

PACKET

APR 04

2016

PRIT



TOWN OF WAYLAND

41 COCHITUATE ROAD
WAYLAND, MASSACHUSETTS 01778

TOWN BUILDING
41 COCHITUATE ROAD
TEL. (508) 358-7701
www.wayland.ma.us

March 31, 2016

State Retiree Benefits Trust Fund Board
One Ashburton Place – 9th floor
Boston, MA 02108

Attention: Chair

RE: Town of Wayland

Dear Sir or Madam:

I serve as counsel to the Town of Wayland, a validly existing Massachusetts municipal corporation (the "Municipality"). By vote duly taken of its November 12, 2008 Special Town Meeting (the "Governing Body"), the Town of Wayland authorized the adoption of Chapter 372 of the Acts of 2010 ("Chapter 372") thereby creating an Other Post-Employment Benefits Liability Trust Fund (the "OPEB Trust Fund"). Pursuant to Section 1 of Chapter 372, which was enacted on November 17, 2010, the Town Treasurer was designated to serve as custodian of the OPEB Trust Fund. Pursuant to Section 4 of Chapter 372, the Town Treasurer is authorized to execute and deliver an Investment Agreement with SRBT. The sum of \$12,387,625.25 was the initial investment into the OPEB Trust Fund.

I have reviewed the form of Investment Agreement between SRBT and the Town of Wayland dated as of April 4, 2016 (the "Agreement"). Based on my review of the aforesaid votes and the applicable law, it is my opinion that the Town of Wayland has been duly authorized to execute and deliver the Agreement to SRBT by and through its Town Treasurer. The Agreement is a valid and binding obligation of the Town of Wayland, enforceable against the Town of Wayland in accordance with its terms. The terms of the Agreement do not violate any obligation or covenant by which the Town of Wayland is bound by contract, operation of law or otherwise. The foregoing opinion is for the sole benefit of SRBT and can only be relied upon by SRBT.

Sincerely,

Mark J. Lanza
Town Counsel

**CERTIFICATE OF THE CLERK
OF
TOWN OF WAYLAND**

The undersigned certifies that, as of this 4th day of April 2016, she is the duly elected Clerk of the Town of Wayland, Massachusetts (the "Municipality"), and that, as such, he/she is authorized to execute this Certificate in the name and on behalf of the Municipality and further certifies to the State Retiree Benefits Fund Board of Trustees and the Pension Reserves Investment Management Board that:

1. Attached hereto as Exhibit A is a true, complete and correct copy of the votes, duly adopted by the Municipality at the Special Town Meeting on November 12, 2008 and the 2013 Annual Town Meeting on April 2, 2013 in accordance with applicable law. Said votes has not been altered, amended, rescinded, or repealed, in whole or in part, remain in full force and effect on the date hereof.

2. The persons listed below are duly qualified and acting officers of the Municipality, duly elected or appointed to the offices set opposite their respective names, and the signature appearing opposite the name of each person is his or her genuine signature.

| <u>Name</u> | <u>Office</u> | <u>Signature</u> |
|------------------|---------------------|------------------|
| Zoe Pierce | Treasurer | _____ |
| Cynthia Cincotta | Assistant Treasurer | _____ |
| Beth Klein | Clerk | _____ |

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

By: _____
Name: Beth Klein
Title: Town Clerk
Town of Wayland

INVESTMENT AGREEMENT
BETWEEN SRBT FUND BOARD AND MUNICIPALITY

This Agreement is made this 4th day of April, 2016, by and between the State Retiree Benefits Trust Fund Board of Trustees ("SRBT Fund Board"), established pursuant to Massachusetts General Laws ("M.G.L.") Chapter 32A, Section 24A, acting as the trustee of the State Retiree Benefits Trust Fund ("SRBT Fund") established under the provisions of M.G.L. Chapter 32A, Section 24, having an address of One Ashburton Place, Room 901, Boston, Massachusetts 02108, and the /Town of Wayland_ (the "Municipality"), a body corporate and politic of the Commonwealth of Massachusetts, having an address at 41 Cochituate Road, Wayland, Massachusetts 01778.

Preliminary Statement

Chapter 372 of the Acts of 2010 ("Chapter 372"), authorizes the Municipality to establish an Other Post-Employment Benefits Liability Trust Fund ("OPEB Trust Fund") and to appropriate amounts to be credited to such OPEB Trust Fund. Pursuant to Chapter 372, the Municipality, by vote of its 2013 Annual Town Meeting under Article 4 of the Warrant therefor (the "Vote"), a certified copy of which is attached hereto as **Exhibit A**, has established an OPEB Trust Fund, has initially appropriated the amount of \$744,202 to be credited to the OPEB Trust Fund, together with other funds previously set aside for OPEB purposes, and has authorized the Municipality's Custodian to invest the OPEB Trust Fund in the SRBT Fund administered by the SRBT Fund. As of February 29, 2016, the combined balance of the funds to be invested is \$12,387,625.25.

Accordingly, the parties agree as follows:

1. The Municipality hereby represents and warrants that, pursuant to Chapter 372 and the Vote, it has established the OPEB Trust Fund with the Town Treasurer/Collector as Custodian and has appropriated \$12,387,625.25 for credit to the OPEB Trust Fund .

2. The SRBT Fund Board hereby accepts the investment of the Municipality's OPEB Fund.
3. The SRBT Fund Board and the Municipality acknowledge that, pursuant to M.G.L. Chapter 32A, Section 24A and M.G.L. c.32A, Section 24(a), the SRBT Fund Board is required to invest the SRBT Fund with the Pension Reserves Investment Trust Fund ("the PRIT Fund"), which is administered by the Pension Reserves Investment Management Board ("PRIM Board"), established pursuant to M.G.L. Chapter 32, Section 23(2A).
4. The Municipality hereby directs the SRBT Fund Board to invest the OPEB Trust Fund in the SRBT Fund as a "Purchasing System" in the PRIT Fund (as set forth below), and the SRBT Fund Board hereby authorizes participation by the Municipality in the SRBT Fund and approves such investment. The Municipality acknowledges that its OPEB Trust Fund will be commingled with assets of other participants in the SRBT Fund. The Municipality will provide the SRBT Fund Board and/or the PRIM Board with such information as the SRBT Fund Board or PRIM Board may request from time to time to enable them to perform their responsibilities under this Agreement.
5. The SRBT Fund Board and the PRIM Board, acting on behalf of the PRIT Fund, have entered into an Amended and Restated Investment Services Agreement, dated as of October 1, 2011, attached as **Exhibit B** hereto (the "Investment Services Agreement"), pursuant to which the SRBT Fund is invested in the PRIT Fund General Allocation Account ("GAA") as a "Purchasing System" under the terms of the Pension Reserves Investment Management Board Operating Trust, a copy of which is attached as **Exhibit C** (the "PRIM Board Operating Trust"). The Municipality hereby acknowledges that it has reviewed such materials as it deems necessary and appropriate to understand the GAA and the PRIT Fund. In the event the Investment Services Agreement is amended, the SRBT Fund shall provide the Municipality with the Amended Investment Services Agreement.

6. The Municipality acknowledges that, pursuant to M.G.L. Chapter 32A, Section 24A, the SRBT Fund Board, acting on behalf of the SRBT Fund, and the PRIM Board have entered into an Administrative Services Agreement, dated as of October 1, 2011, attached hereto as **Exhibit D** (the “PRIM Administration Agreement”), pursuant to which the SRBT Fund Board is utilizing the existing resources and staff of the PRIM Board to provide the administrative services described therein to the SRBT Fund and those municipalities and other political subdivisions, agencies and authorities of the Commonwealth which may participate in the SRBT Fund. The PRIM Board shall have responsibility for the valuation of assets in accordance with the provisions of Article 6 of the PRIM Board Operating Trust and for reporting to the Municipality regarding the OPEB Trust Fund. In the event the PRIM Administration Agreement is amended, the SRBT Fund Board shall provide the Municipality with the Amended PRIM Administration Agreement.

7. The PRIM Board is paid a Service Fee and Out-of-Pocket Expenses for the services provided in accordance with the PRIM Administration Agreement including but not limited to custodian bank fees, which fees are transferred directly to the PRIM Board from the SRBT Fund’s cash account. The SRBT Fund Board’s administrative expenses shall be paid out of the SRBT Fund’s cash account. The Municipality will be responsible for its pro rata share of all such fees. The Municipality understands the respective rights and obligations of the PRIM Board, the SRBT Fund Board and the Municipality with respect to the OPEB Trust Fund deposited as part of the SRBT Fund in the GAA of the PRIT Fund.

8. The cash and assets of the OPEB Trust Fund will be held as part of the SRBT Fund by a custodian designated from time to time by the PRIM Board. The current custodian is The Bank of New York Mellon Trust Company, N.A.. The PRIM Board will direct the Municipality with respect to investing and withdrawing assets in the PRIT Fund GAA.

9. The Municipality acknowledges that it is obligated, as the fiduciary for the OPEB Trust Fund, to review and evaluate the suitability of the investment of the OPEB Trust Fund in the PRIT Fund GAA. The SRBT Fund Board is required to employ the PRIM Board to invest the SRBT Fund in the PRIT Fund.
10. The Municipality acknowledges that its participation in the SRBT Fund will be in accordance with the SRBT Fund Board Operating Trust Agreement attached as **Exhibit E** and the procedures and criteria adopted by the SRBT Fund Board and attached hereto as **Exhibit F**, as they may be amended from time to time, and in accordance with the PRIM Board Operating Trust, the Investment Services Agreement and the PRIM Administration Agreement.
11. The Municipality intends to appropriate between \$245,000 and \$420,000 in each fiscal year hereafter to fund the OPEB Trust Fund, with a goal of funding 100% of its liabilities for other post-employment benefits by the year 2040.
12. The Municipality shall annually provide the SRBT Fund Board with a copy of the summary that it is required to provide to the public employee retirement administration commission as set forth in Massachusetts General Laws Chapter 32B, Section 20 concerning its other post-employment benefits cost and obligations and related information, as required by Government Accounting Standards Board standard 45.
13. The Municipality hereby represents that the persons listed below are duly authorized to act on behalf of the Municipality with respect to the OPEB Trust Fund and to execute, deliver, and perform this Agreement, that this Agreement is a valid and binding obligation, enforceable against the Municipality in accordance with its terms, and that the terms of this Agreement do not violate any obligation by which the Municipality is bound by contract, operation of law or otherwise:

Zoe Pierce, Town Treasurer-Collector

14. The Municipality shall immediately notify the SRBT Fund Board in writing of any change in the persons authorized hereunder to act on behalf of the Municipality, such notice to be accompanied by a certificate of the Clerk of the Municipality, certifying that the persons named are so authorized.
15. Neither the SRBT Fund Board nor any of its members, officers, employees or agents, make any representations or warranties, express or implied, that any level of performance or investment results will be achieved by the OPEB Trust Fund, the SRBT Fund or the PRIT Fund GAA, or that the OPEB Trust Fund, the SRBT Fund or the PRIT Fund GAA will perform comparably with any standard or index.
16. The SRBT Fund Board shall not be liable with respect to its services hereunder except for any loss attributable to the SRBT Fund Board's gross negligence or willful misfeasance. The SRBT Fund Board shall not be liable for any act or omission of the PRIM Board, any custodian or any broker or dealer. Without limiting the foregoing, the SRBT Fund Board does not assume responsibility for the accuracy of information furnished to it by Municipality, the PRIM Board, any custodian, any broker or dealer, or by any person on whom it reasonably relies. The Municipality shall indemnify and hold harmless the SRBT Fund Board, its officers, members, employees and agents for any loss, liability, cost, damage or expense, including reasonable attorneys' fees and costs, that does not directly result from the SRBT Fund Board's gross negligence or willful misfeasance. Nothing contained in this Agreement shall, however, constitute a waiver or limitation of any rights which the Municipality may have under any applicable law.
17. This Agreement may be terminated by the Municipality or the SRBT Fund Board at the end of any month following 30 days' prior written notice from the terminating party to the other party. Upon termination, the Municipality is responsible for issuing written instructions regarding assets in the OPEB Trust Fund. Fees will be prorated to the date of termination.

18. Any notices hereunder shall be in writing, duly signed by the party giving such notice, and shall be effective when received by the party to whom addressed at the address set forth above, or to such other address as a party may designate in writing to the other party.
19. This Agreement shall be governed by the laws of Massachusetts. If any provision of this Agreement is deemed invalid or unenforceable by appropriate authority, this Agreement shall continue as if such provision were omitted, unless such omission would substantially impair the rights or benefits of either party.
20. This Agreement, including the exhibits attached hereto, constitutes the entire agreement between the Municipality and the SRBT Fund Board with respect to the subject matter hereof and supersedes all prior agreements, negotiation, representations and proposals, whether written or oral, and may be amended only in writing signed by both parties. This Agreement is binding upon the Municipality and the SRBT Fund Board and their respective successors.

IN WITNESS WHEREOF, the SRBT Fund Board and the Municipality have caused this Agreement to be executed as of the date first above written.

STATE RETIREE BENEFITS TRUST FUND
BOARD OF TRUSTEES

By: _____, Chair

MUNICIPALITY

Town of Wayland

By: _____
Zoe Pierce, Town Treasurer-Collector

ATTACHMENT—Opinion of Counsel for Municipality

EXHIBITS

EXHIBIT A: Vote of Municipality

EXHIBIT B: Investment Services Agreement

EXHIBIT C: PRIM Board Operating Trust

EXHIBIT D: PRIM Administration Agreement

EXHIBIT E: SRBT Fund Board Operating Trust Agreement

EXHIBIT F: SRBT Fund Board Policies and Procedures



TOWN OF WAYLAND

EXHIBIT A

MASSACHUSETTS
01778

TOWN CLERK

Beth R. Klein
bklein@wayland.ma.us

ASSISTANT TOWN CLERK

Diane M. Gorham
dgorham@wayland.ma.us

TOWN BUILDING
41 COCHITUATE ROAD
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ANNUAL TOWN MEETING
VOTE CERTIFICATE

At a legal meeting of the qualified voters of the TOWN OF WAYLAND, held on November 12th 2008, the following business was transacted under Article 10:

ARTICLE 10: AN ACT ESTABLISHING A POST EMPLOYMENT BENEFIT TRUST FUND IN THE TOWN OF WAYLAND

Voted that the Town authorize the Board of Selectmen to petition the General Court of the Commonwealth of Massachusetts to enact a special act establishing a post-employment benefit trust fund in the Town of Wayland substantially the same as the special act set forth in Page 15 and 16 of the Warrant for this Special Town Meeting.

VOTED:

UNANIMOUS

A true copy, Attest:

Beth R. Klein
Town Clerk

AMENDED AND RESTATED INVESTMENT SERVICES AGREEMENT

THIS AGREEMENT, dated as of October 1, 2011 and amended as of April 15 2014 and December 9, 2014 ("Agreement"), by and between the State Retiree Benefits Trust Fund Board of Trustees (the "Board"), acting on behalf of the State Retiree Benefits Trust ("SRBT") and on behalf of the State Retiree Benefits Trust Fund (the "SRBT Fund"), and the Pension Reserves Investment Management Board ("PRIM"), acting on behalf of the Pension Reserves Investment Trust Fund (the "PRIT Fund"), amends and restates in its entirety the agreement dated as of October 31, 2001 (the "2001 Agreement") and the 2011 Agreement and the February 2014 Agreement by and between the Board, acting on behalf of the SRBT Fund, and PRIM, acting on behalf of the PRIT Fund, as follows:

1. Background and Services.

(a) Pursuant to the 2001 Agreement, the Board employed PRIM, acting on behalf of the PRIT Fund, to invest and reinvest certain of the assets of the Health Care Security Trust created by M.G.L. c. 29D (HCST) as directed by the Trustees from time to time. On or before June 20, 2008, pursuant to Chapter 61 of the Acts of 2007, Section 54, all remaining assets of HCST were deposited in the SRBT Fund, which was established pursuant to M.G.L. c. 32A, §24. In addition, Municipal OPEB Trust Funds received by the HCST pursuant to M.G.L. c. 32B, §20 and M.G.L. c. 32A, §24(d) as they may be amended and any special legislation enacted on behalf of municipalities have been deposited in the SRBT Fund. All assets in the SRBT Fund are collectively referred to as "the Account" and such assets are the only assets that have been deposited in the SRBT Fund to date.

(b) Pursuant to M.G.L. c.32A, §24(a) and §24A, the name of the Board was changed from the HCST Board to the SRBT Fund Board, administers the SRBT Fund in accordance with M.G.L. c.32A, §24 and §24A, and the Board is required to employ the PRIT Fund to make any or all of the investments of amounts received by the SRBT Fund and, if appropriate under the circumstances, to utilize existing resources and staff of PRIM to carry out its mission.

(c) The Board herein employs the PRIM Board to invest the SRBT Fund deposited to date and hereinafter deposited in the PRIT Fund.

(d) Contemporaneously with entering into this Agreement, the Board, acting on behalf of the SRBT Fund, and PRIM are entering into an Administrative Services Agreement in substantially the form annexed hereto as Schedule A, under the terms of which, in accordance with M.G.L. c.32A, §24 and §24A, the Board will utilize existing resources and staff of PRIM to provide certain administrative services with respect to participants in the SRBT Fund (the "Administrative Services Agreement").

2. **Effective Time.** This Agreement and the parties' rights and obligations hereunder shall only become effective upon the execution and delivery of the Administrative Services Agreement (the "Effective Time").

3. **Deposit in the PRIT Fund.** All current funds in the Account and any amounts received by the SRBT Fund in the future shall be deposited in the PRIT Fund General Allocation Account ("GAA") on behalf of the SRBT Fund as a "Purchasing System" under the terms of the Pension Reserves Investment Management Board Operating Trust (as in effect from time to time, the "Operating Trust"). The Board acknowledges that (i) it has reviewed such materials as it deems necessary and appropriate to understand the GAA and the PRIT Fund and the terms of the Operating Trust and (ii) the respective rights and obligations of PRIM, the PRIT Fund, the Board and the SRBT Fund with respect to any portion of the Account deposited in the PRIT Fund, including without limitation the duties and obligation of PRIM to the Board and the SRBT Fund, and the SRBT Fund's rights to payment and withdrawals from the PRIT Fund, shall be as provided in the Operating Trust and Massachusetts laws applicable to Purchasing Systems generally. PRIM shall cause statements of assets and transactions to be prepared and distributed to each Participant as provided in the HCST Policies and Procedures. PRIM shall discharge its duties to each Participant 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 conduct as set forth in the Operating Trust.

4. **Services Not Exclusive.** The services of PRIM and its personnel to be provided under this Agreement are not exclusive, and PRIM may provide services to others and engage in other activities, but PRIM shall allocate such personnel and devote such efforts as are reasonably necessary for it to carry out its duties under this Agreement.

5. **Term.** This Agreement shall continue from year to year unless otherwise agreed to by the parties or as provided for by any applicable statute.

6. **Authority to Execute.** Each of the parties to this Agreement represents that it is duly authorized and empowered to execute, deliver and perform this Agreement, that such action does not materially conflict with or violate any provision of law, rule or regulation, contract, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and that this Agreement is a valid and binding obligation, enforceable against such party in accordance with its terms.

7. **Compliance with Applicable Laws.** Each of the Board and PRIM will discharge its duties under this Agreement in accordance with all laws and regulations applicable to PRIM, the PRIT Fund, the SRBT Fund and the Board.

8. **Communication.** Any approvals, instructions, directions, notices or other communications pursuant to this Agreement will be mailed or delivered:

(a) to the Board at:

State Retiree Benefits Trust Fund Trust
One Ashburton Place, Room 901
Boston, Massachusetts 02108
Attention: Chair

(b) to PRIM at:

Pension Reserves Investment Management Board
84 State Street
Boston, Massachusetts 02109
Attention: Executive Director

Either party may change the address for notices or other communications to it by written notice to the other stating the new address. Notices from either party to the other will be effective when received by the addressee.

9. **Headings; Schedules.** Headings are for convenience only, and the text of this Agreement will govern the rights and obligations of the parties. Schedule A is incorporated herein by reference. Capitalized items used therein have the same meanings as in this Agreement.

10. **Applicable Law.** This Agreement will be considered to be an instrument made in the Commonwealth of Massachusetts and it will be construed and the rights and obligations of the parties determined in accordance with the laws of said Commonwealth, without giving effect to conflicts of laws principles, except to the extent preempted by federal law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, PRIM, on behalf of the PRIT Fund, and the Board, on behalf of the SRBT Fund, have executed this Agreement as of the date first above written.

**STATE RETIREE BENEFITS TRUST FUND
BOARD OF TRUSTEES**

**By: /s/Martin J. Benison
Martin Benison
Chair**

**PENSION RESERVES INVESTMENT
MANAGEMENT BOARD**

**By: /s/Michael G. Trotsky
Michael G. Trotsky, CFA
Executive Director**

SCHEDULE A

ADMINISTRATIVE SERVICES AGREEMENT

Attached

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THE COMMONWEALTH OF MASSACHUSETTS

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

125 Summer Street

Suite 1010

Boston, Massachusetts 02110

(617) 946-8415

Operating Trust Agreement, as of September 22, 1998

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

Amended and Restated Operating Trust

THIS DECLARATION OF TRUST made this 22nd day of September, 1998 by Joseph D. Malone, Angelo A. Amato, Robert Brousseau, James B. G. Hearty, Glenn M. Johnson, George F. McSherry, Vikki L. Pryor and Ralph White, the present duly authorized and acting members of the Pension Reserves Investment Management Board ("PRIM Board"), being hereinafter referred to as the "Trustees";

WITNESSETH:

WHEREAS, the PRIM Board has been charged by its enabling legislation, G.L.c.32§23(2A), with the general supervision of the investment and management of the Pension Reserves Investment Trust Fund ("PRIT Fund") established under the provisions of G.L.c.32§22(8);

WHEREAS, the PRIM Board is authorized and required by G.L.c.32§23(2A)(e)(i) to act as Trustees for each retirement system that participates in the PRIT Fund; and

WHEREAS, the PRIM Board is further authorized and required by G.L.c.32§23(2A)(e)(i) to adopt a declaration of trust setting forth the duties and obligations of the PRIM Board;

NOW, THEREFORE, the Trustees establish this operating trust and agree and declare that they will hold, administer and manage the PRIT Fund and all money and property received or purchased by them as Trustees hereunder upon the following terms, conditions and trusts:

ARTICLE 1

NAME; PURPOSE OF TRUST; APPLICABLE LAW

SECTION 1.1. *Name.* This Declaration of Trust is hereby designated as the "PENSION RESERVES INVESTMENT MANAGEMENT BOARD OPERATING TRUST."

SECTION 1.2. *Purpose.* This Declaration of Trust is established, operated and maintained exclusively for the management, investment and reinvestment in one trust portfolio of the PRIT Fund and moneys or property, or both, contributed thereto by various Participating Systems and other Purchasing Systems or otherwise.

SECTION 1.3. *Effect of Trust.* With respect to any moneys or property transferred to the PRIT Fund by any Participating System or invested by any Purchasing System, the Board of such Participating or Purchasing System and all persons interested therein shall be bound by the provisions of this Declaration of Trust (as the same may be amended from time to time).

SECTION 1.4. *Applicable Law and Regulations.* The Trustees shall administer the PRIT Fund hereunder at all times in conformity with the provisions of G.L.c.32, specifically, and with the laws and regulations of the Commonwealth of Massachusetts, generally. The provisions of this Declaration of Trust shall be governed by and construed and administered according to the laws of the Commonwealth of Massachusetts.

ARTICLE 2 DEFINITIONS

Whenever used in this instrument, unless the context otherwise requires or specifically provides, the following terms shall be defined as follows:

SECTION 2.1. "*Board*" means the person or persons who control the investments of a Participating System (other than the State Employees' Retirement System and the Teachers' Retirement System) or Purchasing System and who have the authority to transfer ownership and control of all of the assets of such system to, or to invest any portion of the assets of such system in, the PRIT Fund.

SECTION 2.2. "*Business Day*" means any day which is not a Saturday, a Sunday, a legal holiday or a day upon which by applicable law a national banking association is authorized to be closed to the public for regular banking business during ordinary business hours and is, in fact, so closed.

SECTION 2.3. "*Commonwealth's Pension Liability Fund*" means the Commonwealth's Pension Liability Fund established by G.L.c.32§22(8)(e).

SECTION 2.4. "*Expenses*" mean the reasonable and necessary expenses incurred by the Trustees in managing the Trust Fund hereunder, including, without limitation, custody fees, investment management fees, trading commissions, attorneys' fees, accountants' fees, staff salaries, office rents and all expenses incident thereto.

SECTION 2.5. "*Fiscal Year*" means the twelve months beginning July 1 and ending June 30.

SECTION 2.6. "*Participating System*" means the State Employees' Retirement System; the Teachers' Retirement System; or any other retirement system authorized to contribute moneys and property to the PRIT Fund, and which in fact transfers title and control of all its assets to the PRIM Board in accordance with the provisions of G.L.c.32§22(8)(c).

SECTION 2.7. "*PRIM Board*" means the individuals described in G.L.c.32§23(2A)(a) serving from time to time as members of the Pension Reserves Investment Management Board.

SECTION 2.8. "*Purchasing System*" means any retirement system, other than a Participating System, authorized to purchase shares in the PRIT Fund which does in fact purchase such shares.

SECTION 2.9. "*PRIT Fund*" means the Pension Reserves Investment Trust Fund established under G.L.c.32§22(8).

SECTION 2.10. "*Securities*" include, without limitation, bonds, debentures, notes, certificates and other evidences of indebtedness, whether or not in registered form, and common and preferred stocks and all other forms of certificates representing an interest or participation in any enterprise, whether or not incorporated.

SECTION 2.11. "*Trustees*" mean the PRIM Board members in their capacity as Trustees under this Declaration of Trust. All PRIM Board members serving from time to time shall be Trustees under this Declaration of Trust.

SECTION 2.12. "*Trust Fund*" means all funds, moneys and property received, held and managed by the Trustees hereunder and for the purposes hereof is synonymous with PRIT Fund.

SECTION 2.13. "*Valuation Date*" means, in the case of the Capital Fund and any separate account thereof established hereunder, any business day or days as the Trustees may from time to time designate, and in the case of the Cash Fund, each business day.

ARTICLE 3 ESTABLISHMENT OF INVESTMENT FUNDS

SECTION 3.1. *Separate Investment Funds*. The Trust Fund shall consist of two investment funds, to be known as the "Capital Fund" and the "Cash Fund." Each of these Funds shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with. References to the "Trust Fund" shall be deemed to refer to both the Capital Fund and the Cash Fund, and each of them.

SECTION 3.2. *Investments of the Capital Fund*. The Trustees shall invest and reinvest the assets of that part of the Trust Fund known as the Capital Fund in accordance with the standards set forth in this instrument and as required by applicable law.

SECTION 3.3. *Investments of the Cash Fund*. The Trustees shall receive, maintain and invest cash deposits on a temporary basis in the Cash Fund in such a way as to meet the liquidity requirements of the various systems, in accordance with the standards set forth in this instrument and as required by applicable law. To the extent not needed for current or future liquidity requirements, the Trustees may use funds credited to the account of any system to purchase (on an appropriate Valuation Date) Units of Participation in the Capital Fund or one or more separate accounts thereof for the account of such system.

SECTION 3.4 *Separate Accounts of the Capital Fund*. The beneficial interest in the Capital Fund may be divided into such separate accounts ("Accounts") thereof as the Trustees shall from time to time create and establish. The Trustees shall have full power and authority, in their sole discretion, to create and establish (and to change in any manner) any Account, to abolish any one or more Accounts, and to take such other action with respect to any Accounts as the Trustees may deem desirable. Each Account established hereunder shall be a separate component of the assets of the Capital Fund, and the holders of Units of Participation representing the beneficial interest in the assets of that Account shall be considered Unit Holders of such Account. Without limiting the authority of the Trustees to establish and designate further Accounts, there are hereby established and designated the following ten Accounts: General

Allocation Account (the investments in which may consist in whole or in part of Units of other Accounts, other than the State Employees' and Teachers' Separate Account), Domestic Equity Account, International Equity Account, Fixed Income Account, Emerging Markets Account, Real Estate Account, Real Estate Core Program Account, Alternative Investment Account, Alternative Investments Vintage Year Account and State Employees' and Teachers' Separate Account. Such Accounts, and any further Accounts which may from time to time be established and designated by the Trustees, shall have the following attributes:

(a) Assets Belonging to an Account. Any portion of the Trust Fund allocated to a particular Account, and all deposits received by the Trust for the acquisition of Units of such Account, together with all assets in which such deposits are invested or reinvested, all interest, dividends, income, earnings, profits and gains therefrom, and proceeds thereof, including any proceeds derived from the sale, exchange or liquidation of such assets, and any funds or payments derived from any reinvestment of such proceeds in whatever form the same may be, shall be held by the Trustees in trust for the benefit of the holders of Units of Participation of that Account and shall irrevocably belong to that Account for all purposes, and shall be so recorded upon the books of account for the Trust Fund, and the Unit Holders of such Account shall not have, and shall be conclusively deemed to have waived, any claims to the assets of any Account of which they are not Unit Holders. Such deposits, assets, interest, dividends, income, earnings, profits, gains and proceeds, together with any General Items allocated to that Account as provided in the following sentence, are herein referred to collectively as "Account Assets" of such Account. In the event that there are any assets, income, earnings, profits, and proceeds thereof, funds or payments which are not readily identifiable as belonging to any particular Account (collectively "General Items"), the Trustees shall allocate such General Items to and among any one or more of the Accounts established and designated from time to time in such manner and on such basis as they, in their sole discretion, deem fair and equitable; and any General Items so allocated to a particular Account shall belong to and be part of the Account Assets of that Account. Each such allocation by the Trustees shall be conclusive and binding for all purposes.

(b) Liabilities of an Account. The assets belonging to each particular Account shall be charged with the liabilities in respect of that Account and all expenses, costs, charges and reserves attributable to that Account, and any general liabilities, expenses, costs, charges or reserves of the Trust Fund which are not readily identifiable as pertaining to any particular Account shall be allocated and charged by the Trustees to and among any one or more of the Accounts established and designated from time to time in such manner and on such basis as the Trustees in their sole discretion deem fair and equitable. Each allocation of liabilities, expenses, costs, charges and reserves by the Trustees shall be conclusive and binding for all purposes.

ARTICLE 4 PARTICIPATION AND WITHDRAWAL

SECTION 4.1. *Acceptance of Deposits.* The participation of any Participating System or Purchasing System in the Trust Fund shall be subject to all the provisions of this Declaration of Trust. All deposits accepted from any such system or otherwise, together with the income therefrom, shall be held, managed and administered pursuant to this Declaration of Trust.

SECTION 4.2. *Conditions of Participation.* Except with respect to the State Employees' Retirement System and the Teachers' Retirement System, participation in or investment in the Trust Fund shall be upon the following terms and conditions:

(a) On or before January 1 of each year, the Trustees shall notify each retirement system authorized to participate in the Trust Fund or to purchase shares in the Trust Fund of such system's options to participate or invest in the Trust Fund. Such notice shall be accompanied by the most recent financial statement of the Trust Fund, a description of the rights and duties of the PRIM Board if participation or purchase is elected and a copy of this Declaration of Trust.

(b) Any such retirement system may elect to participate by vote of its Board, subject to the approval of the legislative body and chief executive officer of the applicable governmental unit in accordance with the provisions of G.L.c.32§22(8)(c).

(c) After the decision of the Board of a retirement system to participate has been approved and such system has become a Participating System, the decision to participate may not be revoked for five (5) years. Such revocation shall become effective on the first Valuation Date which occurs six (6) months after the PRIM Board receives notification of such Board's decision.

(d) The Trustees shall accept deposits from Participating Systems to the Trust Fund on such Valuation Dates as this instrument sets forth or as the Trustees may determine.

(e) The Trustees may require such certification as they deem acceptable that all of the assets of a Participating System have been transferred into the Trust Fund in conformity with the provisions of G.L.c.32§22(8)(c).

(f) A retirement system that does not elect to become a Participating System may elect to purchase units of participation herein, by vote of its Board. The Trustees shall accept deposits from Purchasing Systems on such days as the Trustees may determine.

SECTION 4.3. *Allocation of Deposits.* Deposits from Purchasing Systems and from Participating Systems other than the State Employees' Retirement System and the Teachers' Retirement System shall be allocated to such Account or Accounts other than the State Employees' and Teachers' Separate Account as may be designated by the Board of such Purchasing System or Participating System and in the absence of such a designation shall be allocated to the General Allocation Account. The assets of the State Employees' Retirement System and Teachers' Retirement System shall be allocated to such Account or Accounts as the Trustees may, in their sole discretion, determine.

SECTION 4.4. *Commonwealth's Pension Liability Fund.* The Commonwealth's Pension Liability Fund shall include all assets of the State Employees' Retirement System and the Teachers' Retirement System except for the Annuity Savings Fund, the Annuity Reserve Fund and the Expense Fund of each such system. The Trustees shall account for the Commonwealth's Pension Liability Fund as a portion of the PRIT Fund in accordance with the provisions of G.L.c.32§22(8)(e).

SECTION 4.5. *Participation Based on Current Valuation.* Each participation, purchase, redemption or withdrawal shall be made upon the basis of the value of the Trust Fund and its Units of Participation,

determined as of a Valuation Date in the manner set forth in the following provisions of this instrument. Units of Participation shall be purchased by Participating or Purchasing Systems upon deposit in the Trust Fund and shall be redeemed from such systems upon withdrawal from the Trust Fund.

SECTION 4.6. *Payments upon Issue and Redemption of Units of Participation.*

(a) On the payment by a Participating System or a Purchasing System in cash or in kind, or partly in cash or partly in kind, to the satisfaction of and in the discretion of the Trustees, into the Trust Fund of an amount equal to the total value of the Units to be issued, the Trustees shall issue to such System Units of Participation.

(b) Upon redemption of Units of Participation by a Participating System or a Purchasing System, the Trustees shall pay to such system an amount equal to the total value of the Units redeemed. Such payment shall be in cash unless the Trustees, in their discretion, determine it appropriate to make payment to such system in kind or partly in cash and partly in kind and unless the Board of such system agrees to accept Payment in kind or partly in cash and partly in kind.

SECTION 4.7. *Procedure for Redemptions and Withdrawals.*

(a) The Board of each Participating System other than the State Employees' Retirement System and the Teachers' Retirement System shall notify the Trustees of the amounts needed for the funds of such System for such System's next fiscal year no later than ninety (90) days before the start of the next fiscal year. The Trustees 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 (30) days prior to the start of the next fiscal year. The Trustees shall transfer such amounts in accordance with said schedule during the course of said fiscal year.

(b) If any request is made by any such Board in excess of or as a supplement to the annual amount reported under subparagraph (a) of this Section 4.7, such Board shall certify to the Trustees the purpose of such excess or supplemental request. The Trustees shall approve or deny such request within thirty (30) days of receipt of such request. If such request is approved, distribution of the amount requested shall be made on the next Valuation Date of the fund from which withdrawal is being made. The Trustees may deny such request only if (i)(A) there is insufficient liquidity in the Trust Fund to meet such request and projected reasonable liquidity requirements and (B) the amount of such request, added to the aggregate amount of similar such requests for the same year, equals more than ten percent (10%) of the annual amount reported under subparagraph (a) of this Section 4.7 or (ii) if the purpose of such distribution would be contrary to any provision of G.L.c.32. Notwithstanding the foregoing or any other provision of this Declaration of Trust to the contrary, the Trustees shall not be required to approve a request for a withdrawal from the Alternative Investments Vintage Year Account unless and to the extent there has been a cash liquidation or distribution in respect of one or more assets allocated to said account.

(c) On or before December 15 of each year, in accordance with the provisions of G.L.c.32§22(7)(b), the State Board of Retirement and the Teachers' Retirement Board shall certify to the Trustees the amounts necessary to be distributed and paid for the ensuing fiscal year for the Pension Fund and the Special Fund for Military Service Credit of the State Employees' Retirement

System and the Teachers' Retirement System, respectively. All amounts required by each such Pension Fund and each such Special Fund for Military Service Credit shall be provided by distribution from the Commonwealth's Pension Liability Fund.

(d) The Board of each Purchasing System may from time to time make requests of the Trustees for payments and withdrawals. The Trustees shall approve or deny such request within thirty (30) days of receipt of such request. If such request is approved, distribution of the amount requested shall be made on the next Valuation Date of the fund from which withdrawal is being made. The Trustees may deny such request only if there is insufficient liquidity in the Trust Fund to meet such request and projected reasonable liquidity requirements. In the case of the Alternative Investments Vintage Year Account, the foregoing sentence shall be construed not to require the Trustees to approve a withdrawal request unless and to the extent there has been a cash liquidation or distribution in respect of one or more assets allocated to said account.

ARTICLE 5 UNITS OF PARTICIPATION; VALUATION OF UNITS

SECTION 5.1. *Division Into Units.* The beneficial interest of each Participating System and each Purchasing System in the Capital and Cash Funds or any Account established hereunder shall be represented by Units. Each Unit of each such Fund or Account shall be of equal value to every other Unit of such Fund or Account, and each Unit of each such Fund or Account shall be without priority or preference one over the other except that following the establishment of separate Accounts within the Capital Fund each Unit of the Capital Fund will not be of equal value, although each Unit of any one Account shall always be of equal value to all other Units of such Account. The Trustees shall evidence ownership of Units in the Trust Fund by keeping books in which shall be clearly recorded the number of Units of each such Fund or Account standing to the credit of each Participating or Purchasing System. The Trustees shall not issue any certificates of such Units. The Trustees may from time to time divide or combine Units of the Capital Fund or Cash Fund or any Account, or any of them, into a greater or lesser number, provided that the proportionate interest of each Participating or Purchasing System in each such Fund or Account is not thereby changed. Fractional shares of Units may be credited to participant accounts.

SECTION 5.2. *Determination of Unit Values.* On each prescribed Valuation Date (or each additional Valuation Date designated by the Trustees) and, with respect to each Account established pursuant to Section 3.4, on the effective date of the establishment of such Account, the Trustees shall determine the value of the Capital Fund or the Cash Fund or any Account, or any of them, and the Units of such Fund, or Funds or Accounts or Accounts in the manner hereinafter described. Each valuation of the Capital Fund or any Account shall be completed as soon as practicable following each Valuation Date. Each valuation of the Cash Fund shall be completed prior to the opening of the Fund for admissions and withdrawals on the next Valuation Date.

ARTICLE 6
CAPITAL FUND AND ACCOUNTS; VALUATION OF UNITS

SECTION 6.1. *Valuation of Assets of the Capital Fund and each Account.* The Trustees shall use the following method in the valuation of the assets of the Capital Fund and each Account:

(a) Securities listed on the New York Stock Exchange, the American Stock Exchange or other security exchanges or in the National Association of Securities Dealers Automated Quotation system or any other nationally recognized system shall be valued at their closing sale prices on the Valuation Date. If no sale has been reported for the Valuation Date, the last published sale or the mean between the last recorded bid and asked prices, whichever is the more recent, shall be used. If such value shall be unavailable or if in the opinion of the Trustees the value thus obtained may not fairly indicate the actual market value, the security shall be valued as of the Valuation Date by a reputable broker or investment banker selected by the Trustees. If fair market value is not readily determinable by any of these means, the value of such security shall be determined in good faith by the Trustees. Unlisted securities shall be valued either by taking the mean between the most recent published bid and asked prices, or by averaging quotations as of the Valuation Date obtained from dealers, brokers or investment bankers approved by the Trustees or, if unavailable, by any other reasonable method approved by the Trustees in good faith.

(b) For the purpose of subparagraph (a) of this Section 6.1, the Trustees may rely, as sufficient evidence, upon reports of sale and bid and asked prices, and over the counter quotations, appearing in any newspaper of general circulation published in Boston, Massachusetts, or in New York City, New York, or in any financial periodical or quotation service approved by the Trustees or in the records of securities exchanges or brokers.

(c) A security purchased, and awaiting payment against delivery, shall be included for valuation purposes as a security held, and the cash accounts of the Trust Fund shall be adjusted by the deduction of the purchase price, including brokers' commissions and other expenses of the purchase.

(d) A security sold but not delivered pending receipt of proceeds shall be valued at the net sales price after deducting trading commissions and other expenses of the sale.

SECTION 6.2. *Valuation of Units of Participation of Capital Fund and Each Account.* The value on any Valuation Date of each unit of participation into which the Capital Fund, prior to the establishment of separate Accounts, and each Account, after the establishment of separate Accounts, is divided, shall be determined by dividing the then value of the net assets of the Capital Fund and each Account, as the case may be, (such net assets being the value of the assets of such Fund or Account less the liabilities of such Fund or Account) by the number of units into which the Capital Fund and each Account, as the case may be, is then divided. In determining said unit values, there shall be included in the Capital Fund and each Account, as the case may be, units to be redeemed as of that valuation date, and there shall be excluded therefrom units to be issued as of that date.

ARTICLE 7
CASH FUND; VALUATION OF UNITS;
PROVISIONS REGARDING CASH FUND DISBURSEMENTS

SECTION 7.1. *Valuation of Assets of the Cash Fund.* The Trustees shall use the following method in the valuation of the assets of the Cash Fund:

(a) Securities shall be valued at their amortized cost (which shall mean the gross price at which such securities are purchased for the Cash Fund, including traders' commissions and all other fees, charges and expenses of such purchase), whether purchased at par, at a discount or at a premium.

(b) A security purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the cash accounts of the Cash Fund shall be adjusted by deducting the purchase price of such security.

(c) A security sold but not delivered pending receipt of proceeds shall be valued at its sale price.

SECTION 7.2. *Valuation of Units of Participation of Cash Fund.* The value on any Valuation Date of each Unit into which the Cash Fund is divided shall be determined by dividing the then value of the net assets of the Cash Fund (such net assets being the value of the assets of such Fund less the liabilities of such Fund) by the number of units into which the Cash Fund is then divided.

SECTION 7.3. *Disbursement of Net Income of Cash Fund.* To facilitate the disbursement of accrued but uncollected income required to be credited to the accounts of and paid out to Participating or Purchasing Systems, the cash principal of the Cash Fund may be used by the Trustees to the extent they deem necessary, and if the equivalent of any such accrued but uncollected income shall be disbursed to a Participating or Purchasing System as herein required, and thereafter such accrued income shall not actually be collected by the Trustees, the Trustees shall have the right to charge to and recover from each Participating or Purchasing System the amount thereof disbursed to such Participating or Purchasing System.

ARTICLE 8
ALLOCATION OF STATE APPROPRIATIONS

SECTION 8.1. *State Appropriations.* All amounts which may be appropriated pursuant to the provisions of G.L.c.32§22B each fiscal year and deposited to the PRIT Fund pursuant to the provisions of G.L.c.32§22(8)(b) shall be allocated to and among the accounts of the State Employees' Retirement System, the Teachers' Retirement System and the other Participating Systems (but not any Purchasing Systems) as provided in this Article 8.

SECTION 8.2. *Entitlement to Allocable Share.* No Participating System shall be entitled to such an allocation unless it was a Participating System on July 1 (or the first business day in July, as the case may be) of the fiscal year with respect to which such appropriation shall have been made. Except as provided in

the next sentence, allocation of such amounts among such Participating Systems shall be proportionate to the fair market value of the assets of the Trust Fund credited to the account of each such Participating System as of such July 1 (or such first business day in July), provided that, for purposes of such allocation, the amount of the combined assets of the State Employees' Retirement System and the Teachers' Retirement System shall be deemed not to exceed One Billion Six Hundred Twenty-four Million Two Hundred Two Thousand Six Hundred and Seventy-eight Dollars (\$1,624,202,678). Participating Systems which accept the provisions of G.L.c.32§22D shall be entitled to an allocation equal to the greater of (i) the amount produced by application of the preceding sentence or (ii) the amount the system would be entitled to by application of the pension funding grant allocation provisions contained in G.L.c.32§22D(4)(c), provided that any such Participating System which elected to participate in the PRIT Fund on or before January 1, 1988 shall be entitled to an allocation equal to the sum of the amounts described in clauses (i) and (ii) above, and provided, further, that Participating Systems that did so elect to participate on or before such date shall receive either an allocation of the appropriation described in Section 8.1 or a pension funding grant, but not both.

SECTION 8.3. *Time and Method of Allocation.* Any amounts so appropriated and deposited with the Trustees during the course of a fiscal year shall be allocated ratably to the accounts of all such Participating Systems upon receipt by the crediting of additional Units of Participation to each such Participating System.

ARTICLE 9 RIGHTS, POWERS AND DUTIES OF TRUSTEES

SECTION 9.1. *Management and Ownership of Assets.* The Trustees shall have exclusive control and management of the Trust Fund hereunder. Title to all assets of the Trust Fund shall at all times be considered vested in the Trustees in a fiduciary capacity. No Participating or Purchasing System shall be deemed to have a severable ownership in any individual asset of the Trust Fund, but each such system shall have an undivided interest in the Funds and Accounts to which its deposits have been allocated and shall share with the others in the income, profits and losses thereof as provided herein.

SECTION 9.2. *Rights and Powers.* In exercising its exclusive right to manage and control the Trust Fund, the Trustees shall have the following rights and powers, in each case to be exercised or exercisable from time to time, in their uncontrolled discretion, without notice to any Participating or Purchasing System:

(a) To retain indefinitely any investment made by them and any property, real or personal, transferred to them by any Participating or Purchasing System and to invest and reinvest in stocks, shares and obligations of corporations, of unincorporated associations (including, but not limited to, capital investments in joint ventures and limited partnerships), trusts and investment companies, or in a common trust fund, or in any other kind of personal (tangible or intangible) or real property, such investments to be in such amounts, upon such terms and of such character as the Trustees may deem advisable; subject, however, to the restrictions on and directions concerning investments set forth in G.L.c.32§23(2A)(h) and the fiduciary standards of care and prudence set forth in G.L.c.32§23(3); provided, however, that the Cash Fund shall consist primarily of money market funds or short-term obligations, including, by way of illustration and not of limitation,

bonds, bills, notes, certificates of deposit, deposits at interest, bankers' acceptances, sale and repurchase agreements and other evidences of indebtedness of the United States, instrumentalities of the United States, states or territories of the United States and political subdivisions thereof (including authorities or other public entities) and corporations;

(b) Subject to the provisions of G.L.c.32§23(2A)(h), to lend money to such borrowers as the Trustees may deem desirable;

(c) To buy, exchange, sell, give options and make contracts for such consideration and upon such terms as to credit or otherwise as the Trustees may deem desirable;

(d) To hold bonds, shares or other securities or property in bearer form or in the name of a nominee;

(e) To sue and be sued, to plead and be impleaded and to compromise, submit to arbitration or pay any claim or matter of difference;

(f) To maintain an office in the city of Boston in accordance with the provisions of G.L.c.32§23(2A)(j);

(g) To vote directly or to give general or special proxies or powers of attorney for voting or acting with respect to shares or securities, which may be discretionary and with power of substitution; to deposit shares or securities with, or transfer them to, protective committees or similar bodies; to join in, vote upon and act in any manner that the Trustees deem appropriate with respect to any reorganization, merger or consolidation; and to pay assessments or subscriptions called for in connection with shares or securities held by them;

(h) To employ investment counsel (on a discretionary or recommendation basis), custodians, brokers, accountants, auditors, agents and attorneys;

(i) To keep any or all of the trust property in any place or places in the Commonwealth of Massachusetts or elsewhere or with a depository or custodian at any such place or places;

(j) To execute assignments, notes, contracts or other instruments in writing, whether or not under seal, incident to any of the Trustees' powers;

(k) To combine part or all of the Trust Fund for investment purposes with other funds of (i) plans that meet the requirements of Section 401(a) of the Internal Revenue Code ("Code") that are exempt from tax under Section 501(a) of the Code, or (ii) governmental plans described in Section 414(d) of the Code or governmental units described in Section 818(a)(6) of the Code, and permitted by existing or future rulings under the Code to pool their respective funds in a group trust (the provisions of any such group trust shall be deemed a part of this Declaration of Trust with respect to any such investment or reinvestment);

(l) To accept and receive in trust, and combine with the Trust Fund, funds from any source, public or private, by gift, grant, bequest or otherwise; and

(m) To do all other acts in their judgment necessary or desirable for the proper administration of the Trust Fund or with respect to the investment, disposition or liquidation of any assets of the Trust Fund, although the power to do such acts is not specifically set forth herein.

SECTION 9.3. Expenses. The Trustees shall pay Expenses from the income of the Trust Fund. Expenses, in the discretion of the Trustees, may be assessed against the assets of the Trust Fund as a percentage of income collected or the aggregate fair market value of all assets managed hereunder, or any combination thereof.

SECTION 9.4. Trustees' Compensation. Except as otherwise provided by law, the Trustees shall be entitled to no compensation for management and supervision of the Trust Fund or for fulfilling their responsibilities as Trustees hereunder, although they shall be reimbursed for their actual and necessary expenses.

SECTION 9.5. Executive Director; Trust Staff and Employees. In accordance with the provisions of G.L.c.32§23(2A)(f),(g), the Trustees shall employ an Executive Director who shall serve at their pleasure. The Executive Director shall, with the Trustees' approval:

- (a) plan, direct, coordinate and execute administrative and executive functions in conformity with policies and directives set by the Trustees;
- (b) employ professional and clerical staff as necessary;
- (c) report to the Trustees on all operations under his control and supervision;
- (d) prepare an annual budget for review by the Trustees; and
- (e) undertake any other activities necessary to implement the power and duties of the Trustees hereunder.

SECTION 9.6. Books. The Trustees shall keep full records and books of account. The Trustees' accounts shall be kept on an accrual basis or on a cash basis, in the Trustees' discretion, provided that no change in accounting method shall be made during the course of a fiscal year.

SECTION 9.7. Audit. The Trustees shall at least once each year cause an independent certified public accountant to audit the Trust Fund. A copy of the report of such audit shall be furnished to each Participating or Purchasing System.

SECTION 9.8. Statements and Accounts. The Trustees shall cause statements of assets and transactions to be prepared and distributed to each Participating or Purchasing System. Annually, within ninety (90) days after the close of the Trust Fund's fiscal year, the Trustees shall furnish a written account of the operation of the Trust Fund for the preceding fiscal year to the Board of each Participating or Purchasing System. Any Board to which an account of the Trustees is furnished may approve such account by an instrument in writing delivered to the Trustees. If objections to specific items in such account are filed with the Trustees within sixty (60) days after the account has been furnished and the Trustees believe such objections to be valid, the Trustees may adjust the account in such manner as they deem equitable under the

circumstances. Each Board to which the Trustees furnish an account shall be notified by the Trustees of any adjustments so made. If

- (a) all Boards to which such account of the Trustees is furnished approve such account, or
- (b) no objections to specific items in such account are filed by any Board with the Trustees within sixty (60) days after the account has been furnished, or
- (c) objections to specified items in such account are filed with the Trustees within sixty (60) days after the account has been furnished, and the Trustees give no notice of any adjustment to the account within one hundred and fifty (150) days after such account has been furnished,

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

SECTION 9.9. *Annual Report.* In addition to the statements and accounts described in Section 9.8, the Trustees shall annually, on or before May 1 (or such later date as may be set by the Public Employee Retirement Administration Commission) file with the Clerks of the House of Representatives and the Senate and with the secretary of the Board of each Participating System, on a form prescribed by said Commission, a sworn statement of the financial condition of the Trust Fund as of December 31 of the previous year.

SECTION 9.10. *Fiduciary Bonds.* No bond, surety or security shall be required of any Trustee or any employee of the Trust Fund unless the Trustees, in their sole discretion, determine bonding of any employee to be appropriate.

SECTION 9.11. *Trustee Liability.* No Trustee shall be liable for any act or omission of any other Trustee. Each Trustee shall be liable only for his own breaches of fiduciary duty, acts of willful dishonesty and intentional violations of law.

SECTION 9.12. *Third Parties.* No one dealing with the Trustees hereunder need inquire into the validity of anything the Trustees may purport to do or need see to the application of any money paid or property transferred to or upon the order of the Trustees.

SECTION 9.13. *Action by Majority.* In accordance with the provisions of G.L.c.30A§11A1/2, a majority of the Trustees may act.

SECTION 9.14. *Trustees' Discretion.* Whenever the Trustees are given discretion, such discretion shall be exercised and exercisable solely by them and shall not be subject to control, whether or not the particular provision providing for such discretion so states.

SECTION 9.15. *Fiduciary Standards for Action.* In accordance with the provisions of G.L.c.32§23(3), the Trustees shall discharge their duties for the exclusive purpose of providing benefits to the Participating or Purchasing Systems (and thereby to such systems' members and 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 like character and with like aims and by diversifying the investments of the Trust Fund so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

SECTION 9.16. *Fiduciary Standards for Selection of Investment Counsel.* The Trustees shall, to the best of their ability and in a manner consistent with sound investment policy, engage as investment counsel individuals or firms who subscribe to a code of professional ethics such as The Institute of Chartered Financial Analysts Code of Ethics and Standards of Professional Conduct.

SECTION 9.17. *Conduct of Trustees.* The provisions of G.L.c.268A relating to the conduct of public employees shall apply to each of the Trustees. In accordance with the provisions of G.L.c.32§23(2A)(b), with respect to investments made by the Trustees, the requirements of G.L.c.268A shall be met if the following procedure is complied with. If any Trustee has an interest or involvement in any investment which the Trustees propose to make, then the Trustees may make such investment if:

- (a) such Trustee discloses his interest or involvement in advance to the other Trustees;
- (b) such disclosure is contemporaneously recorded in the minutes of the Trustees; and
- (c) such Trustee abstains from participating in any particular matter (as defined in G.L.c.268A§1) relating to such investment.

ARTICLE 10 AMENDMENT

SECTION 10.1. *Amendments.* This Declaration of Trust may be amended from time to time by a written instrument signed and approved by a majority of the Trustees and filed with the Clerks of the House of Representatives and the Senate, subject to the approval of the Committee on Public Service in accordance with the provisions of G.L.c.32§23(2A)(e)(i). Notice of any such amendment shall be furnished to the Board of each Participating and Purchasing System as soon as practicable.

ARTICLE 11 MISCELLANEOUS PROVISIONS

SECTION 11.1. *Agent for Process.* The Trustees shall be deemed to represent all persons, natural or legal, having an interest in the Trust Fund for the purpose of all judicial proceedings affecting the Trust Fund or any asset thereof, and only the Trustees need be made a party to any such action. The Trustees shall give notice to the Attorney General of the Commonwealth of any such proceedings.

SECTION 11.2. *Definition of Words.* Feminine or neuter provisions shall be substituted for those of the masculine form, and the plural shall be substituted for the singular, or vice versa, in any place or places herein where the context may require such substitution or substitutions.

SECTION 11.3. *Headings.* Any paragraph or clause headings used throughout this instrument and any amendment to this instrument are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this instrument or any amendment to this instrument.

SECTION 11.4. *Records.* The Trustees acknowledge that the trust is a public trust, and through the Executive Director and his designees the Trustees shall keep accurate and detailed records of its transactions hereunder, and all its accounts, books and records relating thereto shall be open at all reasonable times to public inspection (subject to provisions of G.L.c.66A).

SECTION 11.5. *Effective Date; Amendment of Prior Trust Agreement.* This Declaration of Trust shall be effective upon its approval by the Committee on Public Service in accordance with the provisions of G.L.c.32§23(2A)(e)(i). This Declaration of Trust shall constitute an amendment and complete restatement of, and upon such approval shall supersede, that certain Declaration of Trust made on September 17, 1996 by Joseph D. Malone, John J. McGlynn, James B. G. Hearty, Daniel O'Neil, Joseph DeLorey, Glenn Johnson, Robert Brousseau and Ralph White, the then duly authorized and acting members of the PRIM Board.

IN WITNESS WHEREOF, the undersigned Trustees have executed this instrument as of the 22nd day of September, 1998.

Joseph D. Malone

Angelo A. Amato

Robert Brousseau

James B. G. Hearty

Glenn M. Johnson

George F. McSherry

Vilki L. Pryor

Ralph White

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ADMINISTRATIVE SERVICES AGREEMENT

AGREEMENT, dated as of October 1, 2001 ("Agreement") and amended as of April 15 2014, and December 9, 2014 by and between the State Retiree Benefits Trust Fund Board of Trustees (the "Board"), acting on behalf the State Retiree Benefits Trust Fund (the "SRBT Fund"), and the Pension Reserves Investment Management Board ("PRIM").

1. Background

(a) The Board, acting on behalf of the State Retiree Benefits Trust Fund ("SRBT Fund") and PRIM, acting on behalf of the Pension Reserves Investment Trust Fund (the "PRIT Fund"), are concurrently herewith entering into and Amended and Restated Services Agreement (the "Amended Investment Services Agreement," pursuant to which the Board has retained PRIM to employ the PRIT Fund to make all of the investments of amounts received by the SRBT Fund, by depositing such amounts in the PRIT Fund on behalf of the SRBT Fund as a "Purchasing System" under the terms of the Pension Reserves Investment Management Board Operating Trust.

(b) Pursuant to MGL Ch. 32A, §24(a), the Board is the trustee of and shall administer the SRBT Fund in accordance with MGL Ch. 32A, §24A, and is required to employ PRIM to make any and all investments of the SRBT Fund in the PRIT Fund and authorizes the Board to utilize existing resources and staff of PRIM to carry out its mission.

(c) The Board has decided that it is appropriate and desirable to utilize existing resources and staff of PRIM to provide certain administrative services to the SRBT Fund and for the benefit of political subdivisions, municipalities, counties, agencies or authorities of the Commonwealth of Massachusetts who may participate in the SRBT Fund in accordance with the procedures and criteria adopted by the Board ("SRBT Participants") pursuant to MGL Ch. 32A, § 24(d), which services are described in Schedule A hereto (the "Administrative Services"), and PRIM is willing to make its existing resources and staff available to provide the Administrative Services, all on the terms set forth in this Agreement.

(d) In order to allocate the costs of providing the Administrative Services to the SRBT Fund (and indirectly, the SRBT Participants), and not to the PRIT Fund or its participants, the Board and PRIM have agreed that PRIM will be paid a fee, as provided in the Agreement, intended to reimburse PRIM for the work expended by PRIM staff in providing the Administrative Services (the "Services Costs"), and will be reimbursed for any and all operational costs incurred and exclusively related to the existing and potential SRBT Participants, including without limitation the fees and expenses of custodians, accountants, attorneys and other vendors ("Out of Pocket Costs").

2. **Effective Time.** This Agreement and the parties' rights and obligations hereunder shall only become effective upon the execution and delivery of the Amended Investment Services Agreement (the **Effective Time**”).

3. **Administrative Services.**

(a) The Board hereby retains PRIM, and PRIM agrees, subject to the terms of this Agreement, to make available PRIM's existing resources and staff, to provide the Administrative Services.

(b) To facilitate the provision of the Administrative Services, the Board will promptly provide to PRIM staff copies of all procedures and criteria adopted by the Board relating to the terms of participation by SRBT Participants in the SRBT Fund, including any agreements, policies or other documents reflecting the rights and obligations of the SRBT Fund, on the one hand, and any of the SRBT Participants, on the other.

4. **Reimbursements.**

(a) To reimburse PRIM for the Services Costs, PRIM shall be paid from the assets of the SRBT Fund an annual fee at the rate of at least \$35,000 (the **Minimum Fee Amount**”), payable monthly in arrears, subject to adjustment as hereinafter provided (the **Services Fee**”). Not later than April 30th of each fiscal year, commencing April 30, 2014, PRIM shall provide to the Board an analysis based on a methodology reasonably acceptable to the Board and PRIM of Services Costs during the prior fiscal year, and subject to the approval of the Board (which shall not be unreasonably withheld), the Services Fee with respect to such prior fiscal year shall be increased by, and PRIM shall be paid from the assets of the SRBT Fund, the amount of any Services Costs in excess of the Minimum Fee Amount with respect to such prior fiscal year. In connection with considering whether such additional amount is payable for such prior fiscal year, PRIM may propose an increase in the Minimum Fee Amount with respect to the then-current fiscal year, subject to the approval of the Board (which shall not be unreasonably withheld), in which case PRIM shall be paid an appropriate catch-up amount with respect to months already elapsed.

(b) In addition to the Services Fee, PRIM shall be reimbursed from the assets of the SRBT Fund for any and all Out-of-Pocket Costs, as and when incurred, provided, however, that the reimbursement of Out-of-Pocket Costs in excess of \$2,500 individually or \$10,000 per annum in the aggregate shall be subject to the prior approval of the Chair of the Board (which approval shall not be unreasonably withheld). (In lieu of incurring and obtaining reimbursement of any Out-of-Pocket Costs, PRIM may cause any such costs to be paid directly from the assets of the SRBT Fund.) PRIM will provide the Board with reasonably detailed documentation of Out-of-Pocket Costs so reimbursed or paid. It is agreed that PRIM shall charge the assets of the SRBT fund the fees charged by the Custodian Bank employed by PRIM to administer the Participant accounts and the administrative fees of the HCST.

(c) The Board hereby authorizes PRIM, in its capacity as trustee of the PRIT fund, to cause all Services Fees and Out-of-Pocket reimbursement amounts due hereunder to be paid to PRIM in a timely manner, by causing cash to be transferred directly from the SRBT Fund's investment cash account

at the custodian bank to the PRIM Board's operating cash account (or, in the case of direct payment of any Out-of-Pocket Expenses, to the payee).

5. Services Not Exclusive. The services of PRIM and its personnel to be provided under this Agreement are not exclusive, and PRIM may provide services to others and engage in other activities, but PRIM shall allocate such personnel and devote such efforts as are reasonably necessary for it to carry out its duties under this Agreement.

6. Term. The term of this Agreement shall be coterminous with the Investment Services Agreement executed by the parties.

7. Authority to Execute. Each of the parties to this Agreement represent that it is duly authorized and empowered to execute, deliver and perform this Agreement, that such action does not materially conflict with or violate any provision of law, rule or regulation, contract, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and that this Agreement is a valid and binding obligation, enforceable against such party in accordance with its terms.

8. Compliance with Applicable Laws. Each of the Board and PRIM will discharge its duties under this Agreement in accordance with all laws and regulations applicable to PRIM, the PRIT Fund, the SRBT Fund and the Board.

9. Communication. Any approvals, instructions, directions, notices or other communications pursuant to this Agreement will be mailed or delivered.

(a) to the Board at:

State Retiree Benefits Trust Fund Trust
One Ashburton Place, Room 901
Boston, Massachusetts 02108
Attention: Chair

(b) to PRIM at:

Pension Reserves Investment Management Board
84 State Street
Boston, Massachusetts 02109
Attention: Executive Director

Either party may change the address for notices or other communications to it by written notice to the other stating the new address. Notices from either party to the other will be effective when received by the addressee.

10. **Headings; Schedules.** Headings are for convenience only, and the text of this Agreement will govern the rights and obligations of the parties. Schedule A hereto is incorporated herein by reference. Capitalized items used therein have the same meanings as in this Agreement.

11. **Applicable Law.** This Agreement will be considered to be an instrument made in the Commonwealth of Massachusetts and it will be construed and the rights and obligations of the parties determined in accordance with the laws of said Commonwealth, without giving effect to conflicts of laws principles, except to the extent preempted by federal law.

IN WITNESS WHEREOF, the Board, on behalf of the SRBT Fund, and PRIM have executed this Agreement as of the date first above written.

STATE RETIREE BENEFITS TRUST FUND BOARD
OF TRUSTEES

By: /s/Martin J. Benison
Martin J. Benison
Chair

PENSION RESERVES INVESTMENT
MANAGEMENT BOARD

By: Michael G. Trotsky
Michael G. Trotsky, CFA
Executive Director

SCHEDULE A

ADMINISTRATIVE SERVICES

SRBT FUND PARTICIPANT INFORMATION, ACCOUNTING, AND CASH MANAGEMENT

Create and maintain SRBT Fund files.

Maintain and update written process documents.

Maintain SRBT Participant records and files including incumbency certificates, wire instructions, and client contacts.

Receive, review, and approve the monthly custodian -prepared SRBT Participant reports.

Receive, review, and forward to SRBT Fund Board Chair all SRBT fund-level reports.

Facilitate client cash deposits and/or redemptions.

Store copies of SRBT Participant reports and notes regarding client correspondence.

Receive and file monthly/quarterly SRBT Participant reports and forward to SRBT Fund Board/committee members.

Correspond with custodian bank regarding new SRBT Participant account setup, SRBT Participant account changes, and SRBT Participant cash flows.
PRIM representative shall attend all regularly scheduled SRBT Fund Board meetings.

Notify SRBT Fund Board Chair of any change to asset allocation or termination of Investment Manager

SRBT DIRECT PARTICIPANT SERVICE

Serve as principal interface with SRBT Participants and prospective SRBT Participants. Prepare and distribute all statements and accounts of Participants on an annual basis to Participants with a copy to the SRBT Fund Board.

Copy the SRBT Fund Board Chair on all correspondence with SRBT Participants and prospective SRBT Participants.

Resolve SRBT Participant/consultant requests for additional copies of reports.

Communicate with SRBT Participants and consultants regarding SRBT fees, expenses, and projected expenses.

Visit SRBT Participants and present the SRBT Fund performance as requested by boards and governing bodies.

Hold conference calls with SRBT Participants.

Respond to requests for information from government entities that are eligible to become SRBT Participants, including sending relevant information, holding conference calls and onsite visits as requested.

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Operating Trust Agreement

**THE COMMONWEALTH OF MASSACHUSETTS
STATE RETIREE BENEFITS TRUST FUND TRUST**

Boston, Massachusetts

**Trust Agreement made July 1, 2002, as amended and restated February 14, 2012
February 13, 2014, and December 9, 2014.**

THIS DECLARATION OF TRUST made this date by the duly authorized and acting members of State Retiree Benefits Trust Fund Board of Trustees ("SRBT Fund Board"), formerly known as the Board of Trustees of the Heath Care Security Trust (further defined below in Section 2.1) ("HCST Board"), being hereinafter sometimes referred to as the "Trustees" (further defined below in Section 2.9);

WITNESSETH:

WHEREAS, the HCST Board was charged by its enabling legislation, M.G.L. c.29D, §4, with general supervision of investment and reinvestment of all monies generated by any claim or action undertaken by the Attorney General of the Commonwealth of Massachusetts (hereinafter referred to as the "Attorney General") against a manufacturer of cigarettes to recover the amount of medical assistance provided pursuant to M.G.L. c.118E or any other claim or action undertaken by the Attorney General against a manufacturer of cigarettes including, but not limited to, the action known as Commonwealth of Massachusetts v. Philip Morris, Inc., et al. Middlesex Superior Court, No. 95-7378, hereinafter referred to as the "Tobacco Action" (any and all such monies are hereinafter referred to herein as the "HCST Fund Revenues");

WHEREAS, the HCST Board was authorized and required by M.G.L. c.29D, §4(a) to act as Trustee with respect to the Health Care Security Trust Fund ("HCST Fund") created thereby;

WHEREAS, the HCST Board was made the Trustee and charged by M.G.L. c.32A, §24, with the administration of the State Retiree Benefits Trust Fund ("SRBT Fund") established under the provisions of said M.G.L. c.32A, §24(a), such administration to be in accordance with the HCST Board's enabling legislation and to be for the purpose of depositing, investing and disbursing amounts set aside solely to meet liabilities of the state employees' retirement system for health care and other non-pension benefits;

WHEREAS, M.G.L. c.32A, §24(d) provided that the HCST Board authorize the participation by any political subdivision, municipality, county or agency or authority of the Commonwealth in the SRBT Fund, and M.G.L. c.32B, §20(a) and (b) authorized the HCST Board to accept designation as custodian for such municipalities, districts, counties and

municipal lighting plants as choose to designate the HCST Board as custodian of their Other Post-Employment Benefits Liability Trust Funds and to approve the investment of such Trust Funds in the SRBT Fund (such political subdivisions, municipalities, counties, agencies, authorities, districts and municipal lighting plants which invest in the SRBT Fund, together with the state employees' retirement system, are hereinafter referred to as "Participants"), using procedures and criteria adopted by the HCST Board;

WHEREAS, the HCST Fund and the HCST Fund Revenues have been transferred to the SRBT Fund pursuant to Chapter 61, Section 54, of the Acts of 2007, and all future HCST Fund Revenues are to be deposited in the SRBT Fund or the general fund in such percentages as provided in Section 152 of Chapter 68 of the Acts of 2011, as it may be amended;

WHEREAS, M.G.L. c.32A, §24 has been amended to direct the HCST Board to employ the Pension Reserves Investment Management Board ("PRIM") to invest the SRBT Fund assets in the Pension Reserves Investment Trust Fund ("PRIT Fund"); and

WHEREAS, M.G.L. c.29D has been repealed by Section 60 of Chapter 165 of the Acts of 2014 (the 2014 Act); and

WHEREAS, M.G.L. c.32A has been amended in the 2014 Act by adding Section 24A; and

WHEREAS, M.G.L. c.32A, §24 has been amended in the 2014 Act by changing the name of the HCST Board to the SRBT Fund Board of Trustees established in Section 24A of the 2014 Act; and by adding certain provisions governing the SRBT Fund and the SRBT Fund Board of Trustees; and

WHEREAS, M.G.L. c.32B §20 has been amended in the 2014 Act by changing the name of the HCST Board to the SRBT Fund Board established in Section 24A of Chapter 32A. and by deleting reference to the HCST and inserting in its place the SRBT Fund.

WHEREAS, the SRBT Fund Board is further authorized and required by M.G.L. c.32A, §24A(a) to adopt a declaration of trust setting forth the duties and obligations of the SRBT Fund Board;

NOW, THEREFORE, the Trustees establish this trust and agree and declare that they will hold, administer and manage the SRBT Fund, and all money and property received or purchased by them as Trustees or custodian hereunder upon the following terms, conditions and trusts:

ARTICLE 1
NAME; PURPOSE; EFFECT; APPLICABLE LAW

Section 1.1 Name. This Declaration of Trust is hereby designated as the “State Retiree Benefits Trust Fund Trust”.

Section 1.2 Purpose. This Declaration of Trust is established, operated and maintained for the purpose of managing and investing the SRBT Fund, and for the management, investment and reinvestment in one trust portfolio of the SRBT Fund and moneys contributed thereto by various Participants and otherwise.

Section 1.3 Effect. With respect to any moneys transferred to the SRBT Fund by any Participant, such Participant and all persons interested therein shall be bound by the provisions of this Declaration of Trust (as the same may be amended from time to time).

Section 1.4 Applicable Law and Regulations. The Trustees shall administer the SRBT Fund hereunder at all times in conformity with the provisions of M.G.L. c.32A, §24 and 24A and c.32B, §20 (as the same may be supplemented or amended from time to time, the “Acts”) specifically, and with the laws and regulations of the Commonwealth of Massachusetts, generally. The provisions of this Declaration of Trust shall be governed by and construed and administered according to the laws of the Commonwealth of Massachusetts (the “Commonwealth”).

ARTICLE 2
DEFINITIONS

Whenever used in this instrument, unless the context otherwise requires or specifically provides, the following terms shall be defined as follows:

Section 2.1 “Board” and “SRBT Fund Board” means the individuals described in the Act serving from time to time as members of the State Retiree Benefits Trust Board.

Section 2.2 “Business Day” means any day which is not a Saturday, a Sunday, a legal holiday or a day upon which by applicable law a national banking association is authorized to be closed to the public for regular banking business during ordinary business hours and is, in fact, so closed.

Section 2.3 “Expenses” mean the reasonable and necessary expenses incurred by the Trustees in managing the funds hereunder, including, without limitation, custody fees, investment consulting fees, investment management fees, trading commissions, attorneys’ fees, accountants’ fees, staff salaries, office rents and all expenses incident thereto.

Section 2.4 “Fiscal Year” means the twelve months beginning July 1 and ending June 30.

Section 2.5 “Participant” means the state employees’ retirement system and, upon authorization or approval by the SRBT Fund Board, any political subdivision, municipality,

county, district, municipal lighting plant and other agency or authority of the Commonwealth that chooses to participate in the SRBT Fund and transfer monies to the SRBT Fund in accordance with the provisions of M.G.L. c.32A, §24(a) and (d) or c.32B, §20 (b) as the same may be amended.

Section 2.6 “SRBT Fund” and “State Retiree Benefits Trust Fund” mean the State Retiree Benefits Trust Fund established under M.G.L. c.32A, §24 and 24A, and all funds, monies, and property received, held, and managed by the Trustees for said SRBT Fund.

Section 2.7 “Trustees” mean the SRBT Fund Board members in their capacity as Trustees under this Declaration of Trust. All SRBT Fund Board members serving from time to time shall be Trustees under this Declaration of Trust.

ARTICLE 3 RECEIPTS AND INVESTMENTS

The Trustees shall have the responsibility to employ the Pension Reserves Investment Management Board (the “PRIM Board”) to invest the SRBT Fund in the Pension Reserves Investment Trust Fund (the “PRIT Fund”) for the purpose of depositing, investing and disbursing amounts set aside solely to meet liabilities of the Participants for health care and other non-pension benefits, and there shall be credited to the SRBT Fund any revenue from appropriations or other monies authorized by the general court and specifically designated to be credited to the SRBT Fund, and any gifts, grants, private contributions, investment income earned on the SRBT Fund’s assets and all other sources.

ARTICLE 4 RIGHTS, POWERS AND DUTIES OF TRUSTEES

Section 4.1 Management and Ownership of Assets. The Trustees shall have exclusive control of the funds hereunder. Title to all assets of the funds shall at all times be considered vested in the Trustees in a fiduciary capacity.

Section 4.2 Rights and Powers. In exercising its right to control the funds, the SRBT Fund Board shall have the following rights and powers, in each case to be exercised or exercisable from time to time, in its discretion.

Subject to the provisions of Section 4.3 and Section 5, the Board shall invest and reinvest amounts received for investment in the SRBT Fund. The Executive Director, or the Chair of the Board in the event no Executive Director has been appointed, or the designee of the Chair approved by the Board, shall invest and reinvest such funds held by the SRBT Fund Board in the SRBT Fund, and shall (1) employ the PRIT Fund, to make any or all of such investments and to manage the funds and (2) if appropriate under the circumstances, utilize existing resources and staff of the State Treasurer of the Commonwealth or the PRIM Board to carry out its mission.

Section 4.3 Expenses. The Trustees shall pay Expenses of the SRBT Fund from the assets held by the SRBT Fund.

Section 4.4 Trustees' Compensation. Except as otherwise provided by law, the Trustees shall be entitled to no additional compensation for management and supervision of the funds or for fulfilling their responsibilities as Trustees hereunder, although they shall be reimbursed for their actual and necessary expenses.

Section 4.5 Executive Director, Staff and Employees. In accordance with the provisions of the Act, the Trustees may employ an Executive Director who shall serve at their pleasure. In accordance with the provision of the Acts, the provisions of M.G.L. c.30, §§9A, 45, 46, and 46C, and the provisions of c.31 and c.150E shall not apply to the Executive Director or any other employee of the Board. In the event the Board does not employ an Executive Director, the Chair of the Board shall, at the direction of the SRBT Fund Board, perform the duties and functions of the Executive Director, or may delegate such duties and functions as the SRBT Fund Board may approve. The Executive Director shall, with the Trustees' approval:

- (a) plan, direct, coordinate and execute administrative and investment functions in conformity with policies and directives of the Trustees;
- (b) employ professional and clerical staff as necessary;
- (c) report to the Trustees on all operations under the Executive Director's control and supervision;
- (d) prepare an annual budget and manage the administrative expenses of the Trust; and
- (e) undertake any other activities necessary to implement the power and duties hereunder and under the Act.

Section 4.6 Activities of the Board. The Board may approve or ratify decisions of the Executive Director or the Chair, formulate policies and procedures deemed necessary and appropriate to carry out the purposes of the Board and the funds, maintain a record of its proceedings and undertake any other activities necessary to implement the duties and powers set forth herein and in the Act.

Section 4.7 Account Books.

- (a) The funds shall be managed by the PRIM Board under agreement with the Board as further provided in Section 10.1 herein. All transactions affecting the SRBT Fund including, but not limited to, all amounts credited to and all expenditures, transfers or allocations made from the SRBT Fund, shall be recorded by subsidiary on the Massachusetts management accounting and reporting system.

Section 4.8 Budget. The Board shall adopt annual budgets and supplemental budgets as the Board deems necessary subject to the approval of the General Court. If the General Court takes no final action to disapprove any such budget within 60 days of its filing with the Clerk of the House of Representatives and the Clerk of the Senate, such budget shall be deemed to be approved. If the General Court disapproves any such budget within such 60 days, the 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.

Section 4.9. Actuaries. The Board shall engage actuaries experienced in retiree health care costs to perform annual actuarial calculations in accordance with Government Accounting Standards Board Statements 43 and 45, using data as needed from the group insurance commission, the public employee retirement administration commission, the state treasurer and the comptroller and prepare funding schedules to be filed in accordance with Section 25 of M.G.L. c.32A.

Section 4.10. Audit. The Board shall provide an annual audit of the SRBT Fund's assets, liabilities, net assets, investments and operations on an annual basis in accordance with government auditing standards and policies established by the comptroller. The annual audit report shall be made available to all Participants. The SRBT Fund shall be audited annually pursuant to by M.G.L. c.7A, §12 (c) and included in the Comptroller's financial statements.

Section 4.11 Action by Board. Except as otherwise provided in the Acts, and subject to the provisions of Section 4.2, the Trustees may act upon an affirmative vote of a majority of a quorum of the Trustees.

Section 4.12 Conduct of Trustees. In any civil action brought against a Trustee or employee of the SRBT Fund Board, acting within the scope of such Trustee's or employee's official duties, the defense or settlement of which is made by the Attorney General or by an attorney employed by said Board, such Trustee or employee shall be indemnified for all expenses incurred in the defense thereof and shall be indemnified for damages to the same extent as provided for public employees in Chapter 258. No Trustee or employee shall be indemnified for expenses in an action or damages awarded in such action in which there is shown to be a breach of fiduciary duty, an act of willful dishonesty or an intentional violation of law by such Trustee or employee.

Section 4.13 Required Disclosure. To the extent that any Trustee shall have any interest or involvement in any matter that is before the Board:

- (a) such Trustee shall disclose the interest or involvement in advance to the other Trustees;
- (b) such disclosure shall be contemporaneously recorded in the minutes of the Trustees; and

- (c) such Trustee shall abstain from participating in any particular matter relating to such interest or involvement.

**ARTICLE 5
INVESTMENT OF THE SRBT FUND**

Investments. The Board shall employ the PRIM Board to invest the SRBT Fund in the PRIT Fund.

**ARTICLE 6
PARTICIPATION IN THE SRBT FUND**

Acceptance of Deposits. The participation of any Participant in the SRBT Fund shall be subject to the provisions of this Declaration of Trust and policies and procedures to be adopted by the SRBT Fund Board from time to time. All deposits accepted from any such Participant or otherwise, together with the income therefrom, shall be held, managed and administered pursuant to this Declaration of Trust, and the Board's policies and procedures for the sole purpose of meeting the liabilities of the Participants for the health care and other non-pension benefits of their retirees. The Board shall not be obligated to disburse any funds from the SRBT Fund in excess of any monies received by the SRBT Fund.

**ARTICLE 7
ASSETS IN THE SRBT FUND**

Section 7.1 Management and Ownership of Assets. No Participant shall be deemed to have a severable ownership interest in any individual asset of the SRBT Fund, but each Participant shall have an undivided interest in the assets to which its deposits have been allocated and shall share with the others in the income, profits and losses thereof as provided herein and in the policies and procedures of the Board.

**ARTICLE 8
THE SRBT FUND'S CAPITAL FUND AND ACCOUNTS; VALUATION OF UNITS**

Section 8.1 Valuation of Assets of the Capital Fund. The Trustees shall set forth in the Board's policies and procedures a method for the valuation of the assets of the SRBT Fund's Capital Fund.

**ARTICLE 9
THE SRBT FUND'S CASH FUND; VALUATION OF UNITS;**

Section 9.1 Valuation of Assets of the Cash Fund. The Trustees shall establish in the Board's policies and procedures a method for the valuation of the assets of the SRBT Fund's Cash Fund and for the disbursement of net income of the Cash Fund.

ARTICLE 10

**RIGHTS, POWERS AND DUTIES OF TRUSTEES WITH REGARD TO
PARTICIPATION IN THE SRBT FUND**

Section 10.1 Rights and Powers. In exercising their exclusive right to manage and control the SRBT Fund, the Trustees shall have the following rights and powers, in each case to be exercised or exercisable from time to time, in their uncontrolled discretion, without notice to any Participant:

- (a) To employ PRIM to invest the SRBT Fund in the PRIT Fund;
- (b) To lend money to such borrowers as the Trustees may deem desirable;
- (c) To buy, exchange, sell, give options and make contracts for such consideration and upon such terms as to credit or otherwise as the Trustees may deem desirable;
- (d) INTENTIONALLY OMITTED;
- (e) To sue and be sued, to plead and be impleaded and to compromise, submit to arbitration or pay any claim or matter of difference;
- (f) To maintain an office in the City of Boston;
- (g) To vote directly or to give general or special proxies or powers of attorney for voting or acting with respect to shares or securities, which may be discretionary and with power of substitution; to deposit shares or securities with, or transfer them to, protective committees or similar bodies; to join in, vote upon and act in any manner that the Trustees deem appropriate with respect to any reorganization, merger or consolidation; and to pay assessments or subscriptions called for in connection with shares or securities held by them;
- (h) To employ investment counsel (on a discretionary or recommendation basis), custodians, brokers, accountants, auditors, agents and attorneys;
- (i) To keep any or all of the trust property in any place or places in the Commonwealth of Massachusetts or elsewhere or with a depository or custodian at any such place or places;
- (j) To execute assignments, notes, contracts or other instruments in writing, whether or not under seal, incident to any of the Trustees' powers;
- (k) To accept and receive in trust, and combine with the SRBT Fund, funds from any source, public or private, by gift, grant, bequest or otherwise; and
- (l) To do all other acts in their judgment necessary or desirable for the proper administration of the SRBT Fund or with respect to the investment,

disposition or liquidation of any assets of the SRBT Fund, although the power to do such acts is not specifically set forth herein.

Section 10.2 Statements and Accounts. The Trustees shall cause the PRIM Board to prepare and distribute statements of assets and transactions to each Participant in the SRBT Fund. Annually, within ninety (90) days after the close of the SRBT Fund's fiscal year, the Trustees shall furnish or cause the PRIM Board to furnish a written account of the operation of the SRBT Fund for the preceding fiscal year to each Participant. Any Participant to which an account is furnished may approve such account by an instrument in writing delivered to the Trustees and the PRIM Board. If objections to specific items in such account are filed with the Trustees and the PRIM Board within sixty (60) days after the account has been furnished and the Trustees and the PRIM Board believe such objections to be valid, the Trustees and the PRIM Board may cause the PRIM Board to adjust the account in such manner as they deem equitable under the circumstances. Each Participant to which the PRIM Board furnishes an account shall be notified by the PRIM Board of any adjustments so made. If

- (a) all Participants to which such account of the PRIM Board furnished by the Trustees, approve such account, or
- (b) no objections to specific items in such account are filed by any Participant with the Trustees and the PRIM Board within sixty (60) days after the account has been furnished, or
- (c) objections to specified items in such account are filed with the Trustees and the PRIM Board within sixty (60) days after the account has been furnished, and the PRIM Board and the Trustees give no notice of any adjustment to the account within one hundred and fifty (150) days after such account has been furnished,

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

**ARTICLE 11
AMENDMENT**

Amendments. This Declaration of Trust may be amended from time to time by a written instrument signed and approved by at least five of the seven Trustees filed in accordance with the terms of Section 12.5 hereunder. Notice of any such amendment shall be furnished to each Participant in the SRBT Fund as soon as practicable.

**ARTICLE 12
MISCELLANEOUS PROVISIONS**

Section 12.1 Agent for Process. The Trustees shall be deemed to represent all persons, natural or legal, having an interest in the funds for the purpose of all judicial proceedings affecting the funds or any asset thereof, and only the Trustees need be made a party to any such action. The Trustees shall give notice to the Attorney General of the Commonwealth of any such proceedings.

Section 12.2 Definition of Words. The plural shall be substituted for the singular, or vice versa, in anyplace or places herein where the context may require such substitution or substitutions.

Section 12.3 Headings. Any paragraph or clause headings used throughout this instrument and any amendment to this instrument are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this instrument or any amendment to this instrument.

Section 12.4 Records. All records of the Board shall be a public record as defined in M.G.L. c.4, §7(26).

Section 12.5 Effective Date. This Declaration of Trust and any amendments thereto shall be filed with the General Court. If the General Court takes no final action relative thereto within 60 days of the date of the filing hereof with the Clerk of the House of Representatives and the Clerk of the Senate, the declaration or amendments thereto shall be deemed to be approved. That date shall be the effective date of this Declaration.

As amended this 9th day of December 2014, by Martin J. Benison, Chairman, Joseph E. Connarton, Terrence Finn, Michael C. Tow, CFP, Dolores L. Mitchell, Alan F. Gordon, and Catia Sharp the present duly authorized and acting members of the Board of Trustees of the State Retiree Benefits Trust Fund Trust.

APPROVED:

Martin J. Benison, Chairman /s/Martin J. Benison

Joseph E. Connarton /s/Joseph E. Connarton

Terrence Finn

/s/ Terrence Finn

Dolores L. Mitchell

/s/Dolores L. Mitchell

Michael C. Tow

/s/Michael C. Tow

Alan F. Gordon

/s/Alan F. Gordon

Catia Sharp

/s/Catia Sharp

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**POLICIES AND PROCEDURES OF THE
STATE RETIREE BENEFITS TRUST FUND BOARD OF TRUSTEES
WITH RESPECT TO THE STATE RETIREE BENEFITS TRUST FUND
DECEMBER 9, 2014**

ARTICLE 1

DEFINITIONS

Authority shall mean any political subdivision, agency or authority of the Commonwealth, other than a Municipality, which elects to participate in the SRBT Fund pursuant to Section 24(d), as it may be amended.

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

Municipal OPEB Trust Fund shall mean the Other Post-Employment Benefits Liability Trust Fund established by a Municipality pursuant to Section 20, as it may be amended.

Municipality shall mean a city, town, district, county, or municipal lighting plant that has accepted Section 20 or established an OPEB Fund pursuant to special legislation.

Participant shall mean a Municipality that has established a Municipal OPEB Trust Fund, has designated the SRBT Fund Board as the recipient of investments of the Municipal OPEB Trust Fund, pursuant to Section 20, and such designation has been accepted by the SRBT Fund Board,

or an Authority that has been authorized to participate in the SRBT Fund by the SRBT Fund Board pursuant to Section 24(d).

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

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

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

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

Section 20 shall mean M.G.L. c.32B, Section 20, as amended by c.68, Section 57 of the Acts of 2011.

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

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

ARTICLE 2

AUTHORITY OF THE SRBT Fund BOARD

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

Section 2.2 Investment Vehicle for Municipalities. The SRBT Fund Board is authorized by Section 20 to be the investment vehicle for Municipal OPEB Trust Funds if it chooses to accept designation by a Municipality. By virtue of Section 20, the SRBT Fund Board may approve the investment of monies in a Municipal OPEB Trust Fund in the SRBT Fund.

Section 2.3. Election by Authorities to Participate in the SRBT Fund. Pursuant to Section 24(d), the SRBT Fund Board may authorize any Authority to participate in the SRBT Fund using procedures and criteria to be adopted by the SRBT Fund Board.

Section 2.4 Acceptance of Designation; Authorization. The SRBT Fund Board will not accept designation by a Municipality as custodian of a Municipal OPEB Trust Fund. The SRBT Fund Board will accept the investments of a Municipality's OPEB Trust Fund and will authorize participation in the SRBT Fund by an Authority on the following conditions:

- (a) The Municipality has taken all necessary votes and actions either pursuant to Section 20 or pursuant to its special legislation, to establish a Municipal OPEB Trust Fund, appropriate monies to be credited to the Municipal OPEB Trust Fund and, if applicable, to designate the SRBT Fund Board as investment participant;
- (b) The Municipality understands and agrees that the Municipal OPEB Trust Fund will participate in the SRBT Fund and, as a participant in the SRBT Fund, will be invested in the same investment vehicles as the SRBT Fund and commingled with funds of the State System and other Participants;
- (c) The Authority shall have taken all votes and actions required by its enabling legislation and governing documents in order to participate in the SRBT Fund and to appropriate monies to be invested in the SRBT Fund.
- (d) The Municipality or the Authority understands and agrees that the SRBT Fund Board has invested the SRBT Fund in the PRIT Fund General Allocation Account;

- (e) The Municipality or the Authority understands and agrees that the PRIM Board is charged with supervision and management of the PRIT Fund General Allocation Account, and pursuant to an Administrative Services Agreement, dated as of October 1, 2011 as it may be amended, by and between the SRBT Fund Board and the PRIM Board, provides or causes its custodian, The Bank of New York Mellon Trust Company, N.A. or its successor, to provide all valuation, reporting and other recordkeeping services to the SRBT Fund and the Participants;
- (f) The Municipality or the Authority enters into an agreement regarding the above conditions with the SRBT Fund Board satisfactory in all respects to the SRBT Fund Board;
- (g) The Municipality or the Authority has presented evidence to the SRBT Fund Board of its plan for funding its Other Post-Employment Benefits liabilities, with a goal of appropriating a minimum of \$1,000,000 to be credited to its Other Post-Employment Benefits Trust Fund within three fiscal years;
- (h) The Municipality or Authority has appropriated a minimum of \$250,000 to be credited to the Other Post-Employment Benefits Trust Fund.

ARTICLE 3

PRIT FUND OPERATIONAL MATTERS

Section 3.1 Separate Investment Funds. The SRBT Fund consists of two investment funds, known as the “Capital Fund” and the “Cash Fund.” Each of these Funds is separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with by the PRIM Board. The Capital Fund portion of the SRBT Fund is invested in the General Allocation Account of the PRIT Fund. Portions of the SRBT Fund are invested in the Cash Fund on a temporary basis, in order to provide liquidity. References to the “SRBT Fund” shall be deemed to refer to both the Capital Fund and the Cash Fund, and each of them.

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

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

of any calendar month) Units of participation in the General Allocation Account of the PRIT Fund for the account of the SRBT Fund.

Section 3.4 Separate Accounts of Capital Fund. The PRIM Board has divided the beneficial interest in the Capital Fund of the PRIT Fund into separate accounts (“Accounts”) in accordance with Article 3 of the PRIM Board Operating Agreement. Each account is a separate component of the assets of the Capital Fund and the holders of Units of participation representing the beneficial interest in the assets of an Account are considered “Unit Holders” of such Account. The SRBT Fund is a Unit Holder of the General Allocation Account. The PRIM Board holds the Account and all deposits received for the acquisition of Units in the General Allocation Account and all the assets in which such deposits are invested or reinvested and all interest, dividends, income, earnings, profits and gains therefrom and proceeds thereof are held by the PRIM Board in trust for the benefit of the SRBT Fund as a holder of Units of participation in the General Allocation Account. The SRBT Fund does not have any claim to the assets of any Account in which it is not a Unit Holder. The assets of a particular Account are charged with the liabilities and expenses attributable to the Account.

ARTICLE 4

PARTICIPATION IN AND WITHDRAWAL FROM THE SRBT FUND

Section 4.1 Acceptance of Deposits. The participation of the State System and any Participant in the SRBT Fund shall be subject to the provisions of policies and procedures to be adopted by the SRBT Fund Board from time to time. All deposits accepted from the State System or any such Participant or otherwise, together with the income therefrom, shall be held,

managed and administered pursuant to these policies and procedures for the sole purpose of meeting the liabilities of the State System and the Participants for the health care and other non-pension benefits of their retirees.

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

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

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

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

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

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

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

ARTICLE 5

UNITS OF PARTICIPATION; VALUATION OF UNITS

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

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

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

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

Section 5.3 INTENTIONALLY OMITTED.

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

ARTICLE 6

VALUATION OF UNITS

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

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

ARTICLE 7

ADMINISTRATION

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

- (a) all Participants to which such account is furnished approve such account, or
- (b) no objections to specific items in such account are filed by any Participant with the SRBT Fund Board and PRIM Board within sixty (60) days after the account has been furnished, or

(c) objections to specified items in such account are filed with the SRBT Fund Board and PRIM Board within sixty (60) days after the account has been furnished, and the PRIM Board gives no notice of any adjustment to the account within one hundred and fifty (150) days after such account has been furnished, then, and in any of said events, the account of the PRIM Board, with respect to all matters contained therein (as originally furnished if no adjustment was made, or as adjusted if an adjustment was made), shall be deemed to have been approved by all Participants.

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TOWN OF WAYLAND, MASSACHUSETTS

Other Postemployment Benefits Plan
(A Fiduciary Component Unit of the Town of Wayland)

Annual Financial Statements

For the Year Ended June 30, 2015

Town of Wayland, Massachusetts
Other Postemployment Benefits Plan

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Wayland, Massachusetts

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the plan net position of the Town of Wayland Postemployment Benefits Plan (the "Plan"), a fiduciary component unit of the Town of Wayland, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Other Postemployment Benefits Plan of the Town of Wayland, Massachusetts, as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

December 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wayland, Massachusetts, Other Postemployment Benefits Plan, we offer readers this narrative overview and analysis of the financial activities of the Plan for the fiscal year ended June 30, 2015. It should be read in conjunction with the Plan's financial statements and accompanying notes.

A. BACKGROUND AND HIGHLIGHTS

Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 43") prescribes uniform financial reporting standards for other postemployment benefits ("OPEB") plans of all state and local governments. OPEB refers to postemployment benefits other than pension benefits and includes postemployment healthcare benefits which are covered under the Town of Wayland's ("Town") OPEB plan.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

The Plan is a fiduciary component unit of the Town. The accompanying financial statements of the Plan are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The measurement focus of the Plan is on the flow of economic resources. This focus emphasizes the determination of changes in Plan net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary component unit are included on the statement of plan net position. The Plan uses the accrual basis of accounting whereby contributions from the Town are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The Town is not required by law or contractual agreement to provide funding for the Plan, other than the "pay-as-you-go" cost of providing current benefits to current eligible retirees, spouses and dependents ("Pay-Go").

The following is a statement of changes in net position held in trust for the fiscal year ended June 30, 2015.

CHANGES IN NET POSITION

| | <u>Plan Activities 2015</u> |
|-----------------------------------|-------------------------------------|
| ADDITIONS | |
| Employer contributions | \$ 1,979,936 |
| Investment income | <u>122,982</u> |
| Total additions | 2,102,918 |
| DEDUCTIONS | |
| Benefit payments | 1,694,514 |
| Administrative expenses | <u>-</u> |
| Total deductions | <u>1,694,514</u> |
| CHANGE IN NET POSITION | 408,404 |
| NET POSITION HELD IN TRUST | |
| Beginning of year | <u>12,078,313</u> |
| End of year | <u>\$ 12,486,717</u> |

Additions. The following is detail information about the components which comprise the employer contributions to the Plan during the fiscal year ended June 30, 2015:

| | <u>2015</u> |
|--|---------------------|
| Trust Pay-Go | \$ 1,694,514 |
| General Fund contribution | 249,094 |
| Special Revenue and Water Fund contributions | <u>36,328</u> |
| Total employer contributions | <u>\$ 1,979,936</u> |

In fiscal 2015, the Town's contributions to the Trust increased by \$186,888 from the fiscal 2014 level, primarily as a result of the General Fund Contribution of \$249,094 appropriated from Free Cash at the April 3, 2014 Town Meeting. Trust Pay-Go (premiums plus implicit costs for the retiree medical program) decreased by \$514,467 due to decrease in deductions for benefits.

Investment income. The substantial decrease in investment income of \$1,249,886 from the previous fiscal year is due the declines in market between the periods.

Deductions. Benefit payments decreased by \$415,933 in fiscal year 2015 in comparison to the previous fiscal year. Per the Town of Wayland Other Post-employment Benefits Plan GASB 45 Actuarial Valuation as of December 31,

2014, Plan experience was much more favorable than expected due to lower than expected premium increases as well as a decrease in premiums for Medicare-Integrated plans over the two (2) year period vs. an expected 16% increase (this resulted in an approximate \$10.7 million actuarial gain). A slight reduction in the number of covered retirees and spouses contributed to an additional actuarial gain of approximately \$500,000. This was somewhat offset by the inclusion of the ACA excise tax and a more conservative mortality table. The actuarial experience gain is amortized into the annual OPEB costs over a 30-year period. The net impact of plan experience is a decrease in the annual OPEB cost.

Net position held in trust. In fiscal 2015, total net position held in trust increased by \$408,404, as a result of the changes in additions and deductions discussed above.

C. **OVERVIEW OF ACTUARIAL INFORMATION**

The following is a summary of information from the December 31, 2014 OPEB actuarial valuation for the Plan (in thousands):

| | |
|--------------------------------------|--------------------|
| Actuarial value of assets | \$ 12,305 |
| Actuarial accrued liability | <u>(30,088)</u> |
| Unfunded actuarial accrued liability | \$ <u>(17,783)</u> |

Actuarial value of assets. The actuarial value of assets (which is equal to the Plan's net position) as of December 31, 2014, the date of the most recent OPEB actuarial valuation, was \$12,305,046, an increase of \$2,075,939 from the prior valuation as of December 31, 2012 of \$10,229,107. This reflects the Plan activity for that period.

Unfunded actuarial accrued liability. The following is a summary of the changes in the unfunded actuarial accrued liability ("UAAL") from December 31, 2012 to December 31, 2014:

| | |
|--|----------------------|
| Beginning AAL | \$ 38,537,958 |
| Beginning actuarial value of assets | <u>(10,229,107)</u> |
| Unfunded AAL | 28,308,851 |
| Normal cost for prior periods | 2,197,946 |
| Employer contributions for prior periods | (4,187,287) |
| Interest to current valuation date | <u>4,202,813</u> |
| Expected UAAL | 30,522,323 |
| Actual UAAL | <u>(17,782,947)</u> |
| Net actuarial gain from plan experience | \$ <u>12,739,376</u> |

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Wayland, Massachusetts' OPEB finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Town of Wayland
41 Cochituate Road
Wayland, Massachusetts 01778

TOWN OF WAYLAND, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS PLAN
STATEMENT OF PLAN NET POSITION
JUNE 30, 2015

ASSETS

| | |
|---|------------|
| Cash and cash equivalents | \$ 90,409 |
| Investments - at fair value | 12,396,308 |
| MGL Chapter 32B section 9A 1/2 Receivable | <u>-</u> |

TOTAL ASSETS

12,486,717

LIABILITIES

| | |
|---------------------------------------|----------|
| Benefits payable and accrued expenses | <u>-</u> |
|---------------------------------------|----------|

**NET POSITION HELD IN TRUST FOR OTHER
POSTEMPLOYMENT BENEFITS**

\$ 12,486,717

The accompanying notes are an integral part of these financial statements.

TOWN OF WAYLAND, MASSACHUSETTS
 OTHER POSTEMPLOYMENT BENEFITS PLAN
 STATEMENT OF CHANGES IN PLAN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

ADDITIONS

| | | |
|------------------------|----|----------------|
| Employer contributions | \$ | 1,979,936 |
| Investment income | | <u>122,982</u> |
| Total Additions | | 2,102,918 |

DEDUCTIONS

| | | |
|-------------------------------|--|------------------|
| Benefit payments | | 1,694,514 |
| Administrative expenses | | <u>-</u> |
| Total Deductions | | <u>1,694,514</u> |
| CHANGE IN NET POSITION | | 408,404 |

**NET POSITION HELD BY PLAN FOR OTHER
 POSTEMPLOYMENT BENEFITS**

| | | |
|-------------------|----|--------------------------|
| Beginning of year | | <u>12,078,313</u> |
| End of year | \$ | <u><u>12,486,717</u></u> |

The accompanying notes are an integral part of these financial statements.

**TOWN OF WAYLAND, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Notes to Financial Statements

1. Background and Organization

The Town of Wayland, Massachusetts Other Postemployment Benefits Plan (the "Plan") is a fiduciary component unit of the Town of Wayland (The "Town"). The Plan is composed of the Wayland Town Retiree Health Benefits Trust (the "Trust") which is used to receive, hold and disburse assets accumulated to pay for some of the postretirement benefits other than pensions ("OPEB") provided by The Town to its retired employees. The Trust was established for the exclusive benefit of The Town's retired employees and their eligible spouses and dependents, to fund some of the OPEB provided in accordance with The Town's various collective bargaining agreements and The Town's Administrative Code. The Trust is tax exempt in accordance with Section 115 of the Internal Revenue Code. The Plan is classified as a single employer plan for Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43) purposes. The Plan is presented in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Town established the Trust under Chapter 372 of the Commonwealth of Massachusetts, passed by the House and Senate to be enacted, and signed by the Governor on November 17, 2010. The Trust is under the supervision and management of the Town Administrator and Finance Director. The Town Treasurer is the custodian of the OPEB Trust Fund. The OPEB Trust Fund shall be credited with all amounts appropriated or otherwise made available by the town, including any earnings or interest accruing from the investment of these funds, to offset the anticipated cost of health and life insurance contributions or other benefits for retired employees, their spouses and eligible dependents and the surviving spouses and eligible dependents of deceased retirees. Amounts in the OPEB Trust are expended only for the payment of the costs payable by the town for other postemployment benefits. The Plan is reported in accordance with MGL Chapter 32B Section 20.

The Town is not required by law or contractual agreement to provide funding for the Plan, other than the "pay-as-you-go" amount necessary to provide the current benefits to current eligible retirees, spouses and dependents ("Pay-Go").

2. Plan Description, Eligibility, and Membership Information

The Plan provides for the following postemployment benefits:

- Health insurance program (medical, prescription drug, and mental health/substance abuse insurance)
- Life and accidental death and dismemberment insurance benefits

Insurance Program

- The Town provides Comprehensive Medical Insurance offered through Blue Cross Blue Shield of Massachusetts, Fallon Community Health Plan, Tufts Health Plan and Harvard Pilgrim Health Care.
- Retiree contributions are established as follows (may be amended through Town ordinances):

| Group | Individual | Family |
|---------|--|--|
| Medical | 26%-50% of gross premiums depending on plan and coverage level elected | 26%-50% of gross premiums depending on plan and coverage level elected |
| Dental | not offered | not offered |
| Life | 50% of premiums | not offered |

Plan Eligibility — Generally, to qualify for OPEB benefits under the Plan, a retired employee of the Town must:

- Have at least 20 years of credited service as a member of Middlesex County Retirement System or at least 10 years of credited service if he or she became an employee before April 2, 2012 and has attained the age of 55 or 60 if hired on or after April 2, 2012 (if retirement is due to accidental disability, the service requirement for retirement does not apply); and,
- Have retired and be receiving a pension from Middlesex County Retirement System.
- For teachers covered under Massachusetts Teachers Retirement System, eligibility varies from the Town.

Surviving Spouse and Other Dependents

- Dependent coverage is terminated when a retiree dies, except in the following situations:

1. Lifetime coverage is provided to the surviving spouses and coverage to age 26 for children of uniformed members of the Police or Fire Department.
2. Possible lifetime coverage is provided to the surviving spouses and coverage to age 26 for children of disabled employees other than public safety employees.

Plan Membership — As permitted under GASB 43, the Plan has elected to use December 31, 2014, as the date of the OPEB actuarial valuation. The Plan's membership consisted of the following at December 31, 2014:

| | |
|---|---------------------|
| | <u>2015</u> |
| Actives | 643 |
| Retirees | <u>439</u> |
| Total number of participating employees | <u><u>1,082</u></u> |

3. **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

The Plan is a fiduciary component unit of The Town. Fiduciary component units are used to account for assets and activities when an entity is functioning as a trustee for another party. The accompanying financial statements of the Plan are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

B. **Basis of Accounting**

The measurement focus of the Plan is on the flow of economic resources. This focus emphasizes the determination of changes in the Plan's net position. With this measurement focus, all assets and liabilities associated with the operation of this fiduciary component unit are included on the statement of plan net position. This component unit uses the accrual basis of accounting whereby contributions from the employer are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

C. **Recent Accounting Pronouncements**

The Plan has completed the process of evaluating the impact of recently issued GASB Statements and has determined that those Statements are not applicable to the Plan.

D. Investments

The Plan's investments are those which are held in the Trust. Investments are reported on the statement of plan net position at fair value based on quoted market prices. Investment income, including changes in the fair value of investments, is reported in changes in plan net position during the reporting period.

4. Cash and Cash Equivalents

Cash and Cash Equivalents balances as of June 30, 2015, represent securities in the Plan's portfolio, held in the Trust, that mature within three months. The Plan held no cash deposits as of June 30, 2015. The cash and cash equivalents of the Trust specifically represent the Prime Fund Capital Reserve and Federated Prime Obligations Money Market.

5. Investments

The Plan's investments are those which are held in the Trust.

The Trust's policy is to invest the funds in a manner consistent with that of a Prudent Investor (as defined under MGL Chapter 203C), such that those funds, along with annual contributions from the Town, will be sufficient to meet the Town's future OPEB obligations. The initial goal of the fund is to reach a fully funded status by 2038. Fully funded status is reached when the value of the OPEB Investment Account is approximately equal to the actuarial accrued liability. Trust's policy is to calculate the actuarial accrued liability based on a premium-based forecast of Wayland's actual cash expenditure for OPEB and not on a GASB 45-based forecast. After achieving fully funded status, the OPEB Investment Account will be targeted to supplement any annual Town OPEB payments while maintaining a fully funded status as actuarially determined.

The Town Treasurer may, with the approval of the Health Care Security Trust Board of Trustees created by section 4 of chapter 29D of the General Laws and using criteria and procedures to be adopted by said Board of Trustees, invest such amounts in the State Retiree Benefits Trust Fund established by section 24 of chapter 32A of the General Laws. The Town Treasurer may employ any qualified bank, trust company, corporation, firm, or person to advise it on the investment of the fund and pay such expense from the fund.

A. Concentration

The Town minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. There are no investments in

any one issuer (other than U.S. Treasury securities and mutual funds) that represents 5% or more of total investments.

B. Diversification and Rate of Return (ROR)

The Trust's long-term investment ROR goal is 7%, which is consistent with the most recent actuarial report. Table below presents a guideline asset allocation:

| | <u>Target Range</u> | <u>Central Tendency</u> |
|--------------|---------------------|-------------------------|
| Cash | 0%–5% | 2% |
| Fixed Income | 15%–25% | 20% |
| Equities | 70%–80% | 75%–78% |
| Alternatives | 0%–5% | 0%–3% |

The term *central tendency* is generally used to describe the mean value or the typical annual ROR expected over a long period of time.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates is. As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Trust's manages the interest rate risk by managing duration in the account.

Information about the sensitivity of the fair values of the Trust's investments to market interest rate fluctuations is as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (Years)</u> | | |
|---------------------------|-------------------|--------------------------------------|--------------|-------------|
| | | <u>Less Than 1</u> | <u>1-5</u> | <u>6-10</u> |
| Debt-related Securities: | | | | |
| Federal agency securities | \$ 755,413 | \$ - | \$ 604,449 | \$ 150,964 |
| US Treasury notes | 352,380 | 60,956 | 213,559 | 77,865 |
| Corporate bonds | 641,941 | 76,253 | 565,688 | - |
| Total | \$ 1,749,734 | \$ 137,209 | \$ 1,383,696 | \$ 228,829 |

D. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Trust does not have a credit risk policy.

Presented below is the actual rating as of year-end for each investment of the Trust. All federal agency securities have an implied credit rating of AAA. Corporate equities and mutual funds are not rated.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Year-end</u> | |
|---------------------------|----------------------|-------------------------------|------------------------------|-------------------|
| | | | <u>Aaa</u> | <u>A2</u> |
| Federal agency securities | \$ 755,413 | \$ - | \$ 755,413 | \$ - |
| US Treasury notes | 352,380 | - | 352,380 | - |
| Mutual funds | 8,536,070 | 8,536,070 | - | - |
| Corporate bonds | 641,941 | - | - | 641,941 |
| Corporate equities | 2,110,504 | 2,110,504 | - | - |
| Total investments | \$ 12,396,308 | \$ 10,646,574 | \$ 1,107,793 | \$ 641,941 |

E. Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of the failure of the Trustee Bank, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Trust.

The Trust manages custodial credit risk by limiting its investments to highly rated institutions. Further all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safe-keeping receipts showing individual CUSIP numbers for each security.

6. Funded Status and Funding Progress – OPEB Plan

The funded status of the Plan as of the most recent OPEB actuarial valuation date is as follows (dollar amounts in thousands):

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Liability (AAL) - Entry Age (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u> |
|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 12/31/14 | \$ 12,305 | \$ 30,088 | \$ 17,783 | 40.9% | \$ 43,377 | 41.0% |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts

are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by employers in comparison to the annual required contribution ("ARC"), an amount that is actuarially determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover costs under the actuarial assumptions and methods utilized for each year. The Plan elected not to amortize but, rather, to recognize the entire unfunded actuarial liability during its first year.

Projections of benefits for financial reporting purposes are based on the substantive OPEB plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Town may not be obligated to provide the same types or levels of benefits to retirees in the future.

The Plan uses the Projected Unit Credit Cost Method ("PUCCM") actuarial cost method (one of the acceptable actuarial cost methods set forth in GASB 43, paragraph 34.d) to determine the Annual Required Contribution and the Unfunded Actuarial Accrued Liability ("UAAL"). With the pending update to GASB 45 (December 31, 2016), the PUCCM will be replaced by the Entry Age Normal Cost Method. Based on the census, the Town does not expect a material change in plan liabilities or expenses.

The Actuarial Accrued Liability ("AAL") as of December 31, 2014 of \$30 million was determined under the PUCCM.

The following is a brief description of the significant methods and assumptions used in the OPEB actuarial valuation. A complete description can be found in the Town of Wayland Other Postemployment Benefits Plan GASB 45 Actuarial Valuation as of December 31, 2014 which is available on the website of the Town of Wayland.

| | |
|--------------------------|--|
| Actuarial valuation date | December 31, 2014 |
| Actuarial cost method | Projected Unit Credit Cost Method |
| Discount rate | 7% per annum |
| Per-capital claims costs | Age gender adjusted from assumed average age of covered population |

**TOWN OF WAYLAND, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)
(Amounts Expressed in thousands)**

| Other Post-Employment Benefits | | | | | | |
|---------------------------------------|--|--|------------------------------------|--------------------------|---------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent- age of Covered Payroll [(b-a)/c] |
| 12/31/14 | \$ 12,305 | \$ 30,088 | \$ 17,783 | 40.9% | \$ 43,377 | 41.0% |
| 12/31/12 | \$ 10,229 | \$ 38,538 | \$ 28,309 | 26.5% | \$ 39,339 | 72.0% |
| 12/31/10 | \$ 3,763 | \$ 49,476 | \$ 45,713 | 7.6% | \$ 38,000 | 120.3% |
| 12/31/08 | \$ 764 | \$ 40,852 | \$ 40,088 | 1.9% | \$ 35,600 | 112.6% |

See Independent Auditors' Report.