third the value of said investment is sold in any one year. So long as any funds remain invested in any stocks, securities, or other obligations of any such company, the PRIM board shall annually, on or before January 31, file with the clerk of the senate and the clerk of the house of representatives a report listing all such related investments held by the fund and their book value as of the preceding December first. The investment and fund management policies adopted by the PRIM board shall not be subject to any rules or regulations promulgated by the public employee retirement administration commission governing the investment of funds by the retirement boards.

(i) at least two members of the PRIT board shall be minority people, as set forth in the definition of "Minority" contained in section forty C of chapter seven of the General Laws, as added by section seven of chapter five hundred and seventy-nine of the acts of nineteen hundred and eighty.

(j) The PRIM board shall be subject to the provisions of sections thirty-nine A and sections forty (E) to forty (J), inclusive, of chapter seven.

(3) *Fiduciary Standards.* -- A fiduciary as defined in section one shall discharge his duties for the exclusive purpose of providing benefits to members and their beneficiaries with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims

and by diversifying the investments of the system so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

(4) *Orders to protect the system.* -- If the commission determines after a hearing that the investment or recordkeeping practices of any board are not being conducted with reasonable care, skill, prudence or diligence, he may order such board to take or desist from any action that in his judgment is necessary to preserve the integrity of the system. If the commission has reason to believe that the investment and recordkeeping practices of any board are not being conducted with reasonable care, skill, prudence or diligence, he may issue a temporary order which shall remain in effect until an investigation, hearing and determination can be made. Violation of any such order shall be punished as provided for in section twenty-four.

(5) The platform of guiding principles for investment in South Africa shall mean, without limitation, the following standards of corporate activity:

(a) Worker's rights: companies should uphold worker's rights including the recognition of representative unions and their rights to bargain collectively, to strike, to picket peacefully, the establishment of a policy that strike breakers will not be hired and that investment should enhance employment creation;

(b) Equality of opportunity: companies should eliminate all discrimination on the basis of race, religion, sex, political opinion or physical handicap and implement affirmative action programs;

(c) Environmental protection: investment should incorporate environmentally sound and clean practices and technology;

(d) Training and education: investment should enhance the productive capacities of South Africans, and in particular, institute training and adult education programs for workers in consultation with the trade union movement;

(e) Conditions of work and life: conditions of work and life offered by companies should compare favorably with the best conditions in the relevant sector domestically;

(f) Security of employment: investment should contribute to the security of employment of South Africans;

(g) Empower black business: companies should, where possible, adopt business practices which enhance the development of black business in South Africa.

EXHIBIT C

CHAPTER 176

MASSACHUSETTS GENERAL LAWS

CHAPTER 176: AN ACT PROVIDING FOR PENSION REFORM AND BENEFIT MODERNIZATION

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same as follows:

SECTION 1. Clause Twenty-sixth of [section 7 of chapter 4 of the General Laws](#), as appearing in the 2010 Official Edition, is hereby amended by adding the following subclause (t) statements filed under [section 20C of chapter 32](#).

SECTION 2. The second paragraph of [section 50 of chapter 7 of the General Laws](#), as so appearing, is hereby amended by striking out clause (f).

SECTION 3. [Section 40 of chapter 15A of the General Laws](#) is hereby amended by striking out, in line 83, as so appearing, the word "ninety" and inserting in place thereof the following figure:- 180.

SECTION 4. Section 1 of chapter 30B of the General Laws, as appearing in the 2010 Official Edition, is hereby amended by inserting after the word "services", in line 56, the following words:- ; provided, however, that the procurements shall take place under [section 23B of chapter 32](#).

SECTION 5. The definition of "maximum age" in [section 1 of chapter 32](#), as so appearing, is hereby amended by striking out the figure "55" and inserting in place thereof the following figure:- 65.

SECTION 6. The first sentence of the definition of "regular compensation" in said [section 1 of said chapter 32](#), as so appearing, is hereby amended by inserting after the word "date" the following words:- ; provided, however, that if the employee receives compensation for wages in whatever form from the federal government and such wages were not reported to any employing authority, such wages shall not be counted as regular compensation for the purposes of the benefits provided in this chapter.

SECTION 7. The definition of "wages" in [section 1 of said chapter 32](#), as so appearing, is hereby amended by inserting after the word "firefighters" the following words:- , correctional officers.

SECTION 8. Paragraph (g) of subdivision (2) of [section 3 of said chapter 32](#), as so appearing, is hereby amended by inserting after the word "groups" in line 229, the following:-; provided that a member entering service prior to April 2, 2012 must be actively employed in a Group 2 or Group 4 position by a governmental unit which is subject to a retirement system under chapter 32, and must be actively performing the duties of said position for which the member seeks classification for not less than 12 consecutive months immediately preceding termination or retirement in order to qualify for the retirement allowance calculation of said group contained in subdivision (2) of section 5.

SECTION 9. Paragraph (b) of subdivision (8) of [section 3 of said chapter 32](#), as so appearing, is hereby amended by inserting after the third sentence the following sentence:- Notwithstanding any provision of this chapter to the contrary, a member who is reinstated to, or re-enters the active service of, a governmental unit, or who is eligible to receive credit for other service under this section, and who does not, (i) pay into the annuity savings fund of the system make-up payments of an amount equal to the accumulated regular deductions withdrawn by the member, together with buyback interest; or (ii) make provision for the repayment in installments, upon such terms and conditions as the board may prescribe, to pay into the annuity savings fund of the system make-up payments of an amount equal to the accumulated regular deductions withdrawn by the member, together with buyback interest, within 1 year from the date of reinstatement or re-entry or within 1 year after April 2, 2012, whichever is later, shall pay actuarial assumed interest instead of buyback interest on all make-up payments to be entitled to creditable service resulting from the previous employment.

SECTION 10. Subdivision (1) of said [section 4 of said chapter 32](#), as so appearing, is hereby amended by inserting after paragraph (g^{1/2}) the following paragraph:- (g^{3/4}) The period or periods before 1975 during

which any retired member of the Teachers Retirement System or any retired member of the Boston Teachers Retirement System who (i) is living and retired before September 1, 2000, (ii) resigned for the purposes of maternity leave or was on unpaid leave of absence for such purposes from the governmental unit in which the member was employed as a teacher, and (iii) had established membership in a Massachusetts contributory retirement system shall be allowed under this paragraph a maximum of creditable service not to exceed 4 years creditable service. No credit shall be allowed under this paragraph for any member who was not retired as of September 1, 2000. The credit allowed under this paragraph shall increase the retirement allowance payments beginning on April 2, 2012.

SECTION 11. [Section 5 of said chapter 32](#), as so appearing, is hereby amended by striking out, in line 3, the word "fifty-five" and inserting in place thereof the following words:- 55 or any member in service or any member inactive on authorized leave of absence classified in Group 1 who became such a member on or after April 2, 2012 who has attained age 60.

SECTION 12. Said [section 5 of said chapter 32](#), as so appearing, is hereby further amended by inserting after the word "service", in line 38, the following words:- , together with buyback interest, and shall satisfy the requirements for reinstatement under subsection (a) of section 105.

SECTION 13. Said [section 5 of said chapter 32](#), as so appearing, is hereby further amended by inserting after the word "retirement", in line 97, the following words:- ; provided, however that for a member who became a member on or after April 2, 2012, the total amount of regular compensation shall be based on the average annual rate of regular compensation received by such member during any period of 5 consecutive years of creditable service for which such rate of compensation was the highest, or on the average annual rate of regular compensation received by such member during the period or periods, whether consecutive or not, constituting the member's last 5 years of creditable service preceding retirement, whichever is the greater.

SECTION 14. Paragraph (a) of subdivision (2) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by inserting after the first sentence the following 4 sentences:- Notwithstanding the previous sentence, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 per cent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Any active member as of April 2, 2012, who has served in more than 1 group may elect to receive a retirement allowance consisting of pro-rated benefits based upon the percentage of total years of service that the member rendered in each group; further, the retirement allowance for members who became members on or after April 2, 2012, and who served in more than 1 group, shall receive a retirement allowance consisting of pro-rated benefits based upon the percentage of total years of service that member rendered in each group. The pro-rated benefits shall be calculated in a manner prescribed by the commission. A member who entered service on or before April, 2, 2012 and seeks Group 2 or Group 4 classification and is no longer a public employee at the time of the member's retirement shall be classified based on the position from which the member was last employed.

SECTION 15. The table in said paragraph (a) of said subdivision (2) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by striking out the title and inserting in place thereof the following title:-

Table showing Percentage of the Amount of Average Annual Rate of Regular Compensation to be multiplied by the Number of Years of Creditable Service for individuals who became members before April 2, 2012.

SECTION 16. Said paragraph (a) of said subdivision (2) of said [section 5 of said chapter 32](#), as so appearing, is hereby further amended by adding the following 2 tables:-

Table Showing Percentage of the Amount of Average Annual Rate of Regular Compensation to be multiplied by the Number of Years of Creditable Service for individuals who become members on or after April 2, 2012

Per Cent Group 1 Group 2 Group 4

2.50	67 or older	62 or older	57 or older
2.35	66	61	56
2.20	65	60	55
2.05	64	59	54
1.90	63	58	53
1.75	62	57	52
1.60	61	56	51
1.45	60	55	50

Table Showing Percentage of the Amount of Average Annual Rate of Regular Compensation to be multiplied by the Number of Years of Creditable Service for individuals who become members on or after April 2, 2012 and with at least 30 years of creditable service at the time of retirement

Per Cent Group 1 Group 2 Group 4

2.50	67 or older	62 or older	57 or older
2.375	66	61	56
2.250	65	60	55
2.125	64	59	54
2.0	63	58	53
1.875	62	57	52
1.750	61	56	51
1.625	60	55	50

SECTION 17. Paragraph (c) of said subdivision (2) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by adding the following sentence:- The total normal yearly amount of the retirement allowance of any member of Group 1 or Group 2 or Group 4, who becomes such a member on or after April 2, 2012, shall not exceed four-fifths of the average annual rate of such member's regular compensation received during any period of 5 consecutive years of creditable service for which such rate of compensation was the highest or on the average annual rate of regular compensation received by such member during the period or periods, whether or not consecutive, constituting such member's last 5 years of creditable service preceding retirement, whichever is the greater.

SECTION 18. Said subdivision (2) of said [section 5 of said chapter 32](#), as so appearing, is hereby further amended by adding the following paragraph:- (f) In calculating the average annual rate of regular compensation for purposes of this section, regular compensation in any year shall not include regular compensation that exceeds the average of regular compensation received in the 2 preceding years by more than 10 per cent. This paragraph shall not apply to an increase in the annual rate of regular compensation that results from an increase in hours of employment, from overtime wages, from a bona fide change in position, excluding a modification in the salary or salary schedule negotiated for bargaining unit members

under [chapter 150E](#), or in the case of a teacher, from the performance of any services set forth in the third sentence of the first paragraph of the definition of "regular compensation" in section 1. Any withholdings excluded from the calculation of a member's average annual rate of regular compensation under this paragraph, shall be returned to the member with interest at the assumed actuarial rate.

SECTION 19. Paragraph (b) of subdivision (3) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by striking out the first sentence and inserting in place thereof the following sentence:- Any duly authorized leave or period of absence for which any member is allowed creditable service under sections 1 to 28, inclusive, and any such leave or period of absence not in excess of 1 year for which such member is not allowed creditable service, shall be included in any applicable 3-year or 5-year period to determine the average annual rate of such member's regular compensation therefor to the extent such leave or period of absence falls within such applicable 3-year or 5-year period, anything in such sections to the contrary notwithstanding.

SECTION 20. Paragraph (i) of subdivision (4) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by inserting after the tenth sentence the following sentence:- In the case of an employee who becomes a member on or after April 2, 2012, and has at least 30 years of creditable service, the on-going rate of contribution under this paragraph shall be reduced by 3 per cent.

SECTION 21. Paragraph (ii) of said subdivision (4) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by inserting after the words "creditable service", in line 298, the following words:- , and in the case of any employee who becomes a member on or after January 1, 2012, to be increased by 2 per cent per year for each full year of service in excess of 23 years of creditable service.

SECTION 22. Said subdivision (4) of said [section 5 of said chapter 32](#), as so appearing, is hereby amended by adding the following paragraph:- The total normal yearly amount of the retirement allowance, as determined under this subdivision of any employee who becomes such a member on or after April 2, 2012, and retires and receives an additional benefit under the alternative superannuation retirement benefit program shall not exceed four-fifths of the average annual rate of such member's regular compensation received during any period of 5 consecutive years of creditable service for which the rate of compensation was the highest or of the average annual rate of such member's regular compensation received during the period or periods, whether or not consecutive, constituting the member's last 5 years of creditable service preceding retirement, whichever is greater.

SECTION 23. Subdivision (2) of [section 6 of said chapter 32](#), as so appearing, is hereby amended by striking out paragraph (a) and inserting in place thereof the following paragraph:- (a) The normal yearly amount of such allowance for any member classified in Group 1, Group 2 or Group 4 other than a veteran as defined in section 1 shall be equal to that to which the member would be entitled under section 5 as prescribed for a member of the member's group, if the member were to be retired for superannuation upon the attainment of age 55, or for any member classified in Group 1 who became such a member on or after April 2, 2012 if such member were to be retired for superannuation upon the attainment of age 60, with an amount of creditable service equal to that with which the member is credited at the date of the member's actual retirement for ordinary disability; provided, however, that if the member has attained age 55, or for a member classified in Group 1 who became such a member on or after April 2, 2012 if the member has attained age 60, the normal yearly amount of such allowance shall in no event be less than that to which the member would be entitled if the member were to be retired for superannuation under section 5 as prescribed for a member in the member's group; and provided, further, that the normal yearly amount of such allowance for a member who became such a member before April 2, 2012 shall not exceed four-fifths of: (i) the average annual rate of the member's regular compensation during any period of 3 consecutive years of creditable service for which such rate of compensation was the highest, and (ii) the average annual rate of regular compensation received by such member during the period or periods, whether or not consecutive, constituting the member's last 3 years of creditable service preceding retirement, whichever is

greater; and provided, further, that for a member who became such a member on or after April 2, 2012 the normal yearly amount of such amount shall not exceed four-fifths of: (i) the average annual rate of the member's regular compensation during any period of 5 consecutive years of creditable service for which such rate of compensation was the highest, and (ii) the average annual rate of regular compensation received by such member during the period or periods, whether or not consecutive, constituting the member's last 5 years of creditable service preceding retirement, whichever is greater.

SECTION 24. Subdivision (1) of section 10 of said chapter 32, as so appearing, is hereby amended by adding the following sentence:-This subdivision shall not apply to any member who entered service on or after April 2, 2012.

SECTION 25. Subdivision (2) of said section 10 of said chapter 32, as so appearing, is hereby amended by adding the following sentence:- This subdivision shall not apply to any member who entered service on or after April 2, 2012.

SECTION 26. Said section 10 of said chapter 32, as so appearing, is hereby further amended by inserting after subdivision (2) the following subdivision:- (2A) Notwithstanding subdivision (1) or (2) any member classified in Group 1, Group 2 or Group 4, who became a member on or after April 2, 2012, has completed 10 or more years of creditable service, and: (a) who fails of reappointment; (b) who is removed or discharged from the member's office or position without moral turpitude on the member's part; (c) who accepts, during or prior to the expiration of a term for which the member was elected, appointment to an office or position the acceptance of which requires under the constitution of the commonwealth resignation from the general court; (d) whose office or position is abolished; or (e) who resigns or voluntarily terminates the member's service, who leaves the member's accumulated total deductions in the annuity savings fund of the system of which the member is a member, shall have the right upon attaining the minimum retirement age for the member's Group, or at any time thereafter, to apply for a superannuation retirement allowance to become effective under subdivision (3). Such allowance shall be determined under section 5 or any other section governing superannuation retirement applicable to such member upon the basis of the member's age on the date when the retirement allowance becomes effective, with an amount of creditable service equal to that with which the member was credited on the date of the member's termination of service.

SECTION 27. Said section 10 of said chapter 32, as so appearing, is hereby further amended by striking out, in lines 112 and 113, the words "or (2)" and inserting in place thereof the following words:- ,(2) or (2A).

SECTION 28. Option (d) of subdivision (2) of section 12 of said chapter 32, as so appearing, is hereby amended by striking out the second paragraph and inserting in place thereof the following paragraph:- If such member dies before attaining age 55 and before being retired, such nominated eligible beneficiary shall receive the Option (c) allowance to which such member would have been entitled had the member attained age 55 at the time of the member's death and had the member's retirement taken place on the date of the member's death. Notwithstanding the previous sentence, if a member of Group 1 who became such a member on or after April 2, 2012 dies before attaining age 60 and before being retired, such nominated eligible beneficiary shall receive the Option (c) allowance to which such member would have been entitled had the member attained age 60 at the time of the member's death and had the member's retirement taken place on the date of the member's death.

SECTION 29. Said section 12 of said chapter 32, as so appearing, is hereby further amended by striking out, in lines 211 and 212, the words "two hundred and fifty dollars" and inserting in place thereof the following words:- \$250 or \$500 a month, whichever is applicable to such spouse.

SECTION 30. Option (d) of said section 12 of said chapter 32, as so appearing, is hereby amended by inserting after the tenth paragraph the following paragraph:- Beginning April 2, 2012, the normal monthly member-survivor allowance provided for under this option to a spouse of a deceased member shall not be

less than \$500 for members of the state teachers' and state employees' retirement system. This paragraph shall take effect for the members of a retirement system of any other political subdivision by a majority vote of the board of such system and by the local legislative body. For the purpose of this paragraph, a vote of the legislative body shall take place in the following manner: in a city, by a vote of the city council subject to its charter; in a town, by a vote at a town meeting; in a county, by a vote of the county retirement board advisory council; in a region, by a vote of the regional retirement board advisory council; in a district, by a vote of the district members; and for an authority, by a vote of its governing body. Acceptance shall be deemed to have occurred upon the filing of a certification of such vote with the commission.

SECTION 31. Section 15 of said chapter 32, as so appearing, is hereby amended by adding the following subdivision:-

(6) If a member's final conviction of an offense results in a forfeiture of rights under this chapter, the member shall forfeit, and the board shall require the member to repay, all benefits received after the date of the offense of which the member was convicted.

SECTION 32. Paragraph (b) of subdivision (1) of section 16 of said chapter 32, as so appearing, is hereby amended by striking out the first sentence and inserting in place thereof the following:- (i) Any member in service, classified in Group 1, Group 2 or Group 4 who has attained age 55 and completed 15 or more years of creditable service; (ii) any member in service, classified in Group 1, Group 2 or Group 4 who has not attained age 55 but who has completed 20 or more years of creditable service; (iii) any member in service, who entered such service on or after April 2, 2012, classified in Group 1 who has attained age 60 and completed 15 or more years of creditable service; or (iv) any member in service, who entered such service on or after April 2, 2012, classified in Group 1 who has not attained age 60 but who has completed 20 or more years of creditable service, for whom an application for such member's retirement is filed by the head of such member's department under paragraph (a) of this subdivision, may, within 15 days of the receipt of such member's copy of such application, file with the board a written request for a private or public hearing upon such application.

SECTION 33. Section 20 of said chapter 32, as so appearing, is hereby amended by inserting after subdivision (4 7/8D) the following subdivision:- (4 7/8E) No employee, contractor, vendor or person receiving remuneration, financial benefit or consideration of any kind, other than a retirement benefit or the statutory stipend for serving on the retirement board, from a retirement board or from a person doing business with a retirement board shall be eligible to serve on a retirement board; provided, however, that an employee of a retirement board may serve on a retirement board other than the retirement board by which the person is employed; and provided further, this subdivision shall apply only to individuals who first become members of a retirement board on or after April 2, 2012.

SECTION 34. Said section 20 of said chapter 32, as so appearing, is hereby further amended by striking out subdivision (6) and inserting in place thereof the following subdivision:- (6) *Retirement Board Members Compensation.*-The elected and appointed members of a city, town, county, regional, district or authority retirement board upon the acceptance of the appropriate legislative body shall receive a stipend; provided, however, that the stipend shall not be less than \$3,000 per year and not more than \$4,500 per year; provided, further, that the stipend shall be paid from funds under the control of the board as shall be determined by the commission; and provided, further, that an ex-officio member of a city, town, county, district or authority retirement board upon the acceptance of the appropriate legislative body shall receive a stipend of not more than \$4,500 per year in the aggregate for services rendered in the active administration of the retirement system.

SECTION 35. Said section 20 of said chapter 32, as so appearing, is hereby further amended by adding the following subdivision:-

(7) *Retirement Board Member Training.*- During each full term of service retirement board members shall

undertake 18 hours of training; provided, however, that not less than 3 hours of such training shall take place each year and not more than 9 hours may take place in any single year; provided, however, that nothing in this subdivision shall prohibit such retirement board members from undertaking more than 18 hours of training. Such training shall consist of 9 hours sponsored by the commission, which shall include, at a minimum, the topics of fiduciary responsibility, ethical conduct and conflict of interest and 9 hours of training on topics prescribed by the commission provided by the Massachusetts Association of Contributory Retirement Systems or other local, state, regional and national organizations recognized by the commission as having expertise in retirement issues of importance to retirement board members or other entities, as the commission may determine. The commission shall arrange for at least 18 sessions during each year for members to complete this requirement. In addition, the commission shall schedule additional sessions or otherwise make accommodations to ensure that members are afforded the maximum opportunity to complete this requirement. The commission shall annually provide retirement boards with a statement of completion of education form on or before December 31. The board shall provide the forms to their members. The form shall set forth the training as required by this subdivision the member has undertaken during that year. Board members shall submit the completed form to the commission by January 31 of the year following. The commission shall annually provide the member with a summary of the member's status regarding the completion of this requirement by March 1. Failure to successfully complete the requirements of this subdivision shall prohibit a board member from serving beyond the conclusion of the term in which the failure took place. If the non-complying member is an ex-officio member or a second member, of a board the appointing authority for the second member shall appoint a different individual to serve on the board; provided, however, that the replacement of an ex-officio member shall be an individual experienced in the field of finance or auditing; and provided further, that in a regional retirement system non-complying members shall be replaced in the same manner as is set forth for the selection of the members. Each retirement board shall notify all board members and prospective board members of the requirement to complete education requirements at the time of receiving information about seeking election to a retirement board or prior to being appointed to a retirement board. The commission shall annually notify board members of the requirement to complete continuing education.

SECTION 36. Said chapter 32 is hereby further amended by inserting after section 20B the following section:- Section 20C. *Retirement Board Member Statement of Financial Interest.*- (a) Every member of a retirement board shall file a statement of financial interests for the preceding calendar year with the commission: (i) within 30 days of becoming a member of a retirement board; (ii) by May 1 of each year thereafter that the person is a member of a retirement board; and (iii) by May 1 of the year after the person ceases to be a member of a retirement board. (b) The commission shall, upon receipt of a statement of financial interests under this section, issue to the person filing the statement a receipt verifying the fact that a statement of financial interests has been filed and a receipted copy of the statement. (c) No member of a retirement board may continue in the member's duties unless the member has filed a statement of financial interests with the commission as required by this section. (d) The statement of financial interests filed under this section shall be on a form prescribed by the commission and shall be signed under penalty of perjury by the reporting person. (e) A reporting person shall disclose, to the best of the person's knowledge, the following information for the preceding calendar year, or as of the last day of the year with respect to the information required by clauses (2), (3) and (6); provided, however, that the person shall also disclose the same information with respect to the person's immediate family; and provided further, that no amount need be given for the information about the reporting person's immediate family: (1) the name and address of, the nature of association with, the share of equity in, if applicable, each business with which the person is associated; (2) the identity of all securities and other investments with a fair market value of greater than \$1,000 which were beneficially-owned, not otherwise reportable hereunder; (3) the name and address of each creditor to whom more than \$1,000 was owed; provided, however, that obligations arising out of retail installment transactions, educational loans, medical and dental expenses,

debts incurred in the ordinary course of business and any obligation to make alimony or support payments, shall not be reported; and provided further, that such information need not be reported if the creditor is a relative of the reporting person within the third degree of consanguinity or affinity; (4) the name and address of the source and the cash value of any reimbursement for expenses aggregating more than \$100 in the calendar year if the recipient is a member of a retirement board and the source of the reimbursement is a person having a direct interest in a matter before the retirement board of which the recipient is a member; (5) the name and address of the donor and the fair market value, if determinable, of any gifts aggregating more than \$100 in the calendar year, if the recipient is a member of a retirement board and the source of the gift is a person having a direct interest in a matter before the retirement board of which the recipient is a member; (6) the name and address of the source and the fair market value of any honoraria aggregating more than \$100 if the recipient is a member of a retirement board and the source of such honoraria is a person having a direct interest in a matter before a retirement board; (7) the name and address of any creditor who has forgiven an indebtedness of over \$1,000 and the amount forgiven if the creditor is a person having a direct interest in a matter before a retirement board; provided, however, that no such information need be reported if the creditor is a relative within the third degree of consanguinity or affinity of the reporting person, or the spouse of such a relative; and (8) the name and address of any business from which the reporting person is taking a leave of absence. Nothing in this section shall be construed to require the disclosure of information, which is privileged by law. Failure of a reporting person to file a statement of financial interests within 30 days of receipt of the notice in writing from the commission which states in detail the deficiency and the penalties for failure to file a statement of financial interests or the filing of an incomplete statement of financial interests after receipt of a notice shall result in the removal of the reporting person from the board and the reporting person shall not serve on a retirement board established under this chapter, under chapter 34B or the retirement board of the Massachusetts Water Resources Authority; provided, however, that, if the reporting person has filed an incomplete statement of financial interests the removal shall be stayed upon the filing of an appeal under subdivision (4) of section 16. If the non-complying member is an ex-officio member, the member's appointing authority shall appoint a different individual to serve on the board or if the member is directly elected by the people, a different individual shall be appointed to serve on the board by the mayor, county commissioners or board of selectman as the case may be.

SECTION 37. Paragraph (a) of subdivision (1) of section 21 of said chapter 32, as so appearing, is hereby amended by inserting after the fourth sentence the following sentence:- Each board shall maintain a copy of all collective bargaining agreements which cover the system's members and shall make the agreements available to the commission for review at such time as the commission shall specify.

SECTION 38. Said chapter 32 is hereby further amended by inserting after section 21 the following section:-
Section 21A. *Debarment or Suspension of Contractors or Vendors.*- (a) As used in this section the following words shall, unless the context requires otherwise, have the following meanings:- "Affiliates", entities which are affiliates of each other when either directly or indirectly 1 concern or individual controls or has the power to control another or when a third party controls or has the power to control both. "Contract", a contract for the furnishing of supplies or services to a retirement board. "Debarment", an exclusion from contracting or subcontracting with a retirement board for a reasonable and specified period of time commensurate with the seriousness of the offense. "Person", a natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals. "Retirement board", a board established under chapter 32, chapter 34B or the retirement board of the Massachusetts Water Resources Authority, excluding the pension reserves investment management board. "Suspension", the temporary disqualification of a vendor who is suspected upon adequate evidence of engaging or having engaged in conduct which constitutes grounds for debarment. "Vendor", a person that has furnished or seeks to furnish supplies or services under a contract with a retirement board. (b) The commission shall establish and maintain a consolidated list of vendors to whom contracts shall not be awarded and from whom offers, bids or proposals shall not be solicited. The list shall show at a minimum

the following information: (1) the names of those persons debarred or suspended in alphabetical order with appropriate cross reference where more than 1 name is involved in a single debarment or suspension; (2) the basis of authority for each debarment or suspension; (3) the extent of restrictions imposed; (4) the termination date of each debarment or suspension; and (5) in the case of a suspension, the hearing date, if and when set, for debarment proceedings. The commission shall cause the list to be kept current by the issuance of notices of additions and deletions. The list shall be published on a periodic basis, together with notices of additions and deletions, in the goods and services bulletin and the central register published by the state secretary and in other publications as the commission shall designate. The commission shall also forward the list to the inspector general, the attorney general and the state auditor. (c) Debarment may be imposed for the following causes: (1) conviction or final adjudication by a court or administrative agency of competent jurisdiction of any of the following offenses: (i) a criminal offense incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of such contract or subcontract; (ii) a criminal offense involving embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property or any other offense indicating a lack of business integrity or business honesty which seriously and directly affects the vendor's present responsibility as a public contractor; (iii) a violation of state or federal antitrust laws arising out of the submission of bids or proposals; (iv) a violation of chapter 268A; or (v) a violation of this chapter. (2) substantial evidence, as determined by the commission, of any of the following acts: (i) willfully supplying materially-false information incident to obtaining or attempting to obtain or performing any public contract or subcontract; (ii) willful failure to comply with record-keeping and accounting requirements prescribed by law or regulation; (iii) a record of failure to perform or of unsatisfactory performance under the terms of 1 or more public contracts; provided, however, that the failure to perform or unsatisfactory performance has occurred within a reasonable period of time preceding the determination to debar; and provided further, that the failure to perform or unsatisfactory performance was not caused by factors beyond the vendor's control; (iv) the submission to the board or the commission of an inaccurate disclosure statement; (v) the failure to disclose to the board and the commission compensation provided to a person in regards to attempting to obtain or the performance of a public contract or subcontract, including, but not limited to, compensation provided by third parties retained by the vendor to another person; or (vi) any other cause affecting the responsibility of a vendor which the commission determines to be of a serious and compelling nature as to warrant debarment. (d) No vendor may be suspended unless the commission has first informed the vendor by written notice of the proposed suspension mailed by registered or certified mail to the vendor's last known address, except when the commission determines that immediate suspension is necessary to prevent serious harm to the retirement system, in which case the suspension shall take effect immediately upon signing by the executive director of the commission of an order of suspension and notice shall be mailed to the vendor as soon as possible. The notice shall inform the vendor of the reasons for the proposed suspension and shall state that the vendor may, within 14 days, respond in writing and may in the response request a hearing. The commission may extend the period for response at the request of the vendor. The commission shall determine whether to impose the suspension or, in the case of an emergency suspension imposed prior to notice to the vendor, whether to continue the suspension after reviewing the vendor's response, if any, and making an investigation as the commission determines is necessary and appropriate. An indictment, or any information or other filing by a public agency charging a criminal offense, for any of the offenses listed in paragraph (1) of subsection (c) shall constitute adequate evidence to support a suspension. If the vendor requests a hearing and the suspension is not based on an indictment, the commission shall conduct a hearing according to the rules for the conduct of adjudicatory hearings established by the secretary of administration under chapter 30A. The hearing shall be initiated within 30 days of the imposition of the suspension, unless the vendor requests that the hearing be delayed. Officers and employees of the commission and records of the commission shall not be subject to subpoena for such hearing, if in the opinion of the commission production of records or testimony would prejudice any pending investigation by the commission. A suspension shall not exceed 12 months unless a pending administrative or judicial proceeding in which the vendor is a party may result in a conviction or final

adjudication of an offense listed in paragraph (1) of subsection (c). (e) No vendor may be debarred under this section unless the commission has first informed the vendor of the proposed debarment by written notice mailed by registered or certified mail to the vendor's last known address. The notice shall inform the vendor of the reasons for the debarment and shall state that the vendor will have an opportunity for a hearing if the vendor so requests within 14 days of receipt of the notice. A hearing requested under this paragraph shall be conducted by the commission within 60 days of receipt of the request, unless the commission grants additional time at the request of the vendor. The hearing shall be conducted according to the rules for the conduct of adjudicatory hearings established by the secretary of administration under chapter 30A. A debarment shall not be imposed until (i) 14 days after receipt by the vendor of notice of the proposed debarment if no hearing is requested; or (ii) the issuance of a written decision by the commission which makes specific findings that there is sufficient evidence to support the debarment and that debarment for the period specified in the decision is required to protect the integrity of the public contracting process. A vendor shall be notified forthwith by registered or certified mail of the decision and of the vendor's right to judicial review in the event that the decision is adverse to the vendor. If a suspension precedes a debarment, the suspension period shall be considered in determining the debarment period.

(f) A debarment or suspension may include all known affiliates of a vendor. The decision to include a known affiliate within the scope of a debarment or suspension shall be made on a case-by-case basis, after giving due regard to all relevant facts and circumstances. The offense or act of an individual justifying suspension, or the evidence justifying a suspension, may be imputed to the entity with which the individual is connected when such offense or act occurred in connection with the individual's performance of duties for or on behalf of the entity or with the knowledge, approval, or acquiescence of the entity or 1 or more of its principals. The entity's acceptance of the benefits derived from the conduct shall be evidence of such knowledge, approval or acquiescence. The offense or act of an entity justifying debarment, or the evidence justifying a suspension, may be imputed to any officer, director, shareholder, partner, employee or other individual associated with the entity who participated in, knew of, or had reason to know of the entity's act. An entity may not be suspended or debarred except in accordance with the procedures in this section. (g) In determining whether to debar a vendor, or the period of a debarment, all mitigating facts and circumstances shall be taken into consideration. A debarment may be removed or the period of debarment may be reduced by the commission upon the submission of an application supported by documentary evidence setting forth appropriate grounds for the granting of relief, such as newly discovered material evidence, reversal of a judgment or conviction, bona fide change of ownership or management or the elimination of the cause for which the debarment was imposed. (h) During the period for which a person has been debarred or suspended, that person shall not submit or cause to be submitted offers, bids, or proposals to any retirement board, nor shall any retirement board solicit or consider offers, bids, or proposals from, nor execute, renew, or extend any contract with, a debarred or suspended vendor and a vendor shall not contract for services from a debarred or suspended subcontractor on any contract with a retirement system.

SECTION 39. Paragraph (b) of subdivision (1) of section 22 of said chapter 32, as appearing in the 2010 Official Edition, is hereby amended by striking out clauses (v) and (vi) and inserting in place thereof the following 4 clauses:- (v) withhold on each pay day 12 per cent of the regular compensation of each employee who is a member of the state police appointed pursuant to section 10 of chapter 22C, and is a member in service of the system, which is received on the day by the member on account of service rendered by the employee on or after July 1, 1996, and not later than the date of his attaining the maximum age for his group in the case of an employee who entered the service of the state police on or after July 1, 1996; (vi) withhold on each pay day 11 per cent of the regular compensation of each employee who participates in the alternative superannuation retirement benefit program established under subdivision (4) of section 5 on account of such service rendered by him on or after July 1, 2001; (vii) withhold on each pay day 6 per cent of the regular compensation of each employee in group 1 who is a member in service of the

system, in the case of an employee who became a member of a retirement system of the commonwealth or a political subdivision thereof on or after April 2, 2012 and who has least 30 years of creditable service; and (viii) withhold on each pay day 8 per cent of the regular compensation of each employee who is a member in service of the system and participates in the alternative superannuation retirement benefit program established under subdivision (4) of section 5, in the case of an employee who became a member of a retirement system of the commonwealth or a political subdivision thereof on or after April 2, 2012 and who has least 30 years of creditable service.

SECTION 40. Subdivision (2) of section 23 of said chapter 32, as so appearing, is hereby amended by striking out paragraph (b) and inserting in place thereof the following paragraph: - (b) The board of each system shall invest and reinvest the funds of the system in the PRIT Fund under subdivision (8) of section 22, in the PRIT Fund by purchasing shares of the fund, as provided for in the trust agreement adopted by the PRIM board under subdivision (2A), or under the standards in subdivision (3), provided that: (i) no investment of funds shall be made in stocks, securities or other obligations of a company which derives more than 15 per cent of its revenues from the sale of tobacco products; (ii) in investing funds the board shall employ an investment manager or investment managers who shall invest the funds of the system; and (iii) no funds shall be invested directly in mortgages or collateral loans. (c) No investment of funds shall take place until the board has received from the commission an acknowledgement of receipt of the following: (i) certification that, in making the selection, the board has complied with the process established in section 23B; (ii) a copy of the vendor certification required under section 23B; (iii) copies of disclosure forms submitted by the selected vendor; (iv) a certification that the investment is not a prohibited investment as set forth in regulations of the commission; (v) if the board has retained a consultant, a copy of the consultant reports pertaining to the investment and the selected vendor; and (F) a copy of the board certification required under section 23B. The commission may withhold the acknowledgement if it determines that it is in the best interest of the retirement system; provided, however, that it must so notify the board within 10 days of receipt of completed documents as required by this section. (d) Prior to the retention of an investment consultant the board shall have received from the commission an acknowledgement of receipt of the following: (i) certification that, in making the selection, the board has complied with the process established in section 23B; (ii) copy of the vendor certification required under section 23B; (iii) copies of disclosure forms submitted by the selected consultant; and (iv) copy of the board certification required under section 23B.

SECTION 41. Subdivision (3) of said section 23 of said chapter 32, as so appearing, is hereby amended by adding the following sentence:- Each member of a retirement board established under this chapter shall upon the commencement of the member's term file with the commission a statement acknowledging the member is aware of and will comply with the standards set forth in chapter 268A, this chapter and rules and regulations promulgated under this chapter.

SECTION 42. Said chapter 32 is hereby further amended by inserting after section 23 the following section:- Section 23B. (a) This section shall apply to every retirement board contract for the procurement of investment, actuarial, legal and accounting services. (b) As used in this section the following words shall, unless the context requires otherwise, have the following meanings:- "Contract", an agreement for the procurement of services, regardless of what the parties may call the agreement. "Contractor", a person having a contract with a retirement board. "Majority vote", as to any action by or on behalf of a retirement board, a simple majority of the board. "Minor informalities", minor deviations, insignificant mistakes and matters of form rather than substance of the proposal or contract document which can be waived or corrected without prejudice to other offerors, potential offerors or the retirement board. "Person", a natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals. "Procurement", buying, purchasing, renting, leasing, or otherwise acquiring a supply or service, and all functions that pertain to the obtaining of a supply or service, including description of requirements, selection and solicitation of sources, preparation and award of contract, and

all phases of contract administration. "Procurement officer", an individual duly authorized by the retirement board to assist in a procurement. "Proposal", a written offer to provide a service at a stated price submitted in response to a request for proposals. "Purchase description", the words used in a solicitation to describe the services to be purchased, including specifications attached to or incorporated by reference into the solicitation. "Request for proposals", the documents utilized for soliciting proposals, including documents attached or incorporated by reference. "Responsible bidder or offeror", a person who has the capability to perform fully the contract requirements and the integrity and reliability which as sures good faith performance. "Responsive bidder or offeror", a person who has submitted a bid or proposal which conforms in all respects to the request for proposals. "Retirement board", a board established under this chapter, chapter 34B or the retirement board of the Massachusetts Water Resources Authority excluding the pension reserves investment management board. "Services", the furnishing of labor, time or effort by a contractor, not involving the furnishing of a specific end product other than reports; provided, however, that the term shall not include employment agreements, collective bargaining agreements or grant agreements. (c) A retirement board shall enter into procurement contracts for investment, actuarial, legal and accounting services utilizing competitive sealed proposals, in accordance with this section. (d) A retirement board that awards a contract shall maintain a file on each contract and shall include in the file a copy of all written documents required by this section. Written documents required by this section shall be retained by the retirement board for at least 6 years from the date of final payment under the contract. (e) The retirement board or its procurement officer shall give public notice of the request for proposals and a reasonable time prior to the date for the opening of proposals. The notice shall: (1) indicate where, when and for how long the request for proposal may be obtained; (2) describe the service desired and reserve the right of the retirement board to reject any or all bids; (3) remain posted, for at least 2 weeks, in a conspicuous place in or near the offices of the retirement board until the time specified in the request for proposals; and (4) be published at least once, not less than 2 weeks prior to the time specified for the receipt of proposals, in a newspaper of general circulation within the area served by the retirement board and in the case of a procurement for investment, accounting, actuarial or legal services in a publication of interest to those engaged in providing such services. The retirement board or its procurement officer shall also place the notice in a publication established by the state secretary for the advertisement of such procurements. The retirement board or its procurement officer may distribute copies of the notice to prospective bidders and may compile and maintain lists of prospective bidders to which notices may be sent. (f) The retirement board shall unconditionally accept a proposal without alteration or correction, except as provided in this section. A bidder may correct, modify or withdraw a proposal by written notice received in the office designated in the request for proposals prior to the time and date set for the proposal opening. After proposal opening, a bidder may not change the price or any other provision of the proposal in a manner prejudicial to the interests of the retirement board or fair competition. The retirement board shall waive minor informalities or allow the bidder to correct them. If a mistake and the intended proposal are clearly evident on the face of the proposal document, the procurement officer shall correct the mistake to reflect the intended correct proposal and so notify the bidder in writing and the bidder may not withdraw the proposal. A bidder may withdraw a proposal if a mistake is clearly evident on the face of the proposal document but the intended correct proposal is not similarly evident. (g) The retirement board shall solicit proposals through a request for proposals. The request for proposals shall include: (1) the time and date for receipt of proposals, the address of the office to which the proposals are to be delivered and the maximum time for proposal acceptance by the retirement board; (2) the purchase description and all evaluation criteria that may be utilized under subsection (h); and (3) all contractual terms and conditions applicable to the procurement; provided, however, that the contract may incorporate by reference a plan submitted by the selected offeror for providing the required services. The request for proposals may incorporate documents by reference; provided, however, that the request for proposals specifies where prospective offerors may obtain the documents. The retirement board or its procurement officer shall make copies of the request for proposals available to all persons on an equal basis. (h) The retirement board or its procurement officer shall not open the proposals publicly, but shall open them in the presence of 1 or

more witnesses at the time specified in the request for proposals. Notwithstanding section 7 of chapter 4, until the completion of the evaluations or until the time for acceptance specified in the request for proposals, whichever occurs earlier, the contents of the proposals shall remain confidential and shall not be disclosed to competing offerors. At the opening of proposals the retirement board or its procurement officer shall prepare a register of proposals which shall include the name of each offeror and the number of modifications, if any, received. The register of proposals shall be open for public inspection. i) The retirement board or its consultant retained under this chapter shall be responsible for the initial evaluation of the proposals. The retirement board or its consultant retained under this chapter shall prepare initial evaluations based solely on the criteria set forth in the request for proposals. The evaluations shall specify in writing: (1) a rating of each proposal evaluation criteria as highly advantageous, advantageous, not advantageous or unacceptable, and the reasons for the rating; (2) a composite rating for each proposal and the reasons for the rating; and (3) revisions, if any, to each proposed plan for providing the required services which should be obtained by negotiation prior to awarding the contract to the offeror of the proposal. If the initial evaluation is conducted by a consultant retained under this chapter the consultant shall review all initial evaluations with the retirement board and provide to each member of the retirement board the initial evaluation of each proposal. (j) The retirement board shall determine the most advantageous proposal from a responsible and responsive offeror taking into consideration price and the evaluation criteria set forth in the request for proposals. The retirement board shall award the contract by written notice to the selected offeror within the time for acceptance specified in the request for proposals. The parties may extend the time for acceptance by mutual agreement. The retirement board may condition an award on successful negotiation of the revisions specified in the evaluation and shall explain in writing the reasons for omitting any revision from a plan incorporated by reference in the contract. (k) (1) In the event of a competitive process to select an investment service provider the request for proposals shall include mandatory contractual terms and conditions to be incorporated into the contract including provisions: (a) stating that the contractor is a fiduciary with respect to the funds which the contractor invests on behalf of the retirement board; (b) stating that the contractor shall not be indemnified by the retirement board; (c) requiring the contractor to annually inform the commission and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the contractor or a related person from others in connection with the contractors services to the retirement board or any other client; (d) requiring the contractor to annually disclose to the commission and the retirement board compensation, in whatever form, paid or expected to be paid, directly or indirectly, by the contractor or a related person to others in relation to the contractors services to the retirement board or any other client; and (e) requiring the contractor to annually disclose to the commission and the retirement board in writing any conflict of interest the contractor may have that could reasonably be expected to impair the contractor's ability to render unbiased and objective services to the retirement board. Other mandatory contractual terms and conditions shall address investment objectives, brokerage practices, proxy voting and tender offer exercise procedures, terms of employment and termination provisions. The retirement board shall make a preliminary determination of the most advantageous proposal from a responsible and responsive offeror taking into consideration price and the evaluation criteria set forth in the request for proposals. The retirement board or its duly designated agent, subject to the approval of the retirement board, may negotiate all terms of the contract not deemed mandatory or non-negotiable with the offeror. If, after negotiation with the offeror, the retirement board, in consultation with its duly designated agent and its consultant retained under this chapter, determines that it is in the best interests of the retirement board to not award the contract to that offeror, the retirement board may determine the proposal which is the next most advantageous proposal from a responsible and responsive offeror taking into consideration price and the evaluation criteria set forth in the request for proposals and may negotiate all terms of the contract with the offeror. The retirement board shall award the contract to the most advantageous proposal from a responsible and responsive offeror taking into consideration price, the evaluated criteria set forth in the request for proposals, and the terms of the negotiated contract. The retirement board shall award the contract by written notice to the selected offeror within the time for

acceptance specified in the request for proposals. The time for acceptance may be extended for up to 45 days by mutual agreement between the retirement board and the responsible and responsive offeror offering the most advantageous proposal as determined by the retirement board. On or before January 1 of each year the contractor shall file the disclosures required with the board and the commission. Failure to file disclosures or the filing of inaccurate disclosures shall subject the contractor to proceedings under section 21A. (2) The retirement board may cancel a request for proposals or may reject in whole or in part any and all proposals when the retirement board determines that cancellation or rejection serves the best interests of the system. The retirement board shall state in writing the reason for a cancellation or rejection. (3) A person submitting a proposal for the procurement or disposal of services to a retirement board shall certify in writing on the proposal as follows: The undersigned certifies under penalties of perjury that this proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean a natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals. _____ (Signature of individual submitting bid or proposal) _____ (Name of business) (4) Each retirement board member shall certify to the commission in writing with respect to a procurement subject to this section, as follows: The undersigned certifies under penalties of perjury that, to the best of the members knowledge and belief, this proposal has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals. _____ (Signature of individual retirement board member) _____ (Name of retirement board) (5) No person shall cause or conspire to cause the splitting or division of a request for proposals, proposal, solicitation or quotation for the purpose of evading a requirement of this section. (6) Unless otherwise provided by law and subject to clause (i), a retirement board may enter into a contract for a period of time which serves the best interests of the retirement board; provided, however, that the retirement board shall include in the solicitation the term of the contract and conditions of renewal, extension or purchase, if any. (i) A retirement board shall not award a contract for a term exceeding 5 years, including any renewal, extension or option; provided, however, that a retirement board may participate in a limited partnership, trust or other entity with a term for a period longer than 5 years as part of an investment of system assets. When a contract is to contain an option for renewal, extension or purchase, the solicitation shall include notice of the provision. The retirement board shall retain sole discretion in exercising the option and no exercise of an option shall be subject to agreement or acceptance by the contractor. (ii) The retirement board shall not exercise an option for renewal, extension or purchase unless the retirement board, after reasonable investigation of costs and benefits, has determined in writing that the exercise of the option is more advantageous than alternate means of procuring comparable services. (7) All specifications shall be written in a manner which describes the requirements to be met without having the effect of exclusively requiring a proprietary service or procurement from a sole source. (8) All contracts shall be in writing and the retirement board shall make no payment for a service rendered prior to the execution of the contract. (i) A contract made in violation of this section shall not be valid and the retirement board shall make no payment under such contract. Minor informalities shall not require invalidation of a contract. (ii) A person who causes or conspires with another to cause a contract to be solicited or awarded in violation this section shall forfeit and pay to the appropriate retirement board not more than \$2,000 for each violation. In addition, the person shall pay double the amount of damages sustained by the retirement board by reason of the violation, together with the costs of any action. If more than 1 person participates in the violation, the damages and costs may be apportioned among them. (iii) The commission or the retirement board may file a civil action in the superior court to enforce clause (ii).

SECTION 43. Subdivision (3) of section 26 of chapter 32, as appearing in the 2010 Official Edition, is hereby amended by striking out, in lines 75 and 82, the word "fifty-five" and inserting in place thereof, in each instance, the following figure:- 65.

SECTION 44. Said subdivision (3) of said section 26 of said chapter 32, as so appearing, is hereby amended by striking out paragraph (c) and inserting in place thereof the following paragraph:- (c) Upon retirement under this subdivision, a member shall receive a retirement allowance to become effective on the date of the member's retirement. Payments under such retirement allowance shall be made as provided for in sections 12 and 13 and the normal yearly amount of the retirement allowance shall be equal to 60 per cent of the average annual rate of the member's regular compensation during the 12-month period of the member's creditable service immediately preceding the date the member's retirement allowance becomes effective; provided, that for members who became members in service before April 2, 2012, the total amount of the allowance shall be increased by one-twelfth of 3 per cent for each full month of service in excess of 20 years of service and prior to the last day of the month in which such member will reach the age of 55; provided, further, that for a member who became a member in service on or after April 2, 2012, the normal yearly amount of the retirement allowance shall be equal to 50 per cent of the average annual rate of the member's regular compensation during the 12-month period of the member's creditable service immediately preceding the date the member's retirement allowance becomes effective, and the total amount of the allowance shall be increased by one-twelfth of 2.5 per cent for each full month of service in excess of 20 years of service and prior to the last day of the month in which such member will reach the age of 55; provided, further, that such retirement allowance shall in no case exceed 75 per cent of such regular compensation; provided, further, that for a member who became such a member before April 2, 2012, if such member shall reach the member's fifty-fifth birthday and shall not have completed such 20 years of service, the amount of the member's retirement allowance shall be calculated by subtracting from such normal yearly amount one-twelfth of 3 per cent for each full month of service that the member's service is less than 20 years; and provided, further, that for a member who became such a member on or after April 2, 2012, if such member shall reach the member's fifty-fifth birthday and shall not have completed such 20 years of service, the amount of the member's retirement allowance shall be calculated by subtracting from such normal yearly amount one-twelfth of 2.5 per cent for each full month of service that the member's service is less than 20 years. Any member retired under this subdivision who is a veteran as defined in section 1 shall receive an additional yearly retirement allowance of \$15 for each year of creditable service or fraction of such a year; provided, that the total amount of said additional retirement allowance shall not exceed \$300 in any case.

SECTION 45. Section 28K of said chapter 32, as so appearing, is hereby amended by striking out the first paragraph and inserting in place thereof the following paragraph:- Any employee of the commonwealth or its political subdivisions who is a representative of an employee organization, which has included in its membership employees of the commonwealth or its political subdivisions shall, while on a full-time or part-time leave of absence for the purpose of acting as a representative of said employee organization, be considered on leave of absence, without pay, for the period of the employee's assignment as a representative of such employee organization. Such employee shall, however, be credited with the creditable service the employee would have received had the employee been in active service for the full or part-time leave and shall contribute each month to the retirement fund in an amount which the employee would have contributed had the employee remained in the service of the commonwealth or its political subdivisions. Such employee of the commonwealth or its political subdivisions shall be entitled to all benefits and privileges, except the payment of salary as provided under this chapter and chapters 30 and 31 during the leave of absence.

SECTION 46. Section 65D $\frac{1}{2}$ of said chapter 32, as so appearing, is hereby amended by inserting after the word "service", in lines 11 and 12, the following words:- , together with buyback interest.

SECTION 47. Section 90C½ of said chapter 32, as so appearing, is hereby amended by striking out, in line 6, the figure "\$10,000" and inserting in place thereof the following figure: – \$15,000.

SECTION 48. Said chapter 32 is hereby further amended by inserting after section 90D the following section:-Section 90D½. Any retirement system of a city, town, county, region, district or authority may, upon the majority vote of the board of such system and by the local legislative body, increase the retirement allowance of any member of the retirement system, who has been retired under this chapter or similar provision of earlier law on a superannuation, accidental disability or ordinary disability retirement allowance and who has completed at least 25 years of creditable service, to an amount not to exceed \$15,000. For the purposes of this section, a vote of the legislative body shall take place in the following manner: in a city, by a vote the city council subject to its charter; in a town, by a vote at a town meeting; in a county, by a vote of the county retirement board advisory council; in a region, by a vote of the regional retirement board advisory council; in a district, by a vote of the district members; and for an authority, by a vote of its governing body.

SECTION 49. Section 91 of said chapter 32, as appearing in the 2010 Official Edition, is hereby amended by inserting after the word "people", in line 16, the following words:- ; provided, that the position from which the elected official retired was not a public office to which the elected official had been elected by direct vote of the people, unless at least 1 year has passed from the last day the elected official held said public elected office.

SECTION 50. Said section 91 of said chapter 32, as so appearing, is hereby further amended by inserting after the word "terminated" in line 92, the following words:- plus \$15,000; provided however that in the first year immediately following the effective date of retirement, the earnings received by any person when added to any pension or retirement allowance the person is receiving shall not exceed the salary that is being paid for the position from which the person was retired or in which the person's employment was terminated.

SECTION 51. Section 91A of said chapter 32, as so appearing, is hereby amended by inserting after the word "commission", in line 9, the following words:- ; provided, however, that the commission may waive such filing by a member, if said member shall have been retired for more than 20 years, has not reported any earnings for the prior 10 years and signs an affidavit under the pains and penalties of perjury indicating that should the member realize any earned income in the future the member will forthwith notify the commission of that fact and again report under this section.

SECTION 52. Paragraph (c) of section 102 of said chapter 32, as so appearing, is hereby amended by striking out, in lines 32, 36 and 43, the figure "\$12,000" and inserting in place thereof, in each instance, the following figure:- \$13,000.

SECTION 53. Section 19 of chapter 34B of the General Laws, as so appearing, is hereby amended by adding the following paragraph:-(m) No employee, contractor, vendor or person receiving remuneration, financial benefit or consideration of any kind, other than a retirement benefit or the statutory stipend for serving on the retirement board, from a retirement board or from a person doing business with a retirement board shall be eligible to serve on a retirement board; provided however, that an employee of a retirement board may serve on a retirement board other than the retirement board by which the person is employed; and provided further, that this paragraph shall apply only to individuals who first become members of a retirement board on or after April 2, 2012.

SECTION 54. Section 7 of chapter 150E of the General Laws, as so appearing, is hereby amended by adding the following paragraph:-An employer entering into a collective bargaining agreement with an employee organization shall provide a copy of the agreement to the retirement board to which the employees covered by the agreement are members. All retirement systems shall maintain files of all active collective

bargaining agreements which cover the systems members. The retirement board shall review collective bargaining agreements for compliance with chapter 32.

SECTION 55. Notwithstanding any general or special law to the contrary, any member of a retirement system presently receiving a retirement allowance who: (a) retired under chapter 32 of the General Laws on or before May 17, 2004; b) elected Option (a) or Option (b) of subdivision (2) of section 12 of said chapter 32; and (c) married a person of the same sex on or before May 17, 2005 may change such selection to Option (c) of said subdivision (2) of said section 12 of said chapter 32 at the rate that was in effect for that option on the member's retirement date. The surviving spouse of a member that would otherwise meet the requirements of clauses (a) to (c), inclusive, may change the election made by the deceased member to Option (c) of said subdivision (2) of said section 12 of said chapter 32 at the rate that was in effect for that option on the member's retirement date. In paying the retirement allowance under the new election, the board, as defined in section 1 of said chapter 32, shall make appropriate adjustments, or arrange for appropriate repayments, upon such terms and condition as the board may prescribe, so as to recover any overpayments resulting from the prior election. The change of election under this section shall be made and received by the applicable board not later than July 1, 2012, and shall be retroactive to the date of retirement. The election to change retirement option under this section shall be in a manner prescribed by the board, as defined in said section 1 of said chapter 32 and said board shall have 180 days after the submission of an application to implement the change.

SECTION 56. There shall be a special commission to study the Massachusetts public employees' pension classification system. The commission shall review and make recommendations for reform regarding the Massachusetts public employees' group classification system, with consideration of the work by the Blue Ribbon Panel on the Massachusetts Public Employees Pension Classification system. The commission shall consist of 13 members: 1 of whom shall be the secretary of administration and finance, or the secretary's designee; 1 of whom shall be the treasurer, or the treasurer's designee; 1 of whom shall be the executive director of the public employee retirement administration commission, or the director's designee; 1 of whom shall be a private citizen, appointed by the governor, who shall serve as chair of the commission and shall not be a member of any of the 105 contributory retirement systems; 3 members of the house of representatives, 1 of whom shall be appointed by the minority leader; 3 of whom shall be members of the senate, 1 of whom shall be appointed by the minority leader; 1 of whom shall be selected by the governor from a list of 3 candidates submitted by the president of the Massachusetts AFL-CIO; 1 of whom shall be a member of the Massachusetts Municipal Association; and 1 of whom shall be a member of the Retired State, County and Municipal Employees Association of Massachusetts. The public employee retirement administration commission shall conduct an actuarial analysis to determine the costs of any recommendations made by the commission. The commission shall file a report of its recommendations, together with the actuarial analysis and proposed legislation, if any, with the clerks of the house and senate, the chairs of the house and senate committee on ways and means and the chairs of the joint committee on public service not later than April 15, 2012.

SECTION 57. The state treasurer shall investigate and study ways to increase public employee participation in state sponsored deferred compensation plans, including increased outreach and access for new employees. The state treasurer shall file a report with his findings and any legislative recommendations with the house and senate clerks and the house and senate chairs of the joint committee on public service on or before April 30, 2012.

SECTION 58. Notwithstanding any general or special law to the contrary, there shall be a special commission to investigate and study retiree healthcare and other non-pension benefits. The commission shall consider the range of benefits that are or should be provided as well as the current and anticipated future cost of providing them. The commission shall consider and may make recommendations on how best to divide the costs between the commonwealth and employees. The commission shall also study the operation and structure of the group insurance commission or any other aspects of employee healthcare

the commission deems appropriate. Upon appropriation of sufficient funds, the commission shall engage professional advisors as needed to accomplish its purposes. The commission shall consist of 11 members: 1 of whom shall be the secretary of administration and finance, or the secretary's designee; 1 of whom shall be the treasurer, or the treasurer's designee; 1 of whom shall be the executive director of the group insurance commission, or the director's designee; 1 of whom shall be a private citizen, appointed by the governor, who shall serve as chair of the commission and shall not be a member of any of the 105 contributory retirement systems; 2 members of the house of representatives, 1 of whom shall be appointed by the minority leader; 2 of whom shall be members of the senate, 1 of whom shall be appointed by the minority leader; 1 of whom shall be selected by the governor from a list of 3 candidates submitted by the president of the Massachusetts AFL-CIO; 1 of whom shall be a member of the Massachusetts Municipal Association; and 1 of whom shall be a member of the Retired State, County and Municipal Employees Association of Massachusetts. The commission shall file a report of its recommendations and proposed legislation, if any, with the clerks of the house and senate, the chairs of the house and senate committee on ways and means and the chairs of the joint committee on public service not later than March 1, 2012.

SECTION 59. There shall be a special commission to investigate and study all aspects of the ordinary and accidental disability provisions of the Massachusetts contributory retirement system as well as the provisions of injured on duty benefits and presumptions for public employees contained in the general laws. The commission shall consist of the chairs of the joint committee on public service, who shall co-chair the commission, the chairs of the house and senate committees on ways and means, the secretary of administration and finance, or a designee, the state treasurer, or a designee, executive director of the public employee retirement administration commission, or a designee; the house minority leader or a designee, the senate minority leader or a designee and 3 members to be appointed by the governor, one selected from a list of 3 candidates submitted by the president of the Massachusetts AFL-CIO; 1 member who shall be a member of the Massachusetts Municipal Association; and 1 member who shall be a member of the Retired State, County and Municipal Employees Association of Massachusetts. The public employee retirement administration commission shall conduct an actuarial analysis to determine the costs of any recommendations made by the commission. The commission shall file a report of its recommendations, together with the actuarial analysis and proposed legislation, if any, with the clerks of the house and senate, the chairs of the house and senate committee on ways and means and the chairs of the joint committee on public service not later than October 1, 2012.

SECTION 60. (1) Notwithstanding any general or special law to the contrary, any active member of the optional retirement system established under subsection (3) of section 40 of chapter 15A of the General Laws, or inactive member of the optional retirement system who is currently an active member of the state retirement system, or optional retirement plan enrollee on an approved leave of absence, shall have 1 opportunity to transfer to the state employees' retirement system, governed by chapter 32 of the General Laws, with creditable service allowed for any such time they were active participants of the optional retirement program. Any such employee choosing to transfer shall also be allowed creditable service for any years of participation, or portions thereof, in the state employee retirement system immediately prior to their enrollment in the optional retirement program. (2) Eligibility for creditable service for time spent in the optional retirement program and service relinquished in the state employees' retirement system by enrollment in the optional retirement program shall be conditioned upon the payment, in 1 lump sum or in installments upon such terms as the state retirement board may provide, the larger of (a) an amount equal to the contributions such employee would have otherwise paid into the state employees retirement system had they been a member, plus actuarial-assumed interest for the years spent as an actively contributing member in the optional retirement plan or (b) an amount equal to all such assets, accrued under the Massachusetts optional retirement program to the state employees' retirement system, providing that such assets shall be credited toward the purchase of creditable service, minus employer-funded assets. Optional retirement program participants electing to transfer to the state retirement system shall, upon the transfer, forfeit all benefits, rights and privileges attributable to employer-funded assets in the optional retirement

program. The optional retirement program administrator will take immediate steps to ensure that such employer-funded assets are transmitted to the Pension Reserve Fund as assets of the state employees' retirement system. (3) Within 180 days of the effective date of this section the state retirement board and the department of higher education shall request of the Internal Revenue Service the necessary letters of determination or ruling on whether this section may be implemented without impairing the compliance of either or both the optional retirement plan and the state employees' retirement system with the Internal Revenue Code of 1986 including, but not limited to, subsection 414(h). The state employees' retirement system shall also request a determination or ruling from the Internal Revenue Service on whether this section may be implemented, without impairing the above mentioned compliance, provided that it only applies to any employee who elected, prior to May 16, 2004, to participate in the optional retirement program because the option of marriage did not become available to that employee under the laws of the commonwealth prior to May 16, 2004. Subsections (1), (2) and (4) to (7), inclusive, of this section shall not take effect unless and until the Internal Revenue Service issues a favorable ruling or determination, as the case may be, which determines that the transfers described in this section will not result in non-compliance of either or both the optional retirement program and the state employees' retirement system with the Internal Revenue Code including, but not limited to, subsection 414(h). (4) Within 30 days of a favorable ruling or determination from the Internal Revenue Service, the department of higher education shall notify active members of the optional retirement program, inactive members of the optional retirement system who are currently active members of the state retirement system and those members on an excused leave of absence of 2 years or less, of their eligibility for this 1-time transfer opportunity to the state employee retirement system. Eligible employees who choose to transfer to the state employees' retirement system apply for such transfer to the state retirement board within 180 days of notification by the department of higher education of their eligibility for this transfer. Any elections under this section shall apply to current active members of the optional retirement plan, inactive members of the optional retirement system who are currently active members of the state retirement system and those on an approved leave of absence of 2 years or less on the effective date of this section, and shall be for one time. No further changes in participation, either into the state retirement plan or out of the optional retirement program, shall be permitted. (5) Within 30 days of application for transfer to the state retirement system, such employees, subject to the rules and regulations of the state board of retirement, shall be notified by the state retirement board of their eligibility for transfer and the cost of such transfer. If eligible, such members shall have 180 days from notification to make the transfers to the state employees' retirement system, as set forth in subsection (2). Any money remaining in an optional retirement program account following the transfer of an employee to the state employees' retirement system and the complete payment for such transfer, as set forth above, shall continue to be held on behalf of the member under the optional retirement program and shall continue to be subject to the terms of the optional retirement program. (6) If an employee has a residual account remaining in the optional retirement program under paragraph (4), the employee shall continue to be a member of the optional retirement program as long as such employee has an account under such program but shall not be permitted to make further contributions and shall not be eligible for any employer contributions thereunder. The department of higher education and the state board of retirement shall take such actions that are required or appropriate to ensure that the optional retirement program and the state employees' retirement system, as hereby amended, continue to be tax-qualified plans in accordance with the Internal Revenue Code of 1986, as amended. (7) The application of chapter 32 of the General Laws to a member of the optional retirement program who elects to transfer to the state employees' retirement system shall be those provisions that were in effect on the date such employee was initially appointed. Upon the effective date of this section the public employee retirement administration commission shall perform an actuarial study relative to the potential cost to the commonwealth of implementation of this section and shall submit a report to the joint committee on public service.

SECTION 61. For the purposes of section 26 of chapter 32 of the General Laws, any state police trainee who completes and graduates from the state police training academy on or before June 1, 2012 shall be considered a member in service before April 2, 2012.

SECTION 62. The secretary of administration and finance shall commission a comprehensive, independent analysis of the costs and benefits of further structural reforms to the current pension system that will provide a public benefit while ensuring the ability to attract and retain public employees. For the purposes of this analysis, "public benefit" shall include, but not be limited to, the following principles: the long-term sustainability of the pension system; the maintenance of competitive, quality benefits for public employees; the equitable distribution of benefits to members of the system; and, a reduction in cost and risk to the taxpayers. The analysis shall include, but not be limited to, a review of costs and public benefits for the current defined benefit plan, the creation of an optional defined contribution plan and an optional hybrid plan, consisting of defined benefit and defined contribution components. The analysis shall describe the costs and benefits to the commonwealth as a whole, to the 105 contributory retirement systems in the commonwealth and to current and future members of the retirement system. The analysis shall also compare the pension systems of both public and private organizations of similar size. The organization commissioned by the secretary to conduct the analysis shall be drawn from a list of qualified research organizations which are: (a) competitively bid through a process established by the secretary; and (b) acceptable to the state treasurer and the public employee retirement administration commission. The organization shall provide a preliminary report to the public employee retirement administration commission not later than 60 days prior to the legislative filing deadline. The public employee retirement administration commission may conduct an additional actuarial analysis to determine the costs of any recommendations made by the organization, which shall be included in the report prepared by the organization. The organization shall file a report of its findings, together with the actuarial analysis provided by the public employee retirement administration commission, if any, with the clerks of the house and senate, the chairs of the house and senate committee on ways and means and the chairs of the joint committee on public service not later than October 15, 2012.

SECTION 63. Notwithstanding any general or special law to the contrary and except as expressly provided otherwise, sections 13, 16, 17, 20 to 22, inclusive, 26 and 27 shall apply only to members who become members on or after April 2, 2012. Sections 12 and 46 shall apply only to repayments and purchases of creditable service on or after April 2, 2012.

SECTION 64. Sections 5, 8 to 11, inclusive, 14, 15, 19, 23 to 25, inclusive, 28, 32, 35, 39, 43, 44, 47, 48 and 50 shall take effect on April 2, 2012.

SECTION 65. Section 18, 31 and 49 shall apply only to members retiring on or after April 2, 2012.

Approved, November 16, 2011.

The Commonwealth of Massachusetts

EXHIBIT D

PLACEMENT AGENT POLICY

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

5 Middlesex Avenue, Suite 304
Somerville, MA 02145
(617) 666-4446

POLICY NO.: 11-1

PERAC Placement Agents Policy

I: Definitions

II: Manager Responsibilities

III: Board Responsibilities

IV: Penalties

V: Contract Terms

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VII: Effective Date

I: Definitions

The following words and phrases as used in this policy, unless a different meaning is plainly required by context, shall have the following meanings: "Manager", investment partners with whom retirement boards do business, including, but not limited to, general partners, investment managers, sponsors of hedge funds, private equity funds, real estate funds, infrastructure funds and any entity which a retirement board delegates discretionary investment authority. "Placement agent", any person or entity hired, employed, engaged, retained by or acting on behalf of or otherwise receiving remuneration from a manager or another placement agent as a finder, solicitor, marketer, consultant, broker or other intermediary in relation to the investment of assets of Massachusetts public pension systems, including any person or entity which provides proactive consultant services concerning the changing political and policy environment in New England and nationally as it relates to retirement plans, notwithstanding the description of such services as informational consulting services, only not involving the referral of investment advisory services, provided, however, this policy shall not apply with respect to in-house employees of investment managers.

II: Manager Responsibilities

(1) Each manager is responsible for providing the following information to the board and PERAC in conjunction with responding to an RFP or solicitation, 2. commencing discussions relative to amending an agreement between the manager and the board, or entering into discussion, other than informal, general discussions, that may lead to any of the above referenced actions. **a.** a statement whether the manager or any principal, employee, agent or affiliate has compensated or agreed to compensate, directly or indirectly any person or entity to act as a placement agent in connection with investment by the Massachusetts public pension systems; **b.** a resume for each placement agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former member of a retirement board, employee or consultant or immediate family of such a person that fact should be specifically noted; **c.** a description of any and all compensation of any kind provided or agreed to be provided to a placement agent and/or entity acting as a placement agent in connection with investment by Massachusetts' public pension systems, including the nature, timing and value thereof; **d.** a description of the services to be performed by the placement agent and/or entity acting as a placement agent and a statement as to whether the placement agent is used by the manager with all prospective clients or only a subset of clients or only Massachusetts public pension fund clients; **e.** a written copy of any and all agreements between the manager and the placement agent and/or entity acting as a placement agent in connection with investment by Massachusetts' public pension systems; **f.** in the event that any current or former Massachusetts public pension system board members, employees, consultants or other

service providers have suggested the retention of the placement agent, the names of any current or former Massachusetts public pension system board members, employees, consultants or other service providers who suggested the retention of the placement agent; **g.** a statement that the placement agent has a minimum of three years experience in the investment field; and, **3h.** a statement that the placement agent and/or entity acting as a placement agent is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority, or, if appropriate, the Commodity Futures Trading Commission and the details of such registration.

III: Board Responsibilities

(1) The retirement board is responsible for providing the following to managers and prospective managers: **a.** a copy of this policy and appropriate PERAC forms as part of the selection process for investment or engagement; **b.** a copy of this policy and appropriate PERAC forms at the time discussions are initiated with respect to amendment of agreements or other actions noted above; **c.** reviewing placement agent and/or entity acting as a placement agent information disclosures, in detail, as part of the due diligence process; **d.** compiling an annual report containing the names and amount of compensation agreed to be provided to each placement agent and/or entity acting as a placement agent by each manager as reported in the placement agent information disclosures and disclosing the report to the public by posting on the board website and/or posting in a readily accessible site at the retirement board offices; **e.** reporting to PERAC any material violations of this policy as soon as practicable after discovery of such violations.

IV: Penalties

(1) PERAC shall withhold regulatory approvals and acknowledgments if: **a.** the placement agent and/or entity acting as a placement agent information disclosure or other information reveals that the placement agent and/or entity acting as a placement agent that the 4 manager has used is not registered with the Securities and Exchange Commission or the Financial Industry Regulatory Authority or, if appropriate, the Commodity Futures Trading Commission; **b.** the placement agent and/or entity acting as a placement agent information disclosure or other information reveals that the placement agent does not possess three years experience in the investment field. (2) PERAC shall prohibit any manager or placement agent from soliciting new investments from any board for a period to be determined by the Commission after the manager or placement agent has committed a material violation of this regulation.

V: Contract Terms

(1) Each contract and amendment to an existing contract as of January 1, 2012 shall secure the agreement of the manager in the final written agreement between the board and the manager to provide the board with the following remedies in the event the manager knew or should have known of any material inaccuracy or omission in the placement agent information disclosure or any other violation of this policy: **a.** whichever is greater, the reimbursement of any management or advisory fees paid by the board for the prior two years or an amount equal to the amounts paid or promised to be paid to the placement agent as a result of the board investment; **b.** the authority to immediately terminate the investment management contract or other agreement with the manager without penalty, to withdraw without penalty from a limited partnership, limited liability company or other investment vehicle, or to cease making further capital contributions (and paying any fees on these recalled commitments) to the limited partnership, limited liability company or other investment vehicle without penalty; and, **c.** provisions requiring the manager to annually inform PERAC and the board of any arrangements in oral or in writing, for compensation or other benefit received or expected to be received by the manager or a related person from others in connection with the manager's services to the board or any other client, provisions requiring the manager to annually disclose to PERAC and the board any compensation, in whatever form, paid or expected to be paid, 5 directly or indirectly, by the manager or a related person to others in relation to the manager's services to the board or any other client, and provisions requiring the manager to annually disclose to PERAC and the board in writing any conflict of interest the manager may have that could reasonably be expected to impair the manager's ability to render unbiased and objective services to the board. Each contract and amendment to an existing contract as of January 1, 2012 shall secure the agreement of the manager in the final written agreement between the board and the manager that the manager shall be solely responsible for, and the board shall not pay (directly or indirectly), any fees, compensation or expenses for any placement agent used by the manager.

VI: Campaign Contributions

(1) Candidates for board membership shall disclose to the board and the Commission the names of those who have contributed that are active in the investment field, including placement agents, and the amounts of campaign contributions made to the candidate relating to the member's campaign as treasurer, if applicable, or his campaign to become a member of the board.

VII: Effective Date

This policy applies to all agreements with managers entered into after January 1, 2012 or agreements to amend existing agreements made after that date (including by vote, consent or waiver by limited partners/investors or a subset of the limited partners/investors or separate side agreement or agreement to amend a side agreement) to continue, terminate or extend the term of the agreement or investment period, increase the commitment of funds by the pension system or increase or accelerate the fees or compensation payable to the manager.

VIII: Statement of Intent

In promulgating this policy PERAC is not endorsing or discouraging the use of placement agents.