

**MainePERS Board of Trustees
Finance and Audit Committee Meeting
November 10, 2022
139 Capitol Street, Augusta**

AGENDA

8:00 a.m.	CALL TO ORDER		Shirrin Blaisdell
8:00 – 8:05 a.m.	1. MINUTES APPROVAL 8/11/2022 Meeting	ACTION	Shirrin Blaisdell
8:05 – 8:15 a.m.	2. INTERNAL AUDIT UPDATE		Dr. Rebecca M. Wyke Sherry Vandrell
8:15 – 8:20 a.m.	3. EXTERNAL AUDIT		Sherry Vandrell
	a. Pension and OPEB Supplemental Report Status		
	b. Financial Statements and Required Auditor Communications		
8:20 – 8:40 a.m.	4. REPORT ON FINANCIAL OPERATIONS		Dr. Rebecca M. Wyke Sherry Vandrell
	a. 9/30/2022 Administration Operations Expense Report		
	b. 9/30/2022 Investment Operations Expense Report		
8:40 – 8:45 a.m.	5. OPEGA REQUIRED REPORTING TO THE BOARD		Dr. Rebecca M. Wyke Sherry Vandrell
	a. Travel Report		
	b. Procurement Report – Next Report in February		
8:45 a.m.	ADJOURNMENT		Shirrin Blaisdell

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Meeting of the Finance and Audit Committee
August 11, 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 office of the Maine Public Employees Retirement System, 139 Capitol Street, Augusta, Maine. Shirrin Blaisdell, Finance and Audit Committee Chair, presided. Committee members Brian Noyes and Dick Metivier also participated. Joining the Trustees were Dr. Rebecca M. Wyke, Chief Executive Officer; Michael Colleran, Chief Operating Officer and General Counsel; Sherry Vandrell, Director of Finance; Mark LaPrade and Leah Clair of BerryDunn; and Sarah Lutzke and Chris Curran of Wipfli.

MINUTES

Shirrin called for acceptance of the minutes from the May 12, 2022 meeting of the Finance and Audit Committee.

- **Action:** Brian Noyes made the motion, seconded by Dick Metivier, to accept the minutes from the May 12, 2022 meeting. Voted unanimously by those Trustees participating.

INTERNAL AUDIT REPORT

Sarah Lutzke and Chris Curran of Wipfli provided an overview of the internal audit risk assessment process and the results of that process. Sarah and Chris provided an update on the work related to the internal audit program. Sarah and Chris answered questions from the Committee.

EXTERNAL AUDIT

Mark LaPrade and Leah Clair of BerryDunn presented their audit plan for the independent audit of the System's FY22 financial statements. Leah discussed the roles and responsibilities of the auditor and management with respect to the financial statements and presented the scope of the engagement in regards to the financial statements as a whole, the ACFR, required supplementary information, and the schedules required by GASB 68 and 75. Leah and the Committee discussed the various steps in planning and performing the audit including the required auditor communications.

Mark reviewed the audited components of the GASB 68 and GASB 75 schedules. Mark also reviewed the significant audit areas to be tested, noting primary focus is on investments, contributions, and benefits paid. Mark shared dates for year-end, draft reports, and the final presentation to the Finance and Audit Committee. Mark discussed the various fraud risks with the Committee.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: INTERNAL AUDIT UPDATE
DATE: NOVEMBER 2, 2022

POLICY REFERENCE

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

INTERNAL AUDIT UPDATE

We have received the formal Internal Control Risk Assessment Report and initial audit plan from Wipfli, LLP, which is included in your packet. The report details the methodology used to arrive at the risk ratings and proposed audits for the next five years. We plan to conduct three engagements, one per quarter, for the remainder of this fiscal year. The first engagement, a review of the disability program, is currently underway. This work is being done by the firm of CliftonLarsonAllen (CLA). The second engagement is planned for the quarter beginning in January of 2023 and will focus on investment processes and controls. The final engagement for this year is expected to begin in April of 2023 and will focus on employer reporting processes and controls. These areas were selected based in part on risk ratings, but also based on resource availability. These two engagements have not yet been scoped or assigned to an external audit partner. That work will begin in the coming weeks.

RECOMMENDATION

Accept the formal Internal Control Risk Report and Audit Plan as prepared by Wipfli, LLP.

Maine Public Employees Retirement System

Augusta, Maine

Internal Control Risk Assessment
August 2022

Preliminary report issued: October 7, 2022
Final report issued: October 27, 2022

Prepared by Wipfli LLP

wipfli.com



WIPFLI

2022 Risk Assessment and Internal Audit Plan

Approval of the Maine Public Employees Retirement System

2022 Risk Assessment and Internal Audit Plan Covering 2023-2027

In accordance with the terms of our engagement letter dated June 16, 2022, and accepted by Sherry Vandrell, we have completed an internal control risk assessment engagement for the Maine Public Employees Retirement System (MainePERS).

Management, in conjunction with the Finance and Audit Committee of MainePERS' Board of Trustees, is responsible for approving the annual risk assessment and internal audit plan. Approval of MainePERS' annual risk assessment and internal audit plan for the period of July 1, 2022, through June 30, 2027, is hereby granted by management and the Finance and Audit Committee, as signed by the MainePERS' Committee Chairman.

Shirrin Blaisdell
Finance & Audit Committee Chairman
MainePERS

Date

Sherry Vandrell
Director of Finance
MainePERS

Date

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Appendix A – Risk factor definitions

Appendix B – Business area scope suggestions

I. General information

The Maine Public Employees Retirement System (the MainePERS) is an incorporated public instrumentality of the State governed by a Board of Trustees pursuant to Maine law. Since 1942, the MainePERS has joined with public employers to help their employees prepare for retirement. The System's active contributing members include teachers, state, county, and municipal employees, legislators, judges, and others. Upon retirement, members receive monthly benefits from their respective defined benefit plans. The System also administers disability retirement, group life insurance, survivor services, and a tax-deferred retirement savings program known as MaineSTART. Management of these programs includes financial and investment administration, recordkeeping of members' work and compensation data, and administration of retirement and related services.

Wipfli was engaged to complete a comprehensive internal audit risk assessment and corresponding five-year audit plan as defined in the MainePERS' Engagement Letter dated June 16, 2022. An internal audit risk assessment utilizes a common set of risk factors across all business units to help management and the MainePERS' Finance and Audit Committee evaluate areas of highest risk and how internal audit time and energy should be spent.

We appreciate the opportunity to have assisted the MainePERS with this project.

II. Risk assessment objectives and scope

Objectives

The objective of this project was to perform a risk assessment for the MainePERS and draft a five-year risk-based internal control audit plan. Emphasis was placed on covering all identified auditable activities throughout the organization.

Specific objectives included:

- Obtaining an understanding of the processes through which the MainePERS conducts its business.
- Performing a comprehensive risk assessment to identify and evaluate the key business risks that may impact the organization.
- Developing a five-year internal audit plan.

Scope

The risk assessment covered the entire organization to ensure the scope of the final internal audit plan was comprehensive and covered all operations of the organization. In addition, efforts were made to ensure all key departments were interviewed and their views on risks were considered.

Interviews held with management covered key departments, the associated processes and activities, personnel, and information systems. Discussions focused on the current state of activities (2022) as well as near-term changes (2022–2023) that may impact processes and risk.

The risk assessment will support the internal audit plan. The proposed internal audit plan will be multi-year, covering a five-year period.

III. Risk assessment approach

The risk assessment methodology uses both a bottom-up and top-down approach, combining information obtained from interviews and knowledge of the MainePERS’ business risks and challenges of the current state of the organization.

Changes that occurred during the year, as well as anticipated changes in the near term, were also considered and analyzed (i.e., new strategic initiatives, key personnel changes, process changes, information system changes, etc.) to help assess the current and emerging risks and identify significant risks relevant to the MainePERS.

A summary of the risk assessment approach includes the following activities:

- Prepared the preliminary internal audit scope using a top-down approach using the following information:
 - ▶ Organizational charts;
 - ▶ The MainePERS’ ‘DRAFT’ Strategic Plan;
 - ▶ The MainePERS’ Board of Trustees and Finance & Audit Committee meeting minutes;
 - ▶ Information systems and applications inventory;
 - ▶ Annual comprehensive financial report for year ended June 30, 2021; and
 - ▶ Key operational policies.
- Conducted interviews with key members of each department to understand the MainePERS’ views of risk and key areas of concern.
- Determined the auditable activities for each function at the MainePERS.

Interview list

Interviews were conducted with the following key personnel to obtain background information on each department, their duties, and general control structure.

Name	Department
Andy Rasche	Accounting and Finance
Blaine Ward	Employer Reporting
David Jones	Member Services
Jennifer Lidback	Accounting and Finance
Joy Childs	Information Security and Technology
Kathy Morin	Actuarial and Legislative Affairs
Lew Robichau	Facilities
Lynn Clark	Human Resources
Mara McGowen	Survivor Services
Michael Colleran	Legal
Rebecca Grant	Business Continuity Planning and Document Center
Sherry Vandrell	Employer Reporting and Internal Controls
Stephanie Whitney	Disability
Jim Bennett / Zackery McGuire	Investments

- Assessed inherent risk using the following risk factors: (1) Balance of account and/or volume of activity; (2) new or changed processing systems, products, services, or procedures; (3) personnel turnover; (4) complexity of the completion of the function; (5) susceptibility to fraud; and (6) volume and severity of issues previously identified. Not all risk factors will be applicable to each business area, line of business, process, or activity. A score of one to five for each of the inherent risk factors was assessed for a total score and inherent risk rating. Total inherent risk scores were evaluated, and risk ratings were set at high, moderate, or low as described in the table below.

Inherent risk classification	Score
Above 3.00	High
Less than 3.00 but greater than or equal to 1.75	Moderate
Less than 1.75	Low

- Assessed the mitigating controls for each business area and the associated lines of business, processes, or activities using the following factors: (1) level of documented control procedures, (2) level of internal monitoring and/or control activity, (3) information and reporting, (4) personnel mix and training, (5) system automation, and (6) Board and management oversight. A score of one to five for each of the mitigating control risk factors was assessed for a total score and control risk rating. Total mitigating control scores were evaluated, and risk ratings were set at strong, satisfactory, or weak as described in the table below.

Mitigating control classification	Score
Above 3.00	Weak
Less than 3.00 but greater than or equal to 1.75	Satisfactory
Less than 1.75	Strong

- Assessed residual risk (the risk that remains after controls are taken into account or the net risk after controls and/or other mitigating factors are considered) based on the inherent risk assessment, consideration of the internal control structure and risk management system, and management’s determination of the direction of risk.

Inherent/mitigating controls/direction of risk	Residual risk score
High/Weak/Increasing	High
High/Satisfactory/Increasing	High
High/Strong/Increasing	High
High/Weak/Stable	High
High/Satisfactory/Stable	High
High/Strong/Stable	Moderate
High/Weak/Decreasing	High
High/Satisfactory/Decreasing	High
High/Strong/Decreasing	Moderate

Inherent/mitigating controls/direction of risk	Residual risk score
Moderate/Weak/Increasing	Moderate
Moderate/Satisfactory/Increasing	Moderate
Moderate/Strong/Increasing	Moderate
Moderate/Weak/Stable	Moderate
Moderate/Satisfactory/Stable	Moderate
Moderate/Strong/Stable	Low
Moderate/Weak/Decreasing	Moderate
Moderate/Satisfactory/Decreasing	Moderate
Moderate/Strong/Decreasing	Low
Low/Weak/Increasing	Low
Low/Satisfactory/Increasing	Low
Low/Strong/Increasing	Low
Low/Weak/Stable	Low
Low/Satisfactory/Stable	Low
Low/Strong/Stable	Low
Low/Weak/Decreasing	Low
Low/Satisfactory/Decreasing	Low
Low/Strong/Decreasing	Low

IV. Risk assessment executive summary

Overview

The risk assessment identifies the perceived level of risk from an inherent risk perspective. Inherent risk is defined as the risk an activity poses if no controls or other mitigating factors are in place. Residual risk is defined as the level of risk remaining in a business process or activity after considering the internal controls and risk management system.

The direction of risk signifies whether the risk environment for the respective business/audit area is stable, increasing, or decreasing. Factors that may impact the direction of risk include but are not limited to introduction of new products and services, competitive landscape, changes to information systems, turnover of key management personnel, economic factors, etc. In addition to the inherent risk and control risk factors evaluated, management also determined the direction of risk that indicates the likely changes to the risk profile of each area over the next 12 months.

All risk information presented is based on the perceptions and assessments of the MainePERS' management through interviews conducted as part of the risk assessment process. This process did not include testing of internal controls or other forms of validation.

Audit areas and risk identification

The first step consisted of identifying the departments, processes, and activities that correspond to management's view of the MainePERS' operations. We worked with key members of each department to identify the audit areas and risks across the organization. Results from the initial risk identification include the following 13 departments:

- Accounting and Finance
- Business Continuity Planning
- Disability
- Document Center
- Employer Reporting
- Facilities
- Information Security
- Information Technology
- Internal Controls
- Investments
- Legal
- Member Services
- Survivor Services

The departments were further disaggregated into lines of business, processes, or activities ("auditable activities"). See the risk assessment matrix on the following pages for all lines of business. We also provided the original Microsoft Excel version of the risk assessment and audit plan to management. Utilization of this tool going forward to update risk profiles for changing conditions and changing risk factors is recommended to be performed at least annually. Since it does not utilize any specialized software, this plan will be flexible and easy to use for management at the MainePERS.

Risk assessment matrix

The resulting component scores for the areas evaluated are illustrated in the following tables. The detailed internal control scoring matrix is shown, followed by results and a description of the ranking methodology.

Auditable Function	Inherent Risks							Mitigating Controls		Direction of Risk (increasing, decreasing, stable)	Residual Risk Rating	Residual Score	
	Balance of account or volume of transactions	New or changed processing systems, products, services, or procedures	Personnel turnover	Complexity of completion of the function	Susceptibility to fraud	Volume and severity of issues previously identified	Total Score	Inherent Risk Rating (see matrix below)	Mitigating control environment				Control Risk Rating (see matrix below)
Weighting Factor	20%	20%	20%	10%	20%	10%	100.00%		100.00%				
Accounting and Finance													
Accounting for Investment Activity	2.0	1.0	2.0	2.0	2.0	2.0	1.80	Moderate	2.00	Satisfactory	Stable	Moderate	1.93
1099R Reporting	2.0	2.0	1.0	4.0	1.0	2.0	1.80	Moderate	3.00	Satisfactory	Stable	Moderate	2.28
Tax Withholding Compliance	3.0	4.0	1.0	2.0	1.0	3.0	2.30	Moderate	3.00	Satisfactory	Decreasing	Moderate	2.48
Benefits Payroll Processing	5.0	2.0	2.0	4.0	4.0	2.0	3.20	High	2.00	Satisfactory	Stable	High	2.77
Cash Receipts	5.0	2.0	2.0	4.0	3.0	2.0	3.00	Moderate	2.00	Satisfactory	Stable	Moderate	2.65
Unclaimed Property	1.0	2.0	2.0	2.0	2.0	2.0	1.80	Moderate	2.00	Satisfactory	Stable	Moderate	1.93
Accounts Payable	3.0	2.0	2.0	3.0	4.0	2.0	2.70	Moderate	2.00	Satisfactory	Stable	Moderate	2.47
Purchasing	3.0	2.0	2.0	3.0	3.0	2.0	2.50	Moderate	2.00	Satisfactory	Stable	Moderate	2.35
MainePERS Staff Payroll	3.0	2.0	2.0	3.0	2.0	2.0	2.30	Moderate	2.00	Satisfactory	Stable	Moderate	2.23
Fixed Assets	3.0	2.0	2.0	2.0	2.0	2.0	2.20	Moderate	2.00	Satisfactory	Stable	Moderate	2.17
MaineSTART Entries and Financials	4.0	2.0	2.0	3.0	2.0	2.0	2.50	Moderate	2.00	Satisfactory	Stable	Moderate	2.35
RHIT Entries and Financials	2.0	2.0	2.0	2.0	2.0	2.0	2.00	Moderate	2.00	Satisfactory	Stable	Moderate	2.05
Lease Schedules	2.0	2.0	2.0	2.0	2.0	2.0	2.00	Moderate	2.00	Satisfactory	Stable	Moderate	2.05
Employer Auditing Program	4.0	3.0	3.0	2.0	2.0	3.0	2.90	Moderate	2.00	Satisfactory	Stable	Moderate	2.59
GLI Rate Determinations	2.0	1.0	1.0	2.0	1.0	1.0	1.30	Low	2.00	Satisfactory	Stable	Low	1.63
Contribution Rate Determination / Establishment	2.0	3.0	1.0	3.0	1.0	1.0	1.80	Moderate	2.00	Satisfactory	Stable	Moderate	1.93

Auditable Function	Inherent Risks								Mitigating Controls		Direction of Risk (Increasing, decreasing, stable)	Residual Risk Rating	Residual Score
	Balance of account or volume of transactions	New or changed processing systems, products, services, or procedures	Personnel turnover	Complexity of completion of the function	Susceptibility to fraud	Volume and severity of issues previously identified	Total Score	Inherent Risk Rating (see matrix below)	Mitigating control environment	Control Risk Rating (see matrix below)			
Weighting Factor	20%	20%	20%	10%	20%	10%	100.00%		100.00%				
Business Continuity Planning													
Disaster Recovery Mgmt.	1.0	3.0	1.0	3.0	4.0	3.0	2.40	Moderate	4.00	Weak	Decreasing	Moderate	2.89
Continuity Plan	1.0	3.0	1.0	3.0	4.0	3.0	2.40	Moderate	4.00	Weak	Stable	Moderate	2.99
Risk Identification and Management	1.0	3.0	1.0	3.0	4.0	3.0	2.40	Moderate	4.00	Weak	Stable	Moderate	2.99
Disaster Recovery Site	1.0	3.0	1.0	3.0	4.0	3.0	2.40	Moderate	4.00	Weak	Stable	Moderate	2.99
BCP of Critical External Partners	1.0	3.0	1.0	3.0	4.0	3.0	2.40	Moderate	4.00	Weak	Stable	Moderate	2.99
Disability													
Eligibility Determination	4.0	5.0	3.0	4.0	3.0	2.0	3.60	High	2.50	Satisfactory	Decreasing	High	3.09
Continued Eligibility	4.0	2.0	3.0	3.0	2.0	2.0	2.70	Moderate	2.00	Satisfactory	Stable	Moderate	2.47
Document Center													
Imaging	3.0	2.0	2.0	2.0	3.0	3.0	2.50	Moderate	1.50	Strong	Stable	Low	2.18
Mail Handling	3.0	2.0	2.0	2.0	3.0	3.0	2.50	Moderate	1.50	Strong	Stable	Low	2.18
Employer Reporting													
Membership Application Processing	5.0	3.0	3.5	3.5	3.0	4.0	3.65	High	4.00	Weak	Stable	High	3.74
ESS Portal - Employer Information Input	5.0	3.0	3.5	3.5	3.0	4.0	3.65	High	2.50	Satisfactory	Stable	High	3.22
Employer Training	2.5	3.0	1.0	3.0	1.0	4.0	2.20	Moderate	2.50	Satisfactory	Stable	Moderate	2.35
Employer Account Reconciliation	3.0	3.0	3.5	3.0	2.0	4.0	3.00	Moderate	4.00	Weak	Decreasing	Moderate	3.25
Payroll Reporting Adjustments	5.0	2.0	3.5	3.5	3.0	4.0	3.45	High	4.00	Weak	Decreasing	High	3.52
Employer Auditing Program	4.0	3.0	3.0	2.0	2.0	3.0	2.90	Moderate	2.00	Satisfactory	Stable	Moderate	2.59
Facilities													
Security	3.5	3.0	1.0	3.0	4.0	4.0	3.00	Moderate	2.00	Satisfactory	Increasing	Moderate	2.75
Maintenance	4.0	2.0	3.0	3.0	3.0	3.0	3.00	Moderate	2.50	Satisfactory	Stable	Moderate	2.83
Planning	4.0	3.0	1.0	3.0	2.0	2.0	2.50	Moderate	4.00	Weak	Stable	Moderate	3.05
Human Resources													
Mandatory Employee Training and Tracking	2.0	3.0	5.0	2.5	3.0	1.0	2.95	Moderate	2.00	Satisfactory	Decreasing	Moderate	2.52
Employee Timekeeping and Leave	5.0	1.0	5.0	2.5	3.0	2.0	3.25	High	2.00	Satisfactory	Increasing	High	2.90
Performance Management Tracking	3.0	1.0	4.0	3.0	2.0	2.0	2.50	Moderate	2.00	Satisfactory	Stable	Moderate	2.35
Employee Benefit Administration	4.0	2.0	5.0	2.0	2.0	2.0	3.00	Moderate	2.00	Satisfactory	Increasing	Moderate	2.75
Recruiting, Hiring, Separation	4.5	3.0	5.0	3.0	2.0	3.0	3.50	High	2.00	Satisfactory	Increasing	High	3.05
Compensation	4.0	3.0	5.0	3.0	3.0	2.0	3.50	High	3.50	Weak	Increasing	High	3.58
Succession Planning (new and identified as part of the strategic plan)	4.0	5.0	5.0	3.0	2.0	5.0	4.00	High	4.00	Weak	Decreasing	High	3.85



Auditable Function	Inherent Risks								Mitigating Controls		Direction of Risk (Increasing, decreasing, stable)	Residual Risk Rating	Residual Score
	Balance of account or volume of transactions	New or changed processing systems, products, services, or procedures	Personnel turnover	Complexity of completion of the function	Susceptibility to fraud	Volume and severity of issues previously identified	Total Score	Inherent Risk Rating (see matrix below)	Mitigating control environment	Control Risk Rating (see matrix below)			
Weighting Factor	20%	20%	20%	10%	20%	10%	100.00%		100.00%				
Information Security													
Threat and Vulnerability Management	4.0	3.0	3.0	4.0	5.0	2.0	3.60	High	2.00	Satisfactory	Decreasing	High	2.91
Identity and Access Management	2.0	2.0	2.0	2.0	5.0	2.0	2.60	Moderate	2.00	Satisfactory	Stable	Moderate	2.41
Security Awareness and Training	2.0	2.0	2.0	3.0	4.0	2.0	2.50	Moderate	2.00	Satisfactory	Stable	Moderate	2.35
Mobile Device Security	1.0	1.0	1.0	2.0	4.0	1.0	1.70	Low	2.00	Satisfactory	Stable	Low	1.87
Information Systems Acquisition and Development	2.0	2.0	3.0	4.0	2.0	2.0	2.40	Moderate	2.00	Satisfactory	Stable	Moderate	2.29
Information Technology													
Information Systems Acquisition and Development	2.0	2.0	3.0	4.0	2.0	2.0	2.40	Moderate	2.00	Satisfactory	Stable	Moderate	2.29
Hardware Maintenance	4.0	1.0	2.0	2.0	2.0	2.0	2.20	Moderate	2.00	Satisfactory	Stable	Moderate	2.17
Software Maintenance	4.0	2.0	2.0	2.0	2.0	2.0	2.40	Moderate	2.00	Satisfactory	Stable	Moderate	2.29
Asset Management / Inventory	4.0	3.0	2.0	2.0	2.0	2.0	2.60	Moderate	2.00	Satisfactory	Decreasing	Moderate	2.31
Technology Upgrades	4.0	4.0	2.0	2.0	2.0	2.0	2.80	Moderate	2.00	Satisfactory	Stable	Moderate	2.53
Mobile Device Inventory Tracking	1.0	1.0	1.0	1.0	2.0	1.0	1.20	Low	2.00	Satisfactory	Stable	Low	1.57
Internal Controls													
Internal Controls	5.0	5.0	5.0	4.0	4.0	4.0	4.60	High	4.00	Weak	Increasing	High	4.41
Investments													
Selecting and Closing New Investments	5.0	3.0	3.0	4.0	5.0	2.0	3.80	High	2.00	Satisfactory	Stable	High	3.13
Investment Cash Disbursements - Funding Investments	5.0	3.0	3.0	3.0	5.0	1.5	3.65	High	2.00	Satisfactory	Stable	High	3.04
Investment Cash Disbursements - Management Fees	3.0	3.0	3.0	3.0	5.0	1.5	3.25	High	2.00	Satisfactory	Stable	High	2.80
Investment Cash Disbursements - Transfers for Benefit Payments	4.0	3.0	3.0	2.0	5.0	1.5	3.35	High	2.00	Satisfactory	Stable	High	2.86
Investment Management	5.0	3.0	3.0	5.0	5.0	1.5	3.85	High	2.00	Satisfactory	Stable	High	3.16
Investment Information Requests and Reporting (Freedom of Access and Other Inquiries)	3.0	3.0	2.0	3.0	2.0	2.0	2.50	Moderate	2.00	Satisfactory	Stable	Moderate	2.35
Legal													
FOA Request Compliance	3.0	2.0	1.0	3.0	4.0	2.0	2.50	Moderate	3.00	Satisfactory	Stable	Moderate	2.70
Legislative Work - Enactment of Laws	4.0	4.0	4.0	4.0	3.0	3.0	3.70	High	3.00	Satisfactory	Decreasing	High	3.32
Actuarial Process - Including Asset/Liabilities Studies (Investment), Rate Making, COA studies, etc.	4.0	4.0	4.0	4.0	4.0	3.0	3.90	High	2.00	Satisfactory	Stable	High	3.19
Records Retention	4.0	2.0	2.0	2.0	1.0	1.0	2.10	Moderate	4.00	Weak	Stable	Moderate	2.81
Open Meeting Compliance	1.0	3.0	2.0	2.0	1.0	1.0	1.70	Low	2.00	Satisfactory	Stable	Low	1.87
Appeals program	2.0	2.0	1.0	2.0	1.0	1.0	1.50	Low	2.00	Satisfactory	Stable	Low	1.75

Auditable Function	Inherent Risks								Mitigating Controls		Direction of Risk (Increasing, decreasing, stable)	Residual Risk Rating	Residual Score
	Balance of account or volume of transactions	New or changed processing systems, products, services, or procedures	Personnel turnover	Complexity of completion of the function	Susceptibility to fraud	Volume and severity of issues previously identified	Total Score	Inherent Risk Rating (see matrix below)	Mitigating control environment	Control Risk Rating (see matrix below)			
Weighting Factor	20%	20%	20%	10%	20%	10%	100.00%		100.00%				
Member Services													
Benefit Calculations	5.0	2.0	5.0	4.0	3.0	2.0	3.60	High	2.50	Satisfactory	Stable	High	3.19
Refund Processing	4.0	3.0	5.0	3.0	4.0	1.0	3.60	High	2.00	Satisfactory	Increasing	High	3.11
Service Credit Calculations	5.0	1.5	5.0	3.0	3.5	3.0	3.60	High	2.00	Satisfactory	Stable	High	3.01
Service Credit Purchase Calculations	4.0	3.0	5.0	3.5	3.5	4.0	3.85	High	2.00	Satisfactory	Stable	High	3.16
Benefit Adjustments	2.5	4.0	5.0	3.5	3.0	2.0	3.45	High	2.50	Satisfactory	Increasing	High	3.20
Member Account Maintenance	3.0	4.0	5.0	3.5	3.0	2.0	3.55	High	2.50	Satisfactory	Increasing	High	3.26
Retirement Application Process	4.0	2.0	5.0	3.0	4.0	2.0	3.50	High	2.50	Satisfactory	Stable	High	3.13
Member Statements	4.0	3.0	5.0	3.0	3.5	2.0	3.60	High	2.00	Satisfactory	Increasing	High	3.11
Member Estimates	4.5	2.0	5.0	4.0	3.0	2.0	3.50	High	2.50	Satisfactory	Increasing	High	3.23
Eligibility - (are people supposed to be in the plan - fact component)	4.0	2.0	3.0	4.0	4.0	2.5	3.25	High	2.00	Satisfactory	Stable	High	2.80
Earnable Compensation - is the payment allowed to be paid into the plan	4.0	2.0	3.0	4.0	4.0	2.5	3.25	High	2.00	Satisfactory	Stable	High	2.80
Survivor Services													
Death Benefits	4.0	3.0	4.0	3.0	4.0	3.0	3.60	High	4.00	Weak	Stable	High	3.71
GLI Claims Processing and Approval	4.0	4.0	4.0	3.0	4.0	3.0	3.80	High	3.50	Weak	Increasing	High	3.76
GLI Premium Adjustments	3.5	3.0	4.0	3.0	2.0	3.5	3.15	High	3.50	Weak	Increasing	High	3.37
Benefit Discontinuation	4.0	3.0	4.0	3.0	4.0	3.0	3.60	High	4.00	Weak	Stable	High	3.71

V. Internal audit approach

Internal audit's role and objectives

The primary role and objective of internal audit are to provide objective assurance to the MainePERS' Board and management on the effectiveness of the MainePERS' risk management system. This involves the performance of monitoring and validation activities to ensure the risk management and internal control framework is operating effectively, as well as identifying and communicating opportunities for the implementation of best practices within the MainePERS' business operations. Internal audit serves as a key tool for monitoring risk throughout the organization and its interaction with the Board of Trustees and Finance & Audit Committee, as well as the issuance of formal reports, and serves a critical role in assisting the Board of Trustees and Finance & Audit Committee with facilitating its risk oversight responsibilities.

Independence

To be effective and fulfill its role and accomplish its objectives, internal audit must be independent of management and objective in the performance of its work. Internal audit must report functionally to the Finance & Audit Committee, with administrative/indirect reporting to senior management.

Risk assessment

The risk assessment is designed to focus on the MainePERS' profile, strategic objectives, and business changes and on the specific risk concerns of the Board of Trustees and Finance & Audit Committee and senior management to identify and assess various risk exposures within the organization. The risk assessment serves as the basis for prioritizing and allocating internal audit resources, specifically to those areas posing a greater degree of risk to the organization. The overall inherent risk ratings are utilized to define the scope and frequency of audits and serve as the basis for developing the internal audit plan.

Internal audit scope and plan

The risk assessment process is repeated at least annually, and the internal audit plan is adjusted accordingly based on any changes within the organization's risk profile. Changes to the risk profile may result from changes in key management, new organizational initiatives, regulatory orders, etc. The internal audit plan will cover the period from July 1, 2022, through June 30, 2027. As part of the planning and development of the FY2023 internal audit scope and plan to be submitted for consideration and approval by the Finance & Audit Committee, we completed the risk assessment of the organization.

VI. Internal audit coverage matrix – Five-year plan

The five-year plan focuses on internal audit for auditable functions based on the level of risk and resources to be allocated towards completion. The plan incorporates all auditable functions.

Accounting and Finance	Risk Classification	FY2023	FY2024	FY2025-2027
Accounting for Investment Activity	Moderate	X		
1099R Reporting	Moderate			X
Tax Withholding Compliance	Moderate			X
Benefits Payroll Processing	High		X	
Cash Receipts	Moderate		X	
Unclaimed Property	Moderate			X
Accounts Payable	Moderate		X	
Purchasing	Moderate		X	
MainePERS Staff Payroll	Moderate		X	
Fixed Assets	Moderate			X
MaineSTART Entries and Financials	Moderate			X
RHIT Entries and Financials	Moderate			X
Lease Schedules	Moderate			X
Employer Auditing Program	Moderate			X
GLI Rate Determinations	Low			X
Contribution Rate Determination / Establishment	Moderate			X
Business Continuity Planning				
Disaster Recovery Mgmt.	Moderate			X
Continuity Plan	Moderate			X
Risk Identification and Management	Moderate			X
Disaster Recovery Site	Moderate			X
BCP of Critical External Partners	Moderate			X

Disability	Risk Classification	FY2023	FY2024	FY2025-2027
Eligibility Determination	High	X		
Continued Eligibility	Moderate	X		
Document Center	Risk Classification	FY2023	FY2024	FY2025-2027
Imaging	Low			X
Mail Handling	Low			X
Employer Reporting	Risk Classification	FY2023	FY2024	FY2025-2027
Membership Application Processing	High	X		
ESS Portal - Employer Information Input	High	X		
Employer Training	Moderate	X		
Employer Account Reconciliation	Moderate	X		
Payroll Reporting Adjustments	High	X		
Employer Auditing Program	Moderate	X		
Facilities	Risk Classification	FY2023	FY2024	FY2025-2027
Security	Moderate		X	
Maintenance	Moderate			X
Planning	Moderate			X
Human Resources	Risk Classification	FY2023	FY2024	FY2025-2027
Mandatory Employee Training and Tracking	Moderate			X
Employee Timekeeping and Leave	High			X
Performance Management Tracking	Moderate			X
Employee Benefit Administration	Moderate			X
Recruiting, Hiring, Separation	High			X
Compensation	High			X
Succession Planning (new and identified as part of the strategic plan)	High			X



Information Security	Risk Classification	FY2023	FY2024	FY2025-2027
Threat and Vulnerability Management	High		X	
Identity and Access Management	Moderate		X	
Security Awareness and Training	Moderate		X	
Mobile Device Security	Low			X
Information Systems Acquisition and Development	Moderate		X	
Information Technology	Risk Classification	FY2023	FY2024	FY2025-2027
Information Systems Acquisition and Development	Moderate			X
Hardware Maintenance	Moderate			X
Software Maintenance	Moderate			X
Asset Management / Inventory	Moderate			X
Technology Upgrades	Moderate			X
Mobile Device Inventory Tracking	Low			X
Internal Controls	Risk Classification	FY2023	FY2024	FY2025-2027
Internal Controls	High	X	X	X
Investments	Risk Classification	FY2023	FY2024	FY2025-2027
Selecting and Closing New Investments	High	X		
Investment Cash Disbursements - Funding Investments	High	X		
Investment Cash Disbursements - Management Fees	High	X		
Investment Cash Disbursements - Transfers for Benefit Payment	High	X		
Investment Management	High	X		
Investment Information Requests and Reporting (Freedom of Access and Other Inquiries)	Moderate			X



Legal	Risk Classification	FY2023	FY2024	FY2025-2027
FOA Request Compliance	Moderate			X
Legislative Work - Enactment of Laws	High			X
Actuarial Process - Including Asset/Liabilities Studies (Investment), Rate Making, COA studies, etc.	High			X
Records Retention	Moderate			X
Open Meeting Compliance	Low			X
Appeals program	Low			X
Member Services	Risk Classification	FY2023	FY2024	FY2025-2027
Benefit Calculations	High		X	
Refund Processing	High		X	
Service Credit Calculations	High		X	
Service Credit Purchase Calculations	High		X	
Benefit Adjustments	High		X	
Member Account Maintenance	High		X	
Retirement Application Process	High		X	
Member Statements	High		X	
Member Estimates	High		X	
Eligibility - (are people supposed to be in the plan - fact component)	High		X	
Earnable Compensation - is the payment allowed to be paid into the plan	High		X	
Survivor Services	Risk Classification	FY2023	FY2024	FY2025-2027
Death Benefits	High			X
GLI Claims Processing and Approval	High			X
GLI Premium Adjustments	High			X
Benefit Discontinuation	High			X



Risk factor definitions

Scoring definitions were used to guide input toward determination of a total risk score for each line item. Each rating factor was assigned a score of one (lowest risk) to five (highest risk) by individual participants. The scores were then multiplied by the value weight indicated, also approved by management, based on the perceived level of importance of each risk factor. Individual weighted scores were then rolled up to an average score for each line item, providing a collective, judgmental total risk score.

Inherent risk factors

Balance of account and/or volume of transactions

The average account balance or volume of activity associated with a business process will normally affect the magnitude of risk.

- One - Few transactions and insignificant dollars involved, or not applicable.
- Two - Few transactions, but dollars may be significant.
- Three - Moderate number of transactions and insignificant dollars involved.
- Four - Moderate number of transactions and significant dollars involved.
- Five - Significant number of transactions and/or large dollar amounts.

New or changes to processing systems, products, services, or procedures

During periods of rapid business, organizational, or system change, the internal control structure can be adversely affected, requiring increased audit coverage. This category includes new product lines or services, new systems, and revised or new accounting or transaction processing systems.

- One - No changes within the past year.
- Two - Relatively minor, noncomplex changes within the past three years.
- Three - Moderate, noncomplex changes within the past three years.
- Four - Moderate, complex changes within the past three years.
- Five - Significant changes within the past three years.

Personnel turnover

This category includes personnel turnover and potential changes to personnel (unplanned resignations, etc.).

- One - No changes within the past year.
- Two - Limited management change or personnel turnover.
- Three - Moderate turnover in personnel.
- Four - Significant change in personnel and turnover in key personnel.
- Five - High turnover in personnel, key personnel, and management.

Complexity of completion of the function

The complexity of the function, process, procedures, and systems used can impact the potential for internal control concerns.

- One - Function not complex.
- Two - Function moderately complex.
- Three - Function moderately complex and subjective judgement involved.
- Four - Function highly complex and subjective judgement involved.
- Five - Function highly complex and significant subjective judgement involved.

Susceptibility to fraud

Fraud is the intentional misrepresentation of fact with the intention of personal gain. Management, employees, or third parties may perpetrate it.

- One - No exposure potential.
- Two - Minor exposure potential.
- Three - Moderate exposure potential.
- Four - Major exposure potential.
- Five - Potential exposure could be catastrophic.

Volume and severity of issues previously identified

Findings in prior reviews are one indication of the control discipline within each system. Serious control deficiencies are often characterized by a significant number of problems or major repetitive problems identified in prior audits.

- One - High confidence in control environment; insignificant or no errors or issues noted.
- Two - Good confidence in control environment; minor errors or issues noted.
- Three - Reasonable confidence in control environment; moderate errors and issues identified but follow-up completed and corrective action implemented.
- Four - Limited confidence in control environment; major errors and issues identified repetitively.
- Five - Little or no confidence in control environment; significant unresolved issues or material monetary losses.

Mitigating risk factors

The strength of the controls established over the area can assist in mitigating the risks. Controls to consider include documented policies and procedures; the extent of defined controls and monitoring systems established; automation of processes; adequacy of information and reports; personnel knowledge, training, and backup; and Board and management oversight.

- One - High level of documentation of policies and procedures; strong internal control activities with monitoring; system automation; strong and relevant decision-making information; competent personnel and capable and tested backup; risk committee and strong Board oversight.
- Two - Major policies and procedures documented; major internal control activities with monitoring; some system automation with human input; good and relevant decision-making information; competent personnel and proficient backup; risk committee and strong Board oversight.

- Three - Documentation of policies and procedures more informal; internal control activities have limited monitoring; some automation but mostly manual process; satisfactory decision-making information; personnel newer at position or limited backup; some senior management oversight but limited Board interaction.
- Four - Limited documentation of policies and procedures; limited control activities; primarily manual process; limits on decision-making information; personnel newer at position and/or no backup; some senior management oversight but no Board interaction.
- Five - No documentation of policies and procedures; weak internal controls over process/area; manual process; satisfactory decision-making information; personnel new and no backup or highly technical function and no backup; limited oversight or no Board exposure.

Residual risk ratings

For the purposes of determining residual risk, the following guidelines were utilized:

Low

Inherent risk is generally low to moderate for the business area. The MainePERS' internal control structure and risk management system are generally sound in every respect for an entity of its size and complexity and are rated low to moderate. Identified weaknesses are minor and can be handled in a routine manner by management and the MainePERS' Board of Trustees. The MainePERS is in substantial compliance with applicable laws and regulations. The business area has not been the subject of any recent regulatory criticism.

Moderate

Inherent risk is generally moderate to high for the business area. The MainePERS' internal control structure and risk management system are satisfactory in relation to its size and complexity and are rated low to moderate. Identified weaknesses are generally moderate in nature and well within management's and the MainePERS' Board of Trustee's capabilities to correct. The MainePERS is in substantial compliance with applicable laws and regulations. The business area has not been the subject of any material supervisory concerns and, as such, the supervisory response has been informal and limited.

High

Inherent risk is generally high for the business area. The MainePERS' internal control structure and risk management system generally are rated satisfactory to less than satisfactory in relation to its size and complexity. Identified weaknesses may range from moderate to more severe in nature and may or may not be within management's and the MainePERS' Board of Trustee's ability or willingness to correct. The MainePERS may be subject to experiencing moderate to higher levels of noncompliance with applicable laws and regulations as a result of increased product offerings and increased regulatory mandates. The business area might have been the subject of a stronger level of supervisory concerns, such as possibly including formal or informal enforcement actions.

Business area scope suggestions

Overview

The internal audit risk assessment, as described earlier in this report, provides a roadmap of areas to be addressed during a comprehensive five-year internal audit plan. The rest of this document contains details of the internal audit plan by year, with four to five planned audits for each year.

The five-year internal audit plan included all auditable functions included in the risk assessment process. The primary reason for including all auditable functions in a five-year plan was to provide coverage for all auditable function areas. Most of the auditable functions have not been independently assessed recently or have no history of past assessments. Higher risk areas have been prioritized into years one and two, with remaining audits placed into a three-to-five-year category. Management and the Finance & Audit Committee should continue to assess these areas at least annually to determine whether risks have changed significantly to determine reprioritization of the plan.

Scope suggestions below for areas within the plan come with the caveat that, in an ever-changing environment of risk and controls, all internal audits should include several phases to ensure complete and accurate coverage of the audit area, including:

Phase I – Scoping

Professional judgement on behalf of the internal auditor should be utilized during the scoping phase to finalize scope of work with management and those responsible for oversight. This first phase should include a kick-off meeting with management to discuss the current risk environment and any changes to the department that have occurred since the risk assessment. The internal auditor should also perform a detailed review of written policies and procedures to determine what controls are expected to be in place. A detailed scope of work should be developed based on key processes and areas of higher risk, including testing to be performed, sample sizes, and the time-period under review, which would be determined by the internal auditor and confirmed by management.

Phase II – Testing

This phase includes execution on the internal audit scope as defined in Phase I. The internal auditor should be open to continued refinements of the scope as work progresses, including increasing sample sizes if exceptions are noted, as well as discussions with management about concerns that have arisen that are outside the scope of this internal audit that may require additional attention. The testing phase concludes with an exit meeting, formal report that includes procedures performed, observations, and recommendations for improvements, as well as management's response to observations and recommendations, as applicable.

Phase III – Remediation

The internal auditor should evaluate corrective action plans and perform follow-up on previously noted findings. The conclusion of the internal audit of any area should also include an analysis of the continued reasonableness of the risk ratings included in the risk assessment and agreement on the timing of the next in-depth review and testing of this area.

Internal Audit Plan – FY2023 – Based on FY2023 Risk Assessment

Disability – Fourth Quarter Calendar Year 2022

- Eligibility Determination
- Continued Eligibility
- Legislative Reporting

The Disability function has seen significant changes over the last couple of years. This includes new legislative requirements, including additional reporting mandates. There has been significant turnover within the department, with most turnover occurring at the lower staff level positions. Most staff members have less than three years of experience. Additionally, the department has outsourced some responsibilities to medical consultants. No assurance engagements have been performed within the last five years.

Management considers this to be an area of focus due to new legislative requirements, notably reporting requirements, and the high turnover of staff over the years. Due to the high inherent risk of the Disability department, this will be the first engagement performed. Management has already consulted with their other outsourced internal audit provider, CLA, to perform the engagement as of the date of this report.

Investments – First Quarter Calendar Year 2023

- Selecting and Closing New Investments
- Investment Cash Disbursements – Funding Investments
- Investment Cash Disbursements – Management Fees
- Investment Cash Disbursements – Transfers for Benefit Payments
- Investment Management
- Investment Information Requests and Reporting (Freedom of Access and Other Inquiries)
- **Accounting for Investment Activity (Accounting and Finance auditable function)

Investments is included in the FY2023 internal audit plan given the high inherent risk within these processes, no prior assurance engagements being performed, investments constituting the largest portion of the statement of financial position, and being a key area to support the overall mission of the MainePERS. An internal audit of investments should include assessment of each auditable function and scoping the engagement to focus on key risk areas, oversight by management and applicable committees, and reasonableness of investment policies and supporting written policies and procedures to manage the function. Detailed testing of key areas should be performed to support the scope of the engagement.

Employer Reporting – Second Quarter Calendar Year 2023

- Membership Application Processing
- ESS Portal – Employer Information Input
- Employer Training
- Employer Account Reconciliation
- Payroll Reporting Adjustments
- Employer Auditing Program

Employer Reporting is included in the FY2023 internal audit plan given the high inherent risk within these processes, no recent prior assurance engagements being performed, employee turnover, and reallocation of responsibilities for overseeing this function within the MainePERS.

This is considered to be a high priority area due to a lack of documented policies and procedures, over 600 employers reporting monthly into the ESS portal, large backlog of work to be performed, complexity of manual reconciliations, and the lack of consistent employer training.

An internal audit of Employer Reporting should include assessment of each auditable function and scoping the engagement to focus on key risk areas, oversight by management, an inventory of any written policies and procedures, and current status of the function. The audit should serve as a baseline and provide management with a listing of observations and recommendations to further enhance the function.

Internal Audit Plan – FY2024 – Based on FY2023 Risk Assessment

Accounting and Finance

- Benefits Payroll Processing
- Cash Receipts
- Accounts Payable
- Purchasing
- The MainePERS Staff Payroll

The benefits payroll processing function is another key process that supports the overall mission of the MainePERS. This is a process that is performed monthly and pays upwards of 40,000 participants in the sponsored programs. Management stated that the process is very tight, but with the volume of transactions and importance of the function, it is an inherently high-risk function. An internal audit of benefit payroll processing should include assessment of the function and scoping the engagement to focus on key risk areas, oversight by management, and reasonableness of written policies and procedures to manage the function. Detailed testing of key areas should be performed to support the scope of the engagement.

The administration of cash receipts occurs on a daily basis as cash is received from participating organizations. Management stated that, although the process is well defined, there is still susceptibility to error when posting cash received. One check received may cover multiple entities, so posting funds to the correct entity can be a challenge if there is not clear identification. An internal audit of cash receipts should include assessment of the function and scoping the engagement to focus on key risk areas, oversight by management, and reasonableness of written policies and procedures to manage the function. Detailed testing of key areas should be performed to support the scope of the engagement.

An internal audit of the accounts payable and purchasing functions should include an overall assessment of the function. Testing should be performed for reasonableness of policies and procedures, detailed testing of vendor and employee expenses (for timely and accurate input, proper approval, and appropriate supporting documentation), and testing of new vendor setup and changes to existing vendors.

The payroll function should include an overall assessment of the function. This should test access to and controls within the payroll software system, reasonableness of policies and procedures, testing of employee data within the payroll system to supporting documentation, overtime practices, timecard approvals, processing of changes to payroll items and validation of their accuracy and approval, and processes for posting of journal entries and reconciliation of accounts related to payroll.

Facilities

■ Physical Security

Facilities is responsible for the overall physical security of all physical locations and access points within a location, which includes granting access to visitors or others at entry points. Facilities continually works with contractors for the install and maintenance of security equipment. Per discussion with management, there have been recent changes to the physical security policy. An internal audit of physical security should include testing of written policies and procedures in place, including any recent changes, of policies and procedures. Detailed testing of key areas of importance should be performed.

Information Security and Technology

- Threat and Vulnerability Management
- Identity and Access Management
- Security Awareness and Training
- Information System Acquisition and Development

Given the criticality of IT systems and security in the overall administration of the MainePERS' services, we recommend an audit approach that analyzes portions of IT controls each year. Per discussion with management, IT-related audits are outsourced to another firm. For the 2024 plan, we would recommend reviewing key risks and controls in the functions listed above and developing the scope for the engagement based on the evaluation and discussion with the third-party provider.

Member Services

- Benefit Calculations
- Refund Processing
- Service Credit Calculations
- Benefit Adjustments
- Member Account Maintenance
- Retirement Application Process
- Member Statements
- Member Estimates
- Eligibility (are people supposed to be in the plan – fact component)
- Earnable Compensation (is the payment allowed to be paid into the plan)

Member Services is another key process that supports the overall mission of the MainePERS. Management stated that turnover has been high within this function, there will be changes to processes in the future, and with the volume of transactions and importance of the function, it is an inherent high risk. An internal audit of Member Services should include assessment of the function and scoping the engagement to focus on key risk areas, including any policy or procedural changes, oversight by management, and reasonableness of written policies and procedures to manage the function. Detailed testing of key areas should be performed to support the scope of the engagement.

Internal Audit Plan – FY2025 - 2027 – Based on FY2023 Risk Assessment

Due to the overall lower risk and stable risk direction, we recommend each function within the departments listed below be reviewed once within the FY2025-2027 audit period. We have included these auditable functions in this extended internal audit period given that there are more immediate needs for utilization of internal audit resources, including departments with higher residual risk, more complex business operations, and/or an increasing risk profile.

These functions should be addressed during the annual risk assessment and prioritized accordingly based on risk rating. An internal audit of these functions should include assessment of the function and scoping the engagement to focus on key risk areas, oversight by management, and reasonableness of written policies and procedures to manage the function. Detailed testing of key areas should be performed to support the scope of the engagements.

Accounting and Finance

- 1099R Reporting
- Tax Withholding Compliance
- Unclaimed Property
- Fixed Assets
- MaineSTART Entries and Financials
- RHIT Entries and Financials
- Lease Schedules
- Employer Auditing Program
- GLI Rate Determinations
- Contribution Rate Determination/Establishment

Business Continuity Planning

- Disaster Recovery Management
- Continuity Plan
- Risk Identification and Management
- Disaster Recovery Site
- BCP of Critical External Partners

Document Center

- Imaging
- Mail Handling

Facilities

- Maintenance
- Planning

Human Resources

- Mandatory Employee Training and Tracking
- Employee Timekeeping and Leave
- Performance Management and Tracking
- Employee Benefit Administration
- Recruiting, Hiring, and Separation
- Compensation
- Succession Planning

Information Security and Technology

- Information System Acquisition and Development
- Hardware Maintenance
- Software Maintenance
- Asset Management/Inventory
- Technology Upgrades
- Mobile Device Security
- Mobile Device Inventory Tracking

Legal

- FOA Request Compliance
- Legislative Work – Enactment of Laws
- Actuarial Process – Including Asset/Liability Studies (Investment), Rate Making, COA Studies, etc.
- Records Retention
- Open Meeting Compliance
- Appeals Program

Survivor Services

- Death Benefits
- GLI Claims Processing and Approval
- GLI Premium Adjustments
- Benefit Discontinuation

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: EXTERNAL AUDIT UPDATES
DATE: NOVEMBER 2, 2022

SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AND OPEB AMOUNTS

Draft Schedules of Employer Allocations and Pension Amounts and Schedules of Employer Allocations and OPEB Amounts (the Schedules) for fiscal year 2022 are being compiled and will be submitted to Berry Dunn who will conduct an audit of the schedules and provide their opinion. This work is scheduled to be complete no later than January 31, 2023.

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 as required by Governmental Accounting Standards Board (GASB) Statement No. 68 and Statement No. 75.

FY22 ANNUAL FINANCIAL STATEMENT AUDIT AND REQUIRED AUDITOR COMMUNICATIONS

The FY22 annual financial statements were completed following the Board of Trustees meeting in October. A copy of the final audited financial statements, including the audit opinion from Berry Dunn, is included in your packet.

Mark LaPrade of Berry Dunn discussed the required auditor communications and yellow book report with the Board at the October meeting. Copies of the formal reports on these topics are also included in your packet.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System
(A Component Unit of the State of Maine)

Financial Statements,
Required Supplementary Information
and Additional Supplementary Information

Year Ended June 30, 2022
With Independent Auditor's Report

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND ADDITIONAL SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2022
With Summarized Information for June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Maine Public Employees Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of fiduciary net position of Maine Public Employees Retirement System (the System), a component unit of the State of Maine, as of June 30, 2022, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2022, and the changes in its fiduciary net position for the year then ended, in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP requires that Management's Discussion and Analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. GAAS, 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 sufficient evidence to express an opinion or provide any assurance.

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements. The accompanying additional supplementary information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S GAAS. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the System's June 30, 2021, basic financial statements and we expressed an unmodified opinion on those statements in our report dated October 14, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 18, 2022

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2022

Introduction

This Management's Discussion and Analysis (MD&A) is prepared by the management staff of the Maine Public Employees Retirement System (MainePERS or the System) for the purpose of providing an overview of the System's financial statements.

Financial Reporting Structure

The System's financial statements are prepared on an accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting requires the recognition and recording of financial transactions and other related events when they occur and not just in conjunction with the inflows and outflows of cash and other resources.

The funds managed by the System are held in trust and consistent with state and federal law can only be used for the payment of pension and related benefits to its members or, in the case of the Retiree Health Insurance Trust Fund, for the payment of retiree health insurance premiums for eligible retirees of the State of Maine. The System's Board of Trustees (the Board), as fiduciary, establishes the System's investment policies and oversees their overall implementation.

The System reports five defined benefit retirement plans consisting of the State Employee and Teacher Plan, a multiple-employer cost sharing plan with a special funding situation; the Judicial Plan, a single employer plan; the Legislative Plan, a single employer plan; the PLD Consolidated Plan, a multiple-employer cost sharing plan; and the PLD Agent Plan, an agent multiple-employer plan. The System also reports a Group Life Insurance Plan covering active state employees (including judges and legislators), teachers, and participating employees of the PLD Plan as well as two multiple-employer cost sharing other post-employment benefit (OPEB) plans providing life insurance coverage in retirement for retired state employees, including judges and legislators, and teachers and eligible retirees of the PLD Plans. In addition, the System reports certain defined contribution plans, the MainePERS OPEB Trust, and the Retiree Health Insurance Trust Fund.

Basic Financial Statements

The Statement of Fiduciary Net Position reports the balance of Fiduciary Net Position restricted for future benefits as of the fiscal year end, with summarized values reported as of the previous fiscal year end. The Statement of Changes in Fiduciary Net Position reports the net change in Fiduciary Net Position for the fiscal year, with summarized values reported for the previous fiscal year. The System reports each as separate funds and in separate columns in the financial statements. Condensed versions of both statements are included in the following section.

The Schedules of Changes in the Plan's Net Pension Liability and Related Ratios (Required Supplementary Information) present the total pension liability and information indicating the source of changes in the liability for each defined benefit retirement plan administered by the System. In addition, they show summary information regarding each Plan's net position for the years presented. They also present each Plan's net pension liability as a percentage of the covered payroll.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

The Schedules of Employer Contributions (Required Supplementary Information) present the actuarially determined contributions for each defined benefit plan and compare them to actual employer contributions for the period presented. They also provide the actual contributions as a percentage of covered payroll for each year.

The Schedule of Investment Returns (Required Supplementary Information) presents the annual money-weighted rate of return, net of investment expenses, for all of the defined benefit plans for each year presented.

The Schedules of Changes in the Plan's Net OPEB Liability and Related Ratios for the Group Life Insurance Plans (Required Supplementary Information) present the total OPEB liability and information indicating the source of changes in the liability for each OPEB plan administered by the System. In addition, they show summary information regarding each Plan's net position for the years presented. They also present each Plan's net OPEB liability as a percentage of the covered payroll.

The Schedules of Employer Contributions for the Group Life Insurance Plans (Required Supplementary Information) present the actuarially determined contributions for each OPEB plan and compare them to actual employer contributions for the periods presented. They also provide the actual contributions as a percentage of covered payroll for each year.

The Schedule of Investment Returns (Required Supplementary Information) presents the annual money-weighted rate of return, net of investment expenses, for all of the OPEB plans for each year presented.

Financial Highlights and Analysis

The following are the Condensed Comparative Statements of Fiduciary Net Position and Condensed Comparative Statements of Changes in Fiduciary Net Position for the System for the fiscal years ended June 30, 2022, 2021, and 2020:

Condensed Comparative Statements of Fiduciary Net Position

(Dollar Values Expressed in Millions)

	June 30, 2022	June 30, 2021	June 30, 2020
Cash and Receivables	\$ 153.2	\$ 71.9	\$ 71.5
Investments at Fair Value	18,814.7	19,365.3	15,593.5
Collateral on Loaned Securities	10.3	80.3	206.3
Other Assets	13.2	15.0	17.5
Total Assets	\$ 18,991.4	\$ 19,532.5	\$ 15,888.8
Investment Management Fees Payable	\$ 19.5	\$ 17.9	\$ 19.2
Obligations Under Securities Lending Activities	10.3	80.3	206.3
Other Liabilities	50.0	24.8	22.8
Total Liabilities	\$ 79.8	\$ 123.0	\$ 248.3
Fiduciary Net Position - Restricted for Benefits	\$ 18,911.6	\$ 19,409.5	\$ 15,640.5

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

Condensed Comparative Statements of Changes in Fiduciary Net Position

(Dollar Values Expressed in Millions)

	June 30, 2022	June 30, 2021	June 30, 2020
ADDITIONS:			
Member Contributions	\$ 239.9	\$ 222.9	\$ 214.6
Employer Contributions	440.5	319.7	301.5
Non-Employer Contributing Entities Contributions	199.3	183.9	179.0
Total Investment Income (Loss)	(190.2)	4,167.8	468.5
Transfers from Other Plans	0.3	0.7	29.2
Total Additions	\$ 689.8	\$ 4,895.0	\$ 1,192.8
DEDUCTIONS:			
Benefits Paid	\$ 1,141.3	\$ 1,085.1	\$ 1,052.9
Other	46.4	40.9	75.1
Total Deductions	\$ 1,187.7	\$ 1,126.0	\$ 1,128.0
Net Increase (Decrease)	\$ (497.9)	\$ 3,769.0	\$ 64.8
Fiduciary Net Position - Restricted for Benefits, Beginning of Year	\$ 19,409.5	\$ 15,640.5	\$ 15,575.7
Fiduciary Net Position - Restricted for Benefits, End of Year	\$ 18,911.6	\$ 19,409.5	\$ 15,640.5

Fiduciary Net Position

The Fiduciary Net Position of the System decreased in fiscal year 2022 by \$497.9 million (2.6%) from the prior year Fiduciary Net Position. This was due, in part, to investment losses of \$190.2 million combined with benefit payments that exceeded contributions in the amount of \$262 million. Investment income in fiscal year 2021 was \$4,167.8 million as compared to investment losses of \$190.2 million in fiscal year 2022.

Comparatively, Fiduciary Net Position of the System increased in fiscal year 2021 by \$3,769 million (24.1%) from the prior year Fiduciary Net Position. Investment returns were strong and drove the increase. Investment income was \$4,167.8 million in fiscal year 2021 compared to \$468.5 million in fiscal year 2020.

Assets

Investments at Fair Value decreased by \$550.6 million (2.8%) in fiscal year 2022. This decrease in Investments at Fair Value combined with a decrease in collateral on loaned securities of \$70 million contributed to a decrease in total assets of \$541.1 million during the fiscal year. The System records the collateral on loaned securities due to its securities lending activity as an asset and corresponding liability. The decrease of \$70 million in collateral on loaned securities arose due to changes in the amount and type of securities on loan. Non-cash collateral is not recorded in total assets on the System's financial statements.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

Comparatively, Investments at Fair Value increased by \$3,771.8 million (24.2%) in fiscal year 2021. This increase in Investments at Fair Value combined with a decrease in collateral on loaned securities of \$126.0 million contributed to an increase in total assets of \$3,643.7 million during the fiscal year. The System records the collateral on loaned securities due to its securities lending activity as an asset and corresponding liability. The decrease of \$126.0 million in collateral on loaned securities arose due to changes in the amount and type of securities on loan. Non-cash collateral is not recorded in total assets on the System's financial statements.

There were \$33.4 thousand in pending sales at June 30, 2022. There were \$770.9 thousand in pending sales at June 30, 2021 and there were \$275.9 million in pending sales at June 30, 2020.

Liabilities

On June 30, 2022, total loans outstanding in the securities lending program were \$10.3 million. On June 30, 2021 and 2020, the total loans outstanding in the securities lending program were \$80.3 million and \$206.3 million, respectively.

Additions to Fiduciary Net Position

Additions to Fiduciary Net Position during fiscal year 2022 totaled \$689.8 million compared to additions of \$4,895.0 million to Fiduciary Net Position in fiscal year 2021. Contributions from all sources increased by \$153.2 million. Investment income, net of fees and other deductions, decreased by \$4,358 million. The decrease in investment income in fiscal year 2022 is due to lower returns across the majority of asset classes.

Additions to Fiduciary Net Position during fiscal year 2021 totaled \$4,895.0 million compared to additions of \$1,192.8 million to Fiduciary Net Position in fiscal year 2020. Contributions from all sources increased by \$31.4 million. Investment income, net of fees and other deductions, increased by \$3,699.3 million. The increase in investment income in fiscal year 2021 is due to higher returns across the majority of asset classes.

The State's contributions on behalf of State employees totaled \$243.1 million, \$172.2 million, and \$163.7 million for fiscal years 2022, 2021, and 2020, respectively. The State's contributions on behalf of teachers totaled \$232.1 million, \$179.3 million, and \$174.5 million, for fiscal years 2022, 2021, and 2020, respectively. The State's contribution on behalf of judges totaled \$868 thousand, \$739 thousand, and \$716 thousand for fiscal years 2022, 2021, and 2020, respectively. The State contribution on behalf of legislative employees in the amount of \$43 thousand was made in fiscal year 2022. Based on the funding methodology used and considering the funded status of the Legislative Plan, no employer contribution was required in fiscal years 2021 or 2020.

The balance of employer contributions reported is from local school district employers and Participating Local District (PLD) employers. Local school district employers pay the normal cost contribution on behalf of public school teachers. The normal cost rate as a percentage of earnable compensation for fiscal year 2022 was 4.08%. For fiscal years 2021 and 2020 the normal cost rate was 4.16%. The range of employer contributions in the PLD Consolidated Plan as a percent of earnable compensation in fiscal year 2022 was 5.5% to 15.2%; for fiscal year 2021 the range was 5.2% to 16%; and for fiscal year 2020 the range was 4.5% to 16.2%.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

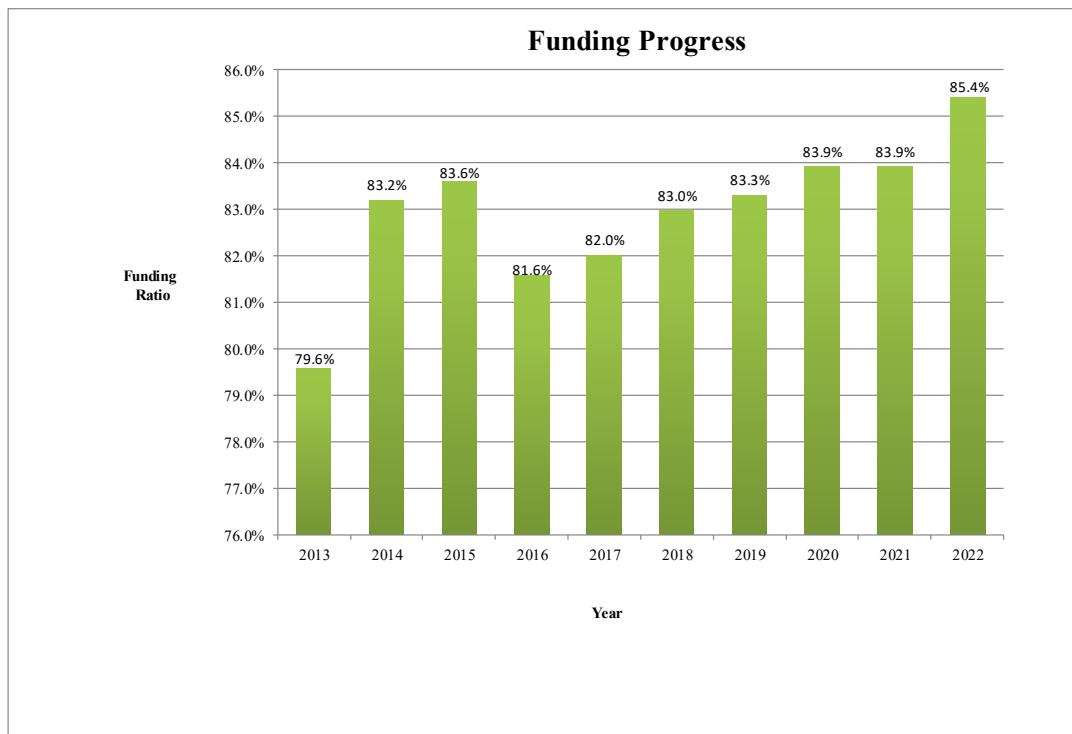
Member and employer data, contribution and benefit data for the 5 non-consolidated PLDs are specific to each PLD and are obtainable from the System.

Deductions from Fiduciary Net Position

Total deductions from Fiduciary Net Position restricted for benefits during fiscal year 2022 increased by \$56.2 million (5.2%). There was an increase in the number of recipients receiving benefits, as well as the increased cost of benefits paid in 2022 combined with an increase in refunds and withdrawals of contributions and other deductions. Benefit payments in fiscal year 2022 exceeded contributions by \$261.6 million. Contributions totaled \$879.7 million, and benefit payments totaled \$1,141.3 million.

Comparatively, deductions from Fiduciary Net Position restricted for benefits during fiscal year 2021 decreased by \$.2 million (.2%). There was an increase in the number of recipients receiving benefits, as well as the increased cost of benefits paid in 2021 offset by a reduction in refunds and withdrawals of contributions and other deductions. Benefit payments in fiscal year 2021 exceeded contributions by \$358.6 million. Contributions totaled \$726.5 million, and benefit payments totaled \$1,085.1 million.

System Funding Status – Aggregate



MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
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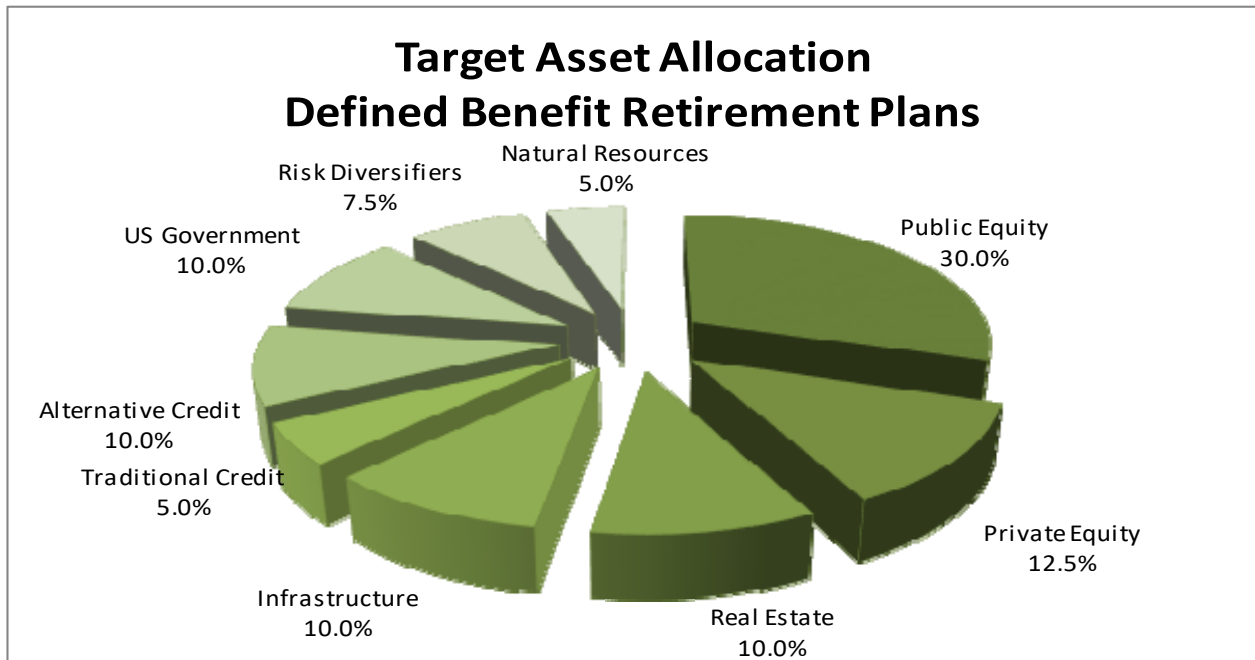
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

At June 30, 2022, the State Employee and Teacher, Judicial, Legislative and PLD defined benefit plans were actuarially funded at 85.4%, up from 83.9% at June 30, 2021. As illustrated in the chart, the actuarial funded ratio of the System was 79.6% at June 30, 2013. The increase in the funded ratio for 2014 is attributable in part to strong investment returns during those years, in addition to changes in plan provisions and increased contribution rates. Lower investment returns combined with increased contribution rates in 2015 contributed to keeping the funding ratio level. The decrease in funding level in 2016 is attributable, in large part, to low investment returns due to the low return environment, combined with an increase in the overall liabilities of the plans resulting from changes in assumptions adopted following the completion of an experience study in 2016. The modest increases from 2017 through 2021 are attributable, in large part, to investment returns during those years. While investment returns were slightly negative in 2022, the actuarial funding ratio increased due to asset smoothing, which recognizes a portion of the current year losses as well as a portion of prior year gains into the actuarial value of assets.

Investments

The assets of all the defined benefit retirement plans that the System administers are commingled for investment purposes.



The System’s investment portfolio for the defined benefit retirement plans is invested across nine asset classes: public equity, private equity, traditional credit, alternative credit, real estate, infrastructure, natural resources, US Government, and risk diversifiers. Publicly traded derivative securities are used in some portfolios to obtain exposures to one or more of the asset classes in a cost effective manner. The investment policy established by the Board in 2012 and as amended in May 2022 assigned strategic target allocations for these asset classes, as shown in the above chart.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

Assets of the Group Life Insurance Plans and the Retiree Health Insurance Trust are invested separately from the assets of the defined benefit retirement plans. The target allocations for these assets are public equity (70%), real estate (5%), traditional credit (16%), and US Government (9%).

All of the assets invested by the System are in portfolios managed by professional investment management firms. These managers act as fiduciaries and invest the assets assigned to them in accordance with the Board’s investment policy and their separate contractual arrangements. At June 30, 2022, total fair value of assets in these portfolios (together with the amounts otherwise managed) was \$18.8 billion. The total fair value of assets as of June 30, 2021 and June 30, 2020, respectively, was \$19.4 billion and \$15.6 billion.

The investment return for the defined benefit plan assets, net of all fees, for the year ended June 30, 2022 was 3.3%. The investment return for the years ended June 30, 2021 and June 30, 2020, respectively, was 26.5% and 1.8%. Investment returns in fiscal year 2022 were lower than in fiscal year 2021, due to generally lower returns across the majority of asset classes. Over the five, ten and thirty year periods ended June 30, 2022, the average annual investment return for the total fund was 9.5%, 8.9%, and 8.1%, respectively.

System Membership – Aggregate

The following membership counts for all of the defined benefit plans are derived from actuarial valuation data:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Current active participants:			
Vested and nonvested	52,717	52,041	1.3%
Terminated participants			
Vested	11,688	11,076	5.5%
Inactives Due Refunds	48,984	47,975	2.1%
Retirees and beneficiaries receiving benefits	<u>49,166</u>	<u>48,141</u>	<u>2.1%</u>
Total Membership	<u>162,555</u>	<u>159,233</u>	<u>2.1%</u>

The number of active State employees at June 30, 2022 in the State Employee and Teacher plan was 12,403, a decrease of 252 from June 30, 2021. The number of active Teachers at June 30, 2022 was 27,444, a decrease of 274 from June 30, 2021. Membership for judges remained the same at 60. Membership for Legislators was 174 at June 30, 2022, a decrease of 4 from the previous year. Total active membership in the PLD Consolidated Plan at June 30, 2022 was 12,362, an increase of 658 from June 30, 2021. There are no active members in the 5 remaining non-consolidated plans.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED, CONTINUED)

June 30, 2022

Group Life Insurance Plan

The Group Life Insurance Plans provide life insurance coverage for eligible members of the defined benefit plans administered by the System. Eligible members include State employees, including judges and legislators, teachers and those PLD employees whose employers have elected to participate in the program, and whose positions are eligible for coverage. Eligible employees who elect coverage receive life insurance coverage while actively employed and may carry coverage into retirement. The following summarized data, stated in millions, is derived from actuarial valuation data for the Group Life Insurance Plan with respect to benefits in retirement:

	2022	2021	% Change
Total OPEB Liability	\$267.9	\$255.0	5.1%
Plan Net Position	141.5	161.8	-12.5%
Net OPEB Liability	\$126.4	\$93.2	35.6%

Defined Contribution Plans

The Section 401(a), Section 457 and Section 403(b) Plans administered by the Board are defined contribution plans. These plans are provided as supplemental plans to the basic retirement benefits of employees of PLDs that elect to participate in the Defined Contribution Plans. Contributions may be made to the Plans subject to plan and Internal Revenue Code limitations. Investments in the Defined Contribution Plans are individually directed and controlled by plan participants.

Retiree Health Insurance Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust (Investment Trust Fund) as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the Investment Trust Fund for the purpose of accumulating assets to provide funding to the State’s unfunded liability obligations for retiree health benefits. The Trustees of the System were named Trustees of the Investment Trust Fund. At June 30, 2022, the Fiduciary Net Position Held in Trust for the Investment Trust Fund was \$331,180,383.

Currently Known Facts, Decisions, or Conditions

In response to the global pandemic, coronavirus disease (COVID-19), management has taken a series of steps designed to protect staff and the public from exposure to the disease. This included re-assignment of roughly seventy-five percent of staff to remote work in March of 2020. We continued to operate with a mostly remote workforce through July of 2021 with no disruption in operations. A phased approach to bringing staff back in person was put in place in July of 2021 and management continues to monitor the environment and is prepared to adjust operations as appropriate.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED, CONCLUDED)

June 30, 2022

Requests for Information

Questions concerning this Management's Discussion and Analysis, other parts of the System's financial statements or the System's financial activities should be directed to Maine Public Employees Retirement System, Sherry Tripp Vandrell, Director of Finance, at PO Box 349, Augusta, Maine 04332 or at (207) 512-3100 or toll-free at (800) 451-9800.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2022

With Summarized Information as of June 30, 2021

	State Employee and <u>Teacher Plan</u>	Judicial <u>Plan</u>	Legislative <u>Plan</u>	PLD Consolidated <u>Plan</u>	PLD <u>Agent Plan</u>
Assets:					
Cash and cash equivalents (note 3)	\$ 88,697,513	\$ 668,488	\$ 125,817	\$ 16,052,480	\$ 69,373
Investments at fair value (note 3):					
Common equity	1,986,020,784	11,699,231	2,200,613	501,353,203	1,214,057
Common/collective trusts	4,763,697,236	28,061,939	5,278,421	1,202,552,807	2,912,054
Partnerships	<u>7,738,555,647</u>	<u>45,586,205</u>	<u>8,574,716</u>	<u>1,953,529,234</u>	<u>4,730,589</u>
Total investments	14,488,273,668	85,347,375	16,053,749	3,657,435,244	8,856,700
Receivables:					
Contributions and premiums (notes 6 and 7)	24,779,140	–	–	12,593,619	–
Accrued interest and dividends	3,682,471	21,693	4,080	929,607	2,251
Due from brokers for securities sold	<u>26,536</u>	<u>156</u>	<u>29</u>	<u>6,698</u>	<u>16</u>
Total receivables	28,488,147	21,849	4,109	13,529,924	2,267
Collateral on loaned securities (note 5)	8,158,837	48,062	9,040	2,059,626	4,988
Capital assets, net of accumulated depreciation	<u>10,485,945</u>	<u>61,770</u>	<u>11,619</u>	<u>2,647,083</u>	<u>6,410</u>
Total assets	14,624,104,110	86,147,544	16,204,334	3,691,724,357	8,939,738
Liabilities:					
Accounts payable	4,351,886	25,636	4,822	1,098,595	2,660
Due to brokers for securities purchased	15,787,630	93,001	17,494	3,985,446	9,651
Other liabilities	11,705,194	68,953	12,970	2,954,871	7,155
Accrued investment management fees	15,402,680	90,734	17,067	3,888,269	9,416
Obligations under securities lending activities (note 5)	<u>8,158,837</u>	<u>48,062</u>	<u>9,040</u>	<u>2,059,626</u>	<u>4,988</u>
Total liabilities	<u>55,406,227</u>	<u>326,386</u>	<u>61,393</u>	<u>13,986,807</u>	<u>33,870</u>
Fiduciary net position – restricted for benefits	<u>\$14,568,697,883</u>	<u>\$ 85,821,158</u>	<u>\$ 16,142,941</u>	<u>\$ 3,677,737,550</u>	<u>\$ 8,905,868</u>

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

<u>Group Life Insurance Plan Active</u>	<u>Group Life Insurance Plan Retired SET</u>	<u>Group Life Insurance Plan Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>MainePERS OPEB Trust</u>	<u>Retiree Health Insurance Trust Fund</u>	<u>2022 Total</u>	<u>2021 Summarized</u>
\$ 3,079,155	\$ —	\$ —	\$ 23,195	\$ —	\$ —	\$ 108,716,021	\$ 32,280,754
—	—	—	—	—	—	2,502,487,888	2,995,713,490
13,306,575	127,175,728	18,939,547	53,898,637	16,183,789	329,211,318	6,561,218,051	7,221,257,439
—	—	—	—	—	—	9,750,976,391	9,148,301,698
13,306,575	127,175,728	18,939,547	53,898,637	16,183,789	329,211,318	18,814,682,330	19,365,272,627
337,596	—	85,211	866	—	2,000,000	39,796,792	34,692,755
—	—	—	—	—	—	4,640,102	4,135,968
—	—	—	—	—	—	33,435	770,918
337,956	—	85,211	866	—	2,000,000	44,470,329	39,599,641
—	—	—	—	—	—	10,280,553	80,266,095
—	—	—	—	—	—	13,212,827	15,013,550
16,723,686	127,175,728	19,024,758	53,922,698	16,183,789	331,211,318	18,991,362,060	19,532,432,667
711	6,793	1,012	—	—	—	5,492,115	4,617,012
—	—	—	—	—	—	19,893,222	307
3,833,601	3,980,556	678,011	17,763	1,371,337	3,100	24,633,511	20,120,693
3,517	33,612	5,006	—	4,319	27,835	19,482,455	17,886,581
—	—	—	—	—	—	10,280,553	80,266,095
<u>3,837,829</u>	<u>4,020,961</u>	<u>684,029</u>	<u>17,763</u>	<u>1,375,656</u>	<u>30,935</u>	<u>79,781,856</u>	<u>122,890,688</u>
<u>\$ 12,885,857</u>	<u>\$ 123,154,767</u>	<u>\$ 18,340,729</u>	<u>\$ 53,904,935</u>	<u>\$ 14,808,133</u>	<u>\$ 331,180,383</u>	<u>\$ 18,911,580,204</u>	<u>\$ 19,409,541,979</u>

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2022
With Summarized Information for the Year Ended June 30, 2021

	State Employee and Teacher Plan	Judicial Plan	Legislative Plan	PLD Consolidated Plan	PLD Agent Plan
Additions:					
Investment income/(loss):					
From investing activities:					
Net appreciation (depreciation) in the fair value of plan investments	\$ (105,384,214)	\$ (598,411)	\$ (117,068)	\$ (26,417,021)	\$ (53,736)
Interest	509,721	2,817	529	118,852	324
Dividends	129,195,621	761,064	143,155	32,614,280	78,977
Less: investment expenses	<u>(104,006,433)</u>	<u>(620,718)</u>	<u>(115,950)</u>	<u>(26,298,696)</u>	<u>(65,930)</u>
Net income from investing activities	(79,685,305)	(455,248)	(89,334)	(19,982,585)	(40,365)
From securities lending activities:					
Securities lending income	258,446	1,522	286	65,242	158
Borrower rebates refunded	75,597	445	84	19,084	46
Management fees	<u>(38,727)</u>	<u>(228)</u>	<u>(43)</u>	<u>(9,776)</u>	<u>(24)</u>
Net income from securities lending activities	<u>295,316</u>	<u>1,739</u>	<u>327</u>	<u>74,550</u>	<u>180</u>
Total investment income/(loss)	(79,389,989)	(453,509)	(89,007)	(19,908,035)	(40,185)
Contributions and premiums (notes 6 and 7):					
Members	164,348,772	650,172	161,937	65,104,304	-
Employers	348,890,554	867,895	43,111	78,887,165	98,328
Non-employer contributing entities (note 1)	194,654,436	-	-	-	-
Transfers from other plans	<u>-</u>	<u>29,746</u>	<u>-</u>	<u>89,325</u>	<u>-</u>
Total contributions and premiums	<u>707,893,762</u>	<u>1,547,813</u>	<u>205,048</u>	<u>144,080,794</u>	<u>98,328</u>
Total additions	628,503,773	1,094,304	116,041	124,172,759	58,143
Deductions:					
Benefits paid	930,771,975	5,094,485	543,252	187,842,235	770,747
Refunds and withdrawals	17,380,023	-	75,595	6,734,145	122,401
Transfers to other plans	341,271	-	-	-	-
Claims processing expenses (note 7)	-	-	-	-	-
Administrative expenses	<u>11,962,324</u>	<u>72,167</u>	<u>13,374</u>	<u>3,011,452</u>	<u>7,811</u>
Total deductions	<u>960,455,593</u>	<u>5,166,652</u>	<u>632,221</u>	<u>197,587,832</u>	<u>900,959</u>
Net increase/(decrease) in fiduciary net position	(331,951,820)	(4,072,348)	(516,180)	(73,415,073)	(842,816)
Fiduciary net position – restricted for benefits, beginning of year	<u>14,900,649,703</u>	<u>89,893,506</u>	<u>16,659,121</u>	<u>3,751,152,623</u>	<u>9,748,684</u>
Fiduciary net position – restricted for benefits, end of year	<u>\$14,568,697,883</u>	<u>\$ 85,821,158</u>	<u>\$ 16,142,941</u>	<u>\$ 3,677,737,550</u>	<u>\$ 8,905,868</u>

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

<u>Group Life Insurance Plan Active</u>	<u>Group Life Insurance Plan Retired SET</u>	<u>Group Life Insurance Plan Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>MainePERS OPEB Trust</u>	<u>Retiree Health Insurance Trust Fund</u>	<u>2022 Total</u>	<u>2021 Summarized</u>
\$ (2,336,879)	\$(20,305,172)	\$ (3,019,261)	\$ (8,195,492)	\$ (2,630,183)	\$ (53,539,555)	\$ (222,596,992)	\$4,162,543,848
188	1,680	251	—	—	—	634,362	162,166
—	—	—	—	—	—	162,793,097	128,354,996
<u>(10,445)</u>	<u>(83,878)</u>	<u>(12,537)</u>	<u>(52,974)</u>	<u>(10,703)</u>	<u>(119,042)</u>	<u>(131,397,306)</u>	<u>(123,781,410)</u>
(2,347,136)	(20,387,370)	(3,031,547)	(8,248,466)	(2,640,886)	(53,658,597)	(190,566,839)	4,167,279,600
—	—	—	—	—	—	325,654	468,476
—	—	—	—	—	—	95,256	87,338
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(48,798)</u>	<u>(70,212)</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>372,112</u>	<u>485,602</u>
(2,347,136)	(20,387,370)	(3,031,547)	(8,248,466)	(2,640,886)	(53,658,597)	(190,194,727)	4,167,765,202
4,419,399	—	—	5,191,562	—	—	239,876,146	222,909,355
1,634,118	5,991,899	1,277,664	795,549	8,759	2,000,000	440,495,042	319,658,264
—	4,592,852	—	—	—	—	199,247,288	183,931,178
<u>—</u>	<u>—</u>	<u>—</u>	<u>222,200</u>	<u>—</u>	<u>—</u>	<u>341,271</u>	<u>694,731</u>
<u>6,053,517</u>	<u>10,584,751</u>	<u>1,277,664</u>	<u>6,209,311</u>	<u>8,759</u>	<u>2,000,000</u>	<u>879,959,747</u>	<u>727,193,528</u>
3,706,381	(9,802,619)	(1,753,883)	(2,039,155)	(2,632,127)	(51,658,597)	689,765,020	4,894,958,730
9,136,577	6,015,090	851,262	—	312,447	—	1,141,338,070	1,085,110,093
—	—	—	4,192,584	—	—	28,504,748	23,751,328
—	—	—	—	—	—	341,271	694,731
132,764	802,591	137,140	120,059	—	—	1,192,554	1,164,616
<u>108,829</u>	<u>824,527</u>	<u>124,368</u>	<u>222,200</u>	<u>—</u>	<u>3,100</u>	<u>16,350,152</u>	<u>15,241,470</u>
<u>9,378,170</u>	<u>7,642,208</u>	<u>1,112,770</u>	<u>4,534,843</u>	<u>312,447</u>	<u>3,100</u>	<u>1,187,726,795</u>	<u>1,125,962,238</u>
(5,671,789)	(17,444,827)	(2,866,653)	(6,573,998)	(2,944,574)	(51,661,697)	(497,961,775)	3,768,996,492
<u>18,557,646</u>	<u>140,599,594</u>	<u>21,207,382</u>	<u>60,478,933</u>	<u>17,752,707</u>	<u>382,842,080</u>	<u>19,409,541,979</u>	<u>15,640,545,487</u>
<u>\$ 12,885,857</u>	<u>\$123,154,767</u>	<u>\$ 18,340,729</u>	<u>\$ 53,904,935</u>	<u>\$ 14,808,133</u>	<u>\$ 331,180,383</u>	<u>\$ 18,911,580,204</u>	<u>\$19,409,541,979</u>

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

1. Overview of the Maine Public Employees Retirement System Benefit Plans

Background

The Maine Public Employees Retirement System (the System or MainePERS), which is a component unit of the State of Maine, is the administrator of a public employee retirement system established and administered under the Laws of the State of Maine. The System was formerly named the Maine State Retirement System. The System provides pension, disability, and death benefits to its members, which include employees of the State, public school teachers (as defined by Maine law) and employees of 316 local municipalities and other public entities (participating local districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

Individual PLDs are permitted by law to withdraw from participation in the System. Withdrawal precludes the PLD's nonmember employees, if any, and its employees hired subsequent to withdrawal from membership in the System. Depending on the circumstances and requirements of the PLD's participation under the System, a withdrawn PLD may have continuing funding obligations after withdrawal with respect to its employees who are active members at the time of withdrawal and who continue to be members thereafter, to its terminated vested employee members, and to its former employee members who are retired at the time of withdrawal.

Board of Trustees

The Board is comprised of eight members. State law specifies the composition of the Board, whose members are confirmed by the Legislature. Three trustees are System members, one of whom is proposed and elected by the Maine Education Association, one of whom is proposed and elected by the Maine State Employees Association, and one of whom is an active or retired PLD member appointed by the governing body of the Maine Municipal Association. Four other trustees are appointed by the Governor. Of these, one must be selected by the Governor from a list of nominees submitted by the Maine Retired Teachers Association and one must be a MainePERS retiree selected from a list of nominees submitted by State and/or PLD retirees. The remaining two appointees are direct gubernatorial appointments, both of whom must be qualified through training or experience in investments, accounting, banking or insurance or as actuaries. All appointed trustees are required to have "a working knowledge of retirement policy and legal issues and a general knowledge and understanding of banking, finance, and investment practices." The eighth trustee is the State Treasurer, who serves ex-officio. All trustee terms are three years, except for the two-year term of the State Treasurer. The Board annually elects its chair and vice chair from among its members.

Defined Benefit Plans

Pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits. The Board, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System administers five defined benefit pension plans consisting of the State Employee and Teacher Plan which includes the Governors' Plan, the Judicial Plan, the Legislative Plan, the PLD Consolidated Plan, and the PLD Agent Plan. The System maintains

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

1. Overview of the Maine Public Employees Retirement System Benefit Plans (Continued)

separate reserves and accounts and performs separate annual actuarial valuations for each pension plan. Additional information regarding each plan can be found in Note 6 of this report.

Group Life Insurance Plans

The Group Life Insurance Plans (the Plans) were established by the State Legislature to provide group life insurance benefits, during active service as well as in retirement, to State employees, Teachers, members of the Judiciary and the Legislature, as well as Elected and Appointed Officers of the State, that are eligible for membership in the System. Group Life Insurance benefits are also provided to the employees of PLDs that elect to participate in the Plans. Generally, benefit plan provisions can only be amended through statutory change. Employees are eligible for coverage under the Plans, subject to their membership in one or more of the aforementioned eligible employment classes and any other conditions of eligibility that the Board may prescribe by rule or decision.

Group Life Insurance funds managed by the System are held in trust for the payment of benefits to participants and/or their beneficiaries. The Board, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System maintains separate reserves and accounts for both active and retiree coverage and biennial actuarial valuations are performed for each plan within the program. In those years where a full actuarial valuation is not completed, a roll-forward of plan liabilities from the previous valuation to the current fiscal year end with expected benefit payments and accruals is conducted. The liabilities for fiscal year ended June 30, 2022 were calculated as part of a full actuarial valuation.

Defined Contribution Plans

The Section 401(a), Section 457 and Section 403(b) Plans (Defined Contribution Plans), administered by the System's Board of Trustees with funds held in trust, are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of employees of PLDs that elect to participate in the Defined Contribution Plans. Contributions may be made to the Defined Contribution Plans by plan participants subject to plan and Internal Revenue Code limitations. At June 30, 2022, participation in the defined contribution plans was as follows:

	<u>401(a) Plan</u>	<u>457 Plan</u>	<u>403(b) Plan</u>
Employers	7	72	1
Participants	89	926	564

Investments in the Defined Contribution Plans are individually directed and controlled by plan participants. Benefits for deferred compensation, employer contributions, and earnings on the accounts are not recognized by Plan participants for income tax purposes until actually paid to the participant or beneficiary.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

1. Overview of the Maine Public Employees Retirement System Benefit Plans (Concluded)

MainePERS OPEB Trust

The MainePERS Other Post-Employment Benefits (OPEB) Trust is an irrevocable trust established for the purpose of accumulating assets to provide funding for retiree health benefits and life insurance in retirement for qualified individuals who retire from MainePERS. The Trustees of the System were named Trustees of the MainePERS OPEB Trust. Contributions are made to the Trust on an annual basis in the amount equal to the actuarially determined contribution amount.

Retiree Health Insurance Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust (Investment Trust Fund) as an irrevocable trust formed solely to hold and invest funds appropriated or otherwise provided to the Investment Trust Fund for the purpose of accumulating assets to provide funding to the State's unfunded liability obligations for retiree health benefits. The Trustees of the System were named Trustees of the Investment Trust Fund.

2. Summary of Significant Accounting Policies

Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting.

Comparative Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make significant estimates and assumptions. These estimates affect the reported amounts of fiduciary net position at the date of the financial statements, the actuarial information included in the required supplementary information as of the actuarial information date, the changes in fiduciary net position during the reporting period and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements, as reported in the notes to the financial statements. Actual results could differ from those estimates.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Pension contributions and group life insurance premiums, as well as contributions to the Retiree Health Insurance Trust, are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Contributions to Defined Contribution Plans are recognized in the period they are contributed.

Investment income includes net appreciation or depreciation in the fair value of investments, interest and dividend income, foreign currency transaction gains and losses, and securities lending income, less investment expenses, which include investment management and custodial fees and all other significant investment related costs. Dividends include income returns from partnerships. Investment income is recognized when earned and investment expenses are recorded when incurred.

Benefits Paid and Refunds and Withdrawals

Pension and group life insurance benefits and contributions and premium refunds and withdrawals to the System's members and beneficiaries are recognized as deductions when due and payable in accordance with the terms of the statutes. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. These are reflected as other liabilities. Distributions from Defined Contribution Plans and the Retiree Health Insurance Trust are recognized in the period the disbursement is made.

Investments

Investments are reported at fair value. Debt and equity securities that are traded on recognized exchanges are valued at the last sales price and the current exchange rates on the reporting date. Other regularly traded securities, including derivatives, are valued by the System's custodians through a variety of external sources. Investments that do not have an established market are reported at estimated fair value. The fair value of shares in common/collective trusts is based on unit values reported by the funds. The fair value of other investments, including private market partnerships, is based on third-party appraisals and valuations provided by the sponsor of the partnerships. Management reviews and approves all such appraisals and valuations prepared by other parties. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and are adjusted to the fair value of the securities.

Assets of the defined benefit pension plans are pooled for investment purposes and are allocated to each plan based on each plan's fiduciary net position, as are investment expenses and administrative expenses. Assets of the Group Life Insurance Plans are pooled for investment purposes and are allocated to each plan based on each plan's fiduciary net position, as are investment expenses and administrative expenses. Other assets managed by the System are invested separately from the assets of the defined benefit pension plans and the Group Life Insurance Plans.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

2. Summary of Significant Accounting Policies (Continued)

Due to/from Brokers

Amounts due to/from brokers for securities purchased or sold consist of trades not yet settled.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments that have a maturity of 90 days or less when purchased to be cash equivalents.

Capital Assets

All capital assets with a unit cost of \$5,000 or greater are capitalized and reported in the accompanying financial statements. Purchased capital assets are valued at cost.

Capital asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use.

Depreciation is calculated using the straight-line method with estimated useful lives of 3 to 40 years.

Administrative Expenses

The cost of administering each of the plans managed by the System is financed primarily by investment income.

Risks and Uncertainties

The System makes investments in accordance with the Board's investment policy in a combination of equities, fixed income securities, infrastructure, private equity, real estate, derivative financial instruments, other investment securities and mutual funds and common/collective trusts holding such investments. The investment policy specifically prohibits investment managers from using derivative financial instruments to introduce leverage without specific prior approval by the Board. Investment securities and securities underlying certain investments are exposed to various risks, such as interest rate risk, market risk, custodial credit risk and credit risk. Investments in the Defined Contribution Plans are individually directed and controlled by plan participants. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, changes in the values of investment securities are likely to occur in the near term and it is at least possible that such changes could materially affect the amounts reported in the statements of fiduciary net position and changes in fiduciary net position.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

2. Summary of Significant Accounting Policies (Concluded)

Defined Benefit Contributions

Contributions to the Defined Benefit Plans from employers and non-employer contributing entities are established by an actuarial valuation on the basis of actuarial assumptions related to economic indicators (e.g., interest rates, inflation rates), and member and retiree compensation and demographics. By law, the assumptions are adopted by the Board based on recommendation of the System's actuary. The System is also required by Maine law to perform an actuarial experience study whenever the Board, on recommendation of its actuary, determines such a study to be necessary for actuarial soundness or prudent administration.

3. Cash and Cash Equivalents and Investments

The Board is responsible for identifying the System's investment objective and establishing an investment policy to meet that objective. The Board relies on staff and consultants with appropriate expertise to establish investment policy, monitor compliance with that policy, and determine whether the investment objective has been met. The Board established the strategic asset allocation as part of its overall investment policy. The policy identifies the following investment classes and targets for all defined benefit pension plan assets: public equity (30%), private equity (12.5%), traditional credit (5%), alternative credit (10%), real estate (10%), infrastructure (10%), natural resources (5%), US Government (10%), and risk diversifiers (7.5%). For the group life insurance plan assets, the policy identifies four investment classes and targets: public equity (70%), real estate (5%), traditional credit (16%), and US Government (9%).

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System has no formal policy for custodial credit risk. Cash and cash-like securities are held at two institutions: Bangor Savings Bank and JP Morgan. Cash balances at Bangor Savings Bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. Bangor Savings Bank mitigates custodial credit risk through use of securities repurchase arrangements.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

3. Cash and Cash Equivalents and Investments (Continued)

Cash equivalents at JP Morgan are invested in the JP Morgan Prime Money Market Fund. The JP Morgan Prime Money Market fund is composed of short term debt securities held in a collective fund for the benefit of the System and other investors. All securities purchased in the JP Morgan Prime Money Market must either be payable on demand or have a maturity not exceeding eighteen months from the time of purchase.

The System's cash equivalents and investments are not exposed to custodial credit risk (a) because the underlying investments are registered in the name of the System and held by the System's custodian, or (b) because their existence is not evidenced by securities that exist in physical or book entry form.

These amounts are disclosed in the financial statements at June 30 as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 108,716,021	\$ 32,280,754
Investments	<u>18,814,682,330</u>	<u>19,365,272,627</u>
Total Fair Value	<u>\$ 18,923,398,351</u>	<u>\$ 19,397,553,381</u>

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the System. The System has no formal policy on credit risk. The following table summarizes the System's aggregate fixed income portfolio credit ratings at June 30:

<u>Quality Rating</u> ⁽¹⁾	<u>2022</u>	<u>2021</u>
AAA	\$ 2,132,229,634	\$ 1,419,475,818
AA	26,790,410	135,904,402
A	109,314,443	485,065,909
BBB	122,709,648	645,411,616
Not Rated	<u>956,800</u>	<u>-</u>
Total Credit Risk Debt	<u>\$ 2,392,000,935</u>	⁽²⁾ <u>\$ 2,685,857,745</u> ⁽²⁾

⁽¹⁾ Quality ratings are reported using S&P's rating categories and are based on bond ratings assigned by S&P, Moody's, and Fitch. The median rating is used when 3 ratings are available, and the lower or only rating is used in cases where only 2 or a single rating is available.

⁽²⁾ Includes direct investments in debt securities held by the System as well as debt securities underlying investments in common/collective trusts. In 2022 and 2021, all amounts are from common/collective trusts.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

3. Cash and Cash Equivalents and Investments (Continued)

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer.

There were no individual investments that constitute 5% or more of fiduciary net position for the defined benefit pension plans administered by the System as of June 30, 2022.

There were no individual investments that constitute 5% or more of fiduciary net position for the other post-employment benefit plans administered by the System as of June 30, 2022.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal investment policy related to managing interest rate risk. All of the System's fixed income portfolios are managed in accordance with contractual guidelines. Contractual guidelines generally specify a range of effective duration for the portfolio. Duration is widely used in the management of fixed income portfolios as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. The System's interest rate risk is closely aligned with the Barclays Capital Aggregate Index. The following table details the System's interest rate risk for its debt investments at June 30, 2022 and 2021, using the segmented time distribution method. Maturities are based on the weighted average maturities of underlying investments in the common/collective trusts.

Investment Type Common/	Fair Value	Maturities as of June 30, 2022			
		Less than 1 Year	1 to 6 Years	6 to 10 Years	10+ Years
Collective Trusts	\$ 2,392,000,935	\$ 36,324,854	\$ 1,318,277,989	\$ 639,563,081	\$ 397,835,011
Total	<u>\$ 2,392,000,935</u>	<u>\$ 36,324,854</u>	<u>\$ 1,318,277,989</u>	<u>\$ 639,563,081</u>	<u>\$ 397,835,011</u>

Investment Type Common/	Fair Value	Maturities as of June 30, 2021			
		Less than 1 Year	1 to 6 Years	6 to 10 Years	10+ Years
Collective Trusts	\$ 2,685,857,745	\$ 33,666,851	\$ 1,405,293,456	\$ 733,672,594	\$ 513,224,844
Total	<u>\$ 2,685,857,745</u>	<u>\$ 33,666,851</u>	<u>\$ 1,405,293,456</u>	<u>\$ 733,672,594</u>	<u>\$ 513,224,844</u>

Foreign currency risk is the risk that changes in exchange rates will adversely impact the recorded fair value of an investment. The System does not have a formal investment policy limiting the amount of foreign currency exposure of its investments. The System's currency exposures reside primarily in the System's international equity investments. The System may hedge a portfolio's foreign currency exposure with currency forward contracts depending on their views of the currency relative to the dollar.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

3. Cash and Cash Equivalents and Investments (Continued)

All of the System's portfolios are managed in accordance with contractual guidelines. The System has nearly eliminated all direct exposure to foreign currency by using index funds which means the System owns units of U.S. dollar denominated commingled funds rather than conducting transactions directly in foreign currency. The System is still indirectly exposed to all the foreign currencies within the index.

The System's direct and indirect exposure to foreign currency risk in U.S. dollars as of June 30, 2022 is highlighted in the following table:

<u>Currency</u>	<u>Total</u>	<u>Currency</u>	<u>Total</u>
Australian Dollar	\$ 83,324,595	Peruvian Sol	790,814
Bermudian Dollar	456,534	Philippine Peso	3,721,368
Brazilian Real	24,934,499	Polish Zloty	2,923,559
British Pound Sterling	247,137,599	Qatar Riyal	5,448,389
Canadian Dollar	140,736,613	Russian Ruble	1,830
Chilean Peso	2,507,582	Saudi Arabian Riyal	22,191,234
Chinese Yuan Renminbi	171,555,165	Singapore Dollar	15,982,397
Colombian Peso	1,050,237	South African Rand	17,946,581
Czech Koruna	1,005,693	Swedish Krona	34,042,042
Danish Krone	28,897,227	Swiss Franc	112,394,531
Egyptian Pound	427,429	Taiwan Dollar	73,554,811
Euro	1,133,581,108	Thai Baht	9,861,169
Hong Kong Dollar	46,969,169	Turkish Lira	1,458,960
Hungarian Forint	1,002,771	United Arab Emirates Dirham	6,547,049
India Rupee	67,903,436	Total	\$ 2,604,810,607
Indonesian Rupiah	9,406,557		
Japanese Yen	239,898,427		
Korean Won	58,638,911		
Macao Pataca	461,294		
Malaysian Ringgit	7,655,319		
Mexican Peso	11,102,609		
New Israeli Sheqel	7,742,845		
New Zealand Dollar	2,739,103		
Norwegian Krone	8,811,151		

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3. Cash and Cash Equivalents and Investments (Continued)

The System has entered into contracts to invest in partnerships with a focus on private equity, infrastructure, real estate and other investment strategies. As of June 30, 2022, the value of these investments is approximately \$9.8 billion and the remaining funding commitment is approximately \$3.6 billion.

For the year ended June 30, 2022, the annual money-weighted rate of return on all defined benefit plan investments, net of investment expenses, was 3.4%. For the year ended June 30, 2022 the annual money-weighted rate of return on all OPEB plan investments, net of investment expense, was 14.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested, based on monthly calculations.

The System categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are other significant observable inputs. Valuation inputs used to value the System's Level 2 holdings include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs. Level 3 inputs are unobservable inputs. The System has the following recurring fair value measurements at June 30:

	<u>June 30, 2022</u>	Fair Value Measurements Using		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Common Equity	\$ 2,502,487,888	\$ 2,502,487,888	\$ -	\$ -
Common/Collective Trusts	6,561,218,051	-	6,561,218,051	-
Collateral from loaned securities	10,280,553	-	10,280,553	-
Total investments by fair value level	<u>9,073,986,492</u>	<u>\$ 2,502,487,888</u>	<u>\$ 6,571,498,604</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Alternative Credit	1,256,693,328			
Infrastructure	1,999,797,510			
Natural Resources	956,469,081			
Private Equity	3,628,981,470			
Real Estate	1,909,035,002			
Total investments measured at NAV	<u>9,750,976,391</u>			
Total investments measured at fair value	<u>\$ 18,824,962,883</u>			

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3. Cash and Cash Equivalents and Investments (Continued)

	<u>June 30, 2021</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level				
Common Equity	\$ 2,995,713,490	\$ 2,995,713,490	\$ -	\$ -
Common/Collective Trusts	7,221,257,439	-	7,221,257,439	-
Collateral from loaned securities	80,266,095	-	80,266,095	-
Total investments by fair value level	<u>10,297,237,024</u>	<u>\$ 2,995,713,490</u>	<u>\$ 7,301,523,534</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Alternative Credit	896,207,596			
Infrastructure	1,903,307,914			
Natural Resources	854,972,034			
Private Equity	3,943,370,332			
Real Estate	1,550,443,822			
Total investments measured at NAV	<u>9,148,301,698</u>			
Total investments measured at fair value	<u>\$ 19,445,538,722</u>			

Common Equity

Common equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets.

Common/Collective Trusts

Units of collective investment funds, including short-term investment funds, are valued based on quoted prices for similar assets, exchange rates, interest rates, credit risks and default rates. A unit value is determined for each fund on the valuation date. Valuation of each fund is determined each day the Fund is open for contributions and redemptions and, for financial reporting purposes, on the report date should the reporting period end on a date the Fund is not open. Unit values are determined by dividing each Fund's investments at fair value by the number of units outstanding on the valuation date.

Investments Measured at NAV

Alternative investments are generally reported at the NAV obtained from statements provided by the investment managers and assessed by the System as reasonable.

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3. Cash and Cash Equivalents and Investments (Continued)

NAVs determined by investment managers generally consider variables including operating results, projected cash flows, recent sales prices and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Due to the inherent uncertainties in valuation, the estimated fair values in NAV calculations may differ significantly from values that would have been used had a ready market existed.

The fair value and unfunded commitments for investments measured at NAV per share (or its equivalent) are presented in the following tables:

June 30, 2022

Investments Measured at NAV	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Alternative Credit ⁽¹⁾	\$ 1,256,693,328	\$ 706,529,331
Infrastructure ⁽²⁾	1,999,797,510	933,516,913
Natural Resources ⁽³⁾	956,469,081	219,184,033
Private Equity ⁽⁴⁾	3,628,981,470	1,114,996,820
Real Estate ⁽⁵⁾	1,909,035,002	605,678,679
Total investments measured at NAV	\$ 9,750,976,391	\$ 3,579,905,776

June 30, 2021

Investments Measured at NAV	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Alternative Credit ⁽¹⁾	\$ 896,207,596	\$ 519,945,685
Infrastructure ⁽²⁾	1,903,307,914	1,061,379,735
Natural Resources ⁽³⁾	854,972,034	288,040,270
Private Equity ⁽⁴⁾	3,943,370,332	1,350,443,529
Real Estate ⁽⁵⁾	1,550,443,822	444,563,451
Total investments measured at NAV	\$ 9,148,301,698	\$ 3,664,372,670

(1) Alternative Credit funds are funds that invest primarily in debt instruments issued by non-investment grade and unrated entities. Alternative credit investments are expected to pay or accrue periodic interest and to return principal at maturity. The fair values in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Alternative

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3. Cash and Cash Equivalents and Investments (Concluded)

Credit funds are typically structured as partnerships with fixed lifetimes. These funds are generally not available for redemption, and distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 7 or more years.

- (2) Infrastructure funds are funds that invest primarily in infrastructure assets such as roads, ports, pipelines, and airports, primarily in the US and Europe. The fair values in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These funds are generally not available for redemption, and distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 10 or more years.
- (3) Natural Resources funds are funds that invest primarily in assets and businesses related to natural resources such as farming, timber, and mining. The fair values in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These funds are generally not available for redemption, and distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 10 or more years.
- (4) Private Equity funds are funds that invest primarily in debt and equity securities of private businesses. The fair values in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These funds are generally not available for redemption, and distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 10 or more years.
- (5) Real Estate funds are funds that invest primarily in commercial real estate and real estate debt. The fair values in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The majority of these investments (85% of dollar value) are available for redemption, subject to the timing of asset disposition. The remaining funds are generally not available for redemption, and distributions are received as underlying investments within the funds are liquidated, which on average can occur over a span of 10 or more years.

4. Derivative Securities

Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. In addition, some traditional securities can have derivative-like characteristics, e.g., asset-backed securities, including collateralized mortgage obligations, which are sensitive to changes in interest rates and to prepayments.

The System may be a party, both directly and indirectly, to various derivative financial investments that are used in the normal course of investing to enhance expected returns on investments, to manage the risk of exposure to changes in value of investments due to fluctuations in market conditions, and to gain

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4. Derivative Securities (Concluded)

passive exposure to markets. In addition to normal market risks these investments may involve, to varying degrees, elements of interest rate risk, credit risk, leverage risk, counterparty risk, and custodial credit risk.

Leverage risk may be created with derivatives. Financial leverage generally involves borrowing and then reinvesting the proceeds with the hope of earning a higher rate of return than the borrowing costs. With derivative instruments economic leverage may be effectively created without any explicit borrowing. Leveraged investments may be more volatile than if an investment had not been leveraged. Leveraging tends to exaggerate the effect of any increase or decrease in the value of an underlying investment. In a leveraged transaction an amount more than the initial investment may be lost. The System's investment policy requires specific approval from the Board of any investment strategy that involves the use of direct financial leverage.

Counterparty risk is the risk that the counterparty to a derivative transaction is unwilling or unable to deliver on their obligations to the System.

The System manages leverage risk and counterparty risk on a manager by manager basis by establishing guidelines with each manager. The manager is customarily allowed to invest within these predetermined guidelines.

The System's managers may also invest in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term rates; short positions decrease exposure. Credit default swaps are used to manage credit exposure. Purchased credit default swaps decrease credit exposure, while written credit default swaps increase exposure. Total return swaps are a means to gain exposure to an index.

The System may also hold investments in futures and options, which are used to manage various risks within the portfolio. A financial futures contract is an agreement between two parties to buy or sell units of a particular index or a certain amount of a security at a set price on a future date. The System may purchase and sell financial futures contracts to hedge against the effect of changes in the values of securities it owns or expects to purchase.

In addition to the derivative financial instruments directly held, the System may have indirect exposure to risk through its ownership interests in commingled investment funds, which use, hold or write derivative financial instruments. There also may be indirect exposure in the securities lending programs in which the System participates, in which some collateral pools may include derivatives (note 5). Where derivatives are held in those funds/pools, risks and risk management are as described above.

The System did not have any direct derivative investments as of June 30, 2022 or 2021 or during the years then ended.

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5. Securities Lending

The System has entered into agreements with its master custodian to lend to broker-dealers and other entities any type of security held in the System's portfolio and held with the master custodian. Securities are loaned against collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned against collateral generally valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105% of the fair value of the securities plus any accrued interest.

Noncash collateral cannot be pledged or sold unless the borrower defaults. As a result, those securities are excluded from both assets and liabilities.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the System's loans was approximately 1 day as of June 30, 2022 and 2021.

Cash collateral is invested in a short-term investment account which had an interest sensitivity of 3 and 2 days as of June 30, 2022 and 2021, respectively. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

During fiscal years 2022 and 2021, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses identified to the System by the securities lending agent. Securities lending earnings are credited to the System on approximately the fifteenth day of the following month.

Custodial credit risk is the risk that in the event of the insolvency of a borrower, and the master custodian has failed to live up to its contractual responsibilities relating to the lending of those securities, the System's securities are not returned to it. The master custodian's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. At June 30, 2022 and 2021, all of the collateral for securities lending is subject to custodial credit risk.

Because of the program's collateralization of loans, generally at 102% (or more), the System believes that there is no material credit risk.

Some of the System's assets are held in common/collective trusts and are subject to similar agreements arranged by those trusts. The income from those arrangements and the associated collateral are not included in the securities lending amounts reported.

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5. Securities Lending (Concluded)

Aggregate securities on loan by asset class are as follows:

	<u>2022</u>	<u>2021</u>
Domestic equity securities on loan	\$ <u>143,149,657</u>	\$ <u>164,429,143</u>
Aggregate securities lending collateral:		
Short-term investment collateral pool	\$ 10,280,553	\$ 80,266,094
Noncash collateral	<u>136,387,502</u>	<u>87,937,421</u>
Total collateral	\$ <u>146,668,055</u>	\$ <u>168,203,515</u>
Collateral ratio	<u>102.5%</u>	<u>102.3%</u>

6. Defined Benefit Plans

State Employee and Teacher Plan

The State Employee and Teacher Plan administered by MainePERS is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2022, there were 239 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays the unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

Plan membership counts for the State Employee and Teacher Plan at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Current participants:		
Vested and non-vested	40,121	40,099
Terminated participants:		
Vested	8,843	8,387
Inactive due refunds	38,807	38,393
Retirees and beneficiaries receiving benefits	<u>38,408</u>	<u>37,690</u>
	<u>126,179</u>	<u>124,569</u>

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6. Defined Benefit Plans (Continued)

Judicial Plan

The Judicial Plan administered by MainePERS is a single-employer plan offered by the State of Maine.

Plan membership counts for the Judicial Plan at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Current participants:		
Vested and non-vested	60	60
Terminated participants:		
Vested	2	2
Inactive due refunds	1	1
Retirees and beneficiaries receiving benefits	<u>90</u>	<u>85</u>
	<u>153</u>	<u>148</u>

Legislative Plan

The Legislative Plan administered by MainePERS is a single-employer plan offered by the State of Maine.

Plan membership counts for the Legislative Plan at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Current participants:		
Vested and non-vested	174	178
Terminated participants:		
Vested	119	124
Inactive due refunds	95	101
Retirees and beneficiaries receiving benefits	<u>223</u>	<u>222</u>
	<u>611</u>	<u>625</u>

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6. Defined Benefit Plans (Continued)

PLD Consolidated Plan

The PLD Consolidated Plan administered by MainePERS is a multiple-employer cost sharing plan. Eligible employers (districts) are defined in Maine statute. As of June 30, 2022, there were 311 employers participating in the plan.

Plan membership counts for the PLD Consolidated Plan at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Current participants:		
Vested and non-vested	12,362	11,704
Terminated participants:		
Vested	2,724	2,563
Inactive due refunds	10,080	9,479
Retirees and beneficiaries receiving benefits	<u>10,400</u>	<u>10,093</u>
	<u>35,566</u>	<u>33,839</u>

PLD Agent Plan

The PLD Agent Plan administered by MainePERS is an agent multiple-employer plan for financial reporting purposes. This plan is an aggregation of single employer plans that were open when the PLD Consolidated Plan began. Under the legislation that created the consolidated plan, single employers could either join the consolidated plan whereby the single employer plan would end, or they could opt to not join the plan and continue to maintain their single employer plan as a closed plan until there were no further liabilities for pension, at which time the single employer plan would be dissolved. As of June 30, 2022, there were 5 employers in the plan.

Plan membership counts for the PLD Agent Plan at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Current participants:		
Vested and non-vested	-	-
Terminated participants:		
Vested	-	-
Inactive due refunds	1	1
Retirees and beneficiaries receiving benefits	<u>45</u>	<u>51</u>
	<u>46</u>	<u>52</u>

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6. Defined Benefit Plans (Continued)

Benefits

Benefit terms are established in Maine statute; in the case of the PLD Consolidated Plan, an advisory group, also established by Maine statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers, judges and legislative members is age 60, 62 or 65, and is determined based on date of membership. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for all participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Board and is currently 1.52%.

Funding Policy

The Maine Constitution, Maine statutes and the System's funding policy provide for periodic employer contributions in addition to the normal cost contributions for the State Employee and Teacher Plan. These are actuarially determined amounts that, based on certain actuarial assumptions, are sufficient to fully fund, on an actuarial basis, the initial unfunded actuarial accrued liability (IUAAL) that existed in the State Employee and Teacher Retirement Plan in 1996 by the year 2028. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State Employee and Teacher Retirement Plan.

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6. Defined Benefit Plans (Continued)

Net Pension Liability – State Employee and Teacher Plan

The components of the net pension liability of the State of Maine and participating teacher employers, stated in millions of dollars as of June 30, 2022, were as follows:

Total pension liability	\$ 16,981.8
Plan fiduciary net position	<u>14,568.7</u>
Net pension liability	\$ <u>2,413.1</u>
Plan fiduciary net position as a percentage of the total pension liability	85.8%

Net Pension Liability – Judicial Plan

The components of the net pension asset of the State of Maine for the Judicial Plan, stated in millions of dollars as of June 30, 2022, were as follows:

Total pension liability	\$ 77.4
Plan fiduciary net position	<u>85.8</u>
Net pension asset	\$ <u>(8.4)</u>
Plan fiduciary net position as a percentage of the total pension liability	110.8%

Net Pension Liability – Legislative Plan

The components of the net pension asset of the State of Maine for the Legislative Plan, stated in millions of dollars as of June 30, 2022, were as follows:

Total pension liability	\$ 11.0
Plan fiduciary net position	<u>16.2</u>
Net pension asset	\$ <u>(5.2)</u>
Plan fiduciary net position as a percentage of the total pension liability	147.1%

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6. Defined Benefit Plans (Continued)

Net Pension Liability – PLD Consolidated Plan

The components of the net pension asset of the PLD Consolidated Plan participating employers, stated in millions of dollars as of June 30, 2022, were as follows:

Total pension liability	\$ 3,943.6
Plan fiduciary net position	<u>3,677.8</u>
Net pension liability	\$ <u>265.8</u>
Plan fiduciary net position as a percentage of the total pension liability	93.3%

Actuarial Methods and Assumptions

Actuarial valuations of ongoing plans involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Assumptions in an actuarial valuation typically include projections concerning future employment, mortality, and inflation. Actuarially determined contributions are subject to continual periodic revision as actual results are compared to past expectations and new estimates are made concerning the future. The Schedules of Changes in Net Pension Liabilities and Related Ratios, presented as Required Supplementary Information immediately following the Notes to Financial Statements, present multi-year trend information about whether the fiduciary net position of the plan is increasing or decreasing over time relative to the total pension liability of the plan.

Projections of benefits for financial reporting purposes are based on the provisions of the plans in effect at the time of each valuation and the historical pattern of sharing of costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

The expected value of assets takes the prior year's actuarial value of assets and adjusts it for contributions, benefit payments, and expected interest earnings at the assumed rate for each plan. One-third of the difference between this expected value of assets and the actual fair value of assets is added to or subtracted from the expected value to provide the actuarial value of assets.

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll).

The initial unfunded actuarial pension liability of the State Employee and Teacher Program is amortized on a level percentage of payroll on a closed basis. The remaining amortization period as of June 30, 2022 was 6 years. All other gains, losses, and changes are amortized over twenty-year closed periods beginning on the date as of which they occur. The net pension liability of the Judicial and Legislative Plans is amortized on an open basis over a period of ten years. The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed

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6. Defined Benefit Plans (Continued)

period is established annually for the gain or loss for that year. The amortization period can have a significant impact on contribution rates developed through the annual valuation process.

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement period. These same assumptions were used in the actuarial valuation as of June 30, 2021, except as indicated.

	State Employee and Teacher Plan	Judicial Plan	Legislative Plan	PLD Consolidated Plan
Investment Rate of Return	Per annum, compounded annually: 6.50% for June 30, 2022 and June 30, 2021			
Inflation Rate	2.75%			
Annual Salary Increases, including Inflation	For June 30, 2022 and June 30, 2021			
	State employees, 3.26% - 9.43%; Teachers, 2.80% - 13.03%	2.75%	2.75%	2.75% - 11.48%
Cost of Living Benefit Increases	2.20%			1.91%
Mortality Rates	For June 30, 2022 and June 30, 2021			
	State Employee, Judicial, and Legislative: based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Teachers: based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.		Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	

The actuarial assumptions used in the June 30, 2022 and June 30, 2021 actuarial valuations were based on the results of an actuarial experience study for the period of June 30, 2016 to June 30, 2020.

The long-term expected rate of return on Defined Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of

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NOTES TO FINANCIAL STATEMENTS

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With Summarized Information for June 30, 2021

6. Defined Benefit Plans (Continued)

geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Long-Term Asset Class</u>	<u>Expected Real Rate of Return</u>
Public equities	6.0%
US Government	2.3
Private equity	7.6
Real assets	
Real estate	5.2
Infrastructure	5.3
Natural resources	5.0
Traditional Credit	3.2
Alternative Credit	7.4
Diversifiers	5.0

Discount Rate

The discount rate used to measure the total pension liability for each of the Defined Benefit Plans was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position for each of the Defined Benefit Plans was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability for the State Employee and Teacher Plan, Judicial Plan, Legislative Plan, and PLD Consolidated Plan calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a discount rate of one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

6. Defined Benefit Plans (Continued)

	1% Decrease <u>(5.5%)</u>	Current Rate <u>(6.5%)</u>	1% Increase <u>(7.5%)</u>
Net Pension Liability/(Asset):			
State Employee and Teacher Plan	\$ 4,539,859,831	\$ 2,413,100,748	\$ 668,280,148
Judicial Plan	(1,553,123)	(8,395,473)	(14,364,327)
Legislative Plan	(4,386,913)	(5,165,660)	(6,436,726)
PLD Consolidated Plan	785,353,277	265,835,339	(163,564,722)

Information regarding sensitivity of the net pension liability to changes in the discount rate for individual single employer plans making up the PLD Agent Plan can be found in each Plan’s annual actuarial report, available by contacting the System.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or MainePERS’ Board rule and depend on the terms of the plan under which a member is covered. Employers’ contributions are determined by actuarial valuations.

Included in the Employers and Non-employer Contributing Entities Contributions reported in the statement of changes in fiduciary net position are contributions received from the State of Maine on behalf of state employees and teachers in the total amount of \$475.2 million and \$351.5 million, and for judges in the total amount of \$868 thousand and \$739 thousand, for the years ended June 30, 2022 and 2021, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2022 or 2021.

Employer normal cost retirement contribution rates as applied to State employee members’ and teacher members’ compensation are the actuarially determined rates. The UAAL rate as applied to State employee members’ compensation is first established through the annual valuation process as an amount that will meet the required UAAL payment amount; it is then adjusted in the State’s budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in twelve equal monthly installments. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2022 and 2021 are as follows:

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022
With Summarized Information for June 30, 2021

6. Defined Benefit Plans (Concluded)

Contribution Rates⁽¹⁾ (effective July 1 through June 30 of each fiscal year)

	<u>2022</u>	<u>2021</u>
State:		
Employees ⁽²⁾	7.65 – 8.65%	7.65 – 8.65%
Employer ⁽²⁾	21.95 – 46.97%	20.93 – 32.68%
Teachers:		
Employees	7.65%	7.65%
Employer	3.84%	4.16%
Non-employer entity	14.29%	14.33%
Judges:		
Employees	7.65%	7.65%
Employer	6.99%	8.89%
Legislative:		
Employees	7.65%	7.65%
Employer	0.00%	0.00%
Participating local districts:		
Employees ⁽²⁾	3.85 – 9.7%	3.85 – 9.5%
Employers ⁽²⁾	5.5 – 15.2%	5.2 – 16.0%

(1) Employer Contribution Rates include normal cost and UAAL required payment, expressed as a percentage of payroll.

(2) Employee and Employer retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or, in the case of PLDs, on benefit plan options selected by a particular PLD. The contributions of withdrawn entities that do not have active employees but continue to have other liabilities are set in dollar amounts, not as rates.

7. Group Life Insurance Program

Plan Description

The Group Life Insurance Program administered by MainePERS is comprised of two multiple-employer cost-sharing defined benefit OPEB plans in addition to a multiple-employer cost-sharing plan providing life insurance benefits to active employees. Group Life Insurance Program coverage for active employees is available to eligible participants and includes basic insurance consisting of life insurance and accidental death and dismemberment insurance in the amount equal to the participant's annual base compensation rounded up to the next \$1,000. Additional supplemental insurance coverage is available to those participants who elect basic coverage. Participants may also elect to insure the life of a dependent not otherwise insured under the basic and supplemental insurance provisions of the program.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
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NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Program (Continued)

Group Life Insurance Plan for Retired State Employees and Teachers

The Group Life Insurance Plan for Retired State Employees and Teachers is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2022 there were 228 employers, including the State of Maine, participating in the plan. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan.

Plan membership counts for the Group Life Insurance Plan for Retired State Employees and Teachers as of the valuation date are as follows:

	<u>2022</u>	<u>2021</u>
Retired State Employees	8,741	8,741
Retired Teachers	7,534	7,534
Active State Employees	11,698	11,698
Active Teachers	<u>15,029</u>	<u>15,029</u>
	<u>43,002</u>	<u>43,002</u>

Group Life Insurance Plan for Retired PLD Employees

The Group Life Insurance Plan for Retired PLD employees is a multiple-employer cost sharing plan. As of June 30, 2022 there were 139 employers participating in the plan.

Plan membership counts for the Group Life Insurance Plan for Retired PLD Employees as of the valuation date are as follows:

	<u>2022</u>	<u>2021</u>
Retired PLD Employees	2,879	2,879
Active PLD Employees	<u>5,498</u>	<u>5,498</u>
	<u>8,377</u>	<u>8,377</u>

Benefits

The Group Life Insurance Plans provide basic group life insurance benefits, during retirement, to retirees who participated in the group life insurance plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Plan (Continued)

Funding Policy

Premium rates are those determined by the System’s Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employee, judicial and legislative employment classes, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State of Maine as the total dollar amount of each year’s annual required contribution. PLD employers with retired PLD employees are required to remit a premium of \$0.48 per \$1,000 of coverage per month during the post-employment retired period.

Net OPEB Liability – Retired State Employee and Teacher Plan

The components of the net OPEB liability of the State of Maine and participating teacher employers, stated in millions of dollars as of June 30, 2022, were as follows:

Total OPEB liability	\$ 235.1
Plan fiduciary net position	<u>123.2</u>
Net OPEB liability	<u>\$ 111.9</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.4%

Net OPEB Liability – PLD Plan

The components of the net OPEB liability of the PLD Plan participating employers, stated in millions of dollars as of June 30, 2022, were as follows:

Total OPEB liability	\$ 32.8
Plan fiduciary net position	<u>18.3</u>
Net OPEB liability	<u>\$ 14.5</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.9%

Actuarial valuations of ongoing plans involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Assumptions in an actuarial valuation typically include projections concerning future employment, mortality, and inflation. Actuarially determined contribution requirements are subject to continual periodic revision as actual results are compared to past expectations and new estimates are made concerning the future. The Schedule of Historical OPEB Information, presented as Required Supplementary Information immediately following the Notes to Financial Statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Plan (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the provisions of the plan in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 are displayed in the table below. The valuation date is June 30, 2022. These same assumptions were used as of June 30, 2021 unless otherwise noted.

	State employees, including judges and legislators	Teachers	PLD employees
Investment Rate of Return	Per annum, compounded annually: 6.50% for June 30, 2022 and June 30, 2021		
Inflation Rate	2.75%		
Annual Salary Increases, including Inflation	For June 30, 2022 and June 30, 2021		
	State employees: 3.26% - 9.43%; Judges and Legislators: 2.75%	2.80 - 13.03%	2.75% - 11.48%
Mortality Rates	For June 30, 2022 and June 30, 2021		
	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	Based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.
Participation Rate for Future Retirees	100% of those currently enrolled		
Conversion Charges	Apply to the cost of active group life insurance, not retiree group life insurance		
Form of Benefit Payment	Lump sum		

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Plan (Continued)

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2022, there were 15 years remaining in the amortization schedule for state employees and teachers, and 8 years remaining for PLD employees.

The actuarial assumptions used in the June 30, 2022 and June 30, 2021 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2016 to June 30, 2020.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	6.0%
Real estate	5.2
Traditional credit	3.2
US Government securities	2.3

Discount Rate

The discount rate used to measure the total OPEB liability for the State Employee and Teacher Plan and the PLD Plan was 6.5% in 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Plan (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following table presents the net OPEB liability for the Retired State Employee and Teacher Plan calculated using the discount rate of 6.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate of one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	\$147,880,155	\$111,905,319	\$ 82,795,531

The following table presents the net OPEB liability for the PLD Plan calculated using the discount rate of 6.5%, as well as what the net OPEB liability would be if it were calculated using a discount rate of one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate:

	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Net OPEB Liability	\$ 19,657,043	\$ 14,483,155	\$ 10,329,020

Premiums

The basic life benefits for participants are funded by the State, school districts, PLDs and individuals. Participants pay additional premiums for supplemental and dependent insurance based upon the coverage selected.

Maine statute requires the System's Board of Trustees to establish on a regular basis the premium rates for participants in the Group Life Insurance Plan. The premium rates are determined to be actuarially sufficient to pay anticipated claims and cover administrative costs. The State of Maine remits premiums at a single rate that supports basic coverage for active and retired state employees (including Legislative and Judicial employees). This rate is \$.82 per month for every \$1,000 of coverage. The State remits premiums for retired teachers at a rate of \$.33 per month for every \$1,000 of coverage. As per individual collective bargaining agreements between employers and employees, individual school districts or teachers themselves pay premiums at the rate of \$.11 per month for every \$1,000 of coverage while active, and employees of participating local districts or the district itself pay premiums of \$.48 per month for every \$1,000 in coverage for employees while active and retired. In those cases where employees themselves pay premiums, those premiums are usually deducted from employees' compensation and remitted to the System.

Included in the Employers and Non-employer Contributing Entities Contributions and Premiums in the statement of changes in fiduciary net position are group life insurance premiums received from the State of Maine on behalf of active and retired state employees, retired teachers, legislators, and judges in the total amount of \$12.2 and \$11.5 million, respectively, for the years ended June 30, 2022 and 2021.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

7. Group Life Insurance Plan (Concluded)

Benefits

Upon service retirement, only basic life insurance in an amount equal to the retiree's average final compensation will continue at no cost to the participant as long as the retiree participated in the group life insurance plan prior to retirement for a minimum of 10 years.

If a participant becomes eligible for disability retirement, the amount of basic insurance in force at the time of such retirement will be continued until normal retirement age, after which the amount will be reduced at the same rate as for a service retiree. The 10-year participation requirement does not apply to recipients of disability retirement benefits.

Under the Accidental Death and Dismemberment provisions of the plan, no legal action can be brought to recover any benefit after 3 years from the deadline for filing claims. The deadline for filing claims under the Accidental Death and Dismemberment provisions of the plan is 90 days after the date of the loss giving rise to the claim.

Claims Processing Expenses

All benefits are processed and paid by a third-party administrator (TPA). The fees incurred for services performed by the TPA totaled \$1,072,495 and \$1,098,486 for the years ended June 30, 2022 and 2021, respectively, and are listed as claims processing expenses in the basic financial statements.

8. Statutory and Constitutional Requirements

An amendment to the Maine constitution approved in November 1995 requires the State of Maine to fund the unfunded actuarial liability of the State Employee and Teacher Retirement Plan existing on June 30, 1996, over a period not to exceed 31 years beginning July 1, 1997, and not later than June 30, 2028. The amendment prohibits the creation of new unfunded liabilities in that Plan except those arising from experience losses, which under the 1995 amendment must be funded over a period of not more than ten years. An amendment approved in November 2017 extends the period from ten years to twenty years.

9. The System's Employee Benefits

Defined Benefit Plan

The System, as the employer of its staff, is a PLD in the PLD Consolidated Plan. As such, the System's employees are required by statute to contribute 7.05% or 7.8% of their annual covered salaries, depending on which plan they participate in. The System is required to contribute at the contribution rate established by the Board under the actuarial valuation of the PLD Consolidated Plan. The contribution rate was 10.3% and 10.1% of annual covered payroll for 2022 and 2021, respectively.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

With Summarized Information for June 30, 2021

9. The System's Employee Benefits (Concluded)

The employer contributions on behalf of its employees, equal to the required contribution, were \$790,723 and \$730,247 for 2022 and 2021, respectively. The actuarial assumptions used in the PLD Consolidated Plan valuation are described in the actuarial assumptions and methods footnote to the required supplementary information.

The System's contributions to the PLD Consolidated Plan are treated as administrative costs of the Plan and are funded as a component of normal cost and included in the contribution rates paid by all employers in each of the plans administered by the System. Accordingly, the System does not reflect a portion of the collective net pension liability or related deferred inflows and outflows of resources related to pension obligations in the System's basic financial statements.

Group Life Insurance Plan

The System, as the employer of its staff, is a PLD in the Group Life Insurance Plan. The System pays the premiums for Basic only coverage for all active employees. Employees who elect additional coverage under the Supplemental and/or Dependent provisions have the additional required premiums withheld from their pay in order to fund such coverage.

The System was required to pay premiums for Basic coverage at the rate of \$0.48 and \$.46 per \$1,000 of coverage for the 2022 and 2021 fiscal years, respectively. The total premiums the System paid on behalf of its active employees, equal to the required contributions, were \$41,086 and \$37,580 for 2022 and 2021, respectively.

Other Post-Employment Benefits

The System provides OPEB to its retirees in the form of health insurance coverage and group life insurance coverage. The System's annual OPEB costs are actuarially determined based on the parameters of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The total contributions for retiree health insurance coverage, equal to the actuarially determined contributions, were \$0 for 2022 and 2021. The OPEB liability for this plan is immaterial and the Plan's assets exceed its actuarial liability at June 30, 2022 and 2021. The actuarial liability is calculated using assumptions similar to those used for the System's defined benefit plan.

The total contributions for retiree group life insurance coverage, equal to the actuarially determined contributions, were \$8,759 and \$7,736 for 2022 and 2021, respectively. The OPEB liability for this plan is immaterial.

10. Risk Management

The System carries insurance to cover its exposure to various risks of loss. There were no uninsured losses during the last three years.

REQUIRED SUPPLEMENTAL SCHEDULE
SCHEDULE OF HISTORICAL PENSION INFORMATION
STATE EMPLOYEE AND TEACHER PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 271,706,726	\$ 238,775,193	\$ 231,226,103	\$ 224,775,112	\$ 215,826,380	\$ 213,047,075	\$ 203,297,053	\$ 191,528,649	\$ 186,376,754
Interest	1,052,840,572	989,560,149	968,243,358	934,009,648	914,535,911	886,834,221	882,785,134	861,682,508	842,229,062
Changes of benefit terms	104,916,162	-	1,223,156	-	-	-	-	9,778,106	-
Differences between expected and actual experience	107,921,791	25,575,263	162,293	208,719,412	34,151,279	95,207,531	81,506,700	(44,287,643)	(17,694,276)
Changes of assumptions	-	1,175,893,728	-	-	191,998,939	-	30,436,605	-	167,650,573
Benefit payments, including refunds of member contributions	(947,944,497)	(902,913,135)	(882,617,693)	(851,469,104)	(810,211,176)	(780,157,263)	(744,357,598)	(722,573,349)	(689,053,212)
Net change in total pension liability	589,440,754	1,526,891,198	318,237,217	516,035,068	546,301,333	414,931,564	453,667,894	296,128,271	489,508,901
Total pension liability, beginning	16,392,351,328	14,865,460,130	14,547,222,913	14,031,187,845	13,484,886,512	13,069,954,948	12,616,287,054	12,320,158,783	11,830,649,882
Total pension liability, ending (a)	\$ 16,981,792,082	\$ 16,392,351,328	\$ 14,865,460,130	\$ 14,547,222,913	\$ 14,031,187,845	\$ 13,484,886,512	\$ 13,069,954,948	\$ 12,616,287,054	\$ 12,320,158,783
Plan fiduciary net position									
Contributions - member	\$ 164,348,772	\$ 159,510,002	\$ 151,438,848	\$ 146,019,051	\$ 140,844,880	\$ 139,464,284	\$ 125,523,986	\$ 123,528,807	\$ 121,033,152
Contributions - employer	348,890,554	239,444,343	225,468,762	218,530,934	211,251,144	211,037,365	199,212,719	173,935,492	162,920,147
Contributions - non-employer	194,654,436	179,329,944	174,530,364	132,980,832	129,421,735	116,080,164	112,477,836	147,283,716	142,303,104
Net investment income (loss)	(79,389,989)	3,192,036,232	354,272,726	768,987,130	1,077,827,554	1,256,043,735	40,540,758	191,829,057	1,517,432,345
Benefit payments, including refunds of member contributions	(948,151,998)	(903,115,909)	(882,819,483)	(851,653,558)	(810,381,770)	(780,325,980)	(744,523,743)	(722,724,258)	(689,191,030)
Administrative expenses	(11,962,324)	(11,088,956)	(11,343,928)	(11,180,852)	(10,076,242)	(9,216,027)	(8,649,030)	(9,386,695)	(8,246,740)
Other	(341,271)	(384,565)	(2,193,752)	(311,233)	-	(124,178)	(6,342,010)	-	-
Net change in fiduciary net position	(331,951,820)	2,855,731,091	9,353,537	403,372,304	738,887,301	932,959,363	(281,759,484)	(95,533,881)	1,246,250,978
Plan fiduciary net position, beginning	14,900,649,703	12,044,918,612	12,035,565,075	11,632,192,771	10,893,305,470	9,960,346,107	10,242,105,591	10,337,639,472	9,091,388,494
Plan fiduciary net position, ending (b)	\$ 14,568,697,883	\$ 14,900,649,703	\$ 12,044,918,612	\$ 12,035,565,075	\$ 11,632,192,771	\$ 10,893,305,470	\$ 9,960,346,107	\$ 10,242,105,591	\$ 10,337,639,472
Plan's net pension liability, ending (a)-(b)	\$ 2,413,094,199	\$ 1,491,701,625	\$ 2,820,541,518	\$ 2,511,657,838	\$ 2,398,995,074	\$ 2,591,581,042	\$ 3,109,608,841	\$ 2,374,181,463	\$ 1,982,519,311
Plan fiduciary net position as a percentage of the total pension liability	85.79%	90.90%	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%
Covered payroll	\$ 2,221,410,193	\$ 2,096,365,332	\$ 2,003,075,813	\$ 1,924,006,618	\$ 1,808,274,919	\$ 1,860,294,435	\$ 1,816,435,084	\$ 1,699,160,889	\$ 1,676,857,294
Plan net pension liability as a percentage of covered payroll	108.63%	71.16%	140.81%	130.54%	132.67%	139.31%	171.19%	139.73%	118.23%

See notes to historical pension and OPEB information.

* This information will be presented each year until 10 years of such information is available.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL SCHEDULE
SCHEDULE OF HISTORICAL PENSION INFORMATION
JUDICIAL PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 1,733,281	\$ 1,546,701	\$ 1,608,376	\$ 1,596,832	\$ 1,487,383	\$ 1,465,977	\$ 1,396,704	\$ 1,605,751	\$ 1,530,119
Interest	4,875,889	4,822,289	4,644,191	4,582,454	4,442,404	4,358,175	4,154,433	3,863,455	3,773,959
Changes of benefit terms	273,590	-	-	-	-	-	2,016,584	27,931	-
Differences between expected and actual experience	(150,154)	1,066,613	942,561	(1,087,164)	468,895	(893,352)	(1,745,956)	2,237,833	(324,891)
Changes of assumptions	-	836,266	-	-	697,807	-	2,489,800	-	426,150
Benefit payments, including refunds of member contributions	(5,094,485)	(4,681,415)	(4,314,558)	(4,067,506)	(3,804,709)	(3,651,927)	(3,501,911)	(3,383,995)	(3,219,480)
Net change in total pension liability	1,638,121	3,590,454	2,880,570	1,024,616	3,291,780	1,278,873	4,809,654	4,350,975	2,185,857
Total pension liability, beginning	75,787,564	72,197,110	69,316,540	68,291,924	65,000,144	63,721,271	58,911,617	54,560,642	52,374,785
Total pension liability, ending (a)	\$ 77,425,685	\$ 75,787,564	\$ 72,197,110	\$ 69,316,540	\$ 68,291,924	\$ 65,000,144	\$ 63,721,271	\$ 58,911,617	\$ 54,560,642
Plan fiduciary net position									
Contributions - member	\$ 650,172	\$ 635,871	\$ 616,095	\$ 620,075	\$ 603,875	\$ 584,451	\$ 549,845	\$ 549,691	\$ 528,192
Contributions - employer	867,895	738,939	715,963	1,212,666	1,179,328	1,144,445	1,077,545	979,281	932,223
Contributions - non-employer	-	-	-	-	-	-	-	-	-
Net investment income (loss)	(453,509)	19,279,640	2,164,283	4,709,445	6,606,904	7,799,507	129,372	1,055,346	8,416,042
Benefit payments, including refunds of member contributions	(5,094,485)	(4,681,415)	(4,314,558)	(4,067,506)	(3,804,709)	(3,651,927)	(3,501,911)	(3,383,995)	(3,219,480)
Administrative expenses	(72,167)	(67,680)	(69,406)	(68,475)	(61,708)	(56,436)	(47,577)	(49,399)	(41,681)
Other	29,746	473,431	764,902	(2,604)	-	-	6,342,010	-	-
Net change in fiduciary net position	(4,072,348)	16,378,786	(122,721)	2,403,601	4,523,691	5,820,040	4,549,284	(849,076)	6,615,296
Plan fiduciary net position, beginning	89,893,506	73,514,720	73,637,441	71,233,840	66,710,149	60,890,109	56,340,825	57,189,901	50,574,605
Plan fiduciary net position, ending (b)	\$ 85,821,158	\$ 89,893,506	\$ 73,514,720	\$ 73,637,441	\$ 71,233,840	\$ 66,710,149	\$ 60,890,109	\$ 56,340,825	\$ 57,189,901
Plan's net pension (asset) liability, ending (a)-(b)	\$ (8,395,473)	\$ (14,105,942)	\$ (1,317,610)	\$ (4,320,901)	\$ (2,941,916)	\$ (1,710,005)	\$ 2,831,162	\$ 2,570,792	\$ (2,629,259)
Plan fiduciary net position as a percentage of the total pension liability	110.84%	118.61%	101.83%	106.23%	104.31%	102.63%	95.56%	95.64%	104.82%
Covered payroll	\$ 8,502,222	\$ 8,312,022	\$ 8,053,577	\$ 8,116,908	\$ 7,893,792	\$ 7,639,818	\$ 7,188,426	\$ 7,185,501	\$ 6,742,444
Plan net pension (asset) liability as a percentage of covered payroll	(98.74)%	(169.71)%	(16.36)%	(53.23)%	(37.27)%	(22.38)%	39.39%	35.78%	(39.00)%

See notes to historical pension and OPEB information.

* This information will be presented each year until 10 years of such information is available.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL SCHEDULE
SCHEDULE OF HISTORICAL PENSION INFORMATION
LEGISLATIVE PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 375,207	\$ 286,472	\$ 334,862	\$ 297,324	\$ 282,199	\$ 264,807	\$ 411,624	\$ 451,393	\$ 400,072
Interest	698,694	657,782	611,447	577,720	565,088	530,313	547,268	544,526	510,813
Changes of benefit terms	43,111	-	-	-	-	-	-	4,418	-
Differences between expected and actual experience	(199,354)	180,989	413,313	238,611	(90,816)	157,775	(245,867)	(508,125)	(46,483)
Changes of assumptions	-	374,000	-	-	99,915	-	(146,529)	-	85,783
Benefit payments, including refunds of member contributions	(618,847)	(549,461)	(697,697)	(606,841)	(459,746)	(469,043)	(445,331)	(439,112)	(317,606)
Net change in total pension liability	298,811	949,782	661,925	506,814	396,640	483,852	121,165	53,100	632,579
Total pension liability, beginning	10,678,471	9,728,689	9,066,764	8,559,950	8,163,310	7,679,458	7,558,293	7,505,193	6,872,614
Total pension liability, ending (a)	\$ 10,977,282	\$ 10,678,471	\$ 9,728,689	\$ 9,066,764	\$ 8,559,950	\$ 8,163,310	\$ 7,679,458	\$ 7,558,293	\$ 7,505,193
Plan fiduciary net position									
Contributions - member	\$ 161,937	\$ 214,905	\$ 156,306	\$ 220,611	\$ 153,881	\$ 202,388	\$ 137,893	\$ 193,356	\$ 139,501
Contributions - employer	43,111	-	-	-	-	-	-	4,418	3,857
Contributions - non-employer	-	-	-	-	-	-	-	-	-
Net investment income (loss)	(89,007)	3,559,227	390,165	845,408	1,176,463	1,366,222	47,890	206,454	1,622,296
Benefit payments, including refunds of member contributions	(618,847)	(549,461)	(697,697)	(606,841)	(459,746)	(469,043)	(445,331)	(439,112)	(317,606)
Administrative expenses	(13,374)	(12,383)	(12,458)	(12,262)	(11,002)	(10,003)	(9,353)	(9,584)	(7,975)
Other	-	(3,271)	365,766	45,285	-	-	-	-	-
Net change in fiduciary net position	(516,180)	3,209,017	202,082	492,201	859,596	1,089,564	(268,901)	(44,468)	1,440,073
Plan fiduciary net position, beginning	16,659,121	13,450,104	13,248,022	12,755,821	11,896,225	10,806,661	11,075,562	11,120,030	9,679,957
Plan fiduciary net position, ending (b)	\$ 16,142,941	\$ 16,659,121	\$ 13,450,104	\$ 13,248,022	\$ 12,755,821	\$ 11,896,225	\$ 10,806,661	\$ 11,075,562	\$ 11,120,030
Plan's net pension asset ending (a)-(b)	\$ (5,165,659)	\$ (5,980,650)	\$ (3,721,415)	\$ (4,181,258)	\$ (4,195,871)	\$ (3,732,915)	\$ (3,127,203)	\$ (3,517,269)	\$ (3,614,837)
Plan fiduciary net position as a percentage of the total pension liability	147.06%	156.01%	138.25%	146.12%	149.02%	145.73%	140.72%	146.54%	148.16%
Covered payroll	\$ 2,801,166	\$ 2,802,145	\$ 2,814,060	\$ 2,659,749	\$ 2,710,694	\$ 2,651,195	\$ 2,590,011	\$ 2,527,525	\$ 2,534,740
Plan net pension liability as a percentage of covered payroll	(184.41)%	(213.43)%	(132.24)%	(157.20)%	(154.79)%	(140.80)%	(120.74)%	(139.16)%	(142.61)%

See notes to historical pension and OPEB information.

* This information will be presented each year until 10 years of such information is available.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL SCHEDULE
SCHEDULE OF HISTORICAL PENSION INFORMATION
PLD CONSOLIDATED PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS *

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 93,851,265	\$ 86,845,610	\$ 82,715,056	\$ 78,317,217	\$ 76,190,510	\$ 76,271,766	\$ 74,208,414	\$ 75,805,492	\$ 72,651,025
Interest	241,612,217	229,954,447	219,752,007	208,360,684	207,492,397	198,972,490	192,774,429	187,928,506	178,293,576
Changes of benefit terms	16,214,107	-	29,759,516	-	(106,123,366)	-	-	-	-
Differences between expected and actual experience	67,455,268	13,300,796	(6,552,650)	47,684,163	1,285,303	(2,160,603)	(9,142,757)	(54,634,906)	19,939,857
Changes of assumptions	-	161,866,111	-	-	46,439,540	-	50,884,219	37,593,598	-
Benefit payments, including refunds of member contributions	(194,576,381)	(182,691,917)	(174,752,167)	(165,399,679)	(152,087,885)	(146,163,566)	(139,919,680)	(135,414,526)	(127,161,357)
Net change in total pension liability	224,556,476	309,275,047	150,921,762	168,962,385	73,196,499	126,920,087	168,804,625	111,278,164	143,723,101
Total pension liability, beginning	3,719,016,414	3,409,741,367	3,258,819,605	3,089,857,220	3,016,660,721	2,889,740,634	2,720,936,009	2,609,657,845	2,465,934,744
Total pension liability, ending (a)	\$ 3,943,572,890	\$ 3,719,016,414	\$ 3,409,741,367	\$ 3,258,819,605	\$ 3,089,857,220	\$ 3,016,660,721	\$ 2,889,740,634	\$ 2,720,936,009	\$ 2,609,657,845
Plan fiduciary net position									
Contributions - member	\$ 65,104,304	\$ 53,621,126	\$ 54,090,045	\$ 54,927,202	\$ 48,050,202	\$ 46,080,851	\$ 40,861,405	\$ 37,202,921	\$ 33,210,510
Contributions - employer	78,887,165	68,506,485	66,717,733	61,487,037	56,092,662	51,387,011	47,624,182	43,366,730	32,706,160
Refund of IUUAL account balances	-	-	-	-	-	-	-	(43,000,526)	-
Net investment income (loss)	(19,908,035)	802,368,797	88,330,927	188,620,106	259,699,519	299,780,948	10,200,342	46,075,304	361,125,177
Benefit payments, including refunds of member contributions	(194,576,381)	(182,691,917)	(174,752,167)	(165,399,679)	(152,087,885)	(146,163,566)	(139,919,680)	(135,414,526)	(127,161,358)
Administrative expenses	(3,011,451)	(2,773,340)	(2,797,728)	(2,706,977)	(2,411,666)	(2,209,324)	(2,028,294)	(2,117,266)	(1,779,304)
Other	89,325	(306,895)	27,683,461	48,552	(386,621)	(62,201)	(217,338)	-	-
Net change in fiduciary net position	(73,415,073)	738,724,256	59,272,271	136,976,241	208,956,211	248,813,719	(43,479,383)	(53,887,363)	298,101,185
Plan fiduciary net position, beginning	3,751,152,623	3,012,428,367	2,953,156,096	2,816,179,855	2,607,223,644	2,358,409,925	2,401,889,308	2,455,776,671	2,157,675,486
Plan fiduciary net position, ending (b)	\$ 3,677,737,550	\$ 3,751,152,623	\$ 3,012,428,367	\$ 2,953,156,096	\$ 2,816,179,855	\$ 2,607,223,644	\$ 2,358,409,925	\$ 2,401,889,308	\$ 2,455,776,671
Plan's net pension (asset) liability, ending (a)-(b)	\$ 265,835,340	\$ (32,136,209)	\$ 397,313,000	\$ 305,663,509	\$ 273,677,365	\$ 409,437,077	\$ 531,330,709	\$ 319,046,701	\$ 153,881,174
Plan fiduciary net position as a percentage of the total pension liability	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
Covered payroll	\$ 744,218,538	\$ 646,287,594	\$ 641,523,784	\$ 593,884,355	\$ 561,126,768	\$ 542,572,528	\$ 521,870,235	\$ 497,616,846	\$ 460,029,637
Plan net pension (asset) liability as a percentage of covered payroll	35.72%	(4.97)%	61.93%	51.47%	48.77%	75.46%	101.81%	64.11%	33.45%

See notes to historical pension and OPEB information.

* This information will be presented each year until 10 years of such information is available.

See accompanying independent auditors' report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL PENSION INFORMATION
STATE EMPLOYEE AND TEACHER PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 438,298,297	\$ 418,558,583	\$ 399,775,788	\$ 350,583,375	\$ 340,376,744	\$ 312,736,906	\$ 301,891,511	\$ 302,028,725	\$ 304,328,386	\$ 263,553,204
Contributions in relation to the actuarially determined contribution	<u>438,298,297</u>	<u>418,558,583</u>	<u>399,775,788</u>	<u>350,583,375</u>	<u>340,376,744</u>	<u>312,736,906</u>	<u>301,891,511</u>	<u>302,028,725</u>	<u>304,328,386</u>	<u>263,553,204</u>
Contribution deficiency (excess)	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	<u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>	\$ <u> —</u>
Covered payroll	\$2,221,410,193	\$2,096,365,332	\$2,003,075,813	\$1,924,006,618	\$1,865,849,388	\$1,860,230,663	\$1,816,435,084	\$1,699,160,889	\$1,676,857,294	\$1,672,857,294
Contributions as a percentage of covered payroll	19.73%	19.97%	19.96%	18.22%	18.24%	16.81%	16.62%	17.78%	18.15%	15.75%

See notes to historical pension and OPEB information.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL PENSION INFORMATION
JUDICIAL PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 594,305	\$ 738,939	\$ 715,963	\$ 1,212,666	\$ 1,179,328	\$ 1,144,445	\$ 1,077,545	\$ 951,351	\$ 932,223	\$ 841,397
Contributions in relation to the actuarially determined contribution	<u>594,305</u>	<u>738,939</u>	<u>715,963</u>	<u>1,212,666</u>	<u>1,179,328</u>	<u>1,144,445</u>	<u>1,077,545</u>	<u>951,351</u>	<u>932,223</u>	<u>841,397</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 8,502,222	\$ 8,312,022	\$ 8,053,577	\$ 8,116,908	\$ 7,893,762	\$ 7,639,818	\$ 7,188,426	\$ 7,185,501	\$ 6,742,444	\$ 6,742,444
Contributions as a percentage of covered payroll	6.99%	8.89%	8.89%	14.94%	14.94%	14.98%	14.99%	13.24%	13.83%	12.48%

See notes to historical pension and OPEB information.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL PENSION INFORMATION
LEGISLATIVE PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	—	—	—	—	—	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 2,801,166	\$ 2,802,145	\$ 2,814,060	\$ 2,659,749	\$ 2,710,694	\$ 2,651,195	\$ 2,590,011	\$ 2,527,525	\$ 2,534,740	\$ 2,534,740
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See notes to historical pension and OPEB information.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL PENSION INFORMATION
PLD CONSOLIDATED PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 78,887,165	\$ 68,506,485	\$ 66,717,733	\$ 61,170,089	\$ 55,551,550	\$ 51,387,011	\$ 46,968,321	\$ 40,302,580	\$ 35,263,952	\$ 29,704,314
Contributions in relation to the actuarially determined contribution	<u>78,887,165</u>	<u>68,506,485</u>	<u>66,717,733</u>	<u>61,170,089</u>	<u>55,551,550</u>	<u>51,387,011</u>	<u>46,968,321</u>	<u>40,302,580</u>	<u>35,263,952</u>	<u>29,704,314</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 744,218,538	\$ 646,287,594	\$ 641,523,784	\$ 593,884,355	\$ 561,126,768	\$ 542,572,528	\$ 521,870,235	\$ 497,616,846	\$ 460,029,637	\$ 458,424,764
Contributions as a percentage of covered payroll	10.60%	10.60%	10.40%	10.30%	9.90%	9.47%	9.00%	8.10%	7.67%	6.48%

See notes to historical pension and OPEB information.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL PENSION INFORMATION
ALL DEFINED BENEFIT PLANS

June 30, 2022
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS
*Last Ten Fiscal Years **

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	3.4%	26.5%	1.8%	7.08%	10.30%	12.49%	0.48%	1.98%	16.66%

See notes to historical pension and OPEB information.

* Retroactive information is not required to be presented. This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF HISTORICAL OPEB INFORMATION
STATE EMPLOYEE AND TEACHER PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET OPEB LIABILITY AND RELATED RATIOS
*Last Ten Fiscal Years **

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 2,756,810	\$ 2,683,027	\$ 2,190,471
Interest	15,240,012	13,846,827	14,274,714
Differences between expected and actual experience	365,044	-	589,478
Changes of assumptions	-	291,076	-
Benefit payments	<u>(6,817,681)</u>	<u>(6,613,935)</u>	<u>(8,177,754)</u>
Net change in total OPEB liability	11,544,185	10,206,995	8,876,909
Total OPEB liability, beginning	<u>223,515,902</u>	<u>213,308,907</u>	<u>204,431,998</u>
Total OPEB liability, ending (a)	<u>\$ 235,060,087</u>	<u>\$ 223,515,902</u>	<u>\$ 213,308,907</u>
Plan fiduciary net position			
Contributions – employers	10,584,751	\$ 9,866,578	\$ 9,310,849
Investment income (loss)	(20,387,369)	32,552,180	4,885,544
Benefits paid	(6,817,681)	(6,613,935)	(8,177,754)
Administrative expenses	<u>(824,527)</u>	<u>(821,718)</u>	<u>(1,018,932)</u>
Net change in fiduciary net position	(17,444,826)	34,983,105	4,999,707
Plan fiduciary net position, beginning	<u>140,599,594</u>	<u>105,616,489</u>	<u>100,616,782</u>
Plan fiduciary net position, ending (b)	<u>\$ 123,154,768</u>	<u>\$ 140,599,594</u>	<u>\$ 105,616,489</u>
Plan's net OPEB liability, ending (a)-(b)	<u>\$ 111,905,319</u>	<u>\$ 82,916,308</u>	<u>\$ 107,692,418</u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%	62.90%	49.51%
Covered payroll	\$ 1,600,464,673	\$ 1,525,192,949	\$ 1,484,372,700
Plan net OPEB liability as a percentage of covered payroll	6.99%	5.44%	7.26%

See notes to historical pension and OPEB information.

*This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$	2,131,845	\$ 2,122,079	\$ 2,065,283
	13,155,332	12,531,082	12,014,739
	—	1,957,220	—
	—	3,199,639	—
	<u>(7,118,082)</u>	<u>(7,269,810)</u>	<u>(6,003,967)</u>
	8,169,095	12,540,210	8,076,055
	<u>196,262,903</u>	<u>183,722,693</u>	<u>175,646,638</u>
\$	<u>204,431,998</u>	\$ <u>196,262,903</u>	\$ <u>183,722,693</u>
\$	7,756,442	\$ 7,638,453	\$ 6,921,228
	6,418,113	7,804,839	9,885,897
	(7,118,082)	(7,269,810)	(6,003,967)
	<u>(726,320)</u>	<u>(769,717)</u>	<u>(1,335,745)</u>
	6,330,153	7,403,765	9,467,413
	<u>94,286,629</u>	<u>86,882,864</u>	<u>77,415,451</u>
\$	<u>100,616,782</u>	\$ <u>94,286,629</u>	\$ <u>86,882,864</u>
\$	<u>103,815,216</u>	\$ <u>101,976,274</u>	\$ <u>96,839,829</u>
	49.22%	48.04%	47.29%
\$	1,380,619,384	\$ 1,343,668,500	\$ 1,277,009,000
	7.52%	7.59%	7.58%

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF HISTORICAL OPEB INFORMATION
PLD CONSOLIDATED PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF CHANGES IN THE PLAN'S NET OPEB LIABILITY AND RELATED RATIOS
*Last Ten Fiscal Years **

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 308,456	\$ 309,875	\$ 522,353
Interest	2,121,985	1,962,386	1,941,994
Changes of benefit terms	-	-	(636,731)
Differences between expected and actual experience	(149,516)	-	727,053
Changes of assumptions	-	906,229	(9,045,090)
Benefit payments	<u>(988,402)</u>	<u>(1,223,890)</u>	<u>(1,589,460)</u>
Net change in total OPEB liability	1,292,523	1,954,600	(8,079,881)
Total OPEB liability, beginning	<u>31,531,361</u>	<u>29,576,761</u>	<u>37,656,642</u>
Total OPEB liability, ending (a)	<u>\$ 32,823,884</u>	<u>\$ 31,531,361</u>	<u>\$ 29,576,761</u>
Plan fiduciary net position			
Contributions – employers	\$ 1,277,664	\$ 1,186,563	\$ 1,127,014
Investment income (loss)	(3,031,547)	4,987,761	752,517
Benefits paid	(988,402)	(1,223,890)	(1,589,460)
Administrative expenses	<u>(124,368)</u>	<u>(127,631)</u>	<u>(164,654)</u>
Net change in fiduciary net position	(2,866,653)	4,822,803	125,417
Plan fiduciary net position, beginning	<u>21,207,382</u>	<u>16,384,579</u>	<u>16,259,162</u>
Plan fiduciary net position, ending (b)	<u>\$ 18,340,729</u>	<u>\$ 21,207,382</u>	<u>\$ 16,384,579</u>
Plan's net OPEB liability, ending (a)-(b) \$	<u>\$ 14,483,155</u>	<u>\$ 10,323,979</u>	<u>\$ 13,192,182</u>
Plan fiduciary net position as a percentage of the total OPEB liability	55.88%	67.26%	55.40%
Covered payroll	\$ 301,040,000	\$ 299,768,500	\$ 291,745,500
Plan net OPEB liability as a percentage of covered payroll	4.81%	3.44%	4.52%

See notes to historical pension and OPEB information.

*This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$ 488,545	\$ 442,863	\$ 619,735
	1,832,881	1,706,200	1,616,253
	—	—	—
	—	2,045,678	—
	893,851	1,554,074	(5,591,242)
	<u>(1,581,540)</u>	<u>(1,530,346)</u>	<u>(1,394,586)</u>
	1,633,737	4,218,469	(4,749,840)
	<u>36,022,905</u>	<u>31,804,436</u>	<u>36,554,276</u>
	<u>\$ 37,656,642</u>	<u>\$ 36,022,905</u>	<u>\$ 31,804,436</u>
	\$ 1,100,509	\$ 1,069,640	\$ 1,037,124
	1,037,784	1,333,324	1,738,914
	(1,581,540)	(1,530,346)	(1,394,586)
	<u>(119,519)</u>	<u>(133,624)</u>	<u>(238,856)</u>
	437,234	738,994	1,142,596
	<u>15,821,928</u>	<u>15,082,934</u>	<u>13,940,338</u>
	<u>\$ 16,259,162</u>	<u>\$ 15,821,928</u>	<u>\$ 15,082,934</u>
	<u>\$ 21,397,480</u>	<u>\$ 20,200,977</u>	<u>\$ 16,721,502</u>
	43.18%	43.92%	47.42%
	\$ 283,884,893	\$ 276,287,000	\$ 260,552,680
	7.54%	7.31%	6.42%

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL OPEB INFORMATION
STATE EMPLOYEE AND TEACHER PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
*Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 11,242,005	\$ 10,964,907	\$ 10,671,443
Contributions in relation to the actuarially determined contribution	<u>10,584,751</u>	<u>9,866,578</u>	<u>9,310,849</u>
Contribution deficiency	\$ <u>657,254</u>	\$ <u>1,098,329</u>	\$ <u>1,360,594</u>
Covered payroll	\$ 1,600,464,673	\$ 1,525,192,949	\$ 1,484,372,700
Contributions as a percentage of covered payroll	0.66%	0.65%	0.63%

See notes to historical pension and OPEB information.

*This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
	\$ 9,040,284	\$ 8,805,704	\$ 8,239,903
	<u>7,756,442</u>	<u>7,638,453</u>	<u>6,921,228</u>
	\$ <u>1,283,842</u>	\$ <u>1,167,251</u>	\$ <u>1,318,675</u>
	\$ 1,380,619,384	\$ 1,343,668,500	\$ 1,277,009,000
	0.56%	0.57%	0.54%

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL OPEB INFORMATION
PLD CONSOLIDATED PLAN

June 30, 2022
(UNAUDITED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contribution	\$ 1,942,791	\$ 1,586,809	\$ 1,544,340
Contributions in relation to the actuarially determined contribution	<u>1,277,664</u>	<u>1,186,563</u>	<u>1,127,014</u>
Contribution deficiency	<u>\$ 665,127</u>	<u>\$ 400,246</u>	<u>\$ 417,326</u>
Covered payroll	\$ 301,040,000	\$ 299,768,500	\$ 291,745,500
Contributions as a percentage of covered payroll	0.42%	0.40%	0.39%

See notes to historical pension and OPEB information.

*This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$	1,287,098	\$ 1,252,650	\$ 1,146,324
	<u>1,100,509</u>	<u>1,069,640</u>	<u>1,037,124</u>
\$	<u>186,589</u>	<u>\$ 183,010</u>	<u>\$ 109,200</u>
\$	283,884,893	\$ 276,287,000	\$ 260,552,680
	0.39%	0.39%	0.40%

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF HISTORICAL OPEB INFORMATION
ALL OPEB PLANS

June 30, 2022
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS
*Last Ten Fiscal Years **

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	14.1%	30.6%	6.0%	6.6%	9.00%	12.88%

See notes to historical pension and OPEB information.

* Retroactive information is not required to be presented. This information will be presented each year until 10 years of such information is available.

See accompanying independent auditor's report.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO HISTORICAL PENSION AND OPEB INFORMATION

June 30, 2022
(UNAUDITED)

1. Basis of Presentation

The schedule of investment returns for pension plans applies to the State Employee and Teacher Plan, the Judicial Plan, the Legislative Plan, the PLD Consolidated Plan, and the PLD Agent Plans, as investments of these plans are commingled. Assets in the Group Life Insurance Plans, including assets to provide life insurance benefits to active employees, are commingled for investment purposes but separately from the pension plan assets.

2. Actuarial Methods and Assumptions – Defined Benefit Plans

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2022, is as follows:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of the member's expected future salary. The normal cost for each employee is the product of the member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

An actuarial value of assets is used for determining employer contributions. The use of an actuarial value of assets for this purpose helps mitigate volatility in contribution rates that might otherwise occur due to fluctuations in market conditions. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the State Employee and Teacher Retirement Program is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements (Note 6 to the Financial Statements). The net pension liabilities of the Legislative Plan and the Judicial Plan are amortized on a level percentage of payroll over open ten year periods.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO HISTORICAL PENSION AND OPEB INFORMATION

June 30, 2022
(UNAUDITED)

2. Actuarial Methods and Assumptions – Defined Benefit Plans (Concluded)

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30 for each year indicated are as follows:

	State Employee and Teacher Plan	Judicial Plan	Legislative Plan	PLD Consolidated Plan
Investment Rate of Return	Per annum, compounded annually: 6.50% for June 30, 2022 and June 30, 2021; 6.75% for June 30, 2020, June 30, 2019 and June 30, 2018; 6.875% for June 30, 2017 and June 30, 2016; 7.125% for June 30, 2015 and June 30, 2014			Per annum, compounded annually: 6.50% for June 30, 2022 and June 30, 2021; 6.75% for June 30, 2020, June 30, 2019 and June 30, 2018; 6.875% for June 30, 2017 and June 30, 2016; 7.125% for June 30, 2015; 7.25% for June 30, 2014
Inflation Rate	2.75% for June 30, 2022, June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, and June 30, 2016; 3.50% for June 30, 2015 and June 30, 2014			
Annual Salary Increases, including Inflation	For the period ended June 30, 2022 and June 30, 2021			
	State employees, 3.26% - 9.43%; Teachers, 2.80% - 13.03%	2.75%	2.75%	2.75% - 11.48%
	For the periods ended June 30, 2020; June 30, 2019; June 30, 2018; June 30, 2017; and June 30, 2016:			
	State employees, 2.75% - 8.75%; Teachers, 2.75% - 14.50%	2.75%	2.75%	2.75% - 9.00%
	For the periods ended June 30, 2015 and June 30, 2014:			
	State employees, 3.50% - 10.50%; Teachers, 3.50% - 13.50%	3.50%	3.50%	3.50% - 9.50%
Cost of Living Benefit Increases	2.20% for June 30, 2022, June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017 and June 30, 2016; 2.55% for June 30, 2015 and June 30, 2014			1.91% for June 30, 2022, June 30, 2021, June 30, 2020, June 30, 2019 and June 30, 2018; 2.20% for June 30, 2017 and June 30, 2016; 2.55% for June 30, 2015 and 3.12% for June 30, 2014
Mortality Rates	For the period ended June 30, 2022 and June 30, 2021			
	State Employee, Judicial, and Legislative: based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Teachers: based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.		
	For the periods ended June 30, 2020; June 30, 2019; June 30, 2018; June 30, 2017; and June 30, 2016:			
	For active members and non-disabled retirees of the State employees and teachers, legislative, judicial, and PLD plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.			
	For the periods ended June 30, 2015 and June 30, 2014:			
	For active members and non-disabled retirees of the State employees and teachers, legislative, judicial, and PLD plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; the ages are set back two years for employees of the teacher plan. Mortality assumptions were also reviewed and updated in 2011 for the PLD Consolidated Plan, and in 2012 for the other Plans, based on actual demographic data of the Plans. For all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.			

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO HISTORICAL PENSION AND OPEB INFORMATION

June 30, 2022
(UNAUDITED)

3. Actuarial Methods and Assumptions – Group Life Insurance Plans

The information in the historical Group Life Insurance Plan information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2022, is as follows:

Actuarial Cost Method

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of the member's expected future salary. The normal cost for each employee is the product of the member's pay and normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

The actuarial accrued liability is defined as the present value of future benefits less the present value of future normal cost contributions. The unfunded actuarial accrued liability is the total of the actuarial liability for all members less the actuarial value of the System's assets.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Asset amounts are taken as reported to the actuaries by the System without audit or change, except that State of Maine assets are allocated to State, Legislators, and Judges based on total actuarial liability.

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2022, there were 15 years remaining in the amortization schedule for state employees and teachers, and 8 years remaining for PLD employees.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

NOTES TO HISTORICAL PENSION AND OPEB INFORMATION

June 30, 2022
(UNAUDITED)

3. Actuarial Methods and Assumptions – Group Life Insurance Plan (Concluded)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30 for each year indicated are as follows:

	State employees, including judges and legislators	Teachers	PLD employees
	Per annum, compounded annually:		
Investment Rate of Return	6.50% for June 30, 2022 and June 30, 2021; 6.75% for June 30, 2020, June 30, 2019 and June 30, 2018; 6.875% for June 30, 2017		6.50% for June 30, 2022 and June 30, 2021; 6.75% for June 30, 2020; 4.98% for June 30, 2019; 5.13% for June 30, 2018; 5.41% for June 30, 2017
Inflation Rate	2.75% for June 30, 2022, June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018 and June 30, 2017		
	For June 30, 2022 and June 30, 2021		
Annual Salary Increases, including Inflation	State employees: 3.26% - 9.43%; Judges and Legislators: 2.75%	2.80 - 13.03%	2.75% - 11.48%
	For June 30, 2020, June 30, 2019, June 30, 2018 and June 30, 2017		
	2.75% - 8.75%	2.75% - 14.50%	2.75% - 9.00%
	For June 30, 2022 and June 30, 2021		
Mortality Rates	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	Based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.
	For June 30, 2020, June 30, 2019, June 30, 2018 and June 30, 2017		
	For active members and non-disabled retirees of the State employees, legislative, judicial, and PLD plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.		
Participation Rate for Future Retirees	100% of those currently enrolled		
Conversion Charges	Apply to the cost of active group life insurance, not retiree group life insurance		
Form of Benefit Payment	Lump sum		

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

ADDITIONAL SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2022

Asset Class	State Employee and Teacher Plan	Judicial Plan	Legislative Plan	PLD Consolidated Plan	PLD Agent Plan
Alternative Credit	\$ 6,794,188	\$ 40,548	\$ 7,575	\$1,717,955	\$ 4,308
Infrastructure	22,280,377	132,971	24,837	5,633,733	14,124
Natural Resources	5,861,170	34,979	6,534	1,482,036	3,715
Domestic Equity	-	-	-	-	-
International Equity	497,462	2,969	555	125,787	315
Fixed Income	215,948	1,289	241	54,604	137
Private Equity	37,806,603	225,634	42,150	9,559,643	23,967
Real Estate	14,283,720	85,247	15,923	3,611,730	9,052
Risk Diversifier	12,160,015	72,570	13,556	3,074,739	7,709
Other Investment Expenses	-	-	-	-	-
In-house investment management	<u>4,106,950</u>	<u>24,511</u>	<u>4,579</u>	<u>1,038,469</u>	<u>2,603</u>
Total investment expenses	<u>\$ 104,006,433</u>	<u>\$ 620,718</u>	<u>\$115,950</u>	<u>\$26,298,696</u>	<u>\$ 65,930</u>

Group Life Insurance Plan Actives	Group Life Insurance Plan Retired SET	Group Life Insurance Plan Retired PLD	Defined Contribution Plans	MainePERS OPEB Trust	Retiree Health Insurance Trust Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,564,574
-	-	-	-	-	-	28,086,042
-	-	-	-	-	-	7,388,434
778	6,249	934	-	820	16,703	25,484
1,348	10,820	1,617	-	1,421	28,888	671,182
2,615	21,000	3,139	-	2,759	56,126	357,858
-	-	-	-	-	-	47,657,997
807	6,484	969	-	852	17,325	18,032,109
-	-	-	-	-	-	15,328,589
-	-	-	52,974	-	-	52,974
<u>4,897</u>	<u>39,325</u>	<u>5,878</u>	<u>-</u>	<u>4,851</u>	<u>-</u>	<u>5,232,063</u>
<u>\$ 10,445</u>	<u>\$ 83,878</u>	<u>\$ 12,537</u>	<u>\$ 52,974</u>	<u>\$ 10,703</u>	<u>\$ 119,042</u>	<u>\$131,397,306</u>

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

ADDITIONAL SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2022

	State Employee and Teacher Plan	Judicial Plan	Legislative Plan	PLD Consolidated Plan	PLD Agent Plan
Personal services	\$ 6,365,806	\$ 38,404	\$ 7,117	\$1,602,556	\$ 4,157
Professional fees	1,524,595	9,197	1,704	383,809	995
Computer services	1,307,336	7,887	1,462	329,115	854
Telephone, data, and internet services	101,340	611	113	25,512	66
Printing and postage	277,575	1,675	310	69,878	181
Office rent and building operations	321,124	1,937	359	80,841	210
Depreciation	1,305,162	7,874	1,459	328,567	852
Miscellaneous operating expenses	<u>759,386</u>	<u>4,582</u>	<u>850</u>	<u>191,174</u>	<u>496</u>
Total administrative expenses	<u>\$11,962,324</u>	<u>\$ 72,167</u>	<u>\$13,374</u>	<u>\$3,011,452</u>	<u>\$ 7,811</u>

<u>Group Life Insurance Plan Active</u>	<u>Group Life Insurance Plan Retired SET</u>	<u>Group Life Insurance Plan Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>Retiree Health Insurance Trust Fund</u>	<u>Total</u>
\$ 57,914	\$ 438,776	\$ 66,183	\$ 118,245	\$ 3,100	\$ 8,702,258
13,870	105,086	15,851	28,319	-	2,083,427
11,894	90,111	13,592	24,284	-	1,786,535
922	6,985	1,054	1,882	-	138,485
2,525	19,132	2,886	5,156	-	379,318
2,921	22,134	3,339	5,965	-	438,830
11,874	89,961	13,569	24,243	-	1,783,561
<u>6,909</u>	<u>52,342</u>	<u>7,894</u>	<u>14,106</u>	<u>-</u>	<u>1,037,738</u>
<u>\$108,829</u>	<u>\$ 824,527</u>	<u>\$ 124,368</u>	<u>\$ 222,200</u>	<u>\$ 3,100</u>	<u>\$16,350,152</u>

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
(A Component Unit of the State of Maine)

ADDITIONAL SUPPLEMENTARY INFORMATION

SCHEDULE OF PROFESSIONAL FEES

For the Year Ended June 30, 2022

Professional fee	
Audit	\$ 67,500
Actuarial services	560,535
IT service	877,118
Legal services	136,706
Medical consulting	149,170
Other services	<u>292,398</u>
Total professional fees	<u>\$2,083,427</u>



Board of Trustees and Management
Maine Public Employees Retirement System

We have audited the financial statements of Maine Public Employees Retirement System (the System), as of and for the year ended June 30, 2022. Professional standards require that we communicate to you the following information related to our audit.

PART I – REQUIRED COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 4, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities related to the preparation and fair presentation of the financial statements.

As part of our audit, we considered the internal control of the System. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the System’s compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

U.S. GAAP provides for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management’s discussion and analysis on pages 4 through 12 and the required supplemental information on pages 49 through 70, which supplements the basic financial statements, is to apply certain limited procedures in accordance with U.S. generally accepted auditing standards (U.S. GAAS). However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the additional supplementary information on pages 71 through 75, which accompanies the financial statements but is not RSI, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of “significant risks” pursuant to U.S. GAAS, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. Through conclusion of our audit of the financial statements, participant data was identified as an additional significant risk.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022.

We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The System’s actuarially-determined contributions to the System in amounts sufficient to fund the benefits set forth in the System, as well as the determination of the total pension liability and other post-employment benefit (OPEB) liability disclosed in Notes 6 and 7 to the financial statements, all of which are based on an actuarial study. We have reviewed the basis for the estimates in conjunction with the actuarial report provided by management in accordance with the requirements of American Institute of Certified Public Accountants Professional Standards Section AU-C 500, *Audit Evidence*, and satisfied ourselves of their reasonableness in relation to the financial statements taken as a whole.
- The estimated fair value of investments valued at Level 2 as well as the investments valued using Net Asset Value are disclosed in Note 3 to the financial statements. The basis for the estimate of fair value of such investments is disclosed in Note 3 to the financial statements. We have reviewed the basis for the estimated fair value of such investments in determining that the fair value is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of the fair value hierarchy of investments at June 30, 2022 (Note 3);
- The disclosures required by Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures* (Notes 3 and 4);

- The disclosures required by GASB Statement No. 67, *Financial Reporting for Pension Plans*, related to the total pension liability, plan fiduciary net position as a percentage of the total pension liability, and sensitivity to the discount rate assumptions of the defined benefit plans (Note 6);
- The disclosures required by GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, related to the total OPEB liability, plan fiduciary net position as a percentage of total OPEB liability and sensitivity to the discount rate assumptions of the group life insurance plans (Note 7); and
- The disclosure of the actuarial valuation method and assumptions for the defined benefit plans and the group life insurance plans (Notes 6 and 7).

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such entries.

The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements as a whole. The uncorrected misstatement or the matters underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatement is immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the System’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System’s auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The new accounting standard for lease accounting, GASB No. 87, *Leases* is effective for the System’s financial statements as of and for the year ended June 30, 2022. Under the new lease standard, all long-term leases would be recorded as a right to use asset with a corresponding lease liability based on the discounted cash flow required by each long-term lease. During our audit, we considered the potential impact of the new lease standard with management, and it was determined that adoption of the lease standard would not have a material impact on the System’s financial statements.

* * * * *

This communication is intended solely for the information and use of the Board of Trustees and management of the System and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate the assistance and cooperation extended to us by the management and employees of Maine Public Employees Retirement System during the performance of our engagement.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 18, 2022

Maine Public Employees Retirement System

Year End: June 30, 2022

PAJEs

Date: 7/1/2021 To 6/30/2022

Number	Date	Name	Account No	Debit	Credit	Proposed Amount Chg
		Net Income (Loss)				(499,196,902.06)
PAJE01	6/30/2022	Investments - Pension	1310 PGLIOT		19,959,000.00	
PAJE01	6/30/2022	Investments - Pension	1310 PGLIOT	21,484,000.00		
PAJE01	6/30/2022	INVESTMENT INCOME - GLI RETIR	4220 PGLIOT	19,959,000.00		
PAJE01	6/30/2022	INVESTMENT INCOME - GLI RETIR	4220 PGLIOT		21,484,000.00	
		To record current year impact of prior year PAJE for true up of investment values of 6/30/21 and To reflect final true-up of investment valuations for those managers who did not report 6/30 figures prior to the System's cutoff date, and for those funds with confirmation values differing from the System's recorded value at 6/30.		41,443,000.00	41,443,000.00	1,525,000.00
				41,443,000.00	41,443,000.00	1,525,000.00



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Maine Public Employees Retirement System

We have audited, in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Maine Public Employees Retirement System (the System), a component unit of the State of Maine, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
October 18, 2022

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: FY23 – SEPTEMBER 2022 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: NOVEMBER 2, 2022

Reports of operating expenses for both administration and investment operations for the three months ended September 30, 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 September 30, 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 1.67% or \$167,443) – 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 deficit in salaries and wages, even though we have several vacancies which have contributed to savings in the first three months of the year. Although we have these vacancy savings, much of those savings are being projected to be used to cover the costs associated with recently approved retention payments for designated staff. Personnel savings are likely to increase in the coming quarter as we continue to experience difficulties recruiting new personnel and those vacant positions remain open for longer than currently projected. The projections assume those vacancies will be filled within 30 days but the reality is that at least some are likely to be vacant longer than assumed in those calculations.

Second, because of the nature of the retention payments, they are not subject to pension contributions, contributing to an expected surplus in this line. Third, health insurance is also expected to be under budget, in part because of vacant positions, but also because we were recently notified that we would have one more month with a “premium holiday”, resulting in additional savings. The budget anticipated three months of a premium holiday for health insurance and we are now experiencing four.

(2) **Medical Consultation Services** (Over budget 17.02% or \$41,614) – The monthly consultation services provided by the University of Massachusetts are trending higher than budgeted for the first several months of the year and projections have been updated to reflect that. We will continue to monitor the costs and update the projections as appropriate in the next report.

(3) **Buildings and Operations** (Over budget 9.02% or \$37,141) – The current projected deficit in this line is comprised primarily of three items. Electricity costs are one factor; costs for electricity have stabilized but are still at a higher rate than what we had anticipated during the budget process. 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.

(4) **Insurance** (Over budget by 30.96% or \$29,415) – 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.

(5) **Printing and Publications** (Over budget by 11.22% or \$15,779) – 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.

(6) **Postage** (Over budget by 4.62% or \$11,826) – 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.

(7) **Other Expenses** (Under budget by 8.91% or \$19,539) – 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 will be used to offset some of the deficits in other line items.

Investment Operations

(1) **Personnel Services** (Under budget by 2.07% or \$56,075) – 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 5.24% or \$53,353) – 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 quarter of this year.

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 09/30/22	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 7,596,417	\$ 1,535,000	\$ 6,083,203	\$ 7,618,203	\$ (21,786)
Overtime Wages	-	19,817	-	19,817	(19,817)
Total Salaries & Wages	<u>7,596,417</u>	<u>1,554,817</u>	<u>6,083,203</u>	<u>7,638,020</u>	<u>(41,603)</u>
Benefits					
Health Insurance	1,424,464	110,136	1,187,283	1,297,419	127,045
MainePERS Retirement Contributions	987,280	154,471	751,641	906,112	81,168
Retiree Health Insurance Reserve	8,868	2,217	6,651	8,868	-
Other Insurance and Benefits	<u>28,000</u>	<u>1,886</u>	<u>25,281</u>	<u>27,167</u>	<u>833</u>
Total Benefits	<u>2,448,612</u>	<u>268,710</u>	<u>1,970,856</u>	<u>2,239,566</u>	<u>209,046</u>
Total Personnel Services	<u><u>10,045,029</u></u>	<u><u>1,823,527</u></u>	<u><u>8,054,059</u></u>	<u><u>9,877,586</u></u>	<u><u>167,443</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	2,936,084	618,614	2,305,298	2,923,912	12,172
Medical Consultation Services	244,500	47,629	238,485	286,114	(41,614) (2)
Training and Tuition	84,560	10,866	76,172	87,038	(2,478)
Travel	62,005	6,181	49,198	55,379	6,626
Depreciation	927,876	313,467	588,843	902,310	25,566
Professional Services					
Actuarial Services	378,000	81,511	311,916	393,427	(15,427)
Audit Services	99,000	32,250	74,250	106,500	(7,500)
Legal Services	192,000	48,101	144,921	193,022	(1,022)
Hearing Officers Services	35,500	2,688	26,750	29,438	6,062
Other Professional Services	<u>935,873</u>	<u>62,834</u>	<u>844,783</u>	<u>907,617</u>	<u>28,256</u>
Total Professional Services	<u>1,640,373</u>	<u>227,384</u>	<u>1,402,620</u>	<u>1,630,004</u>	<u>10,369</u>
Other Operating Expenses					
Buildings and Operations	411,764	144,200	304,705	448,905	(37,141) (3)
Capital Lease Expense	545,859	135,736	410,098	545,834	25
Insurance	95,007	34,694	89,728	124,422	(29,415) (4)
Printing and Publications	140,658	35,301	121,136	156,437	(15,779) (5)
Postage	255,700	82,251	185,275	267,526	(11,826) (6)
Telephone	146,916	34,910	110,721	145,631	1,285
Other	<u>219,199</u>	<u>32,363</u>	<u>167,297</u>	<u>199,660</u>	<u>19,539</u> (7)
Total Other Operating Expenses	<u>1,815,103</u>	<u>499,455</u>	<u>1,388,960</u>	<u>1,888,415</u>	<u>(73,312)</u>
Total Operating Expenses	<u><u>7,710,501</u></u>	<u><u>1,723,596</u></u>	<u><u>6,049,576</u></u>	<u><u>7,773,172</u></u>	<u><u>(62,671)</u></u>
Total Administrative Expenses	<u><u>\$ 17,755,530</u></u>	<u><u>\$ 3,547,123</u></u>	<u><u>\$ 14,103,635</u></u>	<u><u>\$ 17,650,758</u></u>	<u><u>\$ 104,772</u></u>

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

	FY 23 Budgeted	FY 23 Actual Thru 09/30/22	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 2,142,873	\$ 435,671	\$ 1,677,553	\$ 2,113,224	\$ 29,649
Overtime Wages	-	-	-	-	-
Total Salaries & Wages	<u>2,142,873</u>	<u>435,671</u>	<u>1,677,553</u>	<u>2,113,224</u>	<u>29,649</u>
Benefits					
Health Insurance	213,691	19,915	179,753	199,668	14,023
MainePERS Retirement Contributions	347,463	70,230	264,830	335,060	12,403
Other Insurance and Benefits	-	-	-	-	-
Total Benefits	<u>561,154</u>	<u>90,144</u>	<u>444,583</u>	<u>534,728</u>	<u>26,426</u>
Total Personnel Services	<u><u>2,704,027</u></u>	<u><u>525,815</u></u>	<u><u>2,122,136</u></u>	<u><u>2,647,952</u></u>	<u><u>56,075</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	134,491	24,232	110,263	134,495	(4)
Medical Consultation Services	-	-	-	-	-
Training and Tuition	6,500	5,150	1,350	6,500	-
Travel	63,000	12,392	50,358	62,750	250
Depreciation	3,840	960	2,880	3,840	-
Professional Services					
Actuarial Services	-	-	-	-	-
Audit Services	54,000	17,250	36,750	54,000	-
Legal Services	1,018,500	201,272	763,875	965,147	53,353 (2)
Investment Consulting	1,120,000	280,000	840,000	1,120,000	-
Proxy Voting Services	24,037	6,009	18,028	24,037	-
Custody Services	675,000	168,750	506,250	675,000	-
Other Professional Services	<u>202,500</u>	<u>63</u>	<u>202,437</u>	<u>202,500</u>	<u>-</u>
Total Professional Services	3,094,037	673,344	2,367,340	3,040,684	53,353
Other Operating Expenses					
Buildings and Operations	127,668	31,229	96,650	127,879	(211)
Capital Lease Expense	150,782	37,689	113,087	150,776	6
Insurance	340	337	-	337	3
Postage	540	147	405	552	(12)
Telephone	42,300	10,172	31,629	41,801	499
Other	<u>44,462</u>	<u>3,526</u>	<u>39,324</u>	<u>42,850</u>	<u>1,612</u>
Total Other Operating Expenses	366,092	83,142	281,233	364,375	1,717
Total Operating Expenses	<u><u>3,667,960</u></u>	<u><u>799,220</u></u>	<u><u>2,813,424</u></u>	<u><u>3,612,644</u></u>	<u><u>55,316</u></u>
Total Investment Operations Expenses	<u><u>\$ 6,371,987</u></u>	<u><u>\$ 1,325,035</u></u>	<u><u>\$ 4,935,561</u></u>	<u><u>\$ 6,260,596</u></u>	<u><u>\$ 111,392</u></u>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, DIRECTOR OF FINANCE
SUBJECT: FY23 – 1ST QUARTER REPORTS – TRAVEL AND PROCUREMENT
DATE: NOVEMBER 2, 2022

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 September 30, 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 June 30, will be provided at your February 9, 2023 meeting. 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 July 1, 2022 through September 30, 2022

Traveler	In/Out of State	Dept.	Dates of Travel			Destination	Purpose of Travel	M&IE	Lodging	Transportation	Other	Reimbursed Expenses	Total Expenses
			September 18, 2022	Thru	September 22, 2022								
Bennett, James	O	Investments	September 18, 2022	Thru	September 22, 2022	Seattle, WA Chicago, IL	NASIO Conference/ Silver Creek Capital Meeting/ Twin Brook Capital Meeting	142.00	257.63	1,727.17	2,500.00	-	4,626.80
Childs, Joy	O	IT	August 24, 2022	Thru	August 26, 2022	Washington, D.C.	Vitech Annual Conference	163.00	574.76	403.28	1,195.00	-	2,336.04
Collins, Quinn	O	Legal	September 10, 2022	Thru	September 14, 2022	Norfolk, VA	NCSSEA Conference	213.00	453.60	877.23	450.00	-	1,993.83
Keller, Seth	O	Investments	July 11, 2022	Thru	July 11, 2022	New York, NY	Site Visit for potential Risk Diversifier Manager	25.00	-	538.61	-	-	563.61
Keller, Seth	O	Investments	September 6, 2022	Thru	September 9, 2022	Palo Alto, CA San Francisco, CA	Capricorn Technology Impact Fund/ Technology Impact Growth Funds Annual Meeting BlackRock, Indaba Capital Luminare and Dragoneer Manager Meetings	180.00	1,208.88	934.96	-	-	2,323.84
Keller, Seth	O	Investments	September 14, 2022	Thru	September 17, 2022	San Francisco, CA	General Catalyst Annual Meeting Farallon Capital Partners, BOND, DCVC and Hellman & Friedman Meetings	145.00	766.20	715.05	-	-	1,626.25
McGuire, Zackery	O	Investments	July 11, 2022	Thru	July 11, 2022	New York, NY	Hudson Bay Master Fund Due Diligence	25.00	-	421.20	-	-	446.20
McGuire, Zackery	O	Investments	September 15, 2022	Thru	September 21, 2022	San Francisco, CA Seattle, WA Chicago, IL	Lightspeed Ventures, Unusual Ventures, BOND, Farallon Capital, Data Collective Venture Capital and Hellman & Friedman Manager Meetings NASIO Conference, Silver Creek Capital Meeting Twin Brook Capital	300.00	1,022.03	1,342.30	2,500.00	-	5,164.33
Parker, Bartley	O	Investments	September 12, 2022	Thru	September 14, 2022	Nashville, TN	Smart Markets Fund Meeting	73.00	778.00	606.29	-	(1,370.30)	86.99
Parker, Bartley	O	Investments	September 28, 2022	Thru	September 30, 2022	Austin, TX	Stonelake Capital Partners Meeting	75.00	371.66	774.40	-	-	1,221.06
Pierter, Mitchell	O	Investments	July 6, 2022	Thru	July 6, 2022	New York, NY	Meridian North America Meeting	59.00	-	400.65	-	(386.65)	73.00
Pierter, Mitchell	O	Investments	September 22, 2022	Thru	September 22, 2022	New York, NY	Hellman & Friedman Due Diligence	59.00	-	514.32	-	-	573.32
Vandrell, Sherry	O	Accounting	August 23, 2022	Thru	August 27, 2022	Washington, DC	Vitech Annual Conference	148.00	862.14	416.52	1,195.00	-	2,621.66
Vandrell, Sherry	O	Accounting	September 18, 2022	Thru	September 22, 2022	Nashua, NH	IMA/NERC Conference	56.00	301.64	209.75	295.00	-	862.39
Staff	I	Various	July 1, 2022	Thru	September 30, 2022	-	Misc. Local Travel	-	-	779.88	499.00	-	1,278.88
Trustees	I	Trustees	July 1, 2022	Thru	September 30, 2022	-	Board Meetings	-	-	866.52	-	-	866.52
TOTAL EXPENSES								1,663.00	6,596.54	11,528.13	8,634.00	(1,756.95)	26,664.72

*Fund paid for Hotel and Airfare

*Fund Paid for Airfare

* In State Conference Fee