

**MainePERS Board of Trustees
Finance and Audit Committee Meeting
February 9, 2023
139 Capitol Street, Augusta**

AGENDA

8:00 a.m.	CALL TO ORDER		Shirrin Blaisdell
8:00 – 8:05 a.m.	1. <u>SELECTION OF COMMITTEE CHAIR AND VICE CHAIR</u>	ACTION	Shirrin Blaisdell
8:05 – 8:10 a.m.	2. <u>MINUTES APPROVAL 11/10/2022 Meeting</u>	ACTION	Shirrin Blaisdell
8:10 – 8:20 a.m.	3. <u>ADMINISTRATION</u> a. FY24 Budget Timeline b. Employer Reporting Update		Sherry Vandrell
8:20 – 8:25 a.m.	4. <u>EXTERNAL AUDIT</u> a. GASB 68 Reports – FY22 b. GASB 75 Reports – FY 22		Sherry Vandrell
8:25 – 8:30 a.m.	5. <u>FINANCIAL STATEMENTS</u> a. 12/31/2022 Operating Expense Report b. 12/31/2022 Investment Operations Expense Report		Sherry Vandrell
8:30 – 8:40 a.m.	6. <u>INTERNAL AUDIT</u> a. Internal Audit Update b. Disability Program Compliance Assessment		Sherry Vandrell
8:40 – 8:45 a.m.	7. <u>OPEGA REQUIRED REPORTING TO THE BOARD</u> a. Travel Report b. Procurement Report		Sherry Vandrell
8:45 a.m.	ADJOURNMENT		Shirrin Blaisdell

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: MICHAEL J. COLLERAN, CHIEF OPERATING OFFICER AND
GENERAL COUNSEL
SUBJECT: CHAIR AND VICE CHAIR SELECTION
DATE: FEBRUARY 1, 2023

Board Policy 1.6 governs the membership and responsibilities of the Finance and Audit Committee of the Board. The policy states that the “Committee shall select the Chair and Vice Chair in February of each year.” This event is on the Board’s Work Plan. The policy does not permit the Board Chair to serve as Chair of the Committee.

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

[Board Policy 4.5 – Board/Staff Relations](#)

[Board Policy 4.6 – Communications and Support to the Board](#)

RECOMMENDATION

That the Finance and Audit Committee select its Chair and Vice Chair for the next year.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Meeting of the Finance and Audit Committee
November 10, 2022

139 Capitol Street
Augusta, Maine
8:00 a.m.

The meeting of the Finance and Audit Committee was held at 8:00 a.m. at the Maine Public Employees Retirement System, 139 Capitol Street, Augusta, Maine. Shirrin Blaisdell, Chair presided. Committee members Brian Noyes and Dick Metivier also participated. Joining the Trustees were Dr. Rebecca M. Wyke, CEO; Michael Colleran, Chief Operating Officer and General Counsel; and, Sherry Vandrell, Director of Finance.

Shirrin Blaisdell called the meeting to order at 8:00 a.m. Dick Metivier participated through video remote access pursuant to P.L. 2021, Ch. 290, having been excused from in-person attendance by the Chair due to illness.

MINUTES

Shirrin called for acceptance of the minutes from the August 11, 2022 meeting of the Finance and Audit Committee.

- **Action:** Dick Metivier made the motion, seconded by Brian Noyes, to accept the minutes from the August 11, 2022 meeting. Voted unanimously by those Trustees participating.

INTERNAL AUDIT UPDATE

Sherry Vandrell shared that Wipfli, LLP, provided the Committee with a copy of the formal Internal Control Risk Assessment Report and initial audit plan. Sherry stated audit work on the review of the disability program is underway by the firm of CliftonLarsonAllen (CLA). Two other engagements, with the focus on investment processes and controls and employer reporting processes and controls, will be conducted during 2023. Sherry answered various questions from the Committee.

- **Action:** Brian Noyes made the motion, seconded by Dick Metivier, to accept the formal Internal Control Risk Report and Audit Plan as prepared by Wipfli, LLP. Voted unanimously by those Trustees participating.

EXTERNAL AUDIT

Sherry Vandrell reported that drafts of the Schedules of Employer Allocations and Pension Amounts and Schedules of Employer Allocations and OPEB Amounts (the Schedules) for FY22 are in process. She stated Berry Dunn will be conducting an audit of the schedules and provide their opinion no later than January 31, 2023.

Sherry shared copies of the formal reports on the FY22 Financial Statement Audit and required Auditor Communications completed by Berry Dunn.

REPORT ON FINANCIAL OPERATIONS

Sherry provided copies of the Administrative and the Investment Operations Reports for the three months ending September 30, 2022.

OPEGA REPORT

Sherry shared the travel expense report for quarter ending September 30, 2022. She stated the procurement report will be provided in February, 2023. Sherry answered questions from the Committee.

ADJOURNMENT

- Action: Brian Noyes made the motion, seconded by Dick Metivier, to adjourn the meeting of the Finance and Audit Committee. Voted unanimously by those Trustees participating.

The meeting adjourned at 8:15 a.m.

The next meeting of the Finance and Audit Committee is expected to be held February 9, 2023, at the office of the Maine Public Employees Retirement System, 139 Capitol Street, Augusta, ME at 8:00 a.m.

February 9, 2023
Date Approved by the Committee

Dr. Rebecca M. Wyke, Chief Executive Officer

Date Signed

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: FY24 BUDGET MEETING SCHEDULE
DATE: FEBRUARY 2, 2023

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

SPECIAL BUDGET MEETING

A special meeting of the committee is scheduled for April 13, 2023 at 8:00 a.m. The purpose of this meeting is to review a first draft of management's proposed operating expense budgets for both the administrative operations and investment operations for fiscal year 2024. Comments from this meeting will be used to make adjustments as needed to the proposed budget for consideration at the regularly scheduled committee meeting in May.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: EMPLOYER REPORTING UPDATE
DATE: JANUARY 27, 2023

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

EMPLOYER REPORTING OVERVIEW

The process of collecting employer payroll data and contributions is a critical step in administering pension plans effectively. For the plans administered by MainePERS, employers report their payroll data weekly, bi-weekly, or monthly, and contributions are remitted on the same schedules. Most employers are on a monthly schedule and payroll data and contributions are due to MainePERS on the 15th of each month for the prior month.

The Employer Reporting business unit is responsible for collecting data and contributions from over 600 employer locations each month. Employers submit this information electronically via the Employer Self-Service (ESS) Portal. Employer Reporting staff monitor the activity, assist employer staff with submitting payroll files and forms, and review the data submitted for completeness and reasonableness. Part of monitoring the activity includes identifying employers who are late in submitting data or contributions and taking appropriate action to assist those employers with getting their information or contribution in.

There have been a number of recent media reports of employers failing to report accurately or timely because of operational challenges they are experiencing. I will provide a brief summary of the status of employer reporting activity, including some of the challenges the business unit has faced and is addressing, at your February meeting.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: GOVERNMENTAL ACCOUNTING STANDARDS BOARD REPORTING
DATE: FEBRUARY 2, 2023

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AND OPEB AMOUNTS

BerryDunn, LLC, has completed the annual audit of the FY2022 Schedules of Employer Allocations and Pension Amounts and Schedules of Employer Allocations and OPEB Amounts (the Schedules). The audit reports on the Schedules are unmodified.

The Schedules are designed to provide governmental employers who are participating in Plans administered by MainePERS information they need to report on their financial statements. This includes each employer's share of the collective net pension liability and net OPEB liability and related expenses now required by Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: FY23 – DECEMBER 2022 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: JANUARY 27, 2023

Reports of operating expenses for both administration and investment operations for the three months ended December 31, 2022 are attached for your review. The reports summarize, by expense category, the approved budgeted amounts for the current fiscal year and actual year-to-date expense through December 31, 2022.

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

[Board Policy 5.4 – Budgeting, Spending, and Reporting](#)

REVIEW OF FY23 OPERATING EXPENSES

Following is information about significant budget variances that occurred during the year:

Administration

(1) **Personnel Services** (Under budget 4.02% or \$403,661) – Personnel services costs include salaries and wages, along with associated benefits. There are several factors impacting this projected surplus. First, the projections are indicating an anticipated surplus in salaries and wages due to vacancies. At the end of December, we had 16 vacant positions in the roster even though we've been hiring fairly consistently. We have not been able to keep the net number of vacancies below 13 at any given point throughout the last six months. Some of those savings were depleted with the disbursement of the first of two retention payments for eligible staff in December. The second retention payment to eligible staff is expected to be made in June and the projected cost of that is included in the projected numbers at December 31st.

Second, health insurance is expected to be under budget, in part because of vacant positions, but also because we experienced one additional month of a "premium holiday",

resulting in additional savings. The budget anticipated three months of a premium holiday for health insurance and we actually had four. Finally, last quarter we reported that retirement contributions were down, in part due to the vacancies. This quarter, we incurred a \$49,000 cost for porting service for two confidential employees that was not anticipated in the budget.

(2) **Computer Equipment, Supplies and Support** (Under budget 4.03% or \$118,426) – The current projected surplus in computer equipment, supplies and support is a combination of a number of items. We recently discontinued the contract with Nexum, a provider of multi-factor authentication services for the Employer Portal and replaced it with a much less expensive MFA application, resulting in a savings of close to \$24,000. In addition, the decision was made to not pursue data loss prevention services in FY23, saving a projected \$50,000. This will be re-examined for the FY24 budget. We had budgeted for Member Self Service testing and remediation work in FY23 for a total of \$40,000. This work was completed for a cost of \$20,000, creating an additional savings of \$20,000. There are a number of other smaller line items that are either slightly higher or lower than budgeted, but they generally offset each other in the net difference.

(3) **Medical Consultation Services** (Over budget 7.43% or \$18,166) – The monthly consultation services provided by the University of Massachusetts were trending higher than budgeted for the first several months of the year and projections had been updated to reflect that. Costs for the three months this quarter were down slightly, on average but not enough to offset the earlier higher costs. We will continue to monitor the costs and update the projections as appropriate in the next report.

(4) **Buildings and Operations** (Over budget 15.19% or \$62,554) – The current projected deficit in this line is comprised primarily of three items. Electricity costs are one factor; costs for electricity had stabilized in the first quarter but at a higher rate than what we had anticipated during the budget process. Costs began climbing again significantly in the second quarter. The second factor is cleaning services. The cost of labor and supplies forced a renegotiation of our cleaning service contract, increasing that cost for the remainder of the year. Finally, actual property taxes for the Augusta building came in slightly higher than budgeted.

(5) **Insurance** (Over budget by 30.78% or \$29,246) – This increase in cost is directly related to Cyber insurance. The policy renewal for this year came in much higher than anticipated. Management is now researching options and evaluating whether we should consider a self-insured approach to address the risks associated with potential Cyber-attacks / incidents.

(6) **Printing and Publications** (Over budget by 22.97% or \$32,311) – We have produced several mailings in order to carry out satisfaction surveys and to communicate with retirees regarding Cost of Living Adjustments that were not anticipated in the budget. We are covering the costs related to these initiatives with savings in the professional services line item and will continue to monitor as we identify the need to do additional communications that might not otherwise be accounted for in the original budget.

(7) **Postage** (Over budget by 6.10% or \$15,592) – Postage is projected to be over budget for the year and this is directly related to the additional mailings discussed in item number 5 above.

(8) **Other Expenses** (Under budget by 2.46% or \$5,389) – Other expenses include miscellaneous expenses that are not categorized in other areas. When the budget was constructed last spring, we were still using specialized services to provide for a COVID testing program and the budget included a line item to continue that into FY23. As the situation has evolved, we have discontinued that testing and have remove the budgeted expenses from the projected expenses. These dollars have been used to offset some of the deficits in other line items.

Investment Operations

(1) **Personnel Services** (Under budget by 7.15% or \$193,462) – Personnel services taken together are under budget in the investments group due to one vacant position in the personnel complement. The investment budget also benefited from the additional month of health insurance premium holiday, but the impact is smaller due to the smaller staff size.

(2) **Legal Services** (Under budget by 14.26% or \$145,191) – Legal services related to investments were down as compared to budget. This is due, in part, to a smaller number of investment documents under review during the first half of this year.

(3) **Investment Consulting** (Over budget by 8.11% or 90,833) – Investment consulting services is projected to be over budget due to the changes made in consulting services for alternative asset classes. The increased costs to retain Albourne to provide services for Infrastructure, Natural Resources and Real Estate were partially offset by terminating services with ORG, and modifying the services provided by Cliffwater.

RECOMMENDATION

No action is required by the Committee at this time.

**Maine Public Employees Retirement System
FY23 Administrative Expenses YTD
And Year End Projection**

	FY 23 Budgeted	FY 23 Actual Thru 12/31/23	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 7,596,417	\$ 3,236,837	\$ 4,110,373	\$ 7,347,210	\$ 249,207
Overtime Wages	-	37,179	-	37,179	(37,179)
Total Salaries & Wages	<u>7,596,417</u>	<u>3,274,016</u>	<u>4,110,373</u>	<u>7,384,389</u>	<u>212,028</u>
Benefits					
Health Insurance	1,424,464	284,467	954,508	1,238,975	185,489
MainePERS Retirement Contributions	987,280	409,706	573,023	982,729	4,551
Retiree Health Insurance Reserve	8,868	4,434	4,434	8,868	-
Other Insurance and Benefits	<u>28,000</u>	<u>4,041</u>	<u>22,366</u>	<u>26,407</u>	<u>1,593</u>
Total Benefits	<u>2,448,612</u>	<u>702,648</u>	<u>1,554,331</u>	<u>2,256,979</u>	<u>191,633</u>
Total Personnel Services	<u><u>10,045,029</u></u>	<u><u>3,976,664</u></u>	<u><u>5,664,704</u></u>	<u><u>9,641,368</u></u>	<u><u>403,661</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	2,936,084	1,311,721	1,505,937	2,817,658	118,426 (2)
Medical Consultation Services	244,500	96,181	166,485	262,666	(18,166) (3)
Training and Tuition	84,560	22,001	63,661	85,662	(1,102)
Travel	62,005	9,245	42,715	51,960	10,045
Depreciation	927,876	458,938	433,606	892,544	35,332
Professional Services					
Actuarial Services	378,000	120,614	238,363	358,977	19,023
Audit Services	99,000	98,337	15,250	113,587	(14,587)
Legal Services	192,000	104,186	98,528	202,714	(10,714)
Hearing Officers Services	35,500	9,618	14,000	23,618	11,882
Other Professional Services	<u>935,873</u>	<u>171,687</u>	<u>743,921</u>	<u>915,608</u>	<u>20,265</u>
Total Professional Services	<u>1,640,373</u>	<u>504,442</u>	<u>1,110,062</u>	<u>1,614,504</u>	<u>25,869</u>
Other Operating Expenses					
Buildings and Operations	411,764	234,884	239,434	474,318	(62,554) (4)
Capital Lease Expense	545,859	271,504	274,336	545,840	19
Insurance	95,007	64,140	60,113	124,253	(29,246) (5)
Printing and Publications	140,658	100,859	72,110	172,969	(32,311) (6)
Postage	255,700	124,743	146,549	271,292	(15,592) (7)
Telephone	146,916	71,440	73,857	145,297	1,619
Other	<u>219,199</u>	<u>97,812</u>	<u>115,998</u>	<u>213,810</u>	<u>5,389</u> (8)
Total Other Operating Expenses	<u>1,815,103</u>	<u>965,382</u>	<u>982,397</u>	<u>1,947,779</u>	<u>(132,676)</u>
Total Operating Expenses	<u><u>7,710,501</u></u>	<u><u>3,367,910</u></u>	<u><u>4,304,863</u></u>	<u><u>7,672,773</u></u>	<u><u>37,728</u></u>
Total Administrative Expenses	<u><u>\$ 17,755,530</u></u>	<u><u>\$ 7,344,574</u></u>	<u><u>\$ 9,969,567</u></u>	<u><u>\$ 17,314,141</u></u>	<u><u>\$ 441,389</u></u>

**Maine Public Employees Retirement System
FY23 Investment Operations Expenses YTD
And Year End Projection**

	FY 23 Budgeted	FY 23 Actual Thru 11/30/22	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 2,142,873	\$ 874,344	\$ 1,122,148	\$ 1,996,492	\$ 146,381
Overtime Wages	-	-	-	-	-
Total Salaries & Wages	<u>2,142,873</u>	<u>874,344</u>	<u>1,122,148</u>	<u>1,996,492</u>	<u>146,381</u>
Benefits					
Health Insurance	213,691	48,422	144,324	192,746	20,945
MainePERS Retirement Contributions	347,463	140,636	180,691	321,327	26,136
Other Insurance and Benefits	-	-	-	-	-
Total Benefits	<u>561,154</u>	<u>189,058</u>	<u>325,015</u>	<u>514,073</u>	<u>47,081</u>
Total Personnel Services	<u><u>2,704,027</u></u>	<u><u>1,063,402</u></u>	<u><u>1,447,163</u></u>	<u><u>2,510,565</u></u>	<u><u>193,462</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	134,491	51,838	78,486	130,324	4,167
Medical Consultation Services	-	-	-	-	-
Training and Tuition	6,500	11,635	851	12,486	(5,986)
Travel	63,000	26,168	33,730	59,897	3,103
Depreciation	3,840	1,920	1,920	3,840	-
Professional Services					
Actuarial Services	-	-	-	-	-
Audit Services	54,000	50,750	-	50,750	3,250
Legal Services	1,018,500	364,059	509,250	873,309	145,191 (2)
Investment Consulting	1,120,000	560,000	650,833	1,210,833	(90,833) (3)
Proxy Voting Services	24,037	12,019	12,018	24,037	-
Custody Services	675,000	337,500	337,500	675,000	-
Other Professional Services	<u>202,500</u>	<u>1,313</u>	<u>184,637</u>	<u>185,950</u>	<u>16,550</u>
Total Professional Services	<u>3,094,037</u>	<u>1,325,641</u>	<u>1,694,238</u>	<u>3,019,879</u>	<u>74,158</u>
Other Operating Expenses					
Buildings and Operations	127,668	62,552	66,000	128,552	(884)
Capital Lease Expense	150,782	75,386	75,392	150,778	4
Insurance	340	337	-	337	3
Postage	540	210	270	480	60
Telephone	42,300	20,691	21,020	41,711	589
Other	<u>44,462</u>	<u>16,495</u>	<u>25,495</u>	<u>41,990</u>	<u>2,471</u>
Total Other Operating Expenses	<u>366,092</u>	<u>175,711</u>	<u>188,316</u>	<u>364,028</u>	<u>2,063</u>
Total Operating Expenses	<u><u>3,667,960</u></u>	<u><u>1,592,913</u></u>	<u><u>1,997,541</u></u>	<u><u>3,590,454</u></u>	<u><u>77,506</u></u>
Total Investment Operations Expenses	<u><u>\$ 6,371,987</u></u>	<u><u>\$ 2,656,315</u></u>	<u><u>\$ 3,444,704</u></u>	<u><u>\$ 6,101,019</u></u>	<u><u>\$ 270,968</u></u>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: INTERNAL AUDIT UPDATE
DATE: FEBRUARY 2, 2023

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

INTERNAL AUDIT UPDATE

We received the final report on the disability program review from CliftonLarsonAllen (CLA) on December 5, 2022. A copy of that report which was provided to the full board at the December meeting is included in your meeting materials. Two observations, one of which has since been resolved, were noted in the report.

A summary of audit finding activity for the quarter follows:

Activity for September through December, 31, 2022					
Source	Open Items Beginning of Quarter	Findings Resolved	Identified	Resolved	Open Items End of Quarter
Internal Audit	-	-	2	-	2
External Audit	-	-	-	-	-
Total	-	-	2	-	2

The next internal audit engagement is being scoped and will focus on investment processes and controls.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System (MainePERS) Disability Program Compliance Assessment

November 11, 2022



[CLAcconnect.com](https://www.CLAcconnect.com)

WEALTH ADVISORY

OUTSOURCING



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CLAAconnect.com

Maine Public Employees Retirement System
Augusta, ME

To: Executive Management

We have concluded our internal audit consulting engagement to perform the procedures for the disability program compliance assessment as described in the attached document. These procedures, which were agreed to by Maine Public Employees Retirement System (MainePERS), were applied solely to assist in evaluating the disability program and related requirements at MainePERS. The management of MainePERS is responsible for the operations and the internal controls related to disability program(s). This engagement was conducted in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The sufficiency of the procedures, including the scope of and timing of the procedures, is solely the responsibility of the Board of Trustees and management of MainePERS. Consequently, we make no representations regarding the sufficiency of the procedures described in the attached document either for the purpose for which this report has been requested or for any other purpose.

We have included findings and recommendations resulting from the consulting engagement for consideration of MainePERS. Our procedures covered the period from October 18, 2021 through July 31, 2022.

Our engagement to perform these procedures was conducted as a consulting services engagement. We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the operations or internal controls of MainePERS. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees, Audit Committee, Legislative Oversight, and management of MainePERS and should not be used by others; however, a copy may be provided to regulatory authorities.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania

November 11, 2022

Scope:

In coordination with MainePERS, there were key items identified related to S.P. 529 – L.D. 1644, An Act to Improve the Disability Retirement Program of the Maine Public Employees Retirement System, as enacted on June 17, 2021 (the “Act”). Specifically the following scope items were noted for assessment and conformance with the Act, including:

- Changes to policy and procedures due to the repeal of specific requirement for a medical review board, and the new provision and role for permission of the executive director to contract with a medical review service provider;
- System’s hearing officers must be independent contractors who serve as neutral independent decision makers;
- Policies and procedures must accurately reflect the change in definition of "disabled";
- Application process changes and updates noting that the executive director may grant benefits based on medical records and the member’s health care provider’s views, may obtain opinions and recommendations from the medical review service provider (as indicated above), and may not deny an application for disability retirement benefits without first obtaining an independent medical examination unless waived by the member;
- Process and policy changes related to the requirement that the board, executive director and hearing officers must primarily consider medical opinions in the record and whether the opinions are supported by sound medical evidence and are consistent with other medical evidence in the record;
- Process and rules are updated to indicate that attorney's fees up to a maximum of \$12,000 must be paid by the MainePERS for a member who appeals the denial of disability benefits and is subsequently awarded those benefits;
- Reporting updates as required of MainePERS to report to the Legislature over retirement matters on the experience of the system and its members, as impacted under the changes made by the bill; and
- Implementation of a stakeholder group to report to the Legislature (and reporting) over issuance of mandatory long-term disability insurance coverage.

Purpose and Objectives:

We reviewed the changes required in the statute and determined if MainePERS has implemented those provisions, and if not, identified and reported what was outstanding. In addition, the assessment provided executive management insight of process documentation for the program and highlighted any gaps in conformance of the requirements and scope as listed above. Lastly, the assessment reviewed two additional components of the program related to benefit calculation(s) – offsets and earnings limitations – to determine if MainePERS was applying those aspects consistently within the statute and board rule, and in a timely and controlled fashion on behalf of members.

Definition of Risk Classification Assigned to Findings and Recommendations:

CLA, with the aid of personnel from the MainePERS, obtained and reviewed documentation surrounding the Agency’s management and operations around the Disability Retirement Program, including appeals of disability retirement decisions. This document serves as a draft copy of observations and recommendations CLA noted over the course of the engagement, for management’s discussion and review before finalization. Below are risk definitions assigned to each of CLA’s observations, which begin on the following page.

Based on the review of the content of each observation, one of the following definitions of risk is assigned to facilitate comparison between observations.

Risk	Definition
High	<p>High priority issue, which requires immediate management attention. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:</p> <ul style="list-style-type: none">• Substantial losses, possibly in conjunction with other weaknesses in the control framework, systems/applications, or the organizational entity or process being audited.• Serious violation of corporate strategies, policies, or values.• Serious reputation damage, such as negative publicity. And/or• Significant adverse regulatory impact, such as loss of operating license or material fines.
Moderate	<p>Timely management attention is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none">• Financial losses.• Loss of effective or efficient control within the organizational entity, systems/applications, or process being audited.• Reputation damage. And/or• Adverse regulatory impact, such as report comments or material fines.
Low	<p>Low priority issue that requires routine management attention. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity, systems/applications, or process being audited. Risks of loss or inefficiency are immaterial/inconsequential or significantly limited.</p>

Observation #	Description of Observation (Potential Deficiency)	Risk	Description of Recommendation
1	<p>The MainePERS line of business software used for calculating benefit payments has functional limitations when processing complex calculations to determine the appropriate benefit payment amount and when archiving calculation history for previous benefit payments.</p> <p>For one (1) of the five (5) samples selected for benefit calculation testing, there was an immaterial discrepancy between the calculated benefit amount within the system and the finalized benefit amount. Upon follow up, it was determined that external spreadsheets are utilized to compute the benefit, which was then entered into the system manually.</p> <p>For one (1) of the nine (9) samples selected for offset calculation testing, there was past calculation data that was overwritten within the system to reflect the current status of the member. To obtain the past data, an external spreadsheet was utilized to show the past computation of the benefit.</p>	High	<p>We recommend assessing the line of business software functional limitations and performing a cost-benefit analysis on the impact that these limitations have on operations. From that analysis, a decision can be made to either work with the hosting party / vendor of the software to determine enhancements to address functional limitation or to explore other software options and solutions.</p> <p>Management Response: Management agrees that the use of spreadsheets to do calculations outside of the line of business system creates risk. MainePERS is assessing whether calculations currently performed manually can be added to the line of business application efficiently or if another solution can be put in place. The question related to archiving calculation history will be investigated with the vendor. This work is ongoing.</p>
2	<p>As a part of the MainePERS Disability Services Practice policies and procedures, it was noted that one of the policies had not been updated/approved since the 130th Maine Legislature update:</p> <ul style="list-style-type: none"> • 2.1 – Medical Diagnosis (Last updated/approved on February of 2021) <p>Upon follow up and review of the policy and practice review logs, it was noted that Policy 2.1 had also not been reviewed since it was last updated in February of 2021.</p>	Low	<p>We recommend that all policies and procedural documents be subject to the annual review process.</p> <p>Management Response: Management has a system in place to track the review of policies and procedural documentation with each document being subject to review annually. Policy 2.1 – Medical Diagnosis is currently under review to be updated.</p>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: FY23 – 2ND QUARTER REPORTS – TRAVEL AND PROCUREMENT
DATE: FEBRUARY 2, 2023

POLICY REFERENCE

[Board Policy 1.6 – Finance and Audit Committee of the Board](#)

[Board Policy 5.4 – Budgeting, Spending, and Reporting](#)

TRAVEL EXPENSE REPORT

The report of travel expenses for the quarter ended December 31, 2022 is attached for your review. This report is provided in accordance with the System Policy 3.2 – Travel which is in compliance with the State of Maine’s Office of Program Evaluation and Government Accountability (OPEGA) requirements.

PROCUREMENT REPORT

The report of procurement activity for the six months ended December 31, 2022 is attached for your review. This report is provided in accordance with the System Policy 3.1 – Procurement, which is in compliance with OPEGA requirements.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System
Travel Report to the Board of Trustees
For the Period of October 1, 2022 through December 31, 2022

Traveler	In/Out of State	Dept.	Dates of Travel			Destination	Purpose of Travel	M&IE	Lodging	Transportation	Other	Reimbursed Expenses	Total Expenses	
			Start	End	Thru									
Ackor, James	O	Investments	October 30, 2022	Thru	November 5, 2022	London, UK	Sovereign Capital, Summit Europe Growth Equity Fund IV, CVC Capital Partners, General Catalyst, Advent International, TCV Meetings	603.00	1,309.56	1,729.10	-	-	3,641.66	
Ackor, James	O	Investments	November 15, 2022	Thru	November 16, 2022	New York, NY	Riverside Annual Meeting	66.00	430.08	348.20	-	-	844.28	
Bennett, James	O	Investments	October 17, 2022	Thru	October 18, 2022	New York, NY	Ares Capital, Deerpath Capital, SLR Capital Meetings	74.00	346.64	433.44	-	-	854.08	
Bennett, James	O	Investments	December 5, 2022	Thru	December 6, 2022	Washington, DC	KKR CIO Symposium	-	221.53	678.65	-	-	900.18	
Hodgkins, Justin	O	Investments	November 14, 2022	Thru	November 17, 2022	Los Angeles, CA	Brookfield, Blackrock, Calmwater Meetings	106.00	739.04	505.61	-	-	1,350.65	
Keller, Seth	O	Investments	October 4, 2022	Thru	October 7, 2022	Chelan, WA	IFC Annual Meeting	66.00	603.24	652.20	-	(603.24)	718.20	* Lodging paid by Fund
Keller, Seth	O	Investments	October 14, 2022	Thru	October 22, 2022	Porto, Portugal London, UK	Cube Infrastructure Meeting Aspect Capital, HBK Capital, Varde Partners, King Street, ISAM, Capula Investments Meetings	232.00	1,701.38	1,431.86	-	(1,704.50)	1,660.74	* Lodging and Airfare partially paid by Fund
Parker, Bartley	O	Investments	October 19, 2022	Thru	October 21, 2022	Washington, D.C.	PREA Investor Conference	87.00	590.84	365.17	150.00	-	1,193.01	
Parker, Bartley	O	Investments	October 26, 2022	Thru	October 26, 2022	Cambridge, MA	Blackstone Meeting	-	-	56.55	-	-	56.55	
Parker, Bartley	O	Investments	October 31, 2022	Thru	November 3, 2022	London, UK	Westbrook Partners, Meadow Partners, KKR Real Estate Meetings	135.00	1,004.73	2,493.37	-	(3,443.10)	190.00	* Lodging and Airfare paid by Fund
Pierter, Mitchell	O	Investments	December 7, 2022	Thru	December 7, 2022	New York, NY	Meridiam North America Meeting	79.00	-	359.21	-	-	438.21	
Porter, Douglas	O	Investments	October 17, 2022	Thru	October 17, 2022	New York, NY	SLR Capital, Ares and Deerpath Meetings	43.00	-	281.58	-	-	324.58	
Porter, Douglas	O	Investments	October 20, 2022	Thru	October 20, 2022	Boston, MA	Audax Annual Meeting	25.00	-	45.00	-	-	70.00	
Porter, Douglas	O	Investments	November 7, 2022	Thru	November 8, 2022	Boston, MA	Pathlight Annual Meeting	30.00	313.26	55.00	-	(358.26)	40.00	* Lodging and Transpiration paid by Fund
Porter, Douglas	O	Investments	November 14, 2022	Thru	November 17, 2022	Los Angeles, CA	Brookfield, Blackrock, Calmwater Meetings	106.00	638.00	1,787.58	-	(2,220.62)	310.96	* Lodging and Airfare paid by Fund
Proom, William	O	Investments	October 25, 2022	Thru	October 26, 2022	Newark, NJ	EQT, GIP, Carlyle and Tactical Infrastructure Partners Meetings	118.50	575.06	405.26	-	-	1,098.82	
Proom, William	O	Investments	November 9, 2022	Thru	November 9, 2022	Newark, NJ	Antin Infrastructure Partners Meeting	18.00	-	462.61	-	-	480.61	
Proom, William	O	Investments	November 14, 2022	Thru	November 14, 2022	Newark, NJ	Copenhagen Infrastructure Partners Meeting	59.00	-	414.61	-	-	473.61	
Vandrell, Sherry	O	Accounting	October 23, 2022	Thru	October 29, 2022	Philadelphia, PA	P2F2 Conference	94.00	926.28	671.08	450.00	-	2,141.36	
Staff	I	Various	October 1, 2022	Thru	December 31, 2022	-	Misc. Local Travel	-	-	839.61	-	-	839.61	
Trustees	I	Trustees	October 1, 2022	Thru	December 31, 2022	-	Board Meetings	-	-	533.20	-	-	533.20	
TOTAL EXPENSES								1,941.50	9,399.64	14,548.89	600.00	(8,329.72)	18,160.31	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

REPORT TO THE FINANCE AND AUDIT COMMITTEE - PROCUREMENT

FOR THE PERIOD OF JULY 1, 2022 - DECEMBER 31, 2022

VENDOR NAME	CATEGORY	AMOUNT	TYPE	CONFLICT OF INTEREST LANGUAGE ⁽²⁾	CONTRACT DATE
Augusta Ontario Warehouse LLC	Competitive Bid	\$ 230,575	Leasehold Improvements	N	June 20, 2017
Axispoint Technology Solutions	Competitive Bid	\$ 17,500	IT Professional Services	Y	September 17, 2020
Bangor Savings Bank	Competitive Bid	\$ 16,438	Banking Services	Y	April 7, 2022
Berry Dunn	Competitive Bid	\$ 112,500	Auditing Services	Y	May 17, 2016
C&W Facility Services Inc.	Competitive Bid	\$ 25,831	Janitorial Services	Y	February 7, 2019
Cambridge Associates LLC	Competitive Bid	\$ 157,500	Investment Consulting	N	April 1, 2022
Capital Area Staffing Solutions, Inc.	Competitive Bid	\$ 24,725	Temporary Staffing	Y	December 17, 2018
Carahsoft Technology Consultant	Competitive Bid	\$ 44,910	IT Software Licenses & Support	n/a	July 31, 2020
Central Maine Power	Competitive Bid	\$ 48,444	Electricity	n/a	n/a
CliftonLarsonAllen LLP	Competitive Bid	\$ 17,837	Auditing Services	Y	March 1, 2022
Cliffwater LLC	Competitive Bid	\$ 250,000	Investment Consulting	N	October 15, 2009
Connectivity Point	Competitive Bid	\$ 13,951	Building Alarm Monitoring	n/a	n/a
Datavail Corporation	Competitive Bid	\$ 48,798	IT Database Administration Services	Y	January 1, 2021
FirstLight Fiber	Competitive Bid	\$ 49,575	Telephone/Internet	N	May 20, 2020
JP Morgan	Competitive Bid	\$ 504,700	Investment Consulting	N	March 10, 2011
Kyocera(PCCI)/Wells Fargo	Competitive Bid	\$ 25,975	Copier Leases/Printer Service & Supplies	Y	December 7, 2021
LexisNexis Risk Solutions	Competitive Bid	\$ 28,644	ID Verification Services	N	August 1, 2019
Milliman, Inc.	Competitive Bid	\$ 32,047	Consulting	Y	November 14, 2017
One City Center Associates LLC	Competitive Bid	\$ 133,401	Leased Office Space	N	August 15, 2013
ORG Portfolio Management LLC	Competitive Bid	\$ 76,250	Investment Consulting	Y	July 1, 2016
Presidio Networked Solutions LLC	Competitive Bid	\$ 453,547	IT Professional Services	Y	August 1, 2018
Seabreeze Property Services	Competitive Bid	\$ 47,989	Building and Grounds Maintenance	Y	July 1, 2019
Snowman Printing	Competitive Bid	\$ 144,342	Printing Services	Y	November 27, 2019
Thayer Inc.	Competitive Bid	\$ 34,219	HVAC Maintenance, Support and Equipment	Y	December 21, 2018
University of Massachusetts Medical School	Competitive Bid	\$ 100,325	Medical Records	Y	August 1, 2020
Verizon Wireless	Competitive Bid	\$ 17,186	Telephone/Internet	N	October 19, 2020
Visible Logic	Competitive Bid	\$ 12,094	Consulting	Y	May 1, 2021
Wipfli LLP	Competitive Bid	\$ 18,750	Auditing Services	Y	March 1, 2022
	Subtotal - Competitive Bid	\$ 2,688,053			
Adobe Systems Inc.	Sole-Source Per Policy	\$ 19,746	IT Software Licenses & Support	n/a	n/a
Bernstein Shur	Sole-Source Per Policy	\$ 11,310	Legal Services	Y	June 14, 2017
Consolidated Communications, Inc.	Sole-Source Per Policy	\$ 13,152	Telephone/Internet	Y	n/a
Dell Marketing LP	Sole-Source Per Policy	\$ 23,095	IT Computer Equipment	n/a	n/a
Korn Ferry Hay Group, Inc.	Sole-Source Per Policy	\$ 47,908	HR Consulting	Y	July 21, 2020
LogMeIn Communications, Inc.	Sole-Source Per Policy	\$ 30,688	Telephone/Internet	N	April 28, 2020
Mythics, Inc.	Sole-Source Per Policy	\$ 80,404	IT Software Licenses & Support	n/a	n/a
The Hartford	Sole-Source Per Policy	\$ 494,268	Insurance	Y	July 1, 2020
Vitech Systems Group, Inc.	Sole-Source Per Policy	\$ 985,214	V3 Upgrade & Support of Current Version	n/a	n/a
ZOHO Corporation	Sole-Source Per Policy	\$ 11,821	IT Software Licenses & Support	n/a	n/a
	Subtotal - Sole-Source Per Policy	\$ 1,717,606			
Chapman And Cutler, LLP	Under Review ⁽¹⁾	\$ 177,562	Legal Services	Y	February 20, 2012
Cheiron, Inc.	Under Review ⁽¹⁾	\$ 148,345	Actuarial Services	N	September 23, 2009
DrummondWoodsum	Under Review ⁽¹⁾	\$ 22,787	Legal Services	N	n/a
Ice Miller LLP	Under Review ⁽¹⁾	\$ 24,589	Legal Services	n/a	n/a
Iron Mountain	Under Review ⁽¹⁾	\$ 23,482	IT Computer Backup Services	N	August 5, 2014
Morgan, Lewis & Bockius LLP	Under Review ⁽¹⁾	\$ 206,497	Legal Services	N	February 5, 2011
Mosaic Governance Advisors	Under Review (1)	\$ 10,861	Consulting	N	July 21, 2017
Northwind Ventures, Inc.	Under Review ⁽¹⁾	\$ 12,521	IT Professional Services	N	April 11, 2018
Tyler Technologies, Inc.	Under Review ⁽¹⁾	\$ 65,725	IT Professional Services	N	July 28, 2011
	Subtotal - Under Review	\$ 692,370			
	GRAND TOTAL	\$ 5,098,028			

⁽¹⁾Vendors under review include those that had a pre-existing contract at 7/1/13, when the statute came into effect, and either automatically renews each year or is terminated upon request of either party. This category also includes investment vendors who may have been selected through a non-standard competitive process. Vendors under review may be moved into the competitive bid category after further review or an RFP or a sole-source justification will be prepared.

⁽²⁾As pre-existing contracts expire and are competitively bid, the *conflict of interest language* indicator will be populated. In cases where no formal contract was entered into (a Purchase Order or standard vendor agreement was used, for example), this field is n/a.