

MainePERS Board of Trustees



MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Monthly Meeting Packet

February 10, 2022

**MainePERS Board of Trustees
February 10, 2022
Videoconference**

AGENDA

9:00 a.m.		CALL TO ORDER		Brian Noyes
9:00 – 9:05 a.m.	1.	<u>CONSIDERATION OF CONSENT CALENDAR</u> <ul style="list-style-type: none">Minutes of January 13, 2022Consideration of Items Removed	ACTION	Brian Noyes
9:05 – 9:10 a.m.	2.	<u>CEO REPORT</u>		Dr. Rebecca M. Wyke
9:10 – 9:20 a.m.	3.	<u>PRIVATE MARKET ACTIONS</u> <ul style="list-style-type: none">Executive Session pursuant to 1 M.R.S. §405(6)(F); 5 M.R.S. §17057(4) <p><i>Board moves out of executive session.</i></p> <ul style="list-style-type: none">Smart Markets FundInvesco U.S. Income Fund (USIF)	ACTION ACTION	Brian Noyes James Bennett Zackery McGuire
9:20 – 9:45 a.m.	4.	<u>PRIVATE MARKETS REVIEW</u> <ul style="list-style-type: none">Private Markets ActivityReal Estate Quarterly ReviewCliffwater Quarterly Review		James Bennett, Zackery McGuire Ed Schwartz, Thorsen Eriksen, ORG Tom Lynch, George Bumeder, Cliffwater
9:45 – 10:15 a.m.	5.	<u>INVESTMENT REVIEW</u> <ul style="list-style-type: none">Investment Monthly ReviewInvestment Quarterly ReviewRisk Diversifier Quarterly Review		James Bennett, Zackery McGuire Brian McDonnell, Stuart Cameron, Cambridge Assocs.
10:15 – 10:30 a.m.		<u>BREAK</u>		
10:30 – 11:00 a.m.	6.	<u>ASSET ALLOCATION</u>		James Bennett, Zackery McGuire, Brian McDonnell, Stuart Cameron, Cambridge Associates
11:00 – 11:10 a.m.	7.	<u>ADMINISTRATION REPORT</u> <ul style="list-style-type: none">Operations Report		Jim Dusch Sherry Vandrell Rebecca Grant

- 11:10 – 11:20 a.m. 8. LEGISLATIVE UPDATE Kathy Morin
Michael Colleran
- 11:20 – 11:25 a.m. 9. LITIGATION SUMMARY Betsy Stivers
- 11:25 a.m. ADJOURNMENT Brian Noyes
-

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Board Meeting
January 13, 2022

MainePERS
Remote
9:00 a.m.

The Board of Trustees held a meeting through video remote access pursuant to P.L. 2021, Ch. 290 at 9:00 a.m. on January 13, 2022. Brian Noyes, Chair, presided. Other Trustees participating were Dick Metivier, Vice Chair; Henry Beck, State Treasurer; John Beliveau; Shirrin Blaisdell; Mark Brunton; John Kimball; and Ken Williams. Joining the Trustees were Dr. Rebecca M. Wyke, Chief Executive Officer; Michael Colleran, Chief Operating Officer and General Counsel; Monica Gorman, Secretary to the Board of Trustees; and Betsy Stivers, Assistant Attorney General and Board Counsel. The Board also was joined for select portions of the meeting by James Bennett, Chief Investment Officer; Zackery McGuire, Deputy Chief Investment Officer; Brian McDonnell and Stuart Cameron, Cambridge Associates; Tom Lynch and George Bumeder, Cliffwater; Ed Schwartz, ORG; Rebecca Grant, Director of Administration; Jim Dusch, Director of Member Services; Sherry Vandrell, Director of Finance; and Anedra Gregori, Associate General Counsel.

Brian Noyes called the meeting to order at 9:00 a.m. All Trustees were present.

CONSIDERATION OF THE CONSENT CALENDAR

The Chair called for consideration of the Consent Calendar. The action items on the Consent Calendar were:

- Minutes of December 9, 2021
- Action. Dick Metivier made the motion, seconded by Shirrin Blaisdell, to approve the Consent Calendar. Voted unanimously by eight Trustees (Beck, Beliveau, Blaisdell, Brunton, Kimball, Metivier, Noyes, and Williams).

CEO REPORT

Dr. Rebecca Wyke summarized for Trustees the justification for continuing to meet remotely. She shared she has met with all major MainePERS stakeholder groups. She met with the Labor and Housing and Appropriations Committees and provided them with an overview of the FY2021 Valuation results and an update on MaineERS. She reported that we also provided the Labor and Housing Committee with a presentation on our Program Evaluation Report and submitted our report in response to Resolve, c. 84 (the WEP/GPO study). Strategic planning for achieving the goals and objectives adopted by the Board last November will begin this month. Work continues on the study for developing a new State/Teacher pension plan design, which is due in February.

Michael Colleran shared that Compliance Officer Anedra Gregori has been promoted to Associate General Counsel.

ESG REPORT

Dr. Rebecca Wyke shared the 2021 ESG Report, which highlights ESG-related aspects of MainePERS' public and private investments. The ESG Report is available on MainePERS' public website.

PRIVATE MARKETS REVIEW

Co-Investment Review

Jim Bennett reviewed and answered questions from the Trustees regarding the recommended changes to the current co-investment guidelines.

- **Action:** Motion made by Mark Brunton, seconded by John Kimball, that the Board authorize MainePERS to make co-investments within the guidelines set forth below. Voted unanimously by eight Trustees (Beck, Beliveau, Blaisdell, Brunton, Kimball, Metivier, Noyes, and Williams).

CO-INVESTMENT GUIDELINES

Target Allocation	7.5% <i>Note that this co-investment allocation would continue to be included within the existing private market allocation and is not additive.</i>
Asset Classes	Co-investment may be made in each of the private market asset classes.
Discretion	Investment Team has discretion to make co-investments, in conjunction with the asset class consultant.
Signatories	The Chief Executive Officer, Chief Investment Officer, and General Counsel are authorized as signatories to execute documents in connection with co-investments.
Permissible Partners	Unless otherwise authorized, co-investments will only be made alongside Funds in which the System is a current investor.
Size Limits	Unless otherwise authorized, maximum of \$25m invested into any single co-investment. Unless otherwise authorized, maximum of \$200m aggregate co-investment in a single asset class with any single General Partner.

Private Markets Activity

Jim Bennett reviewed the table of private markets funds that had closed during the past 12 months. Jim shared the Investment Team will conduct meetings to discuss re-balancing of the real estate portfolio. The meeting is scheduled for Tuesday, January 25, 2022, with presentations by Stockbridge Smart Markets Fund at 9:00 a.m. and Invesco U.S. Income Fund at 9:45 a.m.

INVESTMENT REVIEW

Investment Monthly Review

Jim Bennett reported that as of December 31st the MainePERS fund had a preliminary value of \$18.8 billion, the preliminary fund return for the month was 1.3%, the preliminary fiscal year-to-date return was 4.9%, and the preliminary calendar year-to-date return was 16.4%.

ASSET ALLOCATION

Jim Bennett, Zack McGuire, Brian McDonnell, and Stuart Cameron provided an in-depth presentation of the strategic asset allocation process for the Trustees. They reviewed the strategic allocation process, asset classes and their roles in the portfolio, combining assets into portfolios, asset class expectations, and how different allocations equal different risks. The group shared they will be reviewing the goals and objectives and possible allocation changes over the next four to five months and will bring recommended changes to the Trustees at future meetings. Jim, Zack, Brian, and Stuart answered questions from the Trustees.

ADMINISTRATION REPORT

Operations Report

Jim Dusch shared three new PLD's have joined the retirement program, with seven other PLD's making plan enhancements. Jim stated current RMD distributions have been made on time and work continues to find those who have been deemed lost.

Sherry Vandrell reported that 89% of payrolls were received on time in December. Sherry stated the Employer Reporting Assistance Team completed four reviews with six new reviews being initiated during the same timeframe. Eighty-three percent of findings were satisfactorily completed.

Rebecca Grant shared that staff is primarily working remotely. Rebecca stated good results were received from the first year of a three-year IT assessment audit. Rebecca answered questions from Trustees regarding COVID vaccinations.

MAINEPERS

BOARD OF TRUSTEES INVESTMENTS MEMORANDUM

TO: BOARD MEMBERS
FROM: JAMES BENNETT, CHIEF INVESTMENT OFFICER
SUBJECT: INVESTMENT REVIEW
DATE: FEBRUARY 3, 2022

Following this memo is the Monthly Investment Review for January and Cambridge Associates' Quarterly Investment and Risk Diversifiers Reviews.

POLICY REFERENCE

[Board Policy 2.1 – Investment Policy Statement](#)

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

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

MONTHLY INVESTMENT REVIEW: HIGHLIGHTS AND OBSERVATIONS

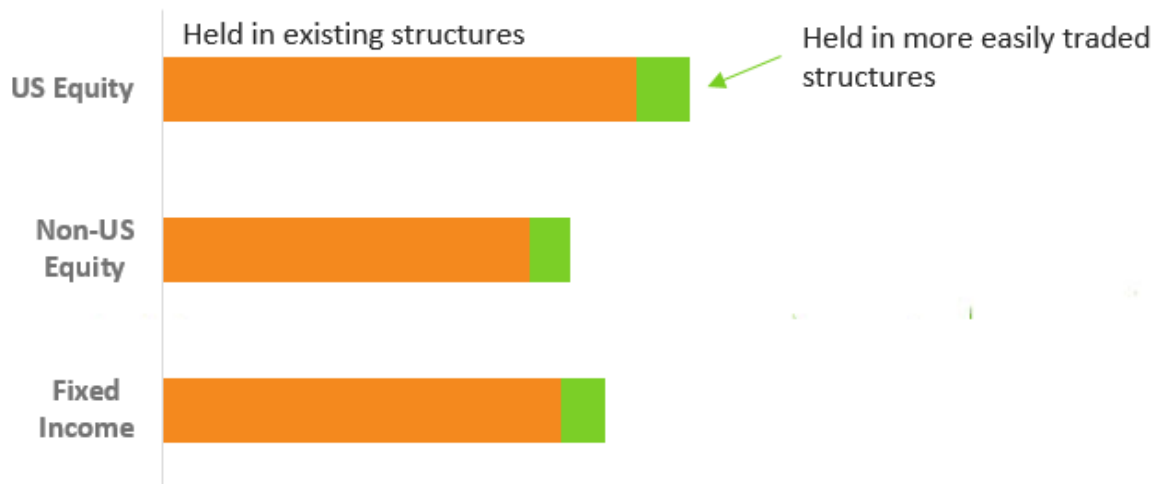
Preliminary Fund results for the month include:

- Month-end fund value of \$18.9 billion, down from last month's fund value of \$19.3 billion.
- Monthly return of -1.6%.
- Fiscal and calendar year-to-date returns of 5.9% and -1.6%, respectively.

PUBLIC SECURITIES LIQUIDITY PORTFOLIO

During 2021 Trustees approved shifting a portion of the System's public securities holdings into a "liquidity portfolio" in order to facilitate rebalancing and cash management, and approved Parametric Associates as portfolio manager. The Investment Team began implementation of this structure during January. This involves holding a portion of the Fund's investments in public securities in the form of ETFs and futures, which allows excess cash to be reinvested with very low transactions costs.

The below chart depicts our public holdings under this structure. As of the end of January a very small amount (0.25%) of the Fund's exposure to public securities was held in the liquidity portfolio segment. As a reminder, use of this structure does not entail any change in investment objectives or risk, and does not add leverage since all futures positions are fully collateralized by cash.





Investment Review

February 10, 2022



MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Investment Objective

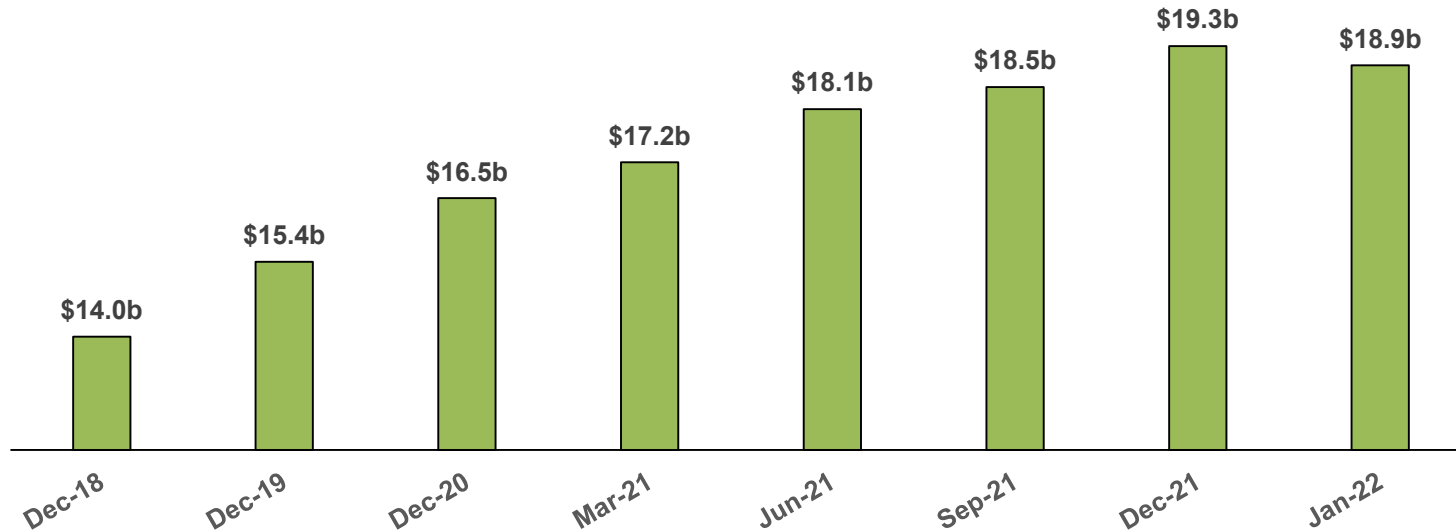
MainePERS' investment objectives balance the System's twin goals of generating investment returns (to ensure growth of the trust funds) and minimizing investment risks (loss of capital and cash flow shortfalls).

The Board recognizes and accepts that these goals are in opposition, and that a trade-off exists between expected risk and return. The Board balances these goals by seeking to optimize portfolio returns consistent with an established targeted portfolio risk level.

Additionally, by optimizing investment returns on trust assets, rather than attempting to maximize them, the Board seeks to maintain contribution rate and funding level volatility at acceptable levels that have been determined from time to time during strategic asset allocation planning and asset/liability reviews.

January 2022 Performance (Preliminary)

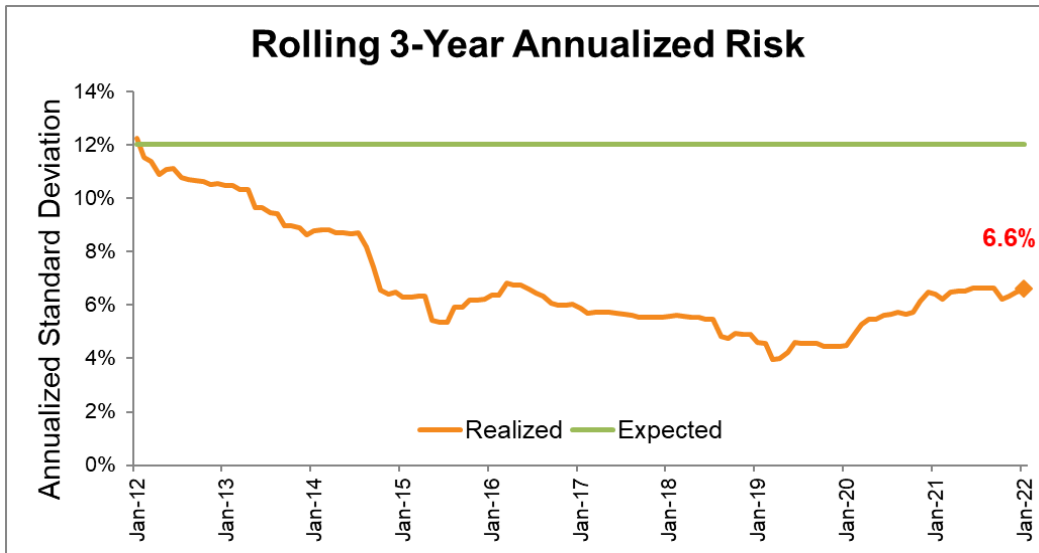
The **preliminary** fund value at the end of January is \$18.9 billion.



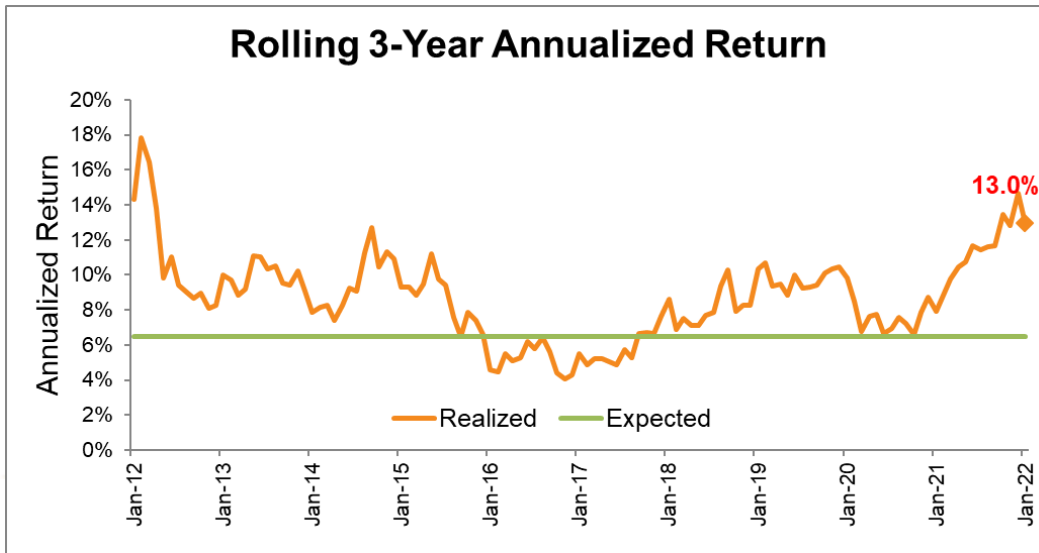
Fund and Benchmark Returns

	Jan-22	CYTD 2022	FYTD 2022
Total Fund	-1.6%	-1.6%	5.9%
Russell 3000	-5.9%	-5.9%	2.7%
MSCI ACWI ex-USA	-3.7%	-3.7%	-4.9%
Barclays Agg. Bond Index	-2.2%	-2.2%	-2.1%

Investment Objective Measurement: Risk and Return



Recent fund risk remains well below targeted risk level.



Investment returns continue to exceed expected values.

Note: Rolling 3-year return and standard deviation are calculated at each point in time based on returns over prior 36 months. All figures are annualized.

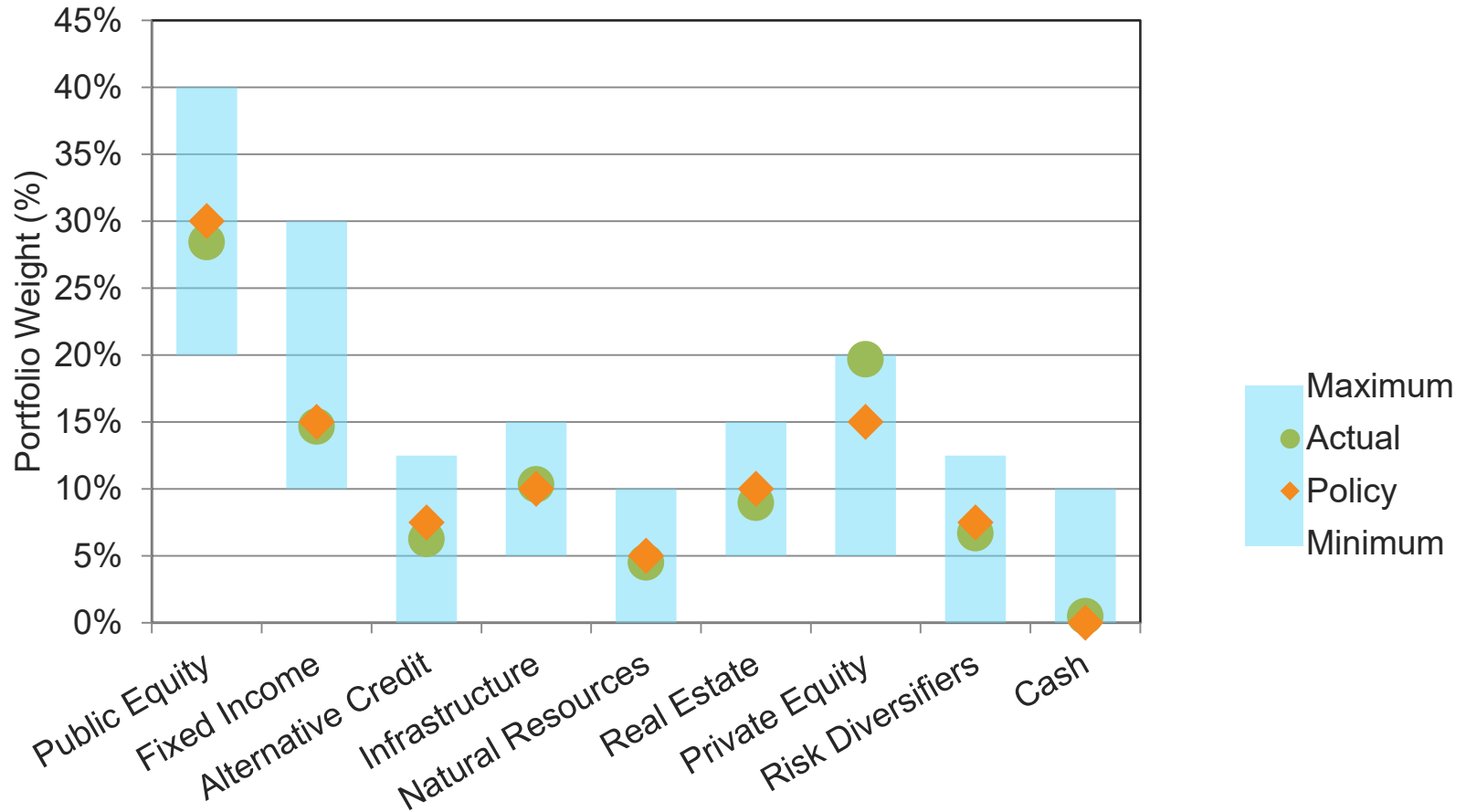
January 2022 Asset Allocation (Preliminary)

Assets (Millions)	Value	% of Fund	Policy %
MainePERS Portfolio	\$ 18,935	100.0%	100.0%
Domestic Equity	\$ 3,234	17.1%	18.4%
International Equity	\$ 2,149	11.3%	11.6%
Fixed Income	\$ 2,774	14.7%	15.0%
Alternative Credit	\$ 1,183	6.2%	7.5%
Infrastructure	\$ 1,959	10.3%	10.0%
Natural Resources	\$ 854	4.5%	5.0%
Private Equity	\$ 3,727	19.7%	15.0%
Real Estate	\$ 1,695	9.0%	10.0%
Risk Diversifiers	\$ 1,269	6.7%	7.5%
Cash	\$ 92	0.5%	0.0%

Portfolio weights for all asset classes remain near MainePERS Investment Policy asset allocation weights.

Private Market assets in aggregate comprise 49.7% of the overall portfolio, above the 47.5% policy weight.

January 2022 Asset Allocation (Preliminary)



Public Securities: Liquidity Portfolio

At the end of January, the Fund obtained a small part (0.25%) of its exposure to public securities via ETFs and futures contracts in an account managed by Parametric Associates.



MainePERS Liquidity Portfolio	Market Value (Millions)	Exposure Type
Parametric Domestic Equity	\$4.9	Futures
Parametric International Equity	\$4.8	Futures
Parametric Traditional Credit	\$5.3	ETFs
Parametric US Government Securities	\$5.0	Futures
Total Liquidity Portfolio	\$20.1	

MainePERS has **exposures to derivatives** in the following areas:

- Public Equities, Public Fixed Income, and Risk Diversifiers

MainePERS has **financial leverage** (borrowing and investing) in the following areas:

- BlackRock – Financial leverage in securities lending
- JP Morgan – Financial leverage in securities lending
- Alternative Credit
- Infrastructure
- Natural Resources
- Private Equity
- Real Estate

Investment Related Fees: January 2022

Description	FYTD 22	FY 21	FY 20	FY 19	FY 18
Investment Mgmt. Fees	\$69,901,748	\$118,561,261	\$124,480,394	\$106,398,871	\$92,410,866
Securities Lending Fees ¹	905,407	1,653,172	2,239,396	2,226,826	3,714,108
Consulting Fees	653,333	1,120,000	1,120,000	1,120,000	1,120,000
Broker Commissions ²	15,094	52,364	37,461	28,970	38,168
Placement Agent Fees	0	0	0	0	0
Total	\$71,475,582	\$121,386,797	\$127,877,251	\$109,774,667	\$97,283,142
Percentage of Fund	0.65%	0.67%	0.87%	0.74%	0.68%

1. Securities Lending Fees are through 12/31/2021
2. Actual paid commissions reported by JP Morgan

Securities Lending: December 2021

	Average Lendable Assets	Average Assets On Loan	Total Sec Lending Revenue	Revenue Split	MainePERS Net Income	MainePERS Net Income, FYTD
BlackRock						
Fixed Income	\$2,090,665,785	\$1,440,490,914	\$211,532	60%/40%	\$126,919	\$687,286
Total Equity	\$2,054,536,580	\$226,729,991	\$160,500	60%/40%	\$106,861	\$804,859
Total Blackrock	\$4,145,202,365	\$1,667,220,905	\$372,032		\$233,780	\$1,492,145
JP Morgan						
Domestic Equities	\$3,314,567,942	\$201,765,583	\$26,151	85%/15%	\$22,233	\$133,101
Total	\$7,459,770,307	\$1,868,986,488	\$398,183		\$256,013	\$1,625,246
Total Annualized Securities Lending Income, FY 2022:				\$3,250,491 (0.02%, or 1.7 bps)		
Total Actual Securities Lending Income, FY 2021:				\$3,053,425 (0.02%, or 2.0 bps)		

Liquidity Schedule: January 2022

Term	Market Value	Percent of Portfolio
Liquid ¹	\$8,249m	43.6%
Semi-Liquid ²	\$2,476m	13.1%
Illiquid ³	\$8,210m	43.4%
Total	\$18,935m	100.0%

<u>Sources and Uses of Liquidity</u>		
	Last 12 Months Actual	Next 12 Months Projection
Private Markets Activity		
Capital Contributions	-\$1,554m	-\$860m
Distributions	\$1,782m	\$1,670m
Net Private Markets Activity	\$228m	\$810m
Benefit Payments	-\$415m	-\$420m
Net Cash Flows	-\$187m	\$390m

¹Liquid assets includes public equities and public fixed income

²Semi-liquid assets includes risk diversifiers, open-end real estate investments, and listed alternative credit funds

³Illiquid assets includes closed-end alternative credit, infrastructure, natural resources, private equity, and real estate funds

MainePERS Alternative Investments Summary

<i>as of 01/31/2022</i>	# of Funds	# of GP Relationships
Alternative Credit	18	11
Infrastructure	32	11
Natural Resources	14	9
Private Equity	115	33
Real Estate	32	18
Risk Diversifiers	8	6
Total*	219	81

*GP Total may not add due to overlapping relationships

Currently, MainePERS is invested in 219 funds,
and has 81 distinct manager relationships.

MainePERS Alternative Investments Summary

<i>(in \$millions)</i> as of 01/31/2022	<u>Current Market Value</u>			<u>Unfunded Commitment</u>	
	Dollars	% of Fund	Target	Dollars	% of Fund
Alternative Credit	\$ 1,183	6.2%	7.5%	\$ 447	2.4%
Infrastructure	\$ 1,959	10.3%	10.0%	\$ 818	4.3%
Natural Resources	\$ 854	4.5%	5.0%	\$ 215	1.1%
Private Equity	\$ 3,727	19.7%	15.0%	\$ 1,360	7.2%
Real Estate	\$ 1,695	9.0%	10.0%	\$ 545	2.9%
Risk Diversifiers	\$ 1,269	6.7%	7.5%	\$ -	0.0%
Total Alternatives	\$ 10,687	56.4%	55.0%	\$ 3,385	17.9%

For more details please see Private Markets Investment Summary at <http://www.mainebers.org/Investments/>

Note: Market values shown above are preliminary estimates. Private market asset values are based on 9/30/21 values, adjusted for subsequent cash flows.

<i>(in \$millions)</i> as of 01/31/2022	<u>Private Market Commitments by Vintage Year</u>				<u>3-Year Average¹</u>
	2019	2020	2021	2022	
Alternative Credit	\$ 200	\$ 275	\$ 410	\$ -	\$ 295
Infrastructure	\$ 350	\$ 235	\$ 180	\$ -	\$ 255
Natural Resources	\$ 175	\$ -	\$ -	\$ -	\$ 58
Private Equity	\$ 240	\$ 276	\$ 438	\$ 45	\$ 318
Real Estate	\$ 230	\$ 80	\$ 285	\$ -	\$ 198
Total Commitments	\$ 1,195	\$ 866	\$ 1,313	\$ 45	\$ 1,125

¹3-Year Average: 2019-2021

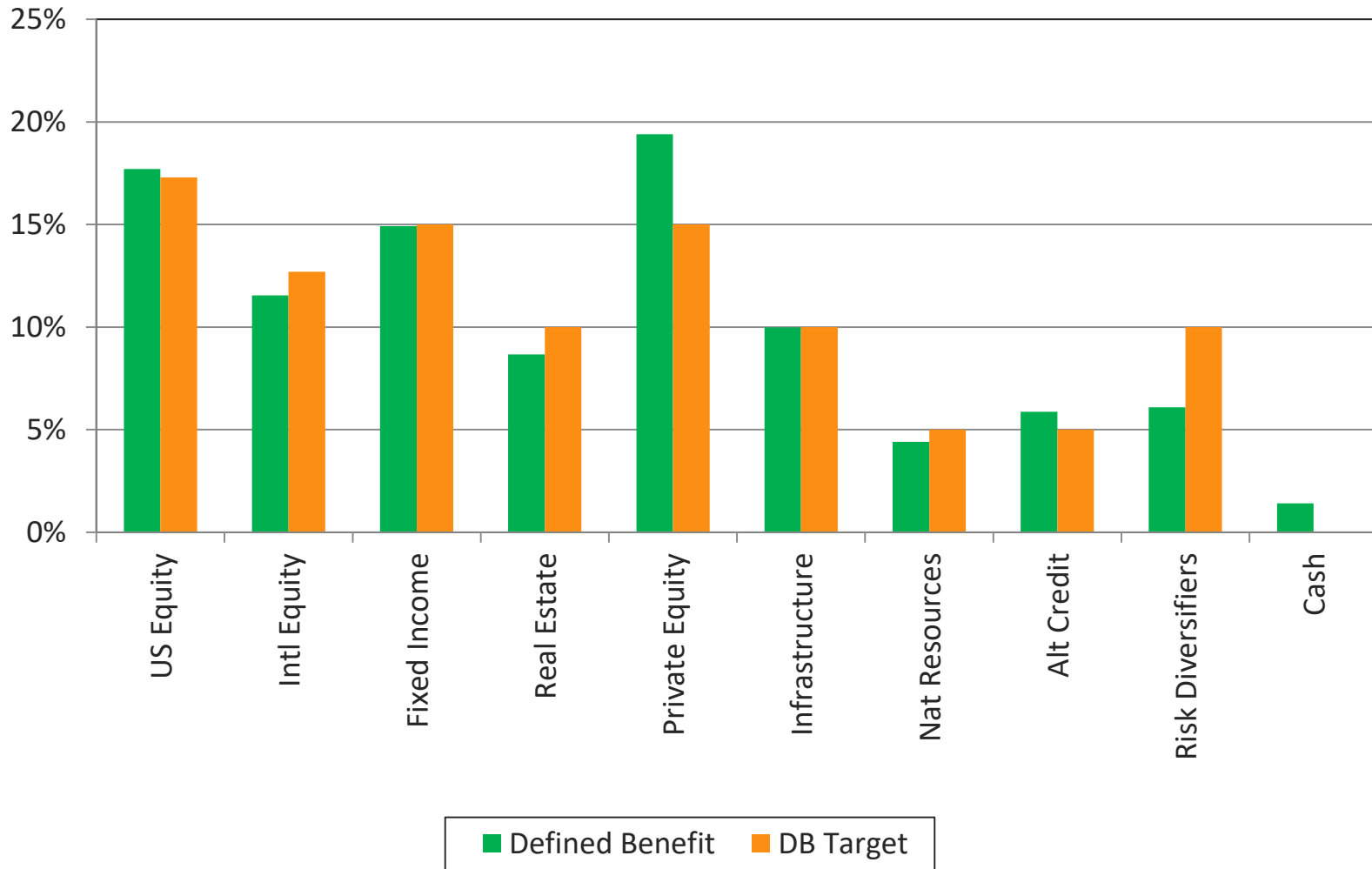


Appendix

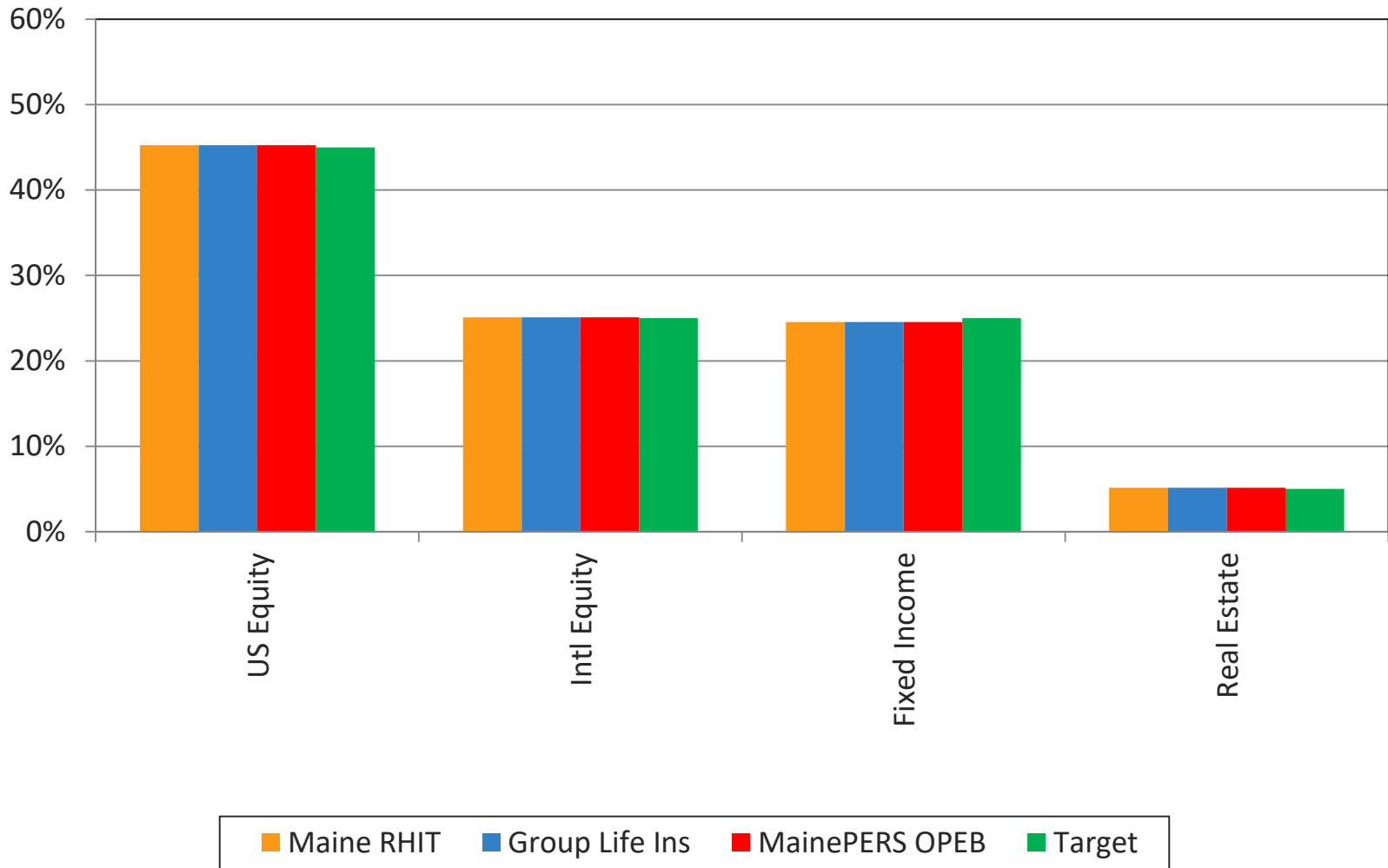


MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

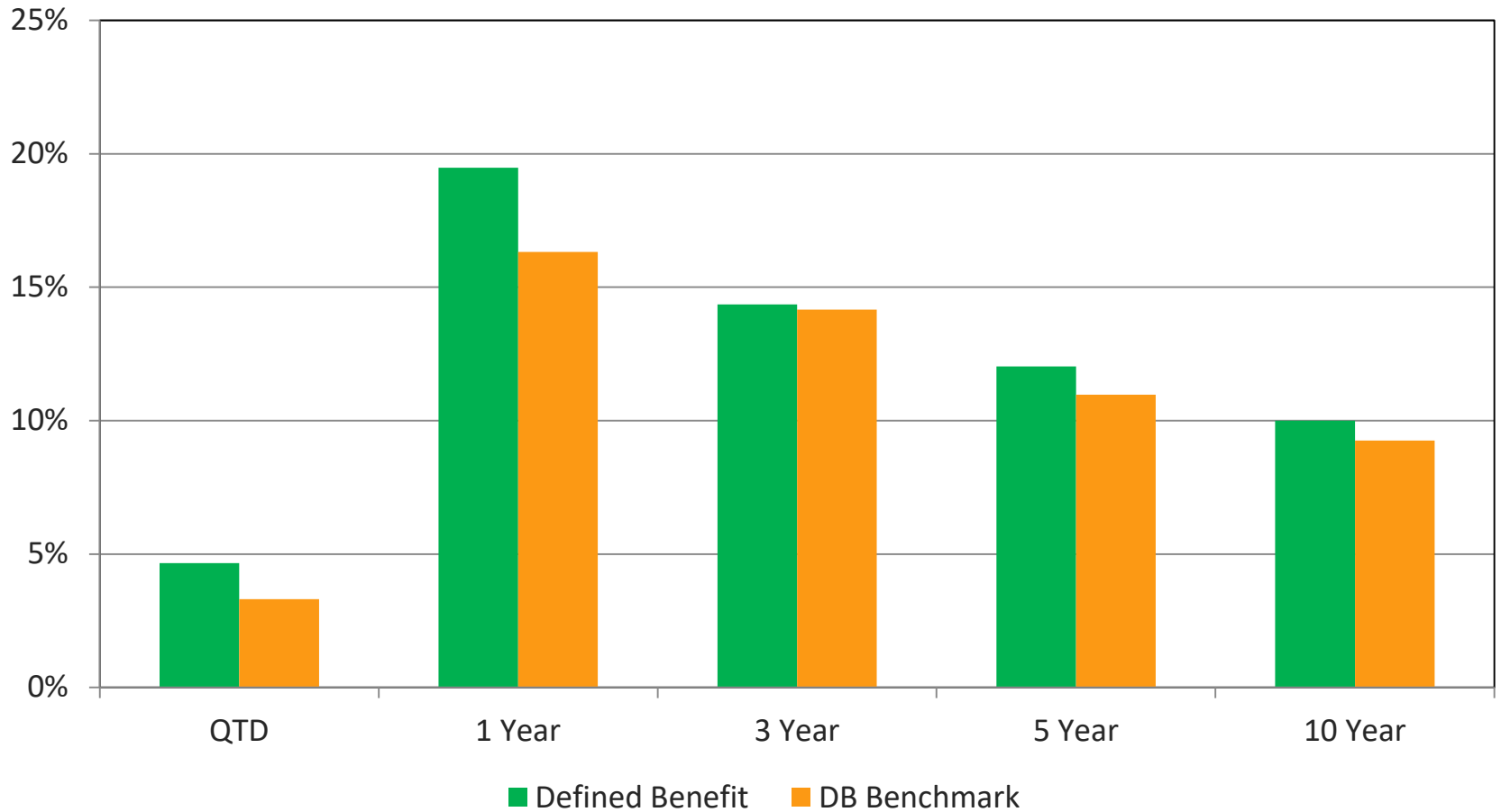
Asset Allocation for Defined Benefit at 12/31/2021



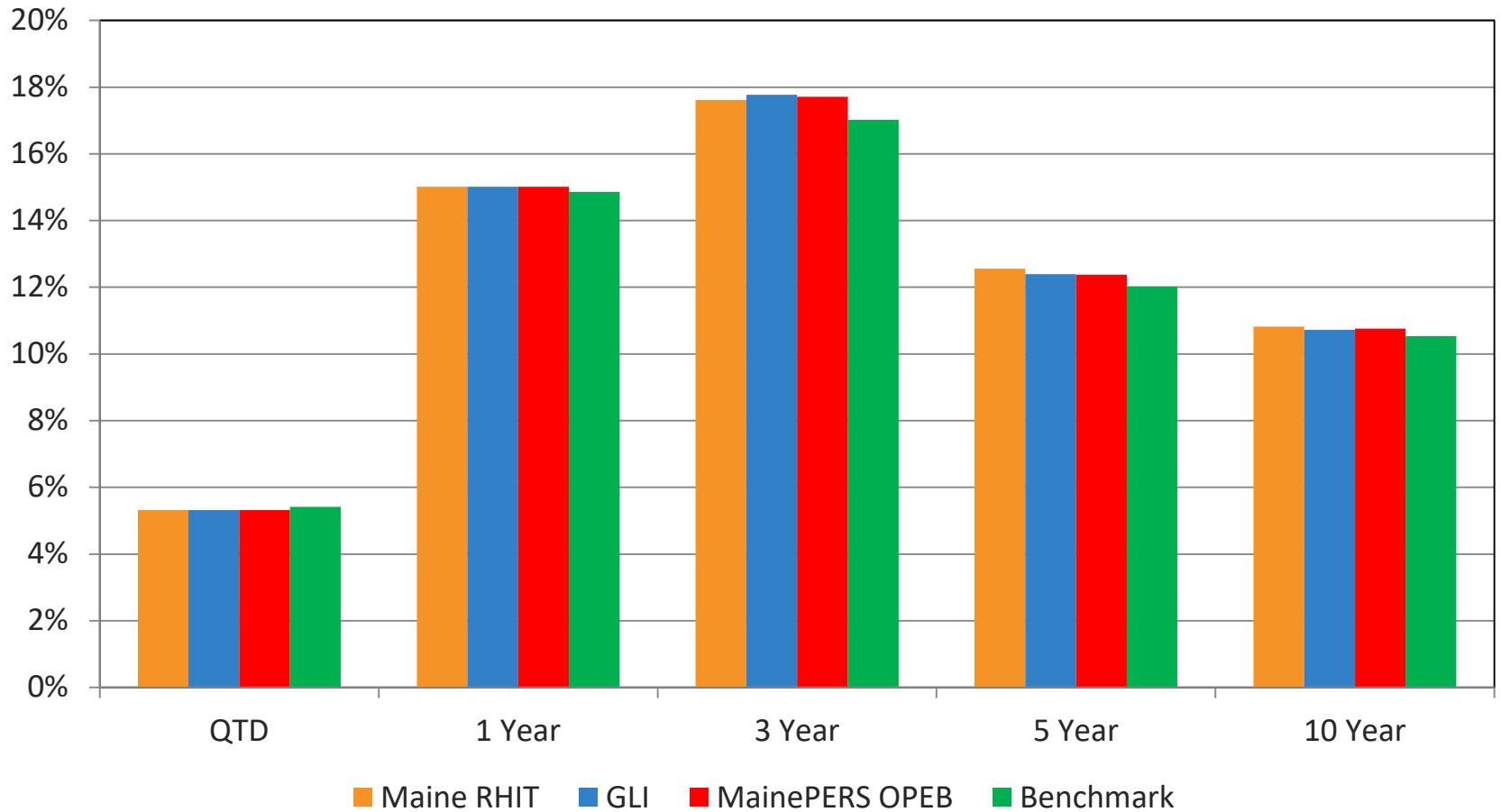
Asset Allocation for RHIPEB, GLI, and OPEB at 12/31/2021



Performance for Defined Benefit at 12/31/2021



Performance for RHIPEB, GLI, and OPEB at 12/31/2021



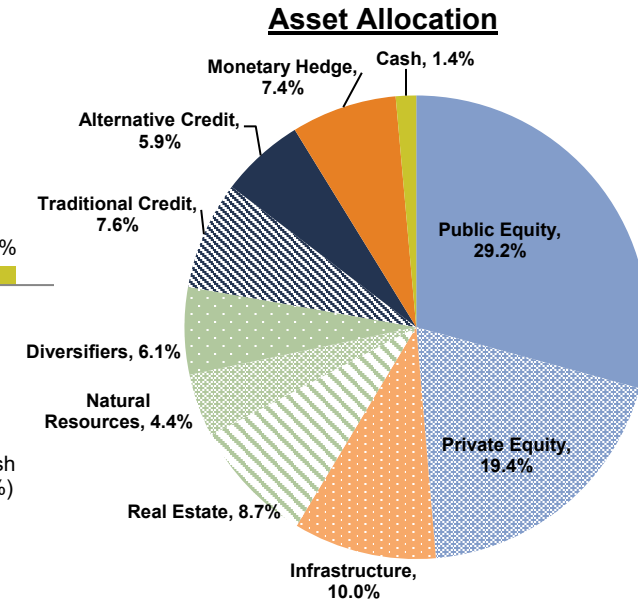
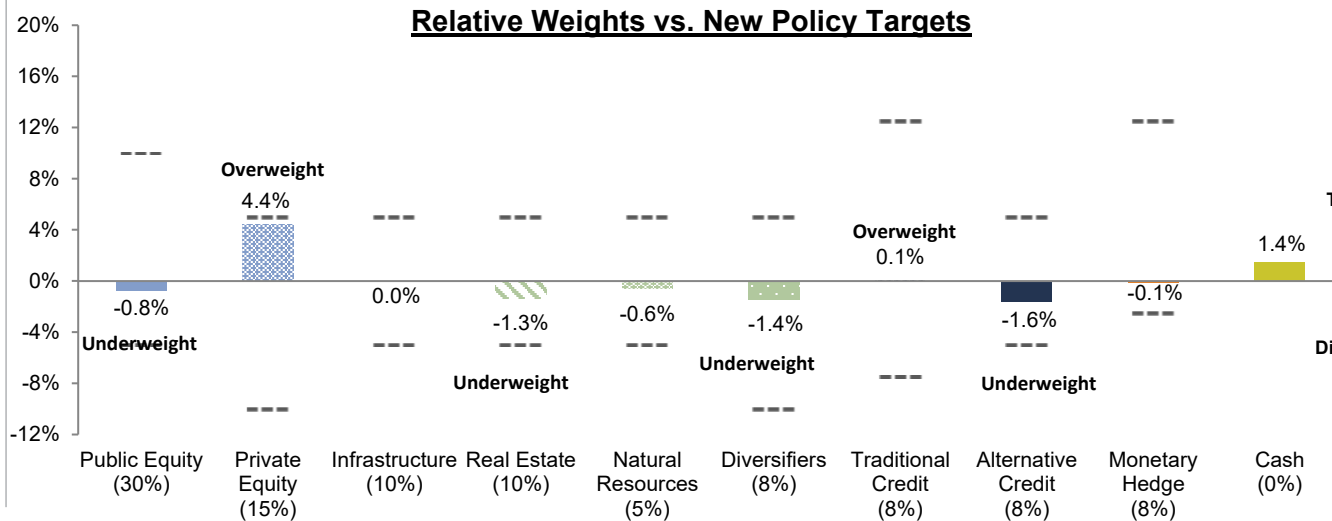
MainePERS Dashboard as of December 31, 2021

Summary Portfolio Observations

- The MainePERS total portfolio market value at the end of Q4 2021 was \$19,281.3 million. The portfolio returned +4.66% in the quarter ended December 31, 2021, with relative outperformance primarily driven by Infrastructure and Private Equity. Over the past five years, the portfolio has generated annualized returns of +12.0%.

Total Fund Performance (12/31/2021)

	Q4 2021	Tr. 1 Year	Tr. 3 Year	Tr. 5 Year
Total Fund Composite	4.7	19.5	14.4	12.0
MainePERS Policy Index	3.3	16.3	14.2	11.0
Value Add	1.3	3.2	0.2	1.1





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MAINEPERS

FOURTH QUARTER 2021 PERFORMANCE REVIEW



MARKET UPDATE

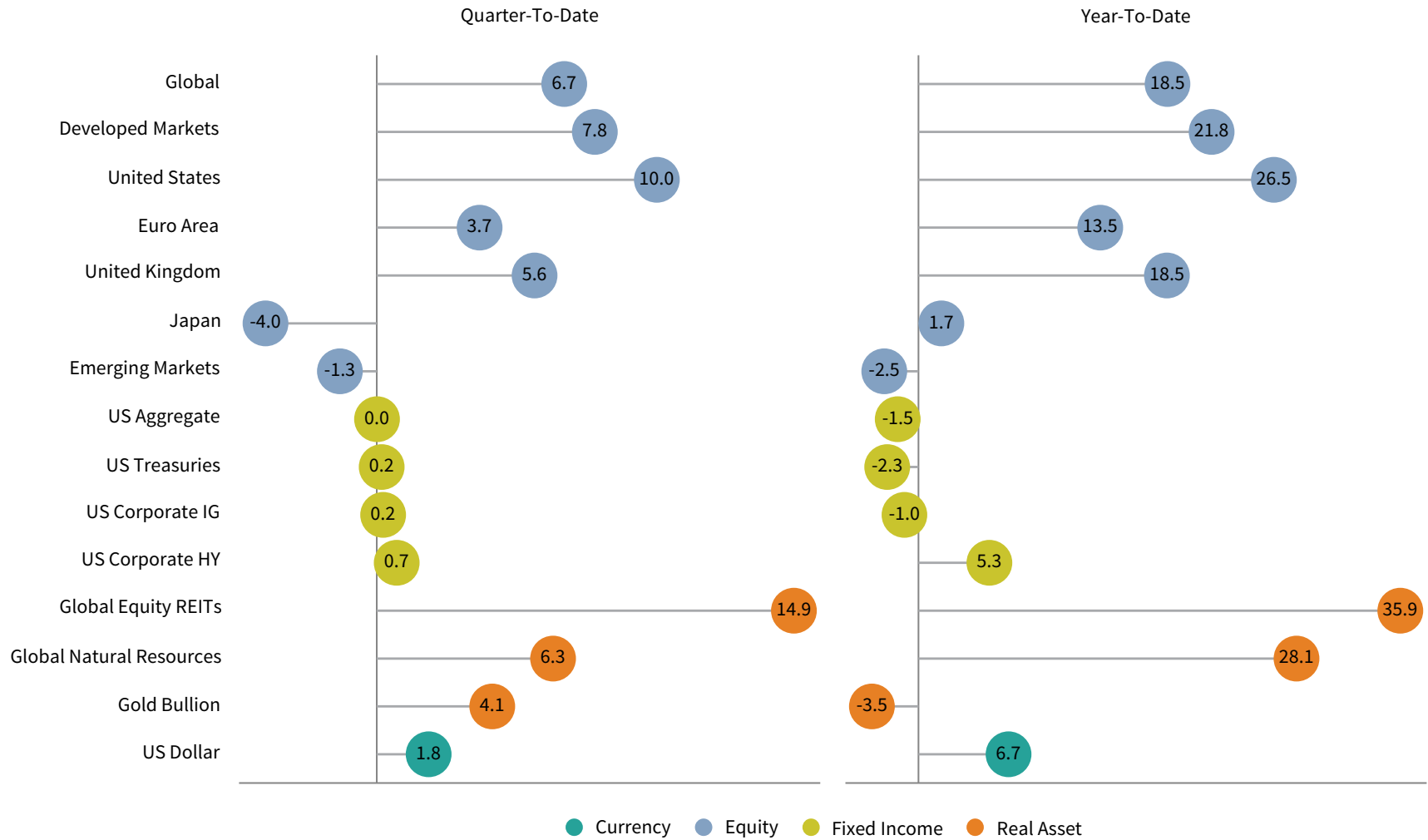


Markets post strong gains to close out 2021

While stocks and real assets soared, fixed income suffered as central banks sounded more hawkish

GLOBAL ASSET CLASS PERFORMANCE

As of December 31, 2021 • US Dollar • Percent (%)



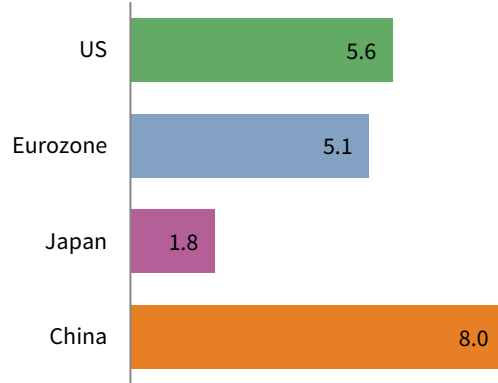
2021 featured above-average economic and earnings growth

Inflation was also high, especially in the United States. GDP growth is expected to decelerate in 2022, but inflation may stay elevated

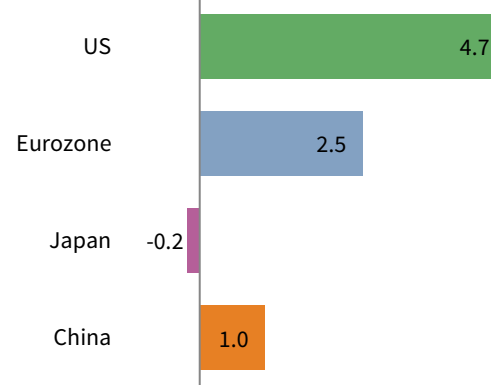
GDP, CPI, AND EPS GROWTH ESTIMATES FOR SELECT REGIONS

As of December 31, 2021 • Percent (%)

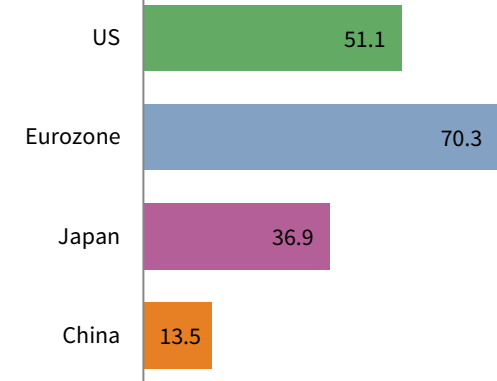
2021 GDP



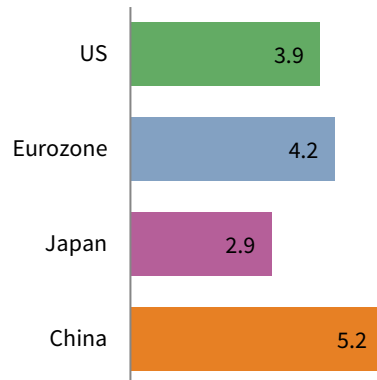
2021 CPI



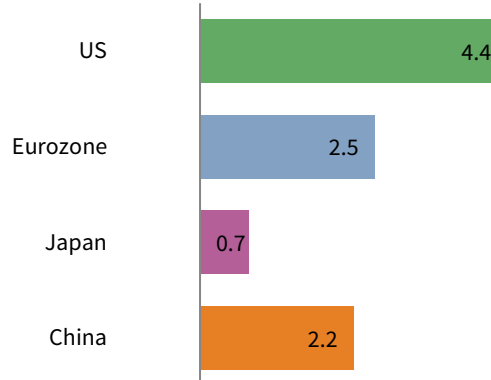
2021 EPS



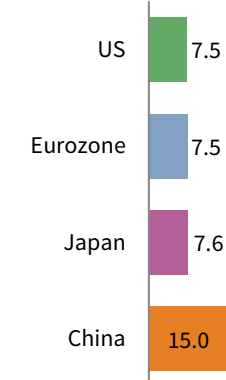
2022 GDP



2022 CPI



2022 EPS



Sources: Bloomberg L.P., I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: EPS growth numbers are based on I/B/E/S estimates. I/B/E/S estimates for Eurozone are based on the MSCI EMU Index. Japan EPS growth estimates are for its fiscal years ending March 31.

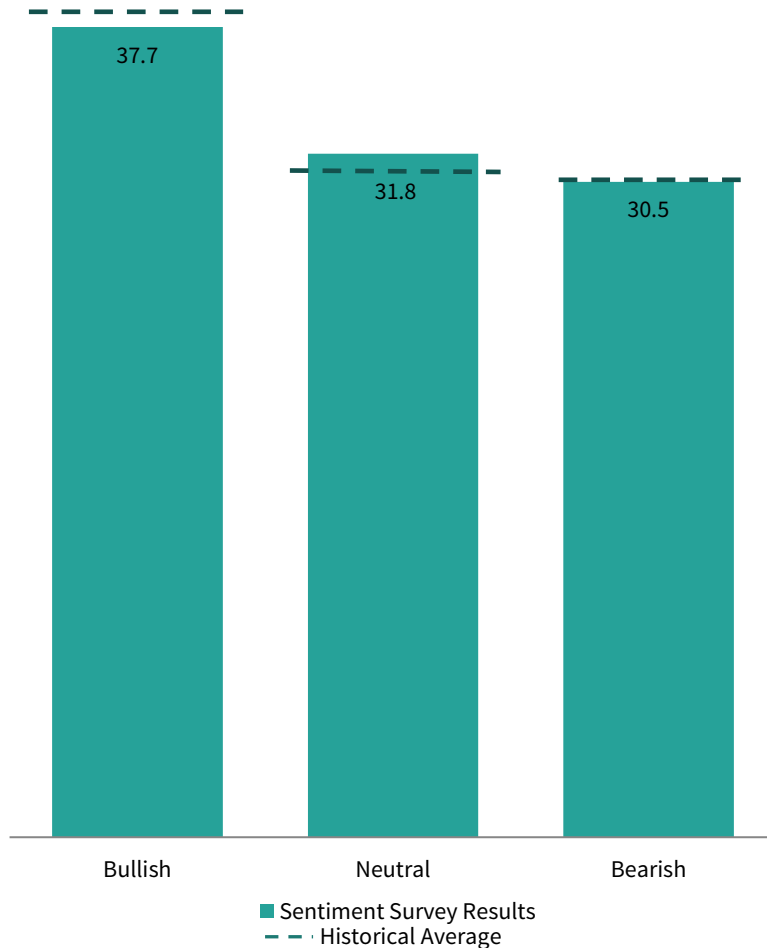
All other regions are for the calendar year.

Investors become slightly more cautious after three straight years of strong equity gains

Equity market option pricing doesn't suggest investors are getting more defensive, though fixed income options are more expensive

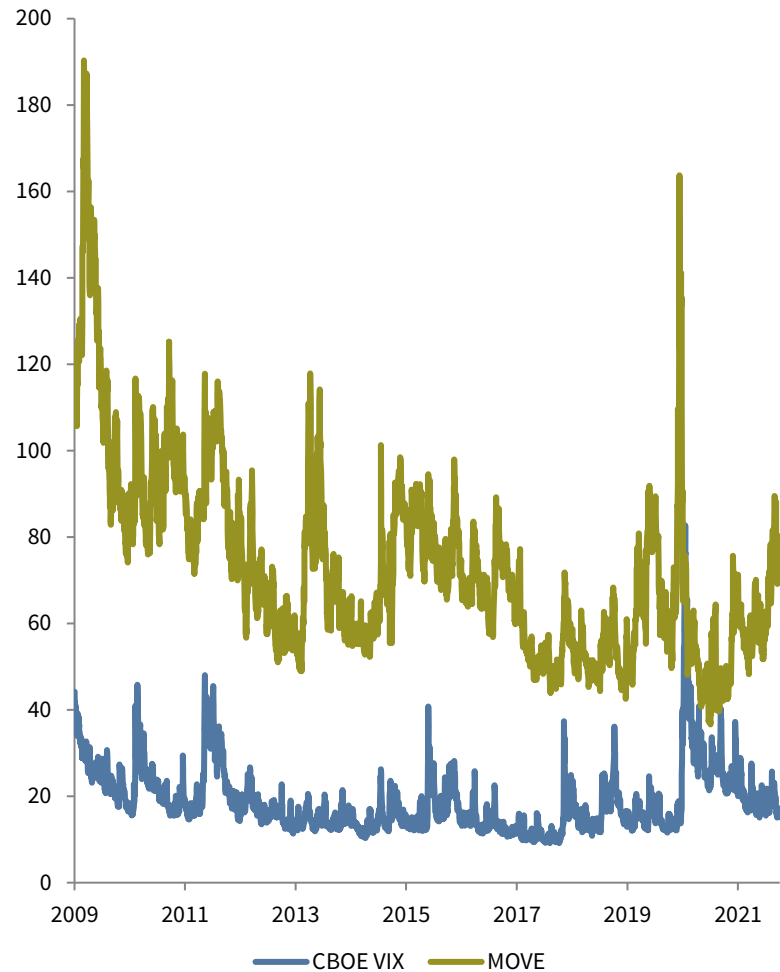
AII SENTIMENT SURVEY RESULTS

As of December 29, 2021 • Percent (%)



IMPLIED VOLATILITY OF VARIOUS MARKETS

March 31, 2009 – December 31, 2021 • Index Level



Sources: American Association of Individual Investors, Bloomberg L.P., BofA Merrill Lynch, Chicago Board Options Exchange, and Thomson Reuters Datastream.

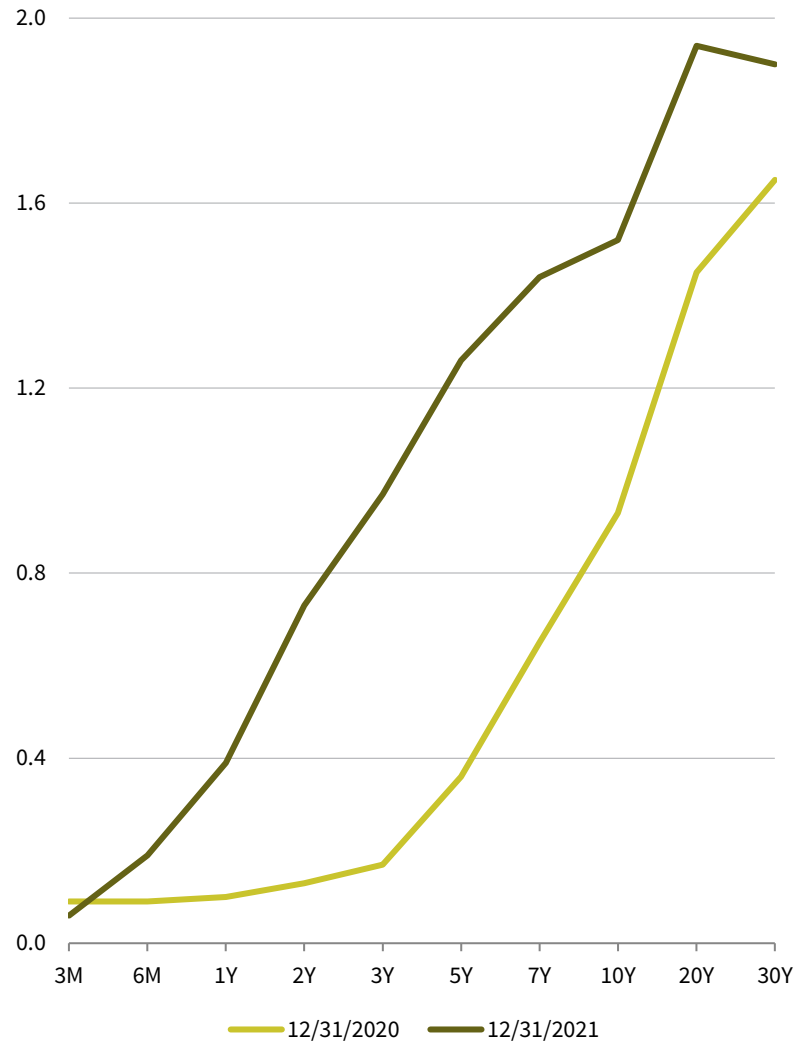
Notes: Sentiment survey data represent the direction in which the American Association of Individual Investor members feel the stock market will move in the next six months. AII survey may not total 100 due to rounding. The Chicago Board Options Exchange Volatility Index (VIX) measures the implied volatility of near-term S&P 500 Index options. The Merrill Lynch Option Volatility Estimates (MOVE) Index is a yield curve-weighted index of the normalized implied volatility on one-month Treasury options. It is the weighted average of volatilities on the two-, five-, ten-, and 30-year Treasury contracts. Data are daily.

The Fed gets more hawkish

Strong growth and surging inflation pressured government bond yields higher last year, and expectations of tighter monetary policy suggest this trend will continue in 2022

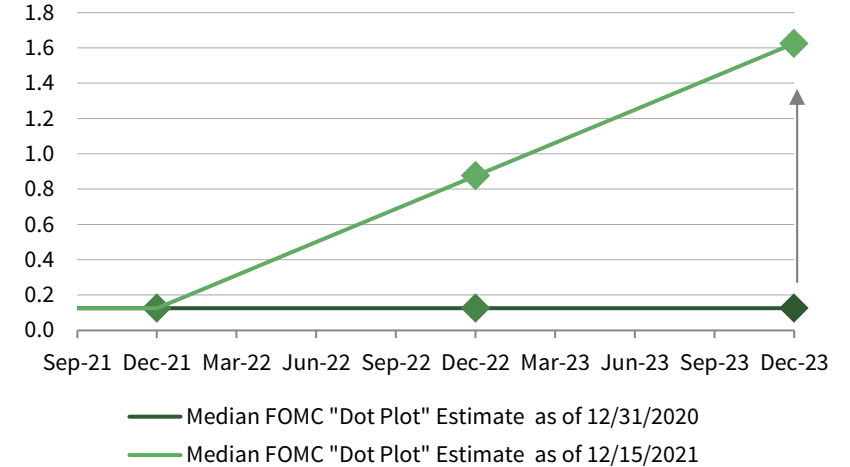
US TREASURY YIELD CURVE

As of December 31, 2021 • Percent (%)



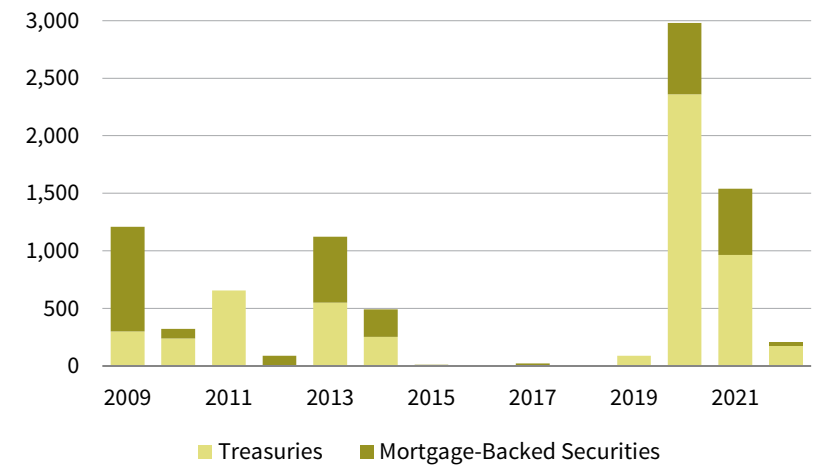
US FED FUNDS RATE EXPECTATIONS

September 30, 2021 – December 31, 2023 • Percent (%)



FED PURCHASES OVER TIME

2009–22 • USD (Billions)



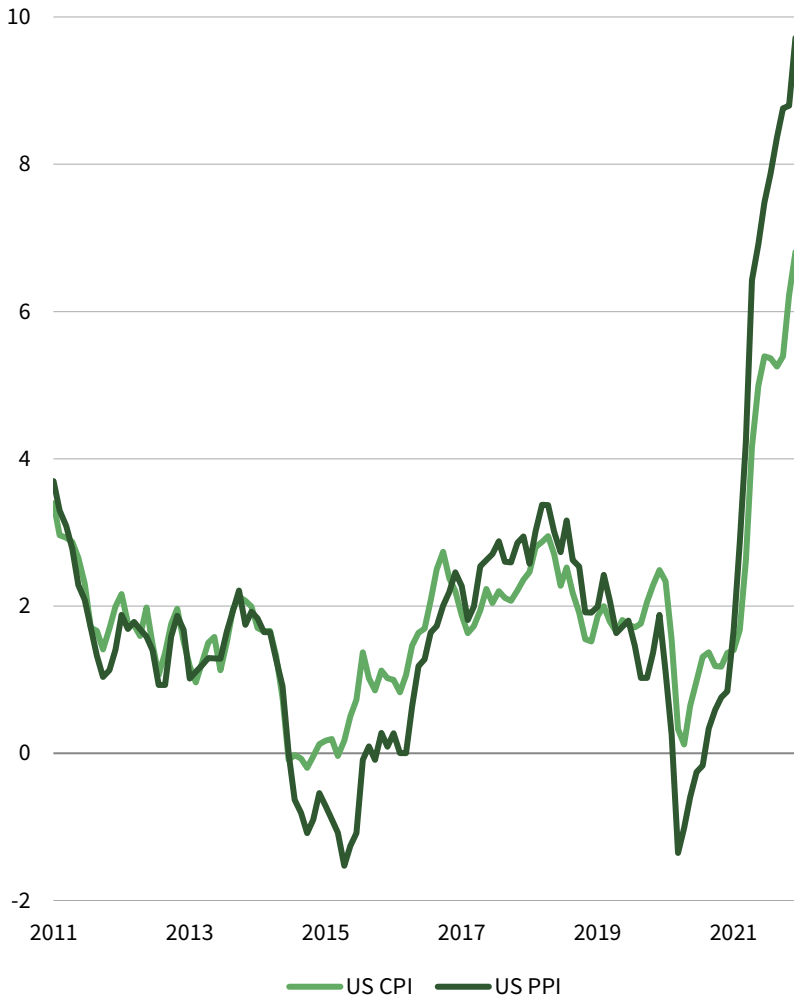
Sources: Bloomberg L.P., Federal Reserve, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.
 Notes: Fed purchases data for 2021 are through December 15. Data for 2022 are based on J.P. Morgan forecasts.
 MMHC

Fed's hand forced by inflation

Supply/demand imbalances have predominately driven a sharp rise in inflation, but higher home prices and wage inflation could lead to a more permanent problem

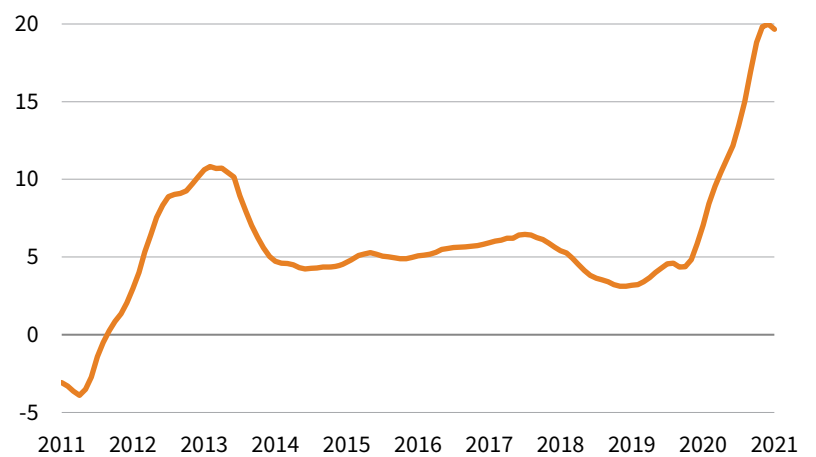
US CPI AND US PPI

November 30, 2011 – November 30, 2021 • YOY Percent Change (%)



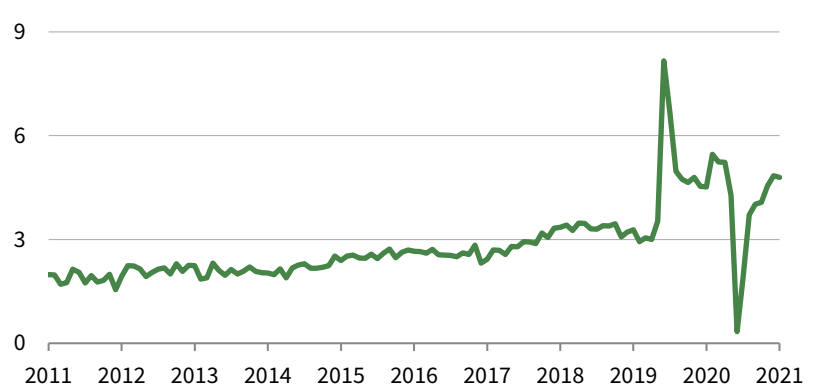
US HOME PRICES

September 30, 2011 – September 30, 2021 • YOY Percent Change (%)



US AVERAGE HOURLY EARNINGS

November 30, 2011 – November 30, 2021 • YOY Percent Change (%)



Sources: Federal Reserve, Standard & Poor's, Thomson Reuters Datastream, and US Department of Labor - Bureau of Labor Statistics.

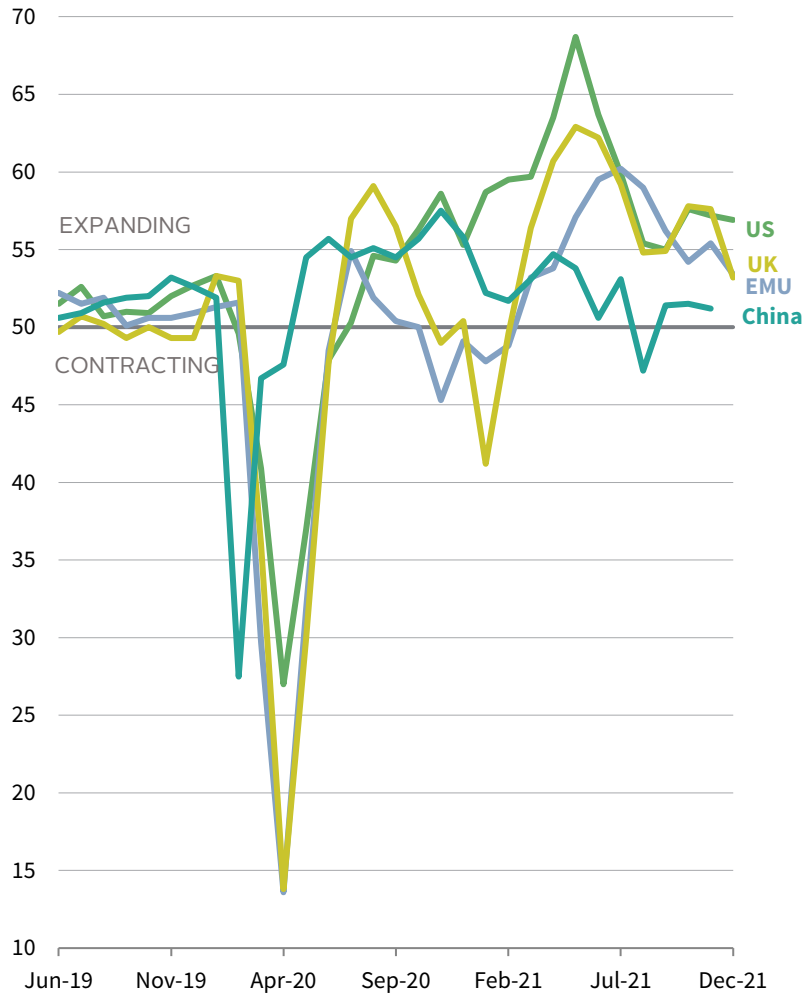
Notes: Data are monthly. The S&P CoreLogic Case-Shiller Home Price Index tracks the value of single-family housing in the United States.

Economic data cooling off but still indicates healthy growth

While the United States and China have fared better, most other economies are now on the verge of surpassing their pre-COVID-19 output levels

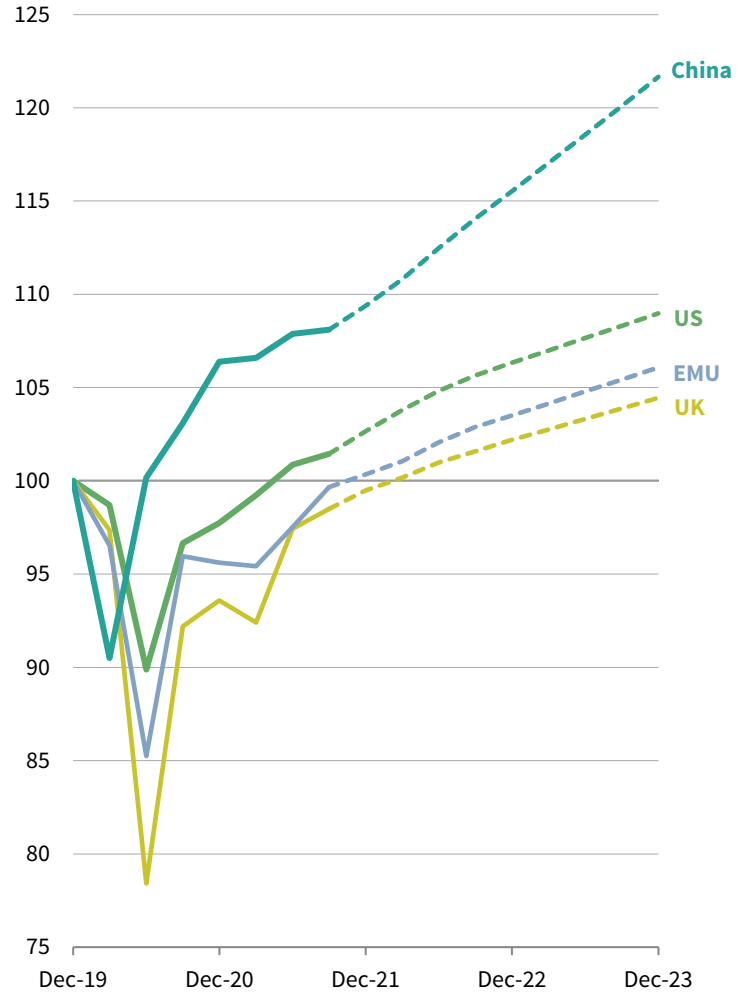
COMPOSITE PMIs

June 30, 2019 – December 31, 2021



REAL GDP AND REAL GDP GROWTH ESTIMATES OVER TIME

December 31, 2019 – December 31, 2023 • December 31, 2019 =100



Sources: Bloomberg L.P., Markit Economics, and Thomson Reuters Datastream.

Notes: Composite PMI data are flash estimates. Composite PMI data for China are through November 30, 2021. GDP data are quarterly. GDP growth forecasts begin on December 31, 2021. GDP growth forecasts are quarterly until Q4 2022 and annual data are used for 2023 as quarterly estimates are unavailable.

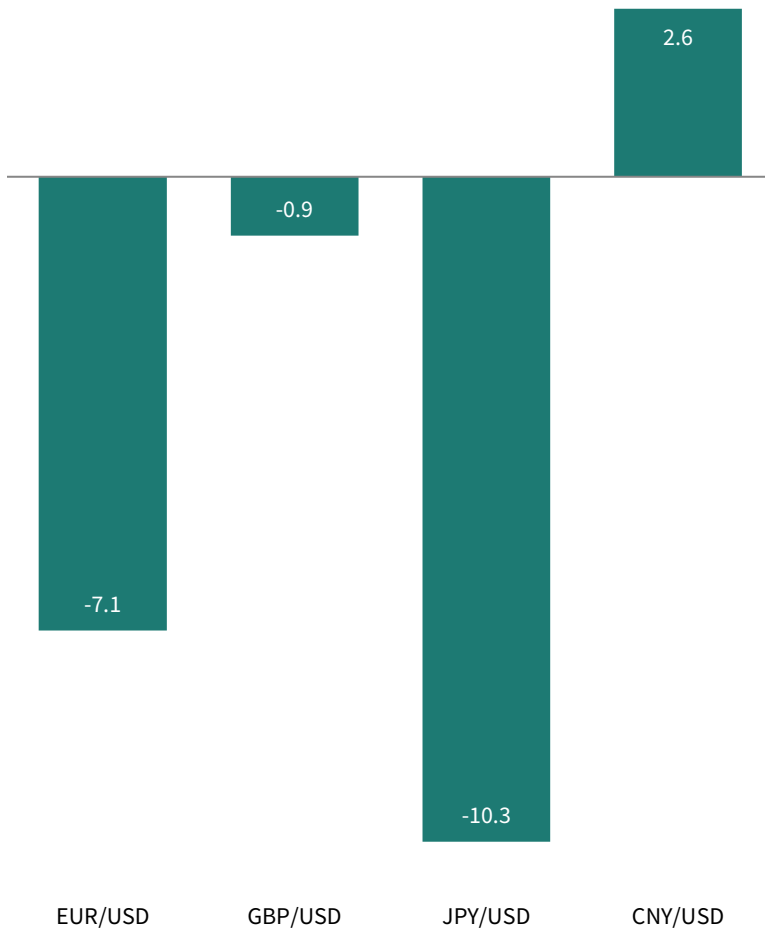
MMHC

The dollar strengthened against most major currency pairs in 2021

Divergent monetary policies could support the dollar in the near term, but the dollar looks historically expensive on a real exchange rate basis versus most DM and EM currencies

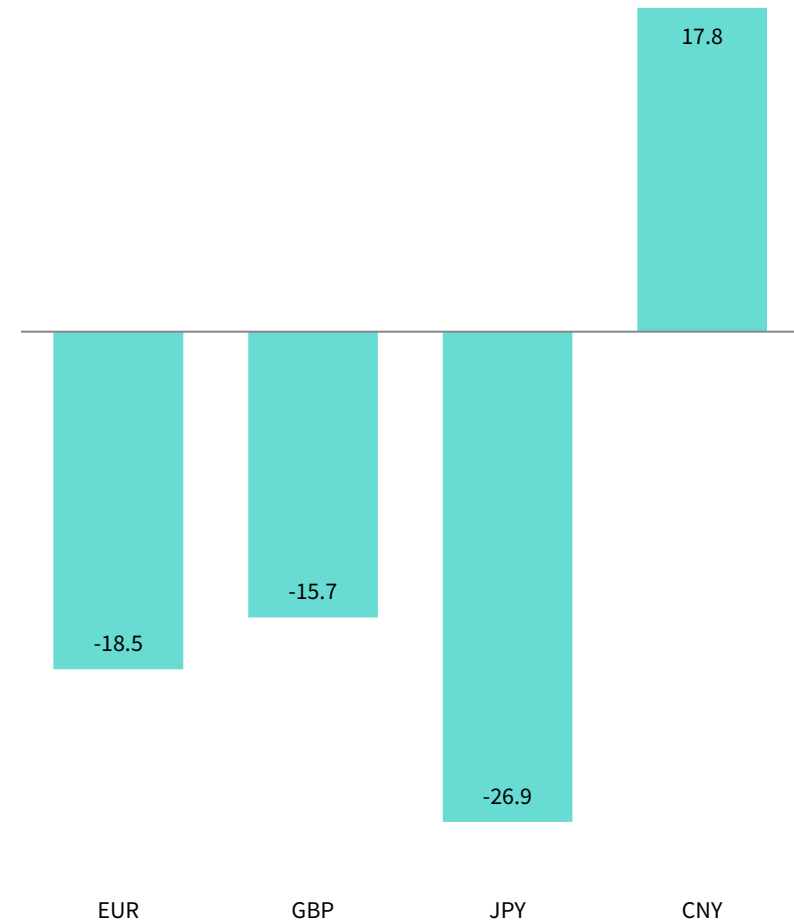
YTD SELECT GLOBAL CURRENCY RETURNS

As of December 31, 2021 • Percent (%)



REAL EXCHANGE RATE VS THE USD: % FROM MEDIAN

As of December 31, 2021 • Percent (%)



Sources: Eurostat, MSCI Inc., National Bureau of Statistics of China, OECD, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

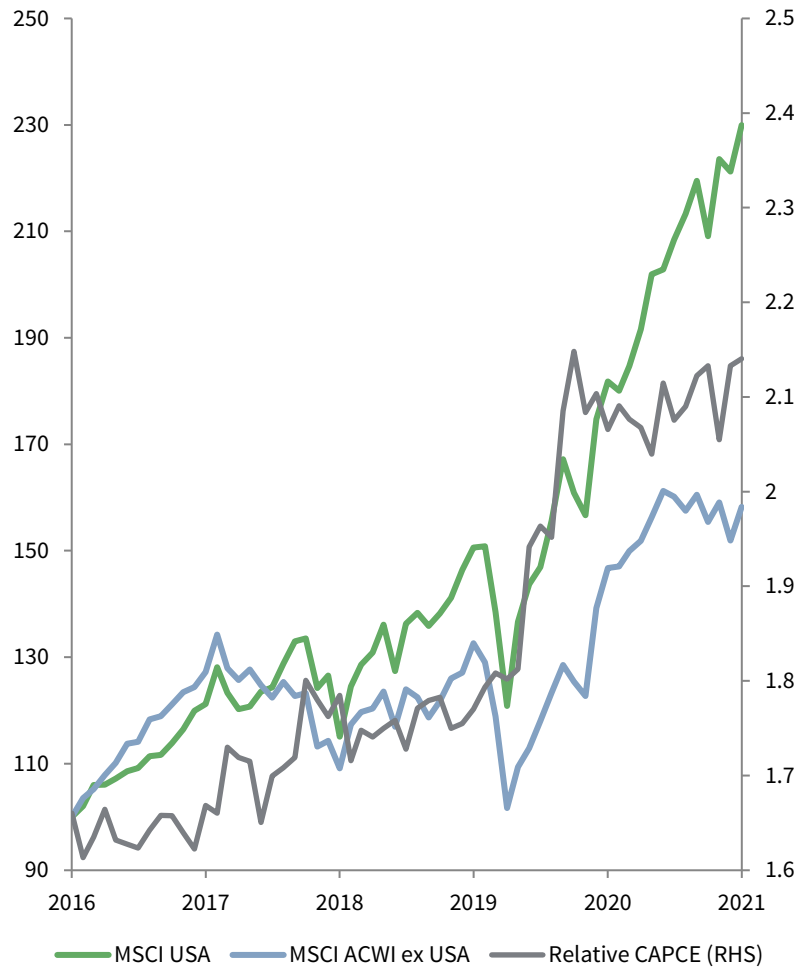
Notes: Japan inflation data are as of November 30, 2021. All other inflation data are as of December 31, 2021. Historical data for the chart on the RHS begin on December 31, 1993, for CNY and on June 30, 1971, for all other currencies.

When will non-US stocks outperform?

Non-US stocks trailed in 2021, but more subdued growth expectations and lofty relative valuations are potential headwinds for US stocks

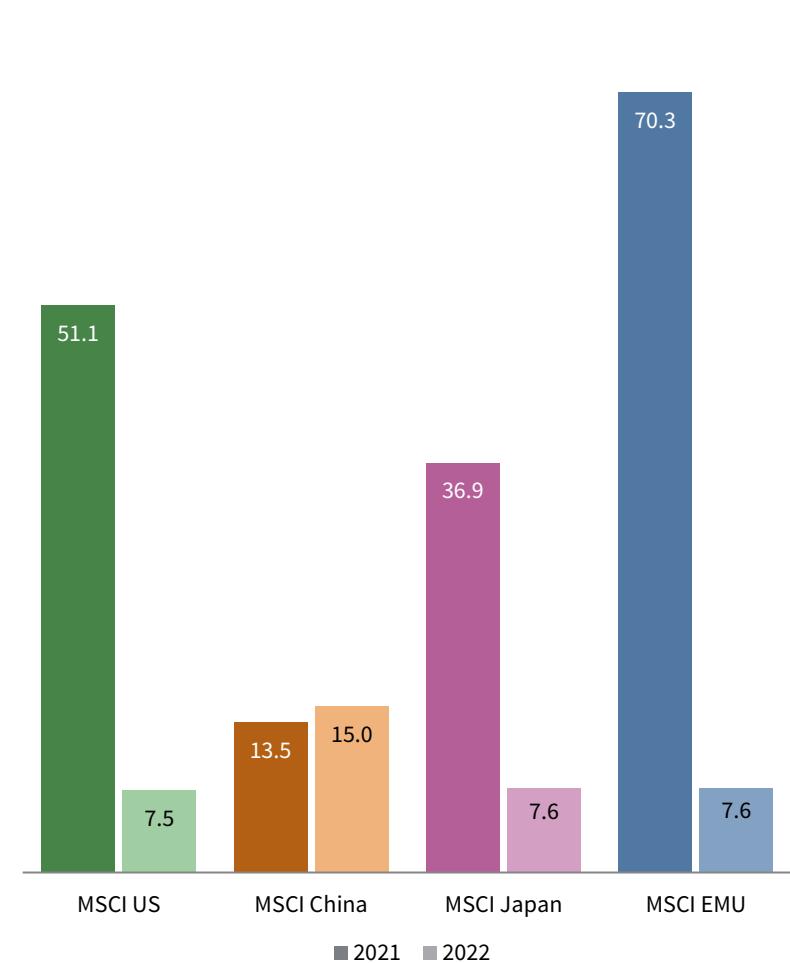
CUMULATIVE WEALTH AND RELATIVE VALUATIONS OF SELECT INDEXES

December 31, 2016 – December 31, 2021 • US Dollar • December 31, 2016 = 100



2021 & 2022 EPS GROWTH ESTIMATES FOR SELECT REGIONS

As of December 31, 2021 • Percent (%)



Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

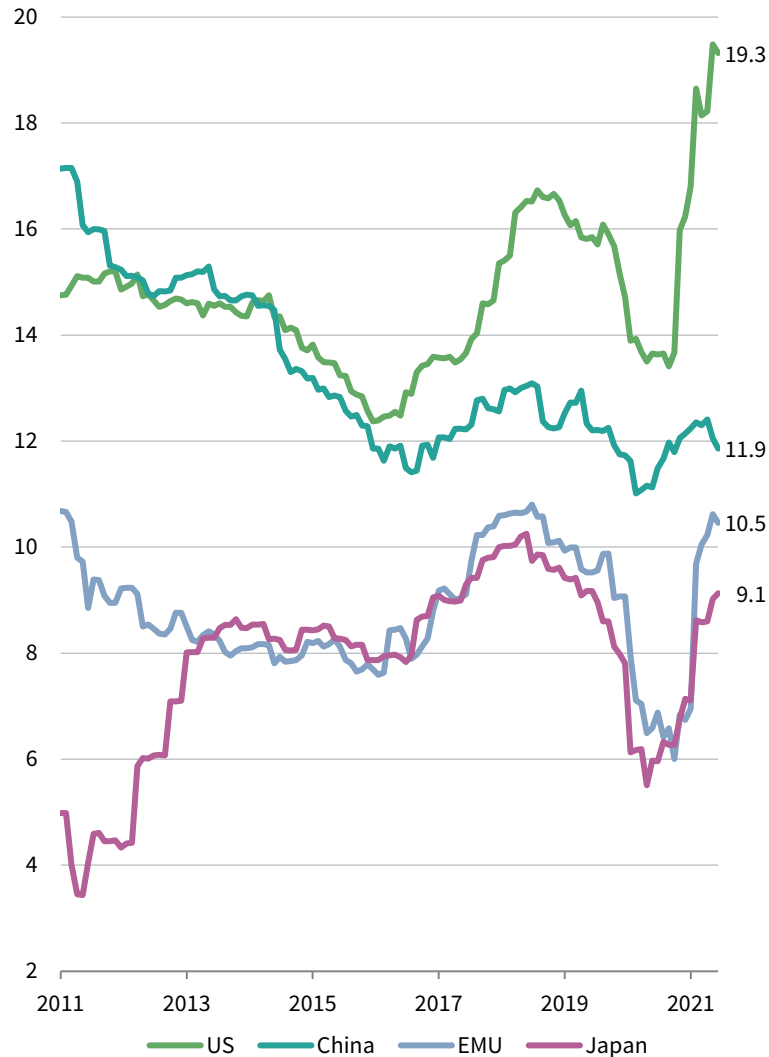
Notes: Data are monthly. Relative CAPCE is MSCI USA vs MSCI ACWI ex USA. EPS growth estimates are based on I/B/E/S estimates. MSCI Japan EPS growth estimates are for its fiscal years ending March 31. All other regions are for the calendar year.

Are higher margins another headwind for US stocks?

Measures of US corporate profitability, which surged in 2021 despite higher input costs, now appear extreme and may have less room to grow than other regions

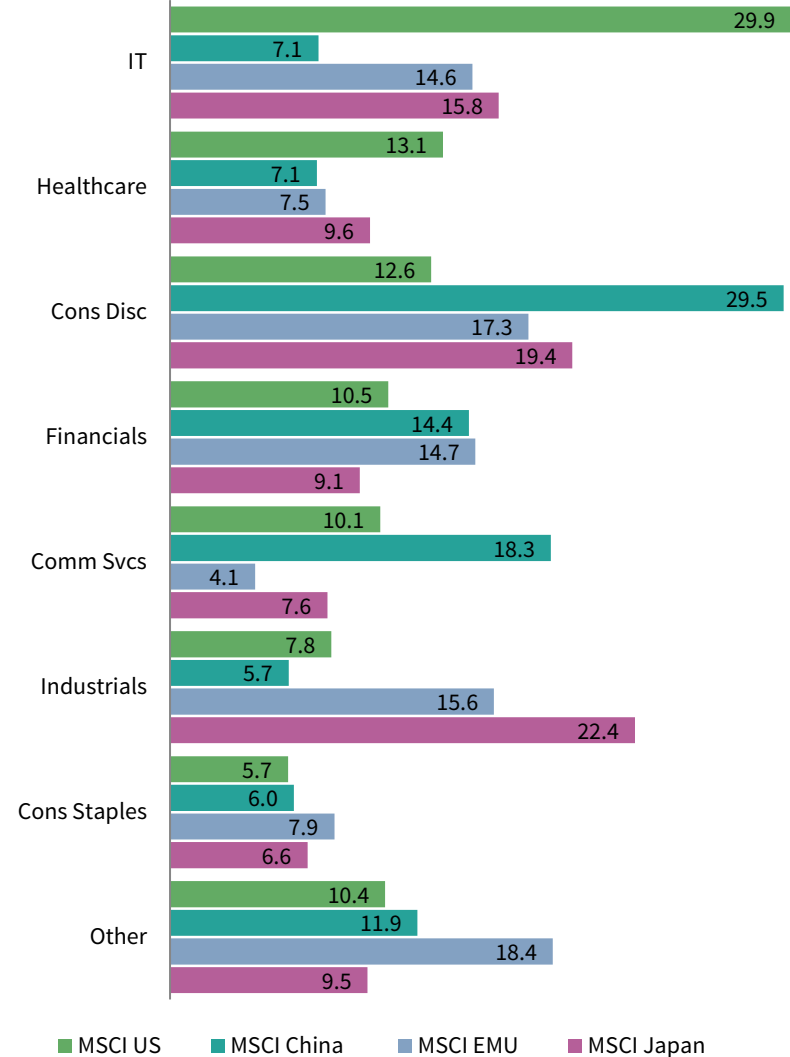
RETURN ON EQUITY FOR SELECT REGIONS

December 31, 2011 – December 31, 2021 • Percent (%)



SECTOR WEIGHTS OF SELECT REGIONS

As of December 31, 2021 • Percent (%)

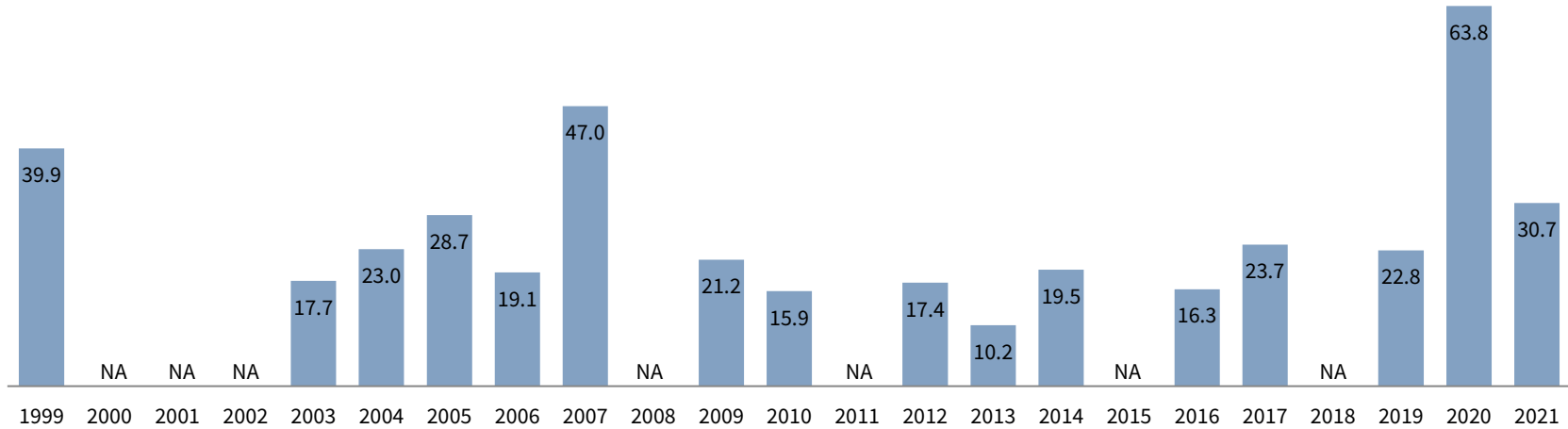


Equity market performance was again top heavy in 2021

Top 5 stocks now represent a record 23% of S&P 500 market cap, creating difficulties for active managers who are underweight them

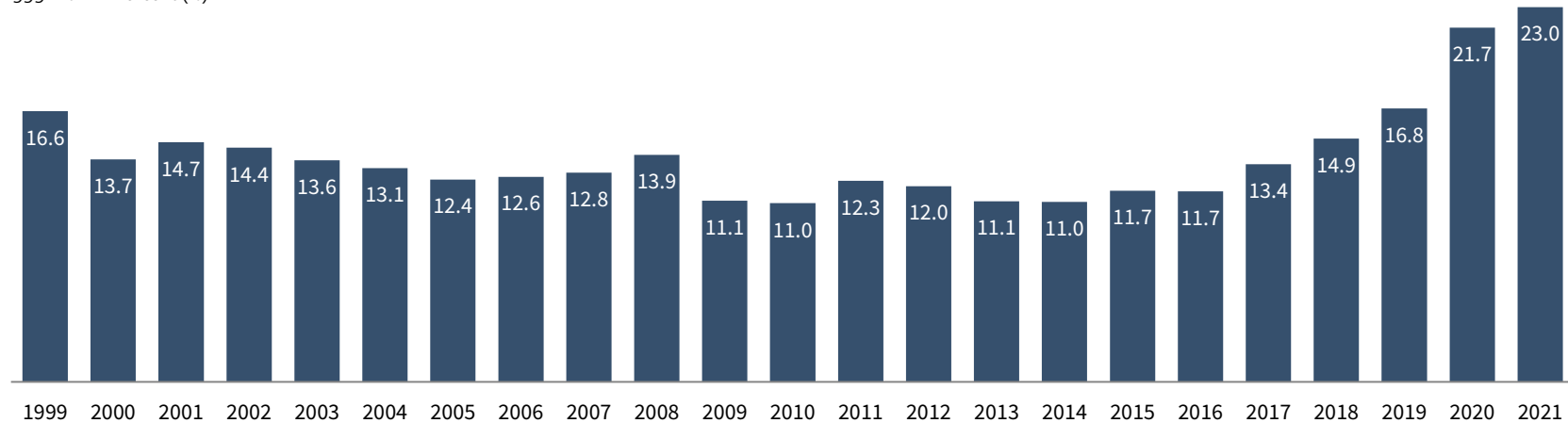
PERCENTAGE OF S&P 500 TOTAL RETURNS ATTRIBUTED TO THE TOP 5 CONTRIBUTING STOCKS TO TOTAL RETURN

1999–2021 • Percent (%)



WEIGHTS OF 5 LARGEST S&P 500 STOCKS OVER TIME

1999–2021 • Percent (%)



Sources: FactSet Research Systems and Standard & Poor's.

Notes: Years where the S&P 500 returned less than 3% are excluded from the contribution analysis. Alphabet Class A & C shares are combined in calculations. Data for 2021 are as of December 31.

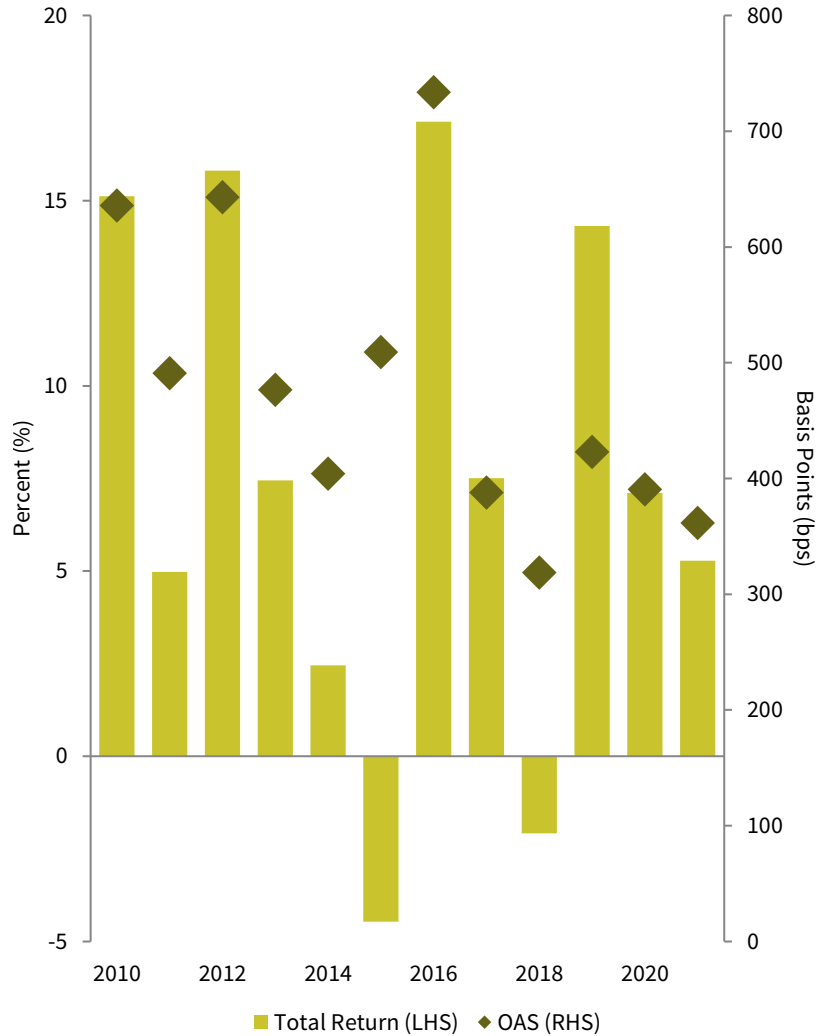
MMHC

Lower spreads have meant lower returns in HY

Better news for investors is that leverage has fallen, and defaults are near historical lows

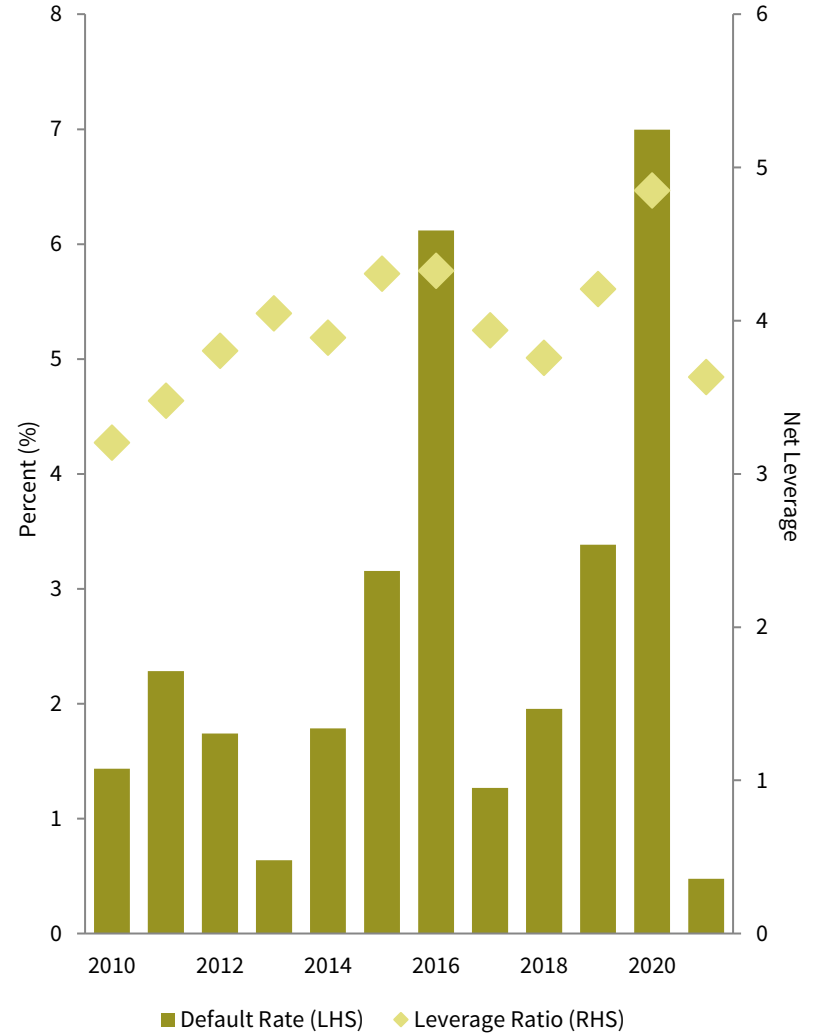
US HIGH-YIELD TOTAL RETURNS AND SPREADS

December 31, 2010 – December 31, 2021



US HIGH-YIELD DEFAULT RATES AND LEVERAGE RATIOS

December 31, 2010 – November 30, 2021



Sources: Barclays, BofA Merrill Lynch, and Bloomberg Index Services Limited.

Notes: Data are annual. Spreads are as of January 31 for each year. US High-Yield total returns and spreads are represented by the Barclays US Corporate High-Yield Index.

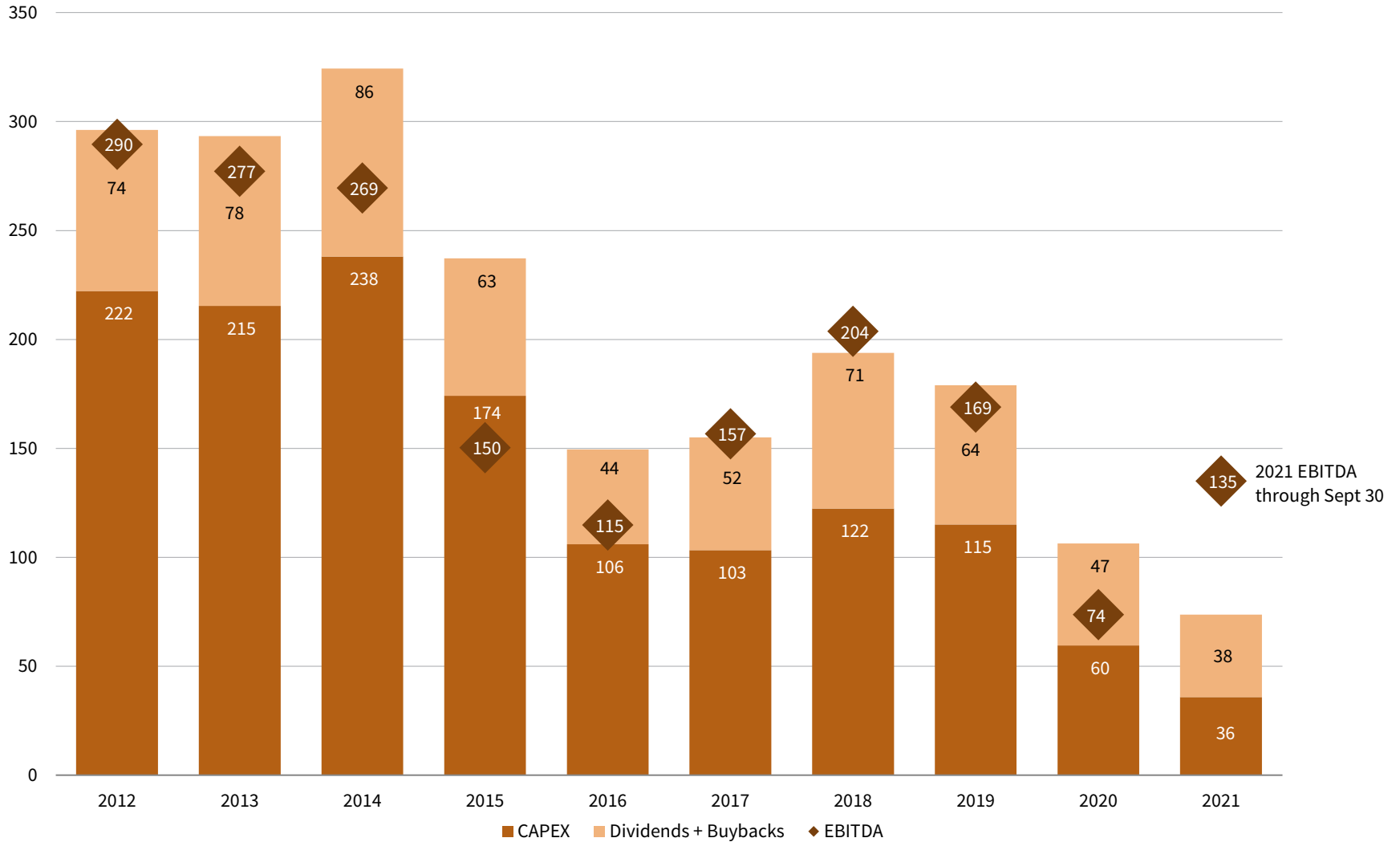
MMHC

Energy sector cap ex has come down over time

Reduced investment will mean reduced supply; it is also giving energy companies more leeway to return capital to shareholders

MSCI US ENERGY CAPITAL EXPENDITURES, DIVIDENDS + BUYBACKS, AND EBITDA OVER TIME

2012–21 • US Dollar (Billions)

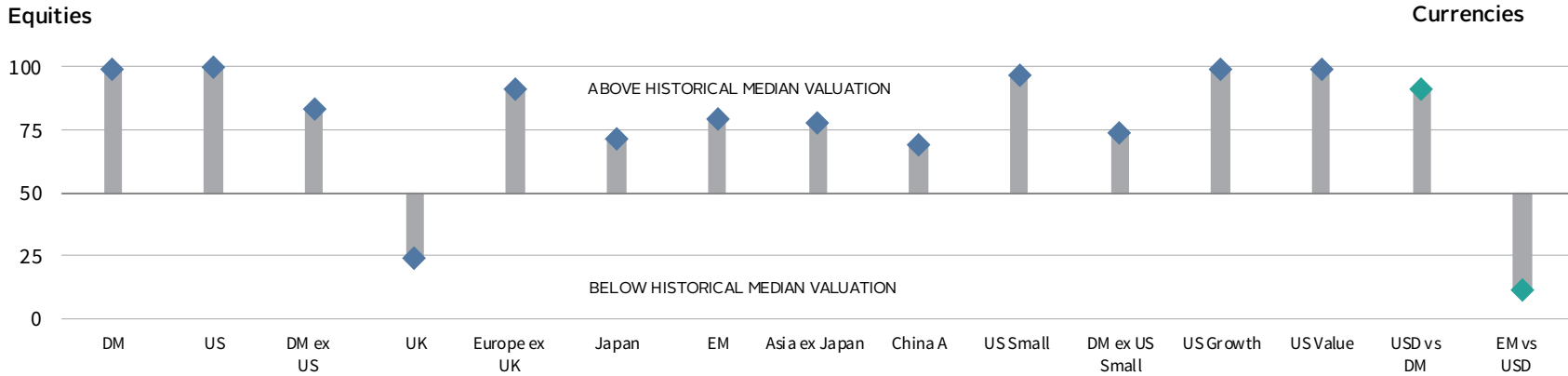


Cambridge Associates Current Valuations Summary

CURRENT VALUATION LEVELS OF VARIOUS ASSET CLASSES

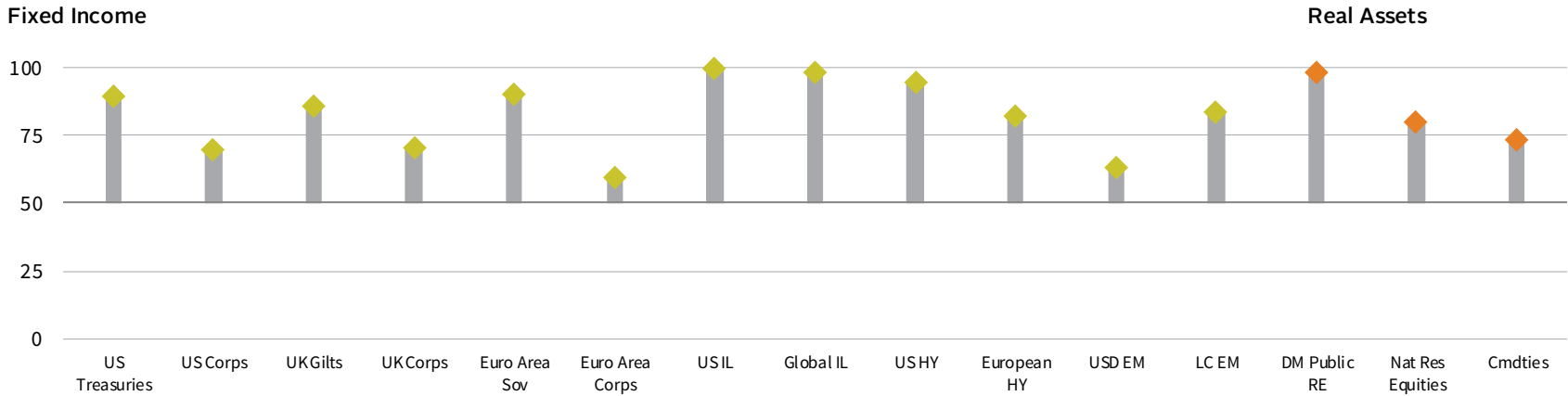
As of December 31, 2021 • Percentile

Equities



Currencies

Fixed Income



Real Assets

Source: Cambridge Associates LLC.

Notes: This exhibit compares current valuation levels to historical levels across a variety of asset classes. A percentile rank of 50 indicates that an asset class's current valuation level is consistent with its long-term median, while a percentile rank of 75 indicates that level is higher than 75% of historical data. The valuation level for each asset class is determined by a metric or composite of metrics relevant to that asset class.

PERFORMANCE REVIEW



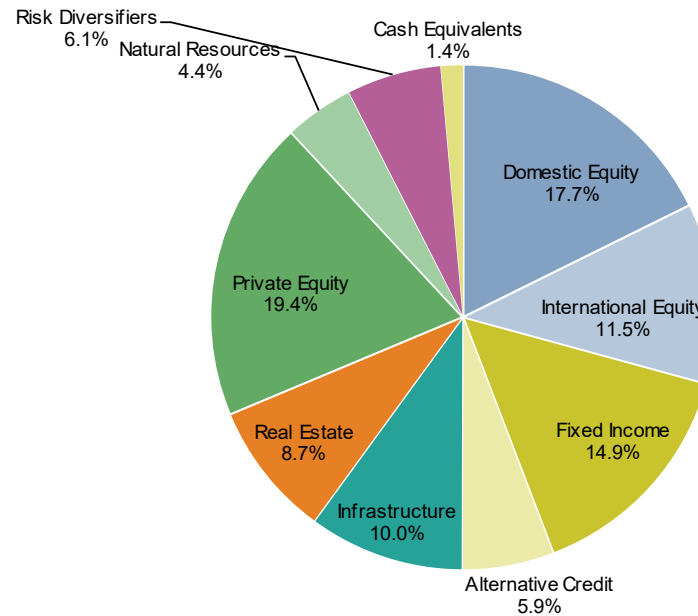
MainePERS Allocation Snapshot

As of December 31, 2021

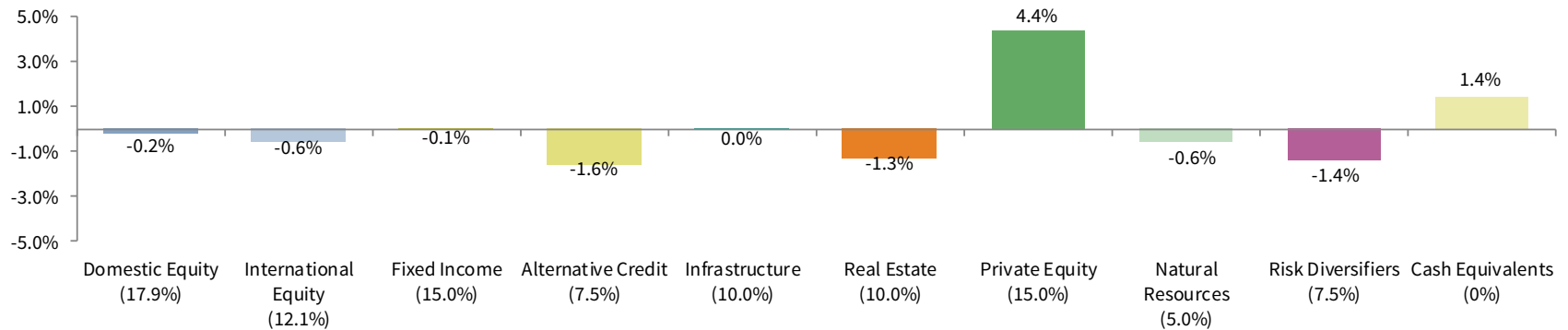
Asset class, composite breakout, and performance is based on JP Morgan performance data

Asset Allocation (\$ Millions)

Asset Class	\$	%
Domestic Equity	\$3,413.4	17.7%
International Equity	\$2,226.2	11.5%
Fixed Income	\$2,877.4	14.9%
Alternative Credit	\$1,132.0	5.9%
Infrastructure	\$1,924.9	10.0%
Real Estate	\$1,670.6	8.7%
Private Equity	\$3,739.5	19.4%
Natural Resources	\$850.4	4.4%
Risk Diversifiers	\$1,173.8	6.1%
Cash Equivalents	\$273.1	1.4%
Total	\$19,281.3	100.0%



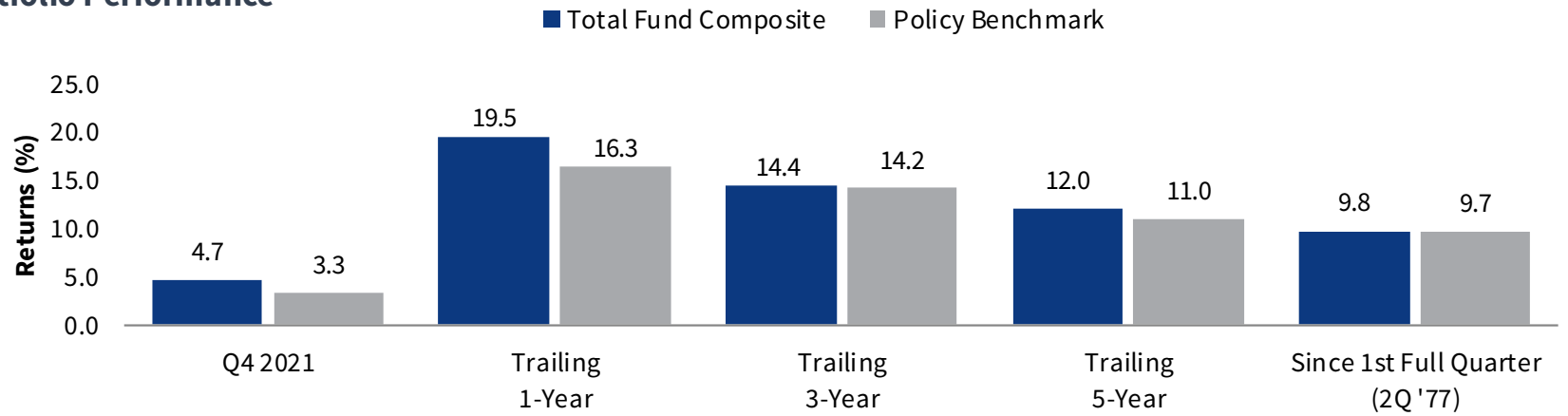
Relative Weights vs. Policy Targets



MainePERS Performance Summary

As of December 31, 2021

Total Portfolio Performance



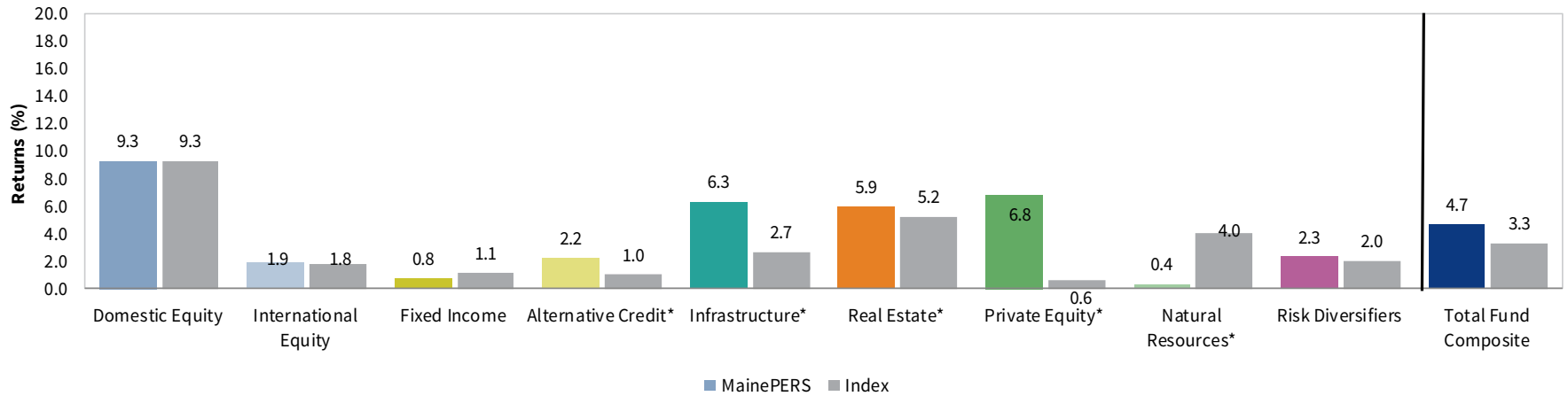
	Q4 2021	Trailing 1-Year	Trailing 3-Year	Trailing 5-Year	Since 1st Full Quarter (2Q '77)
Total Fund Composite	4.7	19.5	14.4	12.0	9.8
Policy Benchmark	3.3	16.3	14.2	11.0	9.7
<i>Value Added</i>	<i>1.3</i>	<i>3.2</i>	<i>0.2</i>	<i>1.1</i>	<i>0.0</i>

MainePERS Asset Class Performance

As of December 31, 2021

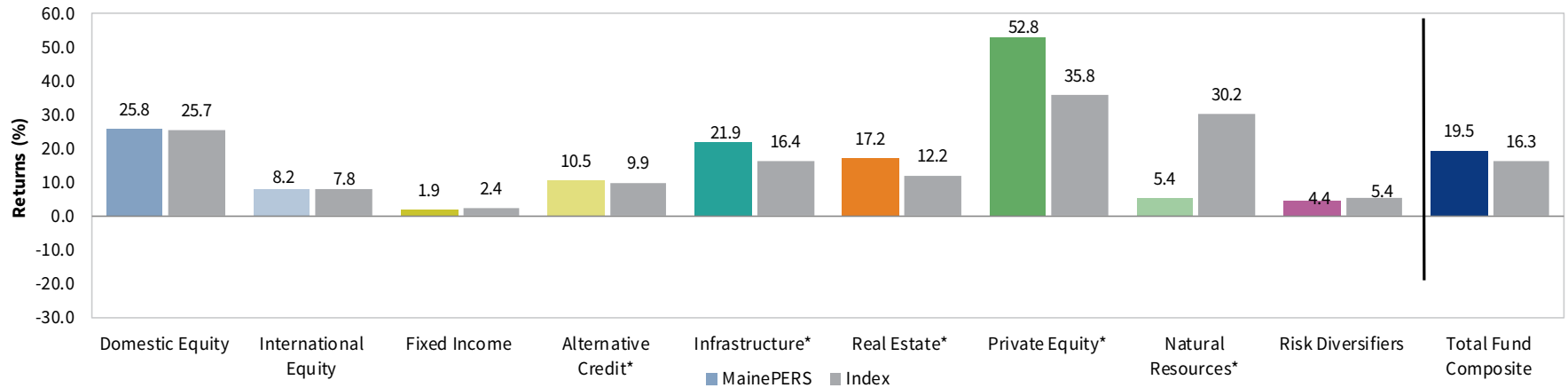
Quarter-to-Date

October 1, 2021 - December 31, 2021



Trailing 1-Year

January 1, 2021 - December 31, 2021



Notes: Asset class benchmarks (from left to right): Index returns for Infrastructure, Real Estate, and Natural Resources are reported on a quarterly basis. Returns reported by J.P. Morgan, except for Infrastructure and Real Estate indices, which are reported by Cambridge Associates on a quarter lag. Returns for CA Real Estate and Infrastructure indices are preliminary, and subject to adjustment.

*Performance is reported on a quarter lag, as September 30, 2021.

Asset Class Benchmarks

Asset Class	Benchmark	Long-Term Target
	Russell 3000 ¹	18.4%
	MSCI ACWI ex US ²	11.6%
Public Equity	Total Public Equity	30.0%
Private Equity	Russell 3000 + 3% per annum (1 qtr lag)	15.0%
Risk Diversifiers	0.3 Beta MSCI ACWI ³	7.5%
Real Estate	NCREIF Property (1 qtr lag)	10.0%
Infrastructure	Cambridge Associates Infrastructure Median (1 qtr lag)	10.0%
Natural Resources	Cambridge Associates Natural Resources Median (1 qtr lag)	5.0%
Traditional Credit	Barclays US Agg ex Treasury	7.5%
Alternative Credit	50% BAML US HY II + 50% S&P/LSTA US Leveraged Loan Index (1 qtr lag) ⁴	7.5%
US Govt Treasuries	Custom Fixed Income ⁵	7.5%
Total		100.0%

1. Russell 3000 weight is based upon the MSCI ACWI weighting for US

2. MSCI ACWI ex US weight is based upon the MSCI ACWI weighting for International

3. 91-day T-bill + 0.3(MSCI ACWI Return – 91-day T-bill)

4. 50% Bank of America US High Yield II + 50% S&P/Loan Syndications & Trading Association US Leveraged Loan Index

5. 65% 0-5 Year TIPS / 35% US TIPS Fund



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MAINEPERS

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TO: BOARD MEMBERS
FROM: JAMES BENNETT, CHIEF INVESTMENT OFFICER
SUBJECT: **ASSET ALLOCATION REVIEW**
DATE: FEBRUARY 3, 2022

As discussed last month, the Investment Team has begun work with Cambridge Associates and Cheiron on a review of the System's strategic asset allocation. At this meeting, we will first review the process used during the 2013 asset allocation study and the outcomes of that study. We will then discuss the Fund's performance since 2013 and the Fund's outlook with respect to funding status and future contribution rates.

Next month we plan to present results of modeling post-2028 outcomes for a variety of portfolios of varying risk levels. These results will be used to guide a discussion around the current investment goals and objectives.

POLICY REFERENCE

[Board Policy 2.1 – Investment Policy Statement](#)

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

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



Asset Allocation

February 10, 2022



MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Goals & Objectives: Review

2012-13 Asset-Liability Review led to:

- Focus on targeting risk, rather than return
- Establishing contribution rate level & volatility as key metrics

Future contribution rates were modeled for a variety of allocations (mixes 1-8):

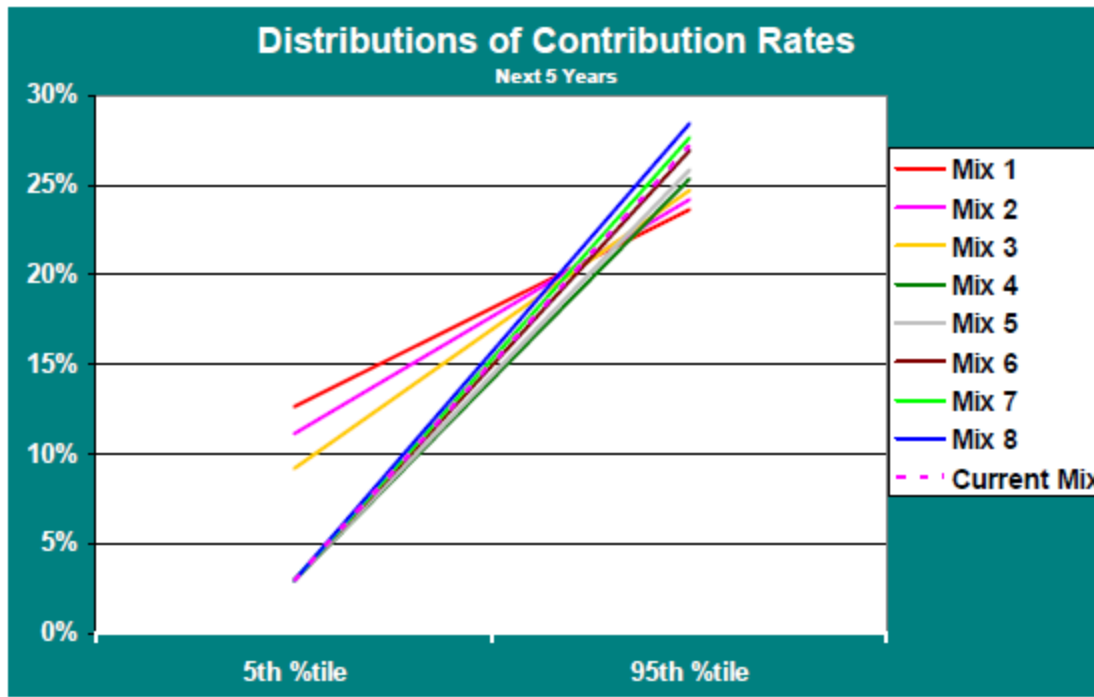


Chart from May 2012 presentation

Riskier mixes have steeper slopes, as a wider range of possible investment outcomes produces a wider range of potential future contribution rates.

Goals & Objectives: Review

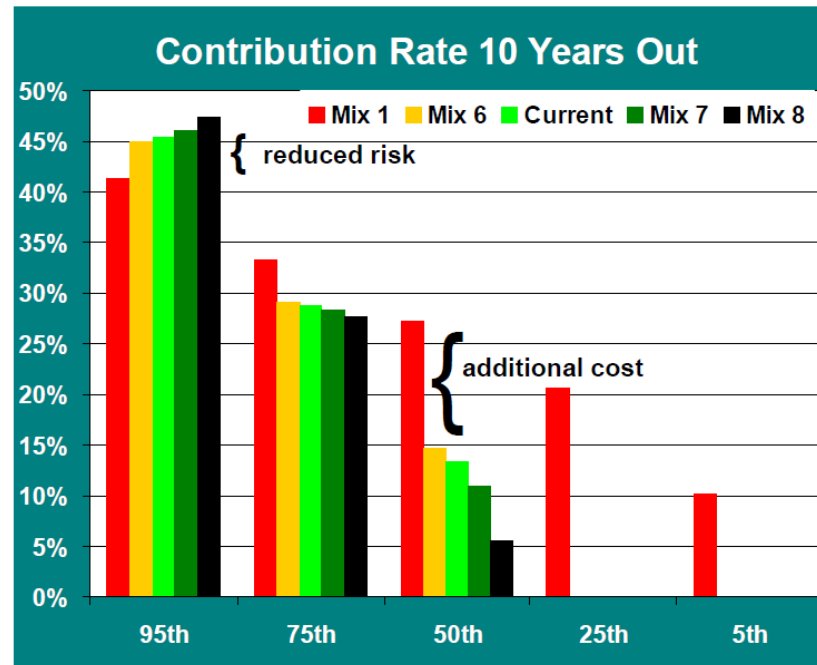
Outcome of process was a *portfolio* volatility target of 13%. Lower risk portfolios were considered, but led to unacceptably high expected contribution rates.

From May 2012 presentation:

Recommendation: Volatility Target of 13%

13

- Any move to a higher volatility target (with greater expected return) is not worth the potential benefit
- Any move to a lower volatility target (with lower expected return) is too expensive at this time



Allocation Changes & Outcome

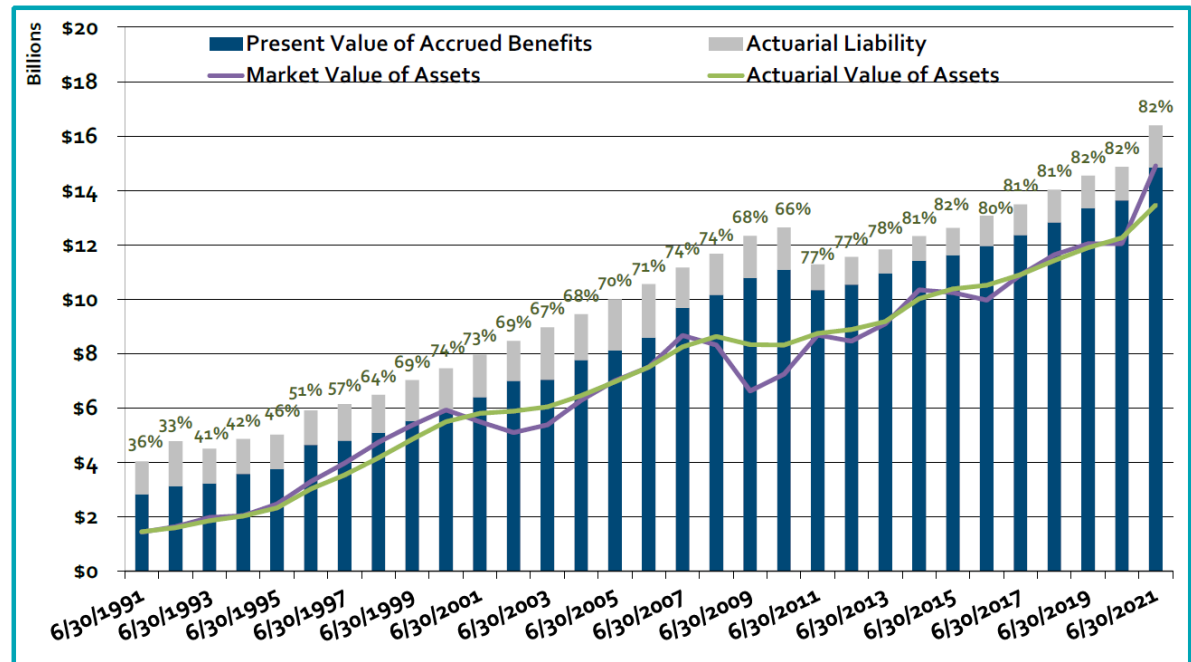
Beginning in 2013, the System increased its allocation to alternative asset classes

- 2013: Reduced Public Equity by 15%
- 2017: Reduced Public Equity & Fixed Income by combined 20%
- Increased allocation to Private Equity, and to new asset classes (Natural Resources, Risk Diversifiers, and Alternative Credit)

Markets rewarded risk-taking over this period and returns exceeded expectations

Result: Funded ratio increased, while discount rate was reduced from 7.25% to 6.5%

Chart from 2021 Valuation Report

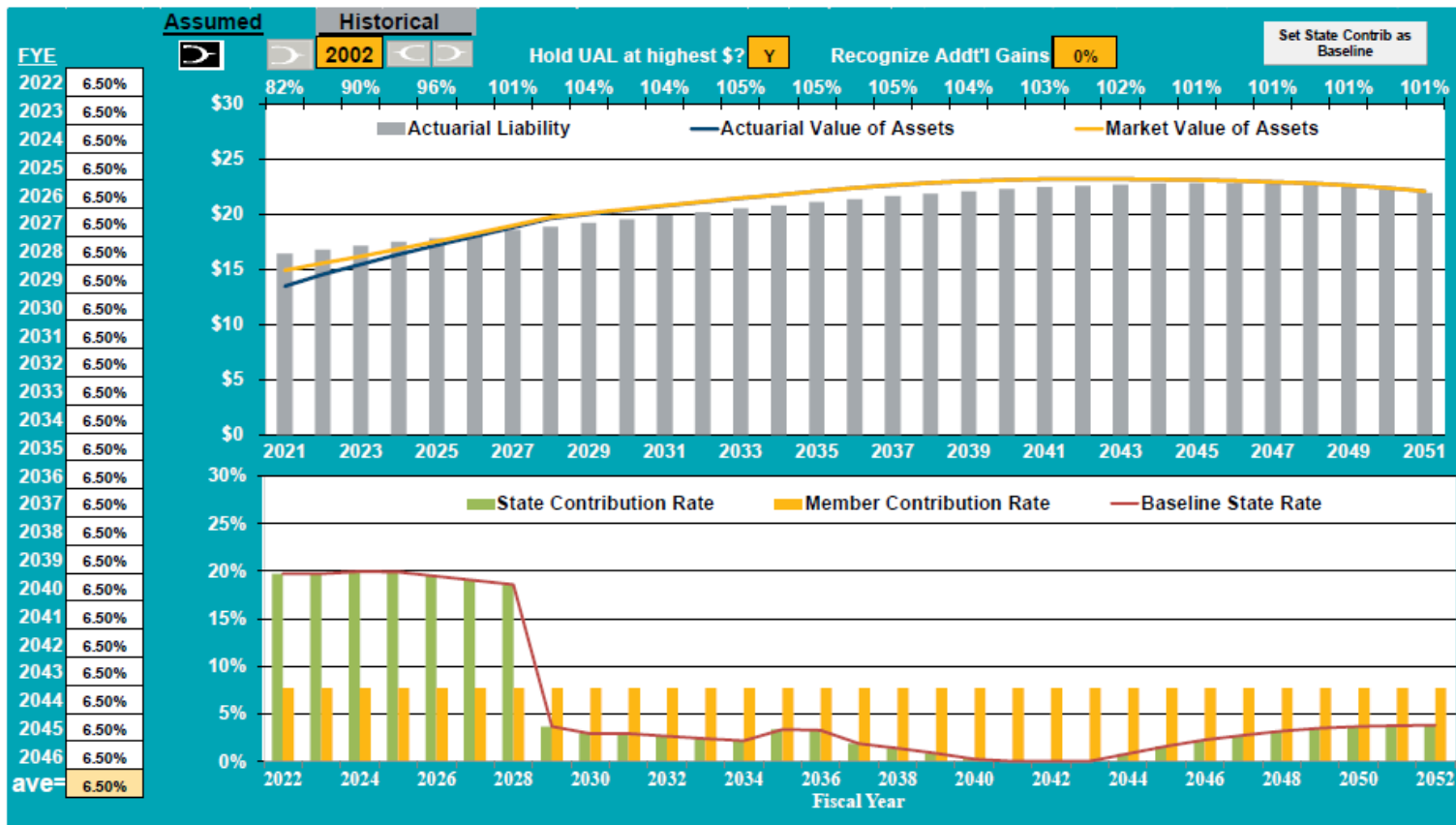


Percentages shown are AVA funded ratios.

State Employee and Teacher Only

Looking Forward

Chart from 2021 Valuation Report for S&T:



We have visibility into an environment where the Plan is fully funded with low contribution rates.

The Investment Team, Cambridge Associates, and Cheiron are working together to model the Fund's post-2028 position for portfolios of different risk levels.

This will include developing estimates and confidence intervals for the Fund's expected contribution rate, funded status, and liquidity needs.

We will present these results next month, along with a discussion of other factors impacting the Fund's risk, such as plan demographics.

MAINEPERS

BOARD OF TRUSTEES ADMINISTRATION MEMORANDUM

TO: BOARD MEMBERS

FROM: JIM DUSCH, DIRECTOR OF MEMBER SERVICES
REBECCA GRANT, DIRECTOR OF ADMINISTRATION
SHERRY VANDRELL, DIRECTOR OF FINANCE

SUBJECT: OPERATIONS REPORT

DATE: FEBRUARY 3, 2022

Content in the following paragraphs was selected to provide noteworthy information regarding recent operations at the System.

POLICY REFERENCE

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

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

SERVICE PROGRAMS

1. BENEFITS PAYROLL. In January, 46,305 benefit recipients were paid a total of \$93,561,273.58.
2. RETIREMENT SERVICES. One hundred and seventy-four individuals received their first benefit payment in January, with the typical benefit amount being \$2,118 after 23 years of service. The count of new recipients and payment amount was slightly higher than was seen in recent Januarys.

One hundred and eighty-two former members received a refund of their contributions in January, typically amounting to \$897 as the result of less than one-year of service. The aggregate amount refunded was \$909,804. This is a higher count and lower typical amount than has been experienced in recent Januarys. The reasons for this change are a heightened focus on refunding low-balance accounts that have been inactive for greater than three-years and the year-end payment of required minimum distributions to beneficiaries.
3. DISABILITY SERVICES. Eleven new disability retirement applications were received in January, and 22 intakes with varying levels of detail and duration were conducted.
4. SURVIVOR SERVICES. Sixty-one life insurance claims were sent to The Hartford in January, with a total value of \$1,012,780 in payments due to beneficiaries.
5. DEFINED CONTRIBUTION PLAN SERVICES. MaineSTART had 1,544 participants at the end of January, with \$61,101,482 of investment assets.

6. PLD PLAN ADMINISTRATION. Two new PLDs joined plans, and eleven others made plan changes that expanded or improved plan coverage for their employees.

FINANCIAL PROGRAMS

1. EMPLOYER REPORTING. Ninety-two percent of the defined benefit payrolls expected to be received in January were uploaded on time, as compared to eighty-nine percent in December.
2. EMPLOYER REPORTING ASSISTANCE PROGRAM. Four reviews were completed during the month of December, three of which revealed contribution errors that staff are working to resolve with the employers. One new review was initiated during the same period. Eighty-three percent of all findings to date have been resolved satisfactorily.

ADMINISTRATION

1. SPECIAL PROJECTS. The update of all BCP Departmental Plans is at 90% completion; remaining drafts are in queue for February 2022 review and adoption. The next significant BCP project is training and review for all staff with identified roles in a recovery effort. Subsequent to that we will conduct tabletop exercises to test and strengthen the departmental plans.
2. ADMINISTRATIVE ACTIONS. The majority of MainePERS' personnel are primarily working remotely. We have had a few employees contract the virus but without exposure to coworkers. Unvaccinated individuals who work on site continue to test weekly.
3. FACILITIES. The recent storm left significant snow piles in the parking lot. Grounds maintenance personnel have moved snow to the snow dump zone and are prepared for whatever the next weather event brings.
4. COMMUNICATIONS. MainePERS Data Integrity Oversight Council recently had a demonstration of a way to control address formatting in the V3 environment. Planning moves forward on the address format standards and the updating of formats.
5. HUMAN RESOURCES. Recruitments continue to be a priority for the HR Manager. Eight different classifications are open representing 12 different positions. The reclassification arbitration scheduled for January was moved to March 24th due to an illness for a key witness. Two long-term staff members retired at the end of January. Collectively, their experience represents more than fifty-five years of service at MainePERS.
6. INFORMATION TECHNOLOGY. Tax forms and January payroll accounted for the production of more than 130,000 forms by IT personnel.

Configuration of space in the FirstLight disaster recovery site is underway. The space expansion allows for business unit personnel to have dedicated workstations in a small room adjacent to the print and storage rooms at the DR site. We anticipate using this space for Business Continuity Testing in the year ahead.

MainePERS and vendor partner Presidio continue with projects to update the overall security and network infrastructure. The latest upgrade was recently completed for the network communication devices and the associated security control systems from Cisco.

The Cisco security application provides protection from potential internal threats by limiting network connections to authorized devices only.

JD/SV/RG/mg

Maine Public Employees Retirement System
Contributions and Disbursements - Defined Benefit Plans
For the Six Months Ended December 31, 2021 and December 31, 2020

	<u>Current</u>	<u>Year to Date</u>	<u>Prior Year to Date</u>
Contributions			
Employer Contributions ⁽¹⁾	\$ 48,040,550	\$ 260,768,037	\$ 252,180,971
Member Contributions	19,704,812	100,087,429	98,321,439
Member Repurchases	182,302	5,947,101	1,358,565
Total Contributions	<u>\$ 67,927,664</u>	<u>\$ 366,802,567</u>	<u>\$ 351,860,975</u>
Member Disbursements			
Benefits Payroll	\$ 93,462,260	\$ 556,503,182	\$ 534,287,393
Member Refunds	2,126,940	11,316,910	9,544,475
Total Member Disbursements	<u>\$ 95,589,200</u>	<u>\$ 567,820,092</u>	<u>\$ 543,831,868</u>
Net	<u>\$ (27,661,536)</u>	<u>\$ (201,017,525)</u>	<u>\$ (191,970,893)</u>

⁽¹⁾Employer Contributions include both normal cost and UAL contributions

MAINEPERS

BOARD OF TRUSTEES LEGISLATIVE MEMORANDUM

TO: BOARD MEMBERS

FROM: MICHAEL J. COLLERAN, CHIEF OPERATING OFFICER AND GENERAL COUNSEL
KATHY MORIN, MANAGER, ACTUARIAL AND LEGISLATIVE AFFAIRS

SUBJECT: LEGISLATIVE UPDATE

DATE: FEBRUARY 3, 2022

The Second Regular Session of the 130th Legislature convened on January 5, 2022. Statutory adjournment for this session is April 20, 2022. We will review proposed bills as they are printed and will bring bills to you that either could directly affect the System or are otherwise of interest. We are also including in this update the relevant bills that were carried over from the First Special Session that will be considered in the Second Regular Session.

POLICY REFERENCE

[Board Policy 3.1 – Reporting](#)

[Board Policy 3.2 – Legislation](#)

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

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

The following bills are currently being considered. The current status of each bill is provided, with updates from last month italicized.

CARRIED OVER BILLS

The following bills were carried over from the First Special Session:

L.D. 111 – EARLY RETIREMENT FOR TEACHERS

This bill would allow teachers with at least 35 years of service credit to retire at any age without an early retirement reduction. It would also require a retired teacher who returns to work

to make member contributions at the same rate as other teacher members. This bill was carried over on the Special Appropriations Table.

L.D. 548 – EARLY RETIREMENT REDUCTIONS

This bill requires a recalculation of retirement benefits based on a decreased early retirement reduction for certain state employee and teacher retirees. This bill was carried over by the Labor and Housing Committee. *A work session has not yet been scheduled.*

L.D. 703 – COST-OF-LIVING ADJUSTMENTS

This bill would provide for a cost-of-living adjustment on the entire benefit for retired state employees and teachers. This bill was carried over on the Special Appropriations Table.

L.D. 907 – PENSION FUNDS AND CLIMATE CHANGE

This concept draft bill would change laws concerning state pension funds and climate change. This bill was carried over by the Labor and Housing Committee. *A public hearing has not yet been scheduled.*

L.D. 956 – MILITARY SERVICE PURCHASES

This bill expands the periods of military service that eligible members may purchase at a subsidized rate. This bill was carried over on the Special Appropriations Table.

L.D. 1041 – MENTAL HEALTH WORKER SPECIAL PLAN

This bill would allow certain mental health workers who are currently included in the regular plan to be covered instead by the 1998 Special Plan. This bill was carried over on the Special Appropriations Table.

PRINTED BILLS

The following bills have been printed:

L.D. 1746 – CHIEF MEDICAL EXAMINER EMPLOYEE SPECIAL PLAN

This bill would allow certain employees in the Office of the Chief Medical Examiner who are currently included in the regular plan to be covered instead by the 1998 Special Plan. *A public hearing was held on January 19, and a work session was held on January 31, at which the Committee voted the bill with a majority ought to pass as amended. The amendment removes*

the individual plan election as recommended by MainePERS, makes the special plan coverage retroactive for the employees covered by this bill, and adds the fiscal note.

A copy of the System's testimony is included with this memo.

L.D. 1753 – PLD SPECIAL PLANS

This bill changes the special plans available to some PLD employees. *A public hearing was held on January 19, and a work session was held on January 31, at which the bill was tabled at the request of the sponsor. An additional work session has been scheduled for February 7.*

A copy of the System's testimony is included with this memo.

L.D. 1772 – REMOTE MEETINGS

This bill amends requirements for holding public meetings remotely. *A public hearing was held on February 1, and a work session has not yet been scheduled.*

L.D. 1808 – CRIME LAB/COMPUTER CRIMES UNIT RETROACTIVE SPECIAL PLAN

This bill provides retroactive special plan coverage for certain employees of the Maine State Police Crime Laboratory and computer crimes unit. *A public hearing was held on January 19, and a work session was held on January 31, at which the bill was tabled. An additional work session was held on February 2, at which the Committee voted the bill unanimously ought to pass as amended. The amendment makes the plan change language consistent with other similar laws, removes individual plan elections that are no longer relevant, and adds the fiscal note.*

A copy of the System's testimony is included with this memo.

L.D. 1840 – CORRECTIONS SUPERVISORS RETROACTIVE SPECIAL PLAN

This bill provides retroactive special plan coverage for certain employees of the Department of Corrections. *A public hearing was held on January 19, and a work session was held on January 31, at which the Committee voted the bill with a majority ought to pass as amended. The amendment adds the fiscal note.*

A copy of the System's testimony is included with this memo.

L.D. 1901 – RETIRED TEACHER HEALTH INSURANCE INVESTMENT TRUST FUND

This bill establishes a retired teacher health insurance investment trust fund. As with the trust fund for retired state employees, the MainePERS Board of Trustees are the trustees of this

investment trust fund. *A public hearing was held on February 2, and a work session has not yet been scheduled.*

A copy of the bill and the System's testimony is included with this memo.

L.D. 1922 – MAINEPERS SYSTEM BILL

We submitted this bill to make changes to several parts of our statute, as detailed in last month's memo. A public hearing on this bill was held on February 2, and a work session has not yet been scheduled.

A copy of this bill and the System's testimony is included with this memo.

REPORTS

The following reports have been submitted to the Legislature:

PROGRAM EVALUATION REPORT

The State Government Evaluation Act requires the System to submit a program evaluation report to the Legislature every eight years. We submitted our latest report on November 1, 2021, and provided a copy to the Board. *The Labor and Housing Committee has until March 15 to issue a report of its findings, recommendations, or legislation to implement recommendations resulting from their review.*

ESG POLICY/DIVESTMENT

The divestment laws enacted in the First Special Session of the 130th Legislature, chapters 231 and 234, required the Board to review its ESG policy, make any changes necessary to comply with the laws, and submit a report on the review to the Labor and Housing Committee. We filed the report on December 14, and a copy was provided to Board members at that time.

WINDFALL ELIMINATION PROVISION/GOVERNMENT PENSION OFFSET

Resolve, chapter 84, enacted in the First Special Session of the 130th Legislature, requires a study of existing and potential cooperation of state retirement systems affected by the social security offsets. A report of recommendations was due on January 1, 2022, and was submitted on December 29, 2021, and a copy of the report was provided to Board members with last month's report.

PROCUREMENT

The System is required to report information annually to the Legislature regarding procurement, contributions, and changes to certain policies and procedures. *This report was due by February 1 and was submitted on January 24. A copy of the report is included with this memo.*

The following reports will be prepared for the Legislature during the upcoming weeks:

NEW PENSION PLAN DESIGN

Resolve, chapter 66, enacted in the First Special Session of the 130th Legislature, requires the convening of a working group to develop new plan designs. The System requested an extension of the December 1, 2021 deadline for filing the working group report to February 15, 2022. A copy of the report will be provided to the Board once it is issued.

Resolve 72, also enacted in the First Special Session of the 130th Legislature, requires the System to report on options for teachers to participate in Social Security. The System requested an extension of the December 1, 2021 deadline for filing the report to February 15, 2022. A copy of the report will be provided to the Board once it is issued.

MILITARY SUBSIDY REPORT

The System is required to report information annually to the Legislature regarding military service credit purchase requests received from certain categories of members. This report is due by February 15, 2022, and a copy of the report will be provided to the Board once it is issued.

ANNUAL REPORT TO THE LEGISLATURE

The System is required to submit an annual report to the Legislature containing specific information set out in statute. This report is due by March 1, 2022, and a copy of the report will be provided to the Board once it is issued.

DATE: January 19, 2022

TO: Senator Craig Hickman, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1746 – An Act to Expand the 1998 Special Retirement Plan To Include Employees who Work for the Office of Chief Medical Examiner

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1746. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a “regular plan” or a “special plan.” The majority of state employees are covered by the regular plan, which requires twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Because of the more favorable provisions of the special plans, they are more expensive to fund.

Employees in the Office of Chief Medical Examiner are covered by the regular plan. L.D. 1746 would move these employees into the 1998 Special Plan. Under this plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10 year requirement.

Benefits are calculated based upon the plan under which the service was earned. The result for those members with some service in a regular plan and some service in a special plan is a “split age reduction” such that the regular plan service is reduced for early retirement prior to 60, 62 or 65, and the special plan service is reduced for early retirement only if retirement is prior to age 55. Members with all or a high percentage of their service under the 1998 Special Plan are more greatly advantaged by that plan.

L.D. 1746 would expand the 1998 Special Plan to include certain employees in the Office of Chief Medical Examiner employed on July 1, 2022, or hired thereafter. This change would apply prospectively, effective July 1, 2022, and service earned prior to that date would remain regular plan service and benefits would be subject to the split age reduction described above.

MainePERS has one concern about the way L.D. 1746 is drafted. Specifically, the bill as proposed permits impacted employees to elect whether to move into the new plan. Since our work with the Committee last session, MainePERS has become aware that these plan coverage elections in a qualified plan are not permitted by the Internal Revenue Service. MainePERS would recommend that in order to avoid a plan compliance issue, the bill be amended to move all employees in the covered positions into the new plan.

We would also note that the emergency preamble in L.D. 1746 indicates that the impacted employees were inadvertently omitted from Public Law 2021, chapter 474, which added employees in the Maine State Police Crime Laboratory and computer crimes unit to the special plan on a prospective basis. There is a separate bill which you will hear today, L.D. 1808, which would provide retroactive special plan coverage for those employees. If that bill is advanced, and if the Committee's intent is to provide parity between these two groups of employees, it may want to consider whether to amend L.D. 1746 to also provide retroactive plan coverage.

As drafted, this bill will have a fiscal impact because the ongoing employer normal cost for the members covered in a special plan is higher than the regular plan normal cost. If the bill is amended to provide retroactive plan coverage, there would also be an increase in liabilities that would require immediate funding in compliance with the State Constitution. We will work with the Department and the Office of Fiscal and Program Review to identify the individuals covered by this proposal and to provide an estimate of the costs associated with providing special plan coverage.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.

DATE: January 19, 2022

TO: Senator Craig Hickman, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1753 – An Act Regarding the Retirement of Law Enforcement Officers under the Participating Local District Retirement Program

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1753. We are here to provide information and offer any assistance the Committee might need regarding this bill.

In addition to the State-sponsored plans, MainePERS administers a retirement program for participating local districts (PLD), which includes public entities that have chosen to provide retirement plans to their employees through MainePERS. There are approximately 310 such entities that participate in the PLD Consolidated Retirement Plan. Employers in this plan elect, by action of the appropriate governing body, the specific regular and/or special plan by which to cover their employees, and each employer and its employees pay the retirement plan cost for the elected plan. In general, the more favorable special plans are more expensive than the regular plan. The State does not provide any funding toward this plan.

Our understanding of the intent of L.D. 1753 is to require PLD employers to offer a special plan to law enforcement officers that permits retirement after 25 years of service, at any age. PLD employers may currently elect to provide a retirement plan that permits retirement after 25 years of service, at any age, but they are not required to do so. Those decisions are at a local level since the employer and employees must pay the costs of those benefits.

Under current law, amendments to retirement benefit statutes that impact the participating local district plan do not become part of the that plan unless adopted through rulemaking based on a recommendation of the PLD Advisory Committee. This Committee is established

in statute with its voting membership evenly split between plan employers and employees. If L.D. 1753 is enacted, it will be presented to the Advisory Committee for their consideration.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.

DATE: January 19, 2022

TO: Senator Craig Hickman, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1808 – An Act to Address Employee Retention at the Maine State Police Crime Laboratory and the Computer Crimes Unit in the Department of Public Safety

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1808. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a “regular plan” or a “special plan.” The majority of state employees are covered by the regular plan, which requires twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Because of the more favorable provisions of the special plans, they are more expensive to fund.

Public Law 2021, chapter 474 added the Crime Laboratory and Computer Crimes Unit employees to the 1998 Special Plan effective October 1, 2021. Under this plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10-year requirement.

Benefits are calculated based upon the plan under which the service was earned. The result for those members with some service in a regular plan and some service in a special plan is a “split age reduction” such that the regular plan service is reduced for early retirement prior to 60, 62 or 65, and the special plan service is reduced for early retirement only if retirement is

prior to age 55. Members with all or a high percentage of their service under the 1998 Special Plan are more greatly advantaged by that plan.

Because the Crime Laboratory and Computer Crimes Unit employees were added to the special plan on a prospective basis, benefits are subject to the split age reduction previously described. L.D. 1808 would make that change retroactive, and all service in a covered position, whenever earned, would be considered as being earned in the 1998 Special Plan, and therefore no longer subject to the split age reduction. The result for many impacted members would be the ability to retire at a younger age with an increased retirement benefit.

This bill would have a fiscal impact in that it would require immediate funding of the increased liabilities created by permitting past service of the covered employees to be included in the special plan, in compliance with the State Constitution. This bill would also increase the ongoing employer normal costs for the members who will be covered in a more favorable special plan. MainePERS will work with the Department and the Office of Fiscal and Program Review to provide an estimate of the costs associated with amending the retirement plan coverage for this group of employees.

We would note that L.D. 1808 is not drafted in the manner that similar plan changes have been enacted into law. Specifically, L.D. 1808 is drafted as unallocated language, whereas typically, because of the complexity of the statutes that govern the 1998 Special Plan, changes such as those considered in this bill are drafted into the plan as found in 5 M.R.S. § 17851-A. Additionally, as enacted, chapter 474 permitted eligible employees to elect whether to move into the special plan. L.D. 1808 essentially eliminates the need for that election, and the relevant language should be stricken from current law. We are happy to work with the Committee's Analyst on language to address these issues.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.

DATE: January 19, 2022

TO: Senator Craig Hickman, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1840 – An Act to Amend the Law Governing Retirement
Benefit Reductions for Corrections Supervisors Currently Included in the 1998
Special Plan

Senator Hickman, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1840. We are here to provide information and offer any assistance the Committee might need regarding this bill.

State employees are covered by either a “regular plan” or a “special plan.” The majority of state employees are covered by the regular plan, which requires twenty-five years of service and/or attainment of normal retirement age of 60, 62 or 65. Special plans typically allow for retirement with fewer years of service and/or at a younger age. Because of the more favorable provisions of the special plans, they are more expensive to fund.

Department of Corrections employees included in L.D. 1840 have been covered in the 1998 Special Plan since January 1, 2000. Under this Plan, participants become eligible to retire in one of two ways: 1) by accruing 25 years of service in a covered capacity; or 2) by accruing 10 years under the 1998 Special Plan and attaining age 55. Under the first provision, all service in a covered capacity is counted towards meeting the 25-year requirement while under the second provision, only service earned in a covered capacity after the date that a specific group is included in the plan is counted towards meeting the 10-year requirement.

Benefits are calculated based upon the plan under which the service was earned. The result for those members with some service in a regular plan and some service in a special plan is a “split age reduction” such that the regular plan service is reduced for early retirement prior to 60, 62 or 65, and the special plan service is reduced for early retirement only if retirement is prior to age 55. Members with all or a high percentage of their service under the 1998 Special Plan are more greatly advantaged by that plan.

L.D. 1840 would change the manner in which certain Department of Corrections employees are included in the 1998 Special Plan. Specifically, it would treat all service, whenever earned, as being earned in the 1998 Special Plan, and therefore no longer subject to the split age reduction. The result for many impacted members would be the ability to retire at a younger age with an increased retirement benefit.

This bill would have a fiscal impact in that it would require immediate funding of the increased liabilities created by permitting past service of the covered employees to be included in the special plan, in compliance with the State Constitution. MainePERS will work with the Department and the Office of Fiscal and Program Review to identify the individuals covered by this proposal and to provide an estimate of the costs associated with amending the retirement plan coverage for this group of employees.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.



130th MAINE LEGISLATURE

SECOND REGULAR SESSION-2022

Legislative Document

No. 1901

H.P. 1408

House of Representatives, January 5, 2022

**An Act To Protect Funding for Health Care for Retired Teachers by
Establishing an Investment Trust Fund**

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Labor and Housing suggested and ordered printed.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative DODGE of Belfast.

Cosponsored by Representatives: COLLINGS of Portland, McCREA of Fort Fairfield, MILLETT of Cape Elizabeth, PEBWORTH of Blue Hill, SALISBURY of Westbrook, SYLVESTER of Portland, TERRY of Gorham, Senator: DAUGHTRY of Cumberland.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 5 MRSA §286-B, sub-§1, ¶B**, as enacted by PL 2007, c. 240, Pt. RRR, §1,
3 is amended to read:

4 B. "Investment trust ~~fund~~ funds" means the Retiree Health Insurance Post-employment
5 Benefits Investment Trust Fund established under section 17432 and the Retired
6 Teacher Health Insurance Post-employment Benefits Investment Trust Fund
7 established under section 17442.

8 **Sec. 2. 5 MRSA §286-B, sub-§3**, as amended by PL 2011, c. 380, Pt. Y, §1, is
9 further amended to read:

10 **3. Trustees.** The trustees of the irrevocable trust funds are as follows.

11 A. The Treasurer of State and the State Controller shall serve as trustees of the state
12 employee plan and the teacher plan.

13 B. An independent, nongovernmental entity with a physical presence in the State
14 selected by the Treasurer of State with the advice of the State Controller and municipal,
15 ~~school management and education~~ associations pursuant to the process set forth in Title
16 5, chapter 155 shall serve as the trustee of ~~the teacher plan~~ and the first responder plan.

17 **Sec. 3. 5 MRSA §286-B, sub-§5**, as amended by PL 2011, c. 380, Pt. Y, §1, is
18 further amended to read:

19 **5. Investment of funds.** The trustees of the investment trust ~~fund~~ funds are
20 responsible for the investment and reinvestment of the funds appropriated to the irrevocable
21 trust funds and transferred to the investment trust ~~fund~~ funds in accordance with the Maine
22 Uniform Trust Code and the Maine Uniform Prudent Investor Act under Title 18-B, subject
23 to the guidelines set for the investment trust ~~fund~~ funds in ~~section~~ sections 17435 and
24 17445, respectively.

25 **Sec. 4. 5 MRSA c. 421, sub-c. 4, art. 10** is enacted to read:

26 **ARTICLE 10**

27 **RETIRED TEACHER HEALTH INSURANCE POST-EMPLOYMENT**
28 **BENEFITS INVESTMENT TRUST FUND**

29 **§17441. Definitions**

30 As used in this article, unless the context otherwise indicates, the following terms have
31 the following meanings.

32 **1. Assets of the investment trust fund.** "Assets of the investment trust fund" means
33 the funds appropriated or otherwise provided to fund the investment trust fund, together
34 with the interest, earnings and returns on the funds.

35 **2. Commissioner.** "Commissioner" means the Commissioner of Administrative and
36 Financial Services.

37 **3. Investment trust fund.** "Investment trust fund" means the Retired Teacher Health
38 Insurance Post-employment Benefits Investment Trust Fund established in section 17442.

1 **4. Investment trust fund agreement.** "Investment trust fund agreement" means the
2 trust agreement to be entered into by the State and the trustees of the investment trust fund.

3 **5. System.** "System" means the Maine Public Employees Retirement System.

4 **§17442. Establishment**

5 **1. Investment trust fund established.** The Retired Teacher Health Insurance Post-
6 employment Benefits Investment Trust Fund is established as an irrevocable trust for the
7 sole purpose of holding and investing funds appropriated or otherwise provided to the
8 investment trust fund for the benefit of the Irrevocable Trust Fund for Other Post-
9 employment Benefits for the teacher plan established in section 286-B with respect to the
10 State's liabilities for retiree health benefits. The purpose of accumulating assets in this
11 investment trust fund is to provide funding of the State's unfunded liability obligations for
12 health benefits for retired teachers. The Legislature has no authority or power to divert any
13 of the assets of the investment trust fund to use for any other purpose.

14 **2. Date of establishment.** The date of establishment of the investment trust fund is
15 January 1, 2023.

16 **3. Trustees.** The trustees of the investment trust fund are the members of the Board
17 of Trustees of the Maine Public Employees Retirement System.

18 **§17443. Statutory references**

19 Notwithstanding that this article is placed in the Maine Revised Statutes in Part 20,
20 chapter 421, subchapter 4, any reference to "Part," "in this Part," "under this Part" or similar
21 wording in Part 20 is inapplicable to every provision in this article. This article stands apart
22 from all other provisions of this Part except by explicit reference.

23 **§17444. Administration of investment trust fund**

24 **1. Administration.** The trustees of the investment trust fund may delegate to the
25 executive director, chief investment officer or other staff of the system as appropriate the
26 responsibility to carry out, as directed by the trustees of the investment trust fund, the
27 administration of the investment trust fund and its investment and disbursement activities.

28 **2. Expenses.** Associated administrative costs and expenses attributable to the
29 investment trust fund must be charged to the investment trust fund.

30 **§17445. Duties of trustees of investment trust fund**

31 The trustees of the investment trust fund have the following duties.

32 **1. Manage assets.** The trustees of the investment trust fund shall hold, invest, reinvest
33 and manage assets appropriated to the investment trust fund and all other assets of the
34 investment trust fund for the sole benefit of the Irrevocable Trust Fund for Other Post-
35 employment Benefits for the teacher plan established in section 286-B and may not
36 encumber, invest, divest or disburse the funds for any other purpose. The trustees of the
37 investment trust fund have full power to hold, purchase, sell, assign, transfer and dispose
38 of any such assets and investments and will provide for all necessary services with respect
39 to such assets.

40 The primary goals of the investment trust fund are the preservation and growth of principal
41 in accordance with long-term investment assumptions established from time to time by the
42 Board of Trustees of the Maine Public Employees Retirement System for the defined

1 benefits plans of the system, as considered appropriate by the trustees of the investment
2 trust fund.

3 **2. Investment policy.** Except as provided in subsection 3, the trustees of the
4 investment trust fund shall determine and revise as necessary an appropriate investment
5 trust fund investment policy, including but not limited to provisions for asset allocation and
6 investment strategy. This policy must take into account the following factors as established
7 by the trustees of the Irrevocable Trust Fund for Other Post-employment Benefits for the
8 teacher plan established in section 286-B, subsection 2 and as may be revised in the
9 investment trust fund agreement from time to time:

10 A. A long-term time horizon for the assets of the investment trust fund;

11 B. A funding plan; and

12 C. A projected disbursement schedule that does not begin before the year 2033.

13 **3. Transfer of funds before policy established.** Any funds transferred to the
14 investment trust fund prior to the establishment of the investment policy in subsection 2
15 must be held and transitionally invested in a prudent manner as determined by the trustees
16 of the investment trust fund.

17 **4. Investment and management of assets.** The trustees of the investment trust fund
18 shall invest and manage the assets of the investment trust fund in accordance with the
19 requirements of subsections 1 and 2 and with the reasonable care, skill and expertise of a
20 prudent investor.

21 **5. Investment expenses.** The trustees of the investment trust fund may incur
22 reasonable investment expenses payable from the assets of the investment trust fund,
23 including but not limited to services of investment managers, investment consultants,
24 actuaries, investment counsel, banks and trust companies and other investment
25 professionals or advisors as they consider necessary and prudent in determining investment
26 policy, in investing funds and in liquidating assets.

27 **6. Disbursement of funds.** The trustees of the investment trust fund may disburse
28 funds from the investment trust fund only to the Irrevocable Trust Fund for Other Post-
29 employment Benefits for the teacher plan as established in section 286-B, subsection 2.
30 The trustees of the Irrevocable Trust Fund for Other Post-employment Benefits for the
31 teacher plan must present jointly a lawful payment order. The trustees of the investment
32 trust fund have no responsibility to ensure that the stated use or actual use by the trustees
33 of the Irrevocable Trust Fund for Other Post-employment Benefits for the teacher plan of
34 such money is to fund retiree health benefits. The trustees of the investment trust fund's
35 duties under the investment trust fund are discharged by disbursing money under the terms
36 of this subsection.

37 **7. Report.** The trustees of the investment trust fund shall provide annually a report to
38 the State, the trustees of the Irrevocable Trust Fund for Other Post-employment Benefits
39 for the teacher plan established in section 286-B, subsection 2, the joint standing committee
40 of the Legislature having jurisdiction over the system and the joint standing committee of
41 the Legislature having jurisdiction over appropriations and financial affairs. The trustees
42 of the investment trust fund shall provide quarterly to the trustees of the Irrevocable Trust
43 Fund for Other Post-employment Benefits for the teacher plan a report of the performance
44 of the investment trust fund.

1 **§17446. Liability and immunity of trustees of investment trust fund**

2 **1. Limited liability of trustees of investment trust fund.** A trustee of the investment
3 trust fund is not:

4 A. Personally liable for any liability, loss or expense suffered by the investment trust
5 fund, unless such a liability, loss or expense arises out of or results from the willful
6 misconduct or intentional wrongdoing of that trustee of the investment trust fund;

7 B. Responsible for the adequacy of the investment trust fund to meet and discharge any
8 obligation; or

9 C. Required to take action to enforce the payment of any contribution or appropriation
10 to the investment trust fund.

11 **2. Immunity of trustees of investment trust fund.** The trustees of the investment
12 trust fund are immune from suit on any tort claims seeking recovery of damages to the
13 same extent as governmental entities under the Maine Tort Claims Act.

14 **3. Legal representation and defense of trustees of investment trust fund.** The
15 Attorney General is legal counsel to the trustees of the investment trust fund and shall
16 represent and defend the trustees of the investment trust fund, as a group and individually,
17 in connection with any claim, suit or action at law arising out of the performance or
18 nonperformance of any actions related to the investment trust fund to the same extent as
19 provided for governmental entities under the Maine Tort Claims Act.

20 **4. Performance of essential governmental functions.** The exercise of the powers
21 conferred by this article is held to be the performance of essential governmental functions.

22 **§17447. Exemption from taxation**

23 The money in the investment trust fund is exempt from any state, county or municipal
24 tax in the State.

25 **§17448. Reporting requirements under Governmental Accounting Standards Board**

26 The system and trustees of the investment trust fund have no obligation to comply with
27 reporting requirements related to the investment trust fund under Governmental
28 Accounting Standards Board Statement Number 74, Financial Reporting for
29 Postemployment Benefit Plans Other Than Pension Plans, or Governmental Accounting
30 Standards Board Statement Number 75, Accounting and Financial Reporting for
31 Postemployment Benefits Other Than Pensions. The State is obligated to comply with the
32 reporting requirements under Governmental Accounting Standards Board Statement
33 Number 74 and Governmental Accounting Standards Board Statement Number 75. The
34 system shall account for the assets of the investment trust fund in its annual financial
35 statements.

36 **§17449. Information for administrative or judicial proceedings**

37 If information regarding the investment trust fund is required from the system or the
38 trustees of the investment trust fund for an administrative or judicial proceeding, the party
39 seeking the information must file a written request for that information with the executive
40 director of the Maine Public Employees Retirement System. The executive director or the
41 executive director's designee shall make a certified response to that request within 30 days
42 and the certified response is admissible as evidence in any administrative or judicial

1 proceeding. A subpoena or other form of discovery directed at obtaining the information
2 may not be issued nor may employees of the system be required to testify on the subjects
3 covered by the certified response unless there is an express finding by an administrative
4 agency or a court that there is a compelling necessity to permit further discovery or to
5 require testimony. The executive director shall notify the trustees of the Irrevocable Trust
6 Fund for Other Post-employment Benefits for the teacher plan established in section 286-B,
7 subsection 2 immediately of any request for information, subpoena or other form of
8 discovery.

9 **SUMMARY**

10 This bill establishes the Retired Teacher Health Insurance Post-employment Benefits
11 Investment Trust Fund to protect funding for health care for retired teachers. It also
12 designates the Treasurer of State and the State Controller as trustees of the Irrevocable
13 Trust Fund for Other Post-employment Benefits for the teacher plan.

DATE: February 2, 2022

TO: Senator Matthea Daughtry, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1901 – An Act to Protect Funding for Health Care for Retired Teachers by Establishing an Investment Trust Fund

Senator Daughtry, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing, my name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1901. We are here to provide information and offer any assistance the Committee might need regarding this bill.

This bill establishes the retired teacher health insurance post-employment benefits investment trust fund and names the MainePERS Board of Trustees as the trustees of this investment trust fund. The trustees' duties include determining the appropriate investment policy and managing the assets for this fund.

The MainePERS Board of Trustees currently serves as trustees for the post-employment benefits investment trust fund for retired State employees, and has served that role since the inception of the fund in 2007. MainePERS has no concerns with serving this role for a retired teacher trust fund as proposed in L.D. 1901.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.



130th MAINE LEGISLATURE

SECOND REGULAR SESSION-2022

Legislative Document

No. 1922

H.P. 1430

House of Representatives, January 14, 2022

An Act To Amend Certain Laws Pertaining to the Maine Public Employees Retirement System

Submitted by the Maine Public Employees Retirement System pursuant to Joint Rule 203.
Received by the Clerk of the House on January 12, 2022. Referred to the Committee on
Labor and Housing pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule
401.

A handwritten signature in black ink that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative SYLVESTER of Portland.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 3 MRSA §701, sub-§2**, as enacted by PL 1985, c. 507, §1, is amended to
3 read:

4 **2. Actuarial equivalent.** "Actuarial equivalent" means a ~~benefit which is~~ an amount
5 of equal value when computed at ~~regular interest, based on the mortality and service tables~~
6 the discount rate contained in actuarial assumptions adopted by the board of trustees.

7 **Sec. 2. 4 MRSA §1201, sub-§2**, as enacted by PL 1983, c. 853, Pt. C, §§15 and 18,
8 is amended to read:

9 **2. Actuarial equivalent.** "Actuarial equivalent" means a ~~benefit which is~~ an amount
10 of equal value when computed at ~~regular interest, based on the mortality and service tables~~
11 the discount rate contained in actuarial assumptions adopted by the board of trustees.

12 **Sec. 3. 4 MRSA §1352, sub-§5**, as amended by PL 1997, c. 643, Pt. M, §12, is
13 repealed.

14 **Sec. 4. 4 MRSA §1355**, as amended by PL 2007, c. 491, §52, is further amended to
15 read:

16 **§1355. Ordinary death benefits**

17 If a member who is in service or a former member who is a recipient of a disability
18 retirement allowance dies, the member's beneficiary, or relative if the member has no
19 designated beneficiary, is entitled to benefits on the same basis as provided for beneficiaries
20 of state employees who are members of the State Employee and Teacher Retirement
21 Program by Title 5, chapter 423, subchapter 5, article 3 ~~4~~.

22 **Sec. 5. 4 MRSA §1357, sub-§2**, as amended by PL 2007, c. 491, §§54 to 57, is
23 further amended by amending the 2nd blocked paragraph to read:

24 For the purposes of this subsection, "qualifying member" means a member or a former
25 member who is has been receiving a disability retirement benefit and changes to service
26 retirement under section 1353, subsection 7.

27 **Sec. 6. 5 MRSA §17001, sub-§2**, as amended by PL 1993, c. 387, Pt. A, §3, is
28 further amended to read:

29 **2. Actuarial equivalent.** "Actuarial equivalent" means an amount of equal value
30 when computed at ~~an interest~~ the discount rate contained in actuarial assumptions adopted
31 by the board ~~and upon the basis of mortality and service tables adopted by the board~~.
32 "Actuarial equivalent," when used to indicate the amount that must be paid in order to
33 purchase service credit, means the amount that equals the cost of additional benefits that
34 become payable as a result of the service credit, including, when applicable, the projected
35 cost of a member's earlier eligibility for retirement.

36 **Sec. 7. 5 MRSA §17001, sub-§42**, as amended by PL 2021, c. 6, §1, is further
37 amended to read:

38 **42. Teacher.** "Teacher" means:

39 A. Any employee of a public school or ~~a school management and leadership~~ an
40 education service center established pursuant to Title 20-A, chapter 123 who fills any
41 position that the Department of Education requires be filled by a person who holds the

1 appropriate certification or license required for that position, other than an educational
2 technician position for which certification is not required under Title 20-A, section
3 13019-H, and:

4 (1) Holds appropriate certification from the Department of Education, including
5 an employee whose duties include, in addition to those for which certification is
6 required, either the setup, maintenance or upgrading of a school computer system
7 the use of which is to assist in the introduction of new learning to students or
8 providing school faculty orientation and training related to use of the computer
9 system for educational purposes; or

10 (2) Holds an appropriate license issued to a professional employee by a licensing
11 agency of the State;

12 B. Any employee of a public school or a ~~school management and leadership~~ an
13 education service center established pursuant to Title 20-A, chapter 123 who fills any
14 position not included in paragraph A, the principal function of which is to introduce
15 new learning to students, except that a coach who is employed by a public school and
16 who is not otherwise covered by the definition of teacher as ~~defined~~ in this subsection
17 or an employee who is employed in adult education as defined in Title 20-A, section
18 8601-A, subsection 1 and who is not otherwise covered by the definition of teacher
19 ~~defined~~ in this subsection may not be considered a teacher for purposes of this Part;

20 C. Any employee of a public school on June 30, 1989, in a position not included in
21 paragraph A or B ~~which~~ that was included in the definition of teacher in effect on June
22 30, 1989, as long as:

23 (1) The employee does not terminate employment; or

24 (2) The employee terminates employment and returns to employment in a position
25 in the same classification within 2 years of the date of termination.

26 Regardless of any subsequent employment history, any employee of a public school in
27 a position ~~which~~ that was included in the definition of teacher in effect on June 30,
28 1989, is entitled to creditable service as a teacher for all service in that position on or
29 before that date;

30 D. Any employee of a public school or a ~~school management and leadership~~ an
31 education service center established pursuant to Title 20-A, chapter 123 in a position
32 not included in paragraph A, B or C who was a member of the State Employee and
33 Teacher Retirement Program of the retirement system as a teacher on August 1, 1988,
34 as long as:

35 (1) The employee does not terminate employment; or

36 (2) The employee terminates employment and returns to employment in a position
37 in the same classification within 2 years of the date of termination;

38 E. Any former employee of a public school or a ~~school management and leadership~~ an
39 education service center established pursuant to Title 20-A, chapter 123 in a position
40 not included in paragraph A, B or C who was a member of the State Employee and
41 Teacher Retirement Program of the retirement system as a teacher before August 1,
42 1988, as long as the former employee returns to employment in a position in the same
43 classification before July 1, 1991; or

1 F. For service before July 1, 1989, any employee of a public school in a position ~~which~~
2 that was included in the definition of teacher before July 1, 1989.

3 "Teacher" includes a person who is on a one-year leave of absence from a position as a
4 teacher and is participating in the education of prospective teachers by teaching and
5 supervising students enrolled in college-level teacher preparation programs in this State.

6 "Teacher" also includes a person who is on a leave of absence from a position as a teacher
7 and is duly elected as President of the Maine Education Association.

8 "Teacher" also includes a person who, subsequent to July 1, 1981, has served as president
9 of a recognized or certified bargaining agent representing teachers for which released time
10 from teaching duties for performance of the functions of president has been negotiated in
11 a collective bargaining agreement between the collective bargaining agent and the teacher's
12 school administrative unit and for whom contributions related to the portion of the person's
13 salary attributable to the released time have been paid as part of the regular payroll of the
14 school administrative unit.

15 **Sec. 8. 5 MRSA §17054-A**, as enacted by PL 2009, c. 474, §12, is amended to read:
16 **§17054-A. Responsibilities of employers and the retirement system**

17 Employers are responsible for providing procedures by which employees for whom
18 membership in the retirement system is optional make a membership election, for
19 maintaining all records relevant to the election process and an individual employee's
20 election and for informing the retirement system as to employee elections in accordance
21 with procedures established by the ~~chief executive director~~ officer. The retirement system
22 is responsible to ensure that its records accurately reflect the information provided by the
23 employer. With respect to matters related to participation and membership in the retirement
24 system other than those specified in this section, the retirement system and the board retain
25 responsibility and authority according to applicable retirement system law and rules as to
26 the employer and the employees to whom this Part applies, including the authority to make
27 final administrative decisions on membership eligibility based on employee membership
28 elections as reported by the employer pursuant to this section, the applicable retirement
29 system laws and rules and the requirements of the Internal Revenue Code and United States
30 Treasury regulations applicable to governmental qualified defined benefit plans.

31 **Sec. 9. 5 MRSA §17103, sub-§6**, as amended by PL 2015, c. 384, §1, is further
32 amended to read:

33 **6. Rights, credits and, privileges and membership eligibility; decisions.** The board
34 shall in all cases make the final and determining administrative decision in all matters
35 affecting the rights, credits and privileges of all members of all programs of the retirement
36 system whether in participating local districts or in the state service. The board shall also
37 in all cases make the final and determining administrative decision on membership
38 eligibility based on employee membership elections as reported by the employer pursuant
39 to section 17054-A, the applicable retirement system laws and rules and the requirements
40 of the Internal Revenue Code and United States Treasury regulations applicable to
41 governmental qualified defined benefit plans. The board otherwise has no jurisdiction to
42 hear a matter or make an administrative decision regarding a claim of an employee of a
43 local plan for which membership is optional pursuant to section 18252, if that claim applies
44 to a time when the employee was not a member of the retirement system.

1 Whenever the board finds that, because of an error or omission on the part of the employer
2 of a member or retired member, a member or retired member is required to make a payment
3 or payments to the retirement system, the board may waive payment of all or part of the
4 amount due from the member or retired member. In these instances of recovery of
5 overpayments from members of the retirement system, the retirement system is governed
6 by section 17054, subsection 3.

7 **Sec. 10. 5 MRSA §17103, sub-§8**, as amended by PL 1989, c. 483, Pt. A, §§27
8 and 63, is further amended to read:

9 **8. ~~Executive director~~ Chief executive officer.** The board shall appoint ~~an~~ a chief
10 executive director officer, whose salary shall must be set by the board subject to the
11 requirements of Title 2, section 6-D.

12 **Sec. 11. 5 MRSA §17103, sub-§11, ¶J**, as enacted by PL 2009, c. 322, §4, is
13 amended by repealing subparagraph (2).

14 **Sec. 12. 5 MRSA §17103, sub-§11, ¶J**, as enacted by PL 2009, c. 322, §4, is
15 amended by amending subparagraph (3) to read:

16 (3) The ~~net~~ number of applicants for disability retirement who appealed decisions
17 that denied disability retirement status; and

18 **Sec. 13. 5 MRSA §17103, sub-§12**, as enacted by PL 1993, c. 387, Pt. A, §4, is
19 amended to read:

20 **12. Defined contribution plan, deferred compensation and tax sheltered annuity**
21 **plans.** The board shall establish a one or more defined contribution plan by July 1, 1994
22 that is, deferred compensation or tax sheltered annuity plans consistent with the applicable
23 requirements of the United States Internal Revenue Code and may be a defined contribution
24 plan for other purposes. The board may establish a separate defined contribution plan or
25 plans for other purposes, with employer agreement, offer participation in such plans to
26 employees eligible for membership in a retirement program of the retirement system.

27 **Sec. 14. 5 MRSA §17154, sub-§6, ¶J**, as enacted by PL 2019, c. 460, §2, is
28 amended to read:

29 J. Notwithstanding this section, the employer retirement costs and administrative
30 operating expenses related to the retirement programs applicable to those teachers
31 employed by ~~a school management and leadership~~ an education service center, as
32 defined in Title 20-A, section 3801, subsection 1, paragraph B, whose funding is
33 provided from local and state funds must be paid by that ~~school management and~~
34 ~~leadership~~ education service center.

35 **Sec. 15. 5 MRSA §17706-A, sub-§1**, as amended by PL 2011, c. 449, §8, is further
36 amended by amending the first blocked paragraph to read:

37 Pursuant to the Code, Section 401(a)(31)(B), the amount of an automatic refund under this
38 section for a member who has not reached the later of 62 years of age or normal retirement
39 age may not exceed \$1,000.

40 **Sec. 16. 5 MRSA §17760, sub-§3, ¶A**, as amended by PL 2007, c. 491, §137, is
41 further amended by amending subparagraph (3) to read:

1 (3) Was awarded an Armed Forces Expeditionary Medal, a Combat Action
2 Ribbon, a Combat Infantry Badge or any other campaign or expeditionary medal
3 and the receipt of such a medal would allow the member to be considered
4 "preference eligible" under 5 United States Code, Section 2108(3)(A) or
5 2108(3)(B). A member described in this subparagraph is entitled to purchase
6 service credit at the cost set forth in subsection 4 only if a cost subsidy for that
7 member's service credit has been paid to the State Employee and Teacher
8 Retirement Program as provided in subsection 6.

9 **Sec. 17. 5 MRSA §17804, sub-§5-A**, as enacted by PL 1999, c. 744, §8 and
10 affected by §17, is amended to read:

11 **5-A. Option 4.** The qualifying member may elect to have a reduced retirement benefit
12 payable to the qualifying member while alive and at the qualifying member's death to have
13 some benefit other than that available under subsection 3 or 4 payable to the beneficiary
14 that the qualifying member has designated, if the beneficiary survives the qualifying
15 member. The total value of the benefit paid to the qualifying member during the qualifying
16 member's life plus the benefit paid after the qualifying member's death is the actuarial
17 equivalent of the benefit that the qualifying member would have received without optional
18 modification. The method used to determine the benefit must be approved by the board,
19 and the beneficiary must be designated by written designation, duly ~~notarized~~
20 acknowledged and filed with the chief executive director officer on a form provided or
21 specified by the retirement system.

22 **Sec. 18. 5 MRSA §17804, sub-§5-B**, as enacted by PL 1999, c. 744, §8 and
23 affected by §17, is amended to read:

24 **5-B. Option 5.** The qualifying member may elect to have a reduced retirement benefit
25 payable in part to the qualifying member and in part to the beneficiary, who must be the
26 sole beneficiary, while both are alive and, at the death of either, to have the higher benefit
27 paid to the survivor for the survivor's life. The total value of the benefit paid to the
28 qualifying member and beneficiary, during the qualifying member's life, plus the benefit to
29 be paid after the death of either is the actuarial equivalent of the benefit that the qualifying
30 member would have received without optional modification. The method used to
31 determine the benefit must be approved by the board, and the beneficiary must be
32 designated by written designation, duly ~~notarized~~ acknowledged and filed with the chief
33 executive director officer on a form provided or specified by the retirement system.

34 **Sec. 19. 5 MRSA §17804, sub-§5-C**, as enacted by PL 1999, c. 744, §8 and
35 affected by §17, is amended to read:

36 **5-C. Option 6.** The qualifying member may elect to have a reduced retirement benefit
37 payable to the qualifying member while alive and, at the qualifying member's death, to
38 have the benefit continued in the same amount for the life of the beneficiary, who must be
39 the sole beneficiary, that the qualifying member has designated by written designation, duly
40 ~~notarized~~ acknowledged and filed with the chief executive ~~director~~ officer on a form
41 provided or specified by the retirement system, if the beneficiary survives the qualifying
42 member. If the qualifying member's beneficiary predeceases the qualifying member, the
43 qualifying member's benefit must be changed, effective the first day of the month following
44 the date of the beneficiary's death, to be the actuarial equivalent of the benefit that the
45 qualifying member would have received without optional modification. The reduced

1 retirement benefit must be actuarially calculated to reflect the fact that the benefit may be
2 changed to the larger amount should the beneficiary predecease the member.

3 **Sec. 20. 5 MRSA §17804, sub-§5-D**, as enacted by PL 1999, c. 744, §8 and
4 affected by §17, is amended to read:

5 **5-D. Option 7.** The qualifying member may elect to have a reduced retirement benefit
6 payable to the qualifying member while alive and, at the qualifying member's death, to
7 have the benefit continued at 1/2 that amount for the life of the beneficiary, who must be
8 the sole beneficiary, that the qualifying member has designated by written designation, duly
9 ~~notarized~~ acknowledged and filed with the chief executive director officer on a form
10 provided or specified by the retirement system, if the beneficiary survives the qualifying
11 member. If the qualifying member's beneficiary predeceases the qualifying member, the
12 qualifying member's benefit must be changed, effective the first day of the month following
13 the date of the beneficiary's death, to the actuarial equivalent of the benefit that the
14 qualifying member would have received without optional modification. The reduced
15 retirement benefit must be actuarially calculated to reflect the fact that the benefit may be
16 changed to the larger amount should the beneficiary predecease the member.

17 **Sec. 21. 5 MRSA §17804, sub-§5-F**, as amended by PL 2007, c. 523, §2, is further
18 amended to read:

19 **5-F. Change of beneficiary.** If the recipient of a service retirement benefit has elected
20 an optional method of payment under subsection 3, 4, 5, 5-A, 5-B, 5-C, 5-D or 5-E; and
21 has designated someone other than a spouse or ex-spouse as sole beneficiary, the recipient
22 is permitted a one-time change in the designated beneficiary except as provided in
23 paragraph D, but may not change the already elected payment option or the amount of the
24 benefits under that option, by filing a written designation of the new beneficiary, duly
25 ~~notarized~~ acknowledged, with the chief executive director officer on a form provided or
26 specified by the retirement system. The change of beneficiary permitted by this subsection
27 may only be made prior to the death of the prior designated beneficiary.

28 A. The benefit payable to the recipient and the new beneficiary must be paid under the
29 same payment option. The amount of the recipient's benefit may not change, and the
30 amount of the new beneficiary's benefit must be the same as the amount of the prior
31 beneficiary's benefit.

32 B. The effective date of the designation of the new beneficiary is the date the
33 designation is received by the chief executive director officer. As of the first day of
34 the month following the effective date of the designation of the new beneficiary, the
35 prior beneficiary is no longer entitled to any benefit payment and, if concurrent
36 payment under subsection 5-B has been elected, the new beneficiary's benefit must
37 become effective on the same date.

38 C. The new beneficiary's entitlement to benefits ceases on the earlier of:

39 (1) The date of the new beneficiary's death; ~~or~~ and

40 (2) The date established when the amount of the prior beneficiary's benefit was
41 established, which is the initial commencement date of benefits to the retiree
42 increased by the life expectancy of the prior beneficiary computed in years and
43 months using actuarial equivalence assumptions recommended by the system's
44 actuary.

1 Payment of benefits to the new beneficiary must cease as of the first day of the month
2 following the earlier of ~~subparagraph~~ subparagraphs (1) ~~or~~ and (2).

3 D. A recipient who exercises a one-time option under this subsection may revert back
4 to the original designated beneficiary, who will be treated as the new beneficiary for
5 purposes of paragraphs A to C.

6 **Sec. 22. 5 MRSA §17804, sub-§7, ¶A**, as enacted by PL 1999, c. 744, §9 and
7 affected by §17, is amended to read:

8 A. By written certification of the spouse, duly ~~notarized~~ acknowledged and filed with
9 the chief executive officer, on a form provided or specified by the retirement system,
10 indicating that notice has been received from the qualifying member; or

11 **Sec. 23. 5 MRSA §17804, sub-§7, ¶B**, as enacted by PL 1999, c. 744, §9 and
12 affected by §17, is amended to read:

13 B. When notice has been given but certification by the spouse has not been provided,
14 by written certification of the qualifying member, duly ~~notarized~~ acknowledged and
15 filed with the chief executive officer, on a form provided or specified by the retirement
16 system, indicating that notice has been given to the spouse.

17 **Sec. 24. 5 MRSA §17906, sub-§1**, as amended by PL 2001, c. 443, §1 and affected
18 by §7, is further amended to read:

19 **1. Excess compensation.** If the compensation received from engaging in any gainful
20 occupation by a beneficiary of a disability retirement benefit exceeds \$20,000 in calendar
21 year 2000 or in any subsequent calendar year exceeds that amount as cumulatively
22 increased ~~or decreased~~ by the same percentage adjustments granted under section 17806,
23 ~~subsection 1, paragraphs A and B:~~

24 A. The excess must be deducted from the disability or service retirement benefits
25 during the next calendar year, the deductions to be prorated on a monthly basis in an
26 equitable manner prescribed by the board over the year or part of the year for which
27 the benefits are received; and

28 B. The beneficiary shall reimburse the retirement system for any excess payments not
29 deducted under paragraph A.

30 **Sec. 25. 5 MRSA §17906, sub-§3**, as amended by PL 2007, c. 491, §176, is further
31 amended to read:

32 **3. Restoration to service.** If any recipient of a disability retirement benefit is restored
33 to service and if the total of the recipient's monthly retirement benefit for any year and the
34 recipient's total earnable compensation for that year exceeds ~~his~~ the recipient's average final
35 compensation at retirement, increased ~~or decreased~~ by the same percentage adjustments as
36 have been received under section 17806, the excess ~~shall~~ must be deducted from the
37 disability retirement benefit payments during the next calendar year.

38 A. The deductions ~~shall~~ must be prorated on a monthly basis over the year or part of
39 the year for which benefits are received in an equitable manner prescribed by the board.

40 B. The recipient of the disability retirement benefit shall reimburse the retirement
41 system for any excess payments not deducted under this section.

42 C. If the retirement benefit payments are eliminated by operation of this subsection:

1 (1) The person again becomes a member of the State Employee and Teacher
2 Retirement Program and begins contributing at the current rate; and

3 (2) When the person again retires, the person shall must receive benefits computed
4 on the person's entire creditable service and in accordance with the law in effect at
5 that time.

6 **Sec. 26. 5 MRSA §17930, sub-§2**, as amended by PL 2021, c. 277, §26, is further
7 amended to read:

8 **2. Compensation from employment not covered by this article.** If any person who
9 is the recipient of a disability retirement benefit receives compensation in any year from
10 engaging in any gainful activity or from employment with an employer whose employees
11 are not covered by this article or chapter 425, subchapter ~~5~~, article 3-A, ~~which that~~
12 exceeds the greater of \$20,000 in calendar year 2000 or in any subsequent year that amount
13 as cumulatively increased ~~or decreased~~ by the same percentage adjustments granted under
14 section 17806, ~~subsection 1, paragraphs A and B~~, or the difference between the person's
15 disability retirement benefit for that year and the person's average final compensation at the
16 time that the person became a recipient of a disability retirement benefit, increased ~~or~~
17 ~~decreased~~ by the same percentage adjustments as have been granted by section 17806:

18 A. The excess must be deducted from the disability or service retirement benefits
19 during the next calendar year; the deductions to be prorated on a monthly basis in an
20 equitable manner prescribed by the board over the year or part of the year for which
21 the benefits are received;

22 B. The person shall reimburse the retirement system for any excess payments not
23 deducted under paragraph A. If the retirement benefit payments are eliminated by this
24 subsection, the disability is deemed to no longer exist, the payment of the disability
25 retirement benefit must be discontinued and, except as provided in paragraph C, all of
26 the person's rights to benefits under this article cease;

27 C. If, during the first 5 years of reemployment, the person again becomes disabled,
28 terminates employment and is not covered by any other disability program, the
29 retirement system shall resume paying the disability retirement benefit payable prior to
30 the reemployment with all applicable cost-of-living adjustments and shall provide
31 rehabilitation services in accordance with section 17927. If the benefit payable under
32 the other disability program is not equal to or greater than the benefit under this article,
33 the retirement system shall pay the difference between the amount of the benefit
34 payable under the other disability program and the amount of the benefit payable under
35 this article. The chief executive ~~director~~ officer shall require examinations or tests to
36 determine whether the person is disabled as described in section 17921; and

37 D. At any time before the elimination of disability retirement benefit payments by this
38 subsection, the person may request that benefit payments be terminated, and the chief
39 executive ~~director~~ officer shall terminate benefit payments at the end of the month in
40 which the request is received.

41 **Sec. 27. 5 MRSA §18252, sub-§6**, as amended by PL 2017, c. 392, §3, is repealed.

42 **Sec. 28. 5 MRSA §18252-A, sub-§2, ¶C**, as enacted by PL 1997, c. 709, §4, is
43 amended to read:

1 C. The participating local district employer is responsible for providing procedures by
2 which employees make elections under this section, for maintaining all records relevant
3 to the election process and each employee's elections, for informing the retirement
4 system as to employee elections in accordance with procedures established by the chief
5 executive director officer and for making all administrative decisions, including the
6 final administrative decision, ~~in any dispute related to an employee's elections or~~
7 ~~administrative decision,~~ in any dispute related to over the election process or an
8 employee's elections or to any issue as to the plan provided by the employer under
9 section 18252-B. Neither the retirement system nor the system's board of trustees has
10 responsibility or jurisdiction to make the final administrative decision with respect to
11 any of these matters. The retirement system is responsible ~~only~~ to ensure that its
12 records accurately reflect the information provided by the employer, the employer's
13 decision as to any of these matters; and the legally cognizable outcome of any dispute
14 related to any of these matters.

15 **Sec. 29. 5 MRSA §18252-A, sub-§2, ¶D,** as enacted by PL 1997, c. 709, §4, is
16 amended to read:

17 D. With respect to matters related to participation and membership other than those
18 specified as the responsibility of the employer in paragraph C, the retirement system
19 and the board retain responsibility and authority according to applicable retirement
20 system law and rules as to the participating local districts and their employees to whom
21 this section applies, including the authority to make final administrative decisions on
22 membership eligibility based on employee membership elections as reported by the
23 employer pursuant to this section, the applicable retirement system laws and rules and
24 the requirements of the Internal Revenue Code and United States Treasury regulations
25 applicable to governmental qualified defined benefit plans.

26 **Sec. 30. 5 MRSA §18252-B, sub-§3,** as amended by PL 2007, c. 491, §196, is
27 further amended to read:

28 **3. Employee contribution.** The employee must contribute as a percentage of
29 compensation in each pay period an amount not less than the employee would have been
30 required to contribute as of the employee's date of hire had the employee been a member
31 under the Participating Local District Retirement Program under the so-called "Regular
32 Plan A" of the consolidated plan for participating local districts, consistent with applicable
33 contribution limits of federal law.

34 **Sec. 31. 5 MRSA §18307-A, sub-§1,** as amended by PL 2011, c. 449, §19, is
35 further amended by amending the first blocked paragraph to read:

36 Pursuant to the Code, Section 401(a)(31)(B), the amount of an automatic refund under this
37 subsection for a member who has not reached the later of 62 years of age or normal
38 retirement age may not exceed \$1,000.

39 **Sec. 32. 5 MRSA §18404, sub-§5-A,** as enacted by PL 1999, c. 744, §13 and
40 affected by §17, is amended to read:

41 **5-A. Option 4.** The qualifying member may elect to have a reduced retirement benefit
42 payable to the qualifying member while alive and at the qualifying member's death to have
43 some benefit other than that available under subsection 3 or 4 payable to the beneficiary
44 that the qualifying member has designated, if the beneficiary survives the qualifying

1 member. The total value of the benefit paid to the qualifying member during the qualifying
2 member's life plus the benefit paid after the qualifying member's death is the actuarial
3 equivalent of the benefit that the qualifying member would have received without optional
4 modification. The method used to determine the benefit must be approved by the board,
5 and the beneficiary must be designated by written designation, duly ~~notarized~~
6 acknowledged and filed with the chief executive ~~director~~ officer on a form provided or
7 specified by the retirement system.

8 **Sec. 33. 5 MRSA §18404, sub-§5-B**, as enacted by PL 1999, c. 744, §13 and
9 affected by §17, is amended to read:

10 **5-B. Option 5.** The qualifying member may elect to have a reduced retirement benefit
11 payable in part to the qualifying member and in part to the beneficiary, who must be the
12 sole beneficiary, while both are alive and, at the death of either, to have the higher benefit
13 paid to the survivor for the survivor's life. The total value of the benefit paid to the
14 qualifying member and beneficiary, during the qualifying member's life, plus the benefit to
15 be paid after the death of either is the actuarial equivalent of the benefit that the qualifying
16 member would have received without optional modification. The method used to
17 determine the benefit must be approved by the board, and the beneficiary must be
18 designated by written designation, duly ~~notarized~~ acknowledged and filed with the chief
19 executive ~~director~~ officer on a form provided or specified by the retirement system.

20 **Sec. 34. 5 MRSA §18404, sub-§5-C**, as enacted by PL 1999, c. 744, §13 and
21 affected by §17, is amended to read:

22 **5-C. Option 6.** The qualifying member may elect to have a reduced retirement benefit
23 payable to the qualifying member while alive and, at the qualifying member's death, to
24 have the benefit continued in the same amount for the life of the beneficiary, who must be
25 the sole beneficiary, that the qualifying member has designated by written designation, duly
26 ~~notarized~~ acknowledged and filed with the chief executive ~~director~~ officer on a form
27 provided or specified by the retirement system, if the beneficiary survives the qualifying
28 member. If the qualifying member's beneficiary predeceases the qualifying member, the
29 qualifying member's benefit ~~shall~~ must be changed, effective the first day of the month
30 following the date of the beneficiary's death, to be the actuarial equivalent of the benefit
31 that the qualifying member would have received without optional modification. The
32 reduced retirement benefit must be actuarially calculated to reflect the fact that the benefit
33 may be changed to the larger amount should the beneficiary predecease the member.

34 **Sec. 35. 5 MRSA §18404, sub-§5-D**, as enacted by PL 1999, c. 744, §13 and
35 affected by §17, is amended to read:

36 **5-D. Option 7.** The qualifying member may elect to have a reduced retirement benefit
37 payable to the qualifying member while alive and, at the qualifying member's death, to
38 have the benefit continued at 1/2 that amount for the life of the beneficiary, who must be
39 the sole beneficiary, that the qualifying member has designated by written designation, duly
40 ~~notarized~~ acknowledged and filed with the chief executive ~~director~~ officer on a form
41 provided or specified by the retirement system, if the beneficiary survives the qualifying
42 member. If the qualifying member's beneficiary predeceases the qualifying member, the
43 qualifying member's benefit must be changed, effective the first day of the month following
44 the date of the beneficiary's death, to the actuarial equivalent of the benefit that the
45 qualifying member would have received without optional modification. The reduced

1 retirement benefit must be actuarially calculated to reflect the fact that the benefit may be
2 changed to the larger amount should the beneficiary predecease the member.

3 **Sec. 36. 5 MRSA §18404, sub-§5-F**, as amended by PL 2007, c. 523, §3, is further
4 amended to read:

5 **5-F. Change of beneficiary.** If the recipient of a service retirement benefit has elected
6 an optional method of payment under subsection 3, 4, 5, 5-A, 5-B, 5-C, 5-D or 5-E; and
7 has designated someone other than a spouse or ex-spouse as sole beneficiary, the recipient
8 is permitted a one-time change in the designated beneficiary except as provided in
9 paragraph D, but may not change the already elected payment option or the amount of the
10 benefits under that option, by filing a written designation of the new beneficiary, duly
11 ~~notarized~~, acknowledged with the ~~chief executive director~~ officer on a form provided or
12 specified by the retirement system. The change of beneficiary permitted by this subsection
13 may only be made prior to the death of the prior designated beneficiary.

14 A. The benefit payable to the recipient and the new beneficiary must be paid under the
15 same payment option. The amount of the recipient's benefit may not change, and the
16 amount of the new beneficiary's benefit must be the same as the amount of the prior
17 beneficiary's benefit.

18 B. The effective date of the designation of the new beneficiary is the date the
19 designation is received by the chief executive officer. As of the first day of
20 the month following the effective date of the designation of the new beneficiary, the
21 prior beneficiary is no longer entitled to any benefit payment and, if concurrent
22 payment under subsection 5-B has been elected, the new beneficiary's benefit must
23 become effective on the same date.

24 C. The new beneficiary's entitlement to benefits ceases on the earlier of:

25 (1) The date of the new beneficiary's death; or

26 (2) The date established when the amount of the prior beneficiary's benefit was
27 established, which is the initial commencement date of benefits to the retiree
28 increased by the life expectancy of the prior beneficiary computed in years and
29 months using actuarial equivalence assumptions recommended by the system's
30 actuary.

31 Payment of benefits to the new beneficiary must cease as of the first day of the month
32 following the earlier of ~~subparagraph~~ subparagraphs (1) ~~or~~ and (2).

33 D. A recipient who exercises a one-time option under this subsection may revert back
34 to the original designated beneficiary, who will be treated as the new beneficiary for
35 purposes of paragraphs A to C.

36 **Sec. 37. 5 MRSA §18404, sub-§7, ¶A**, as enacted by PL 1999, c. 744, §14 and
37 affected by §17, is amended to read:

38 A. By written certification of the spouse, duly ~~notarized~~ acknowledged and filed with
39 the chief executive officer, on a form provided or specified by the retirement system,
40 indicating that notice has been received from the qualifying member; or

41 **Sec. 38. 5 MRSA §18404, sub-§7, ¶B**, as enacted by PL 1999, c. 744, §14 and
42 affected by §17, is amended to read:

1 B. When notice has been given but certification by the spouse has not been provided,
2 by written certification of the qualifying member, duly ~~notarized~~ acknowledged and
3 filed with the chief executive officer, on a form provided or specified by the retirement
4 system, indicating that notice has been given to the spouse.

5 **Sec. 39. 5 MRSA §18802-A, sub-§7** is enacted to read:

6 **7. Remote meeting policy.** The remote meeting policy in Title 1, section 403-B,
7 subsection 2 may be adopted by the chief executive officer on behalf of the advisory
8 committee.

9 **Sec. 40. Maine Revised Statutes amended; revision clause.** Wherever in the
10 Maine Revised Statutes the words "Executive Director of the Maine Public Employees
11 Retirement System" appear or reference is made to that position or those words, those
12 words are amended to read or mean, as appropriate, "Chief Executive Officer of the Maine
13 Public Employees Retirement System" and the Revisor of Statutes shall implement this
14 revision when updating, publishing or republishing the statutes. Wherever in the Maine
15 Revised Statutes, Title 5, Part 20, the words "executive director" appear or reference is
16 made to that position within the Maine Public Employees Retirement System, those words
17 are amended to read or mean, as appropriate, "chief executive officer," and the Revisor of
18 Statutes shall implement this revision when updating, publishing or republishing the
19 statutes.

20 SUMMARY

21 This bill makes the following changes to the laws governing the Maine Public
22 Employees Retirement System:

23 1. It removes the provision that provides that the service retirement benefit of a judge
24 ceases upon the return to service as a judge and that a judge returned to service continues
25 to earn credit toward retirement;

26 2. It corrects a cross-reference in the law that governs ordinary death benefits for
27 members in the Judicial Retirement Program;

28 3. It clarifies the definition of "qualifying member" for the Judicial Retirement
29 Program to include retirees who receive a disability retirement benefit and change to
30 service retirement;

31 4. It clarifies that actuarial equivalent calculations are based on the discount rate
32 assumption adopted by the Board of Trustees of the Maine Public Employees Retirement
33 System;

34 5. It changes references to "school management and leadership center" to "education
35 service center" in accordance with changes made in Public Law 2019, chapter 219;

36 6. It clarifies jurisdiction over administrative decisions on membership;

37 7. It specifies the types of retirement plans that the board of trustees may establish and
38 offer;

39 8. It makes changes to language regarding disability retirement-related information
40 that is reported by the system annually to the Legislature;

41 9. It aligns the provisions for automatic refunds on inactive accounts with federal law;

1 10. It deletes a cross-reference to inapplicable federal law in the military service credit
2 purchase provision;

3 11. It removes the ability for certain retired participating local district members who
4 are restored to service to reenter the plan in order to bring the provisions into compliance
5 with federal law;

6 12. It clarifies the required minimum contribution rate that participating local district
7 employees must contribute to a defined contribution or deferred compensation plan in order
8 for it to be considered a qualified replacement plan;

9 13. It permits the Chief Executive Officer of the Maine Public Employees Retirement
10 System to adopt a remote meeting policy for the Participating Local District Advisory
11 Committee;

12 14. It incorporates a change in title from Executive Director of the Maine Public
13 Employees Retirement System to Chief Executive Officer of the Maine Public Employees
14 Retirement System and directs the Revisor of Statutes to incorporate this change
15 throughout the statutes; and

16 15. It removes obsolete, unclear or inconsistent language.

DATE: February 2, 2022

TO: Senator Matthea Daughtry, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Kathy J. Morin, Manager, Actuarial and Legislative Affairs

SUBJECT: Testimony on L.D. 1922 – An Act to Amend Certain Laws Pertaining to the Maine Public Employees Retirement System

Senator Daughtry, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing, my name is Kathy Morin, and I am the Manager of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System. I am here to testify in support of L.D. 1922, An Act to Amend Certain Laws Pertaining to the Maine Public Employees Retirement System. I would first like to thank Representative Sylvester for sponsoring this bill on behalf of the System.

The primary purpose of L.D. 1922 is to clarify, update, and make minor improvements to the statutes governing MainePERS; some of the proposed changes are more technical in nature, while others are more substantive. The technical changes include correcting cross-references and removing or correcting obsolete, unclear or inconsistent statutory language. The more substantive changes include minor changes to several parts of statute, and I will speak directly to those changes.

Sections 8, 9, 28 and 29 of the bill propose to clarify that the retirement system and the board have jurisdiction over administrative decisions regarding membership eligibility based on employee membership elections as reported by the employer. This clarification is necessary to ensure that membership decisions comply with federal laws and regulations that apply to governmental qualified defined benefit plans.

Section 10 incorporates a recent change in title from executive director to chief executive officer, and Section 40 requires that all relevant statutes incorporate that change.

Sections 11 and 12 update the information about disability retirement applications the System is required to include in its annual report to the Legislature. The existing provisions refer to a process that was changed through rulemaking in 2010. The proposed change corresponds to the current process.

Section 13 clarifies the types of retirement plans that the Board of Trustees may establish and offer. In addition to the defined benefit plans that it administers, MainePERS provides 401(a), 457, and 403(b) plans through its MaineStart Program. Currently, those plans are available only to employees of participating local districts that elect to participate in those plans. The proposed change would permit other MainePERS-covered employers to also allow their employees to participate in defined contribution, deferred compensation and tax-shelter annuity plans offered by MainePERS.

Sections 15 and 31 align the level of automatic refunds that the System can issue to certain terminated non-vested members with federal law.

Section 27 removes the option to reenter the plan for retired participating local district employees who return to work. This change is necessary to align the plan with federal law.

Section 39 permits the chief executive officer to adopt a remote meeting policy on behalf of the Participating Local District Advisory Committee. Under Public law 2021, chapter 290, remote meetings can be held only after the adoption of a remote meeting policy. The proposed language would permit the Advisory Committee to meet using remote methods without first having to have an in-person meeting to adopt a policy.

As previously indicated, other sections of the proposed bill not specifically mentioned in this testimony make non-substantive changes to retirement laws.

Thank you for your consideration of this testimony. I would be happy to answer your questions and will be available at your work session.

January 24, 2022

Honorable Troy D. Jackson
President of the Senate
3 State House Station
Augusta, Maine 04333

Honorable Ryan Fecteau
Speaker of the House
2 State House Station
Augusta, Maine 04333

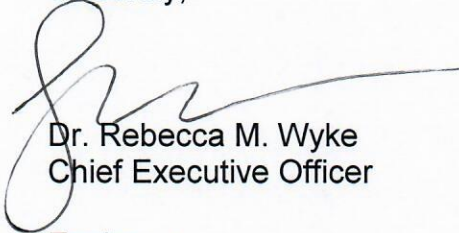
Dear President Jackson and Speaker Fecteau:

Pursuant to 5 M.R.S.A., Section 12023, please consider this the letter of transmittal for the required report from the Maine Public Employees Retirement System due by February 1, 2022.

Please contact me if you have any questions or need additional information.

Thank you.

Sincerely,



Dr. Rebecca M. Wyke
Chief Executive Officer

Enclosure

**Report of MainePERS Pursuant to 5 M.R.S. § 12023
for the period from July 1, 2020 to June 30, 2021**

A. Procurements

The Maine Public Employees Retirement System ("MainePERS") made the following procurements in excess of \$10,000 during the period from July 1, 2020 to June 30, 2021 under a waiver from MainePERS' competitive procurement policy or under a contract that predated the policy:

<u>Vendor</u>	<u>Total Paid</u>	<u>Type</u>	<u>Category</u>
1. Cheiron, Inc.	\$ 446,534	Actuary	Pre-Existing
2. Chapman & Cutler, LLP	\$ 326,478	Investment Counsel	Pre-Existing
3. Morgan, Lewis & Bockius, LLP	\$ 245,918	Investment Counsel	Pre-Existing
4. Aetna life Insurance Co.	\$ 169,364	Group Life Insurance	Pre-Existing
5. Tyler Technologies, Inc.	\$ 142,013	IT Security	Pre-Existing
6. Ice Miller LLP	\$ 76,992	Pension Counsel	Pre-Existing
7. Iron Mountain	\$ 36,224	IT Data Back-Up	Pre-Existing
8. Hartford Life & Accident Insurance Company	\$ 988,536	Group Life Insurance	Waiver
9. Vitech Systems Group, Inc.	\$ 445,578	IT - Services	Waiver
10. Mythics, Inc.	\$ 151,651	IT - Software	Waiver
11. Korn Ferry Hay Group, Inc.	\$ 72,127	HR Services	Waiver
12. LogMeIn Communications, Inc.	\$ 53,841	IT - Services	Waiver
13. Absolute Capture, LLC	\$ 36,782	IT - Services	Waiver
14. Oracle America, Inc.	\$ 27,595	IT - Software	Waiver
15. ADP, Inc.	\$ 16,234	Payroll Processing	Waiver
16. Adobe Systems, Inc.	\$ 14,297	IT - Software	Waiver
17. Upper Valley Consulting	\$ 12,960	IT - Services	Waiver
18. Peak Knowledge	\$ 10,328	IT - Services	Waiver

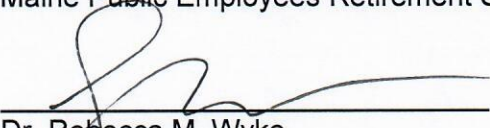
B. Contributions

MainePERS made no contributions during the period from July 1, 2020 to June 30, 2021.

C. Changes to Policies or Procedures

MainePERS has adopted policies and procedures in compliance with 5 M.R.S. § 12022. During the period covered by this report, the MainePERS Board amended its policy on budgeting, spending, and reporting to conform language on budgeting for capital project costs to actual practice. MainePERS also amended and restated its procurement policy for clarity and to expand its scope. A copy of each policy as amended is attached. There were no other substantive changes during the period to the policies or procedures required by 5 M.R.S. § 12022 or to the procedures used by the MainePERS Board of Trustees to monitor compliance.

Maine Public Employees Retirement System



 Dr. Rebecca M. Wyke
 Chief Executive Officer
 Dated: January 24, 2022

Governance Manual

MainePERS Board of Trustees

Executive Director Responsibilities

5.4 – Budgeting, Spending, and Reporting

Date Adopted: October 11, 2012

Date Amended: December 13, 2012, March 13, 2015; October 12, 2017; November 12, 2020

Policy

The Board of Trustees shall safeguard System assets and maintain quality services by overseeing System budgeting, spending, and financial reporting in support of the System's mission.

Statutory/Legal Provisions

- [5 M.R.S. § 12021](#), *et seq.* (*L.D. 1843*-"An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability and the Government Oversight Committee Regarding Quasi-independent State Entities").
- [41 C.F.R. Chapters 300-304](#).
- [26 U.S.C. § 401\(a\)\(1\)](#) ["Exclusive benefit rule"].
- [5 M.R.S. §§ 17102, 17103](#), 17105.

Budgeting

The System's annual budget and interim budget modifications shall support the Board's mission and System goals.

Accordingly, the Executive Director shall develop financial planning/budgeting for Board approval which:

- Ensures Board compliance with its statutory and fiduciary duties;
- Limits costs to those reasonable and necessary for accomplishing the Board's mission and the System's outcomes;
- Complies with all Board policy and statutory requirements;
- Substantiates compliance with all Board, administrative and statutory requirements;
- Substantiates all costs by department and line item; and
- Includes capital project costs.

Spending

The Executive Director shall not cause or allow the material deviation of actual expenditures as established by the budget without prior notification to the Chair of the Finance and Audit Committee. The Executive Director shall manage spending by limiting costs to those reasonable and necessary for accomplishing the Board's mission and System goals.

Accordingly, the Executive Director shall manage spending to:

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MainePERS Board of Trustees

- Implement Board adopted actuarial, investment, and interest assumptions;
- Accurately calculate and timely pay all benefits due members in accordance with law;
- Maintain internal equity between staff salaries at market level, not above or below;
- Accurately and timely collect receivables in accordance with administrative policy that allows for reasonable grace periods within regulatory and statutory rules;
- Keep stakeholders informed on matters of interest;
- Maintain transparent and open financial records except where prohibited or protected by statute or regulation;
- Settle payroll and debts in a timely manner;
- Accurately file and pay all tax or other government-authority ordered payments in a timely manner;
- Select, engage, and timely pay vendors in accordance with administrative policy that:
 - Establishes competitive procurement as the standard procurement method except where it creates unnecessary cost or might jeopardize compliance with fiduciary duties or is in conflict with other regulatory or statutory requirements;
 - Specifies conditions under which competitive procurement may be waived;
 - Maintain justification and documentation on all procurements in excess of \$10,000 that were not competitively procured for five years, including Board resolutions exempting certain types of procurement that might jeopardize compliance with the System's fiduciary duties;
- Plan, approve and conduct travel or sponsor business meals in accordance with administrative policy so that:
 - Travel expenses are pre-approved and in accordance with the standards in the Government Services Administration's (GSA) Federal Travel Regulations (FTR) (41 C.F.R. Chapters 300-304). Accordingly, travel shall be limited both in scope and in personnel to what is reasonable and necessary to further the Board's mission and the System's outcomes;
 - Travel expenses are pre-paid by the System wherever possible and incidental expenses are reimbursed based on expense reports;
 - Business meals are sponsored only when necessary for conducting Board or System business; and
- Prohibit expenses not related to the Board's mission and business, including contributions and lobbying;
 - The System may belong to and pay dues to professional organizations that primarily provide access to industry information and similar professionals in other states when there are no readily accessible or local peer groups. Incidental or informational lobbying conducted by a professional organization to which the System pays membership dues will not be considered to fall within the restriction contained in 5 M.R.S. § 12022(6).

Reporting

The Executive Director shall cause regular financial reporting to be prepared for and reviewed by the Finance and Audit Committee whose policy determines content and reporting schedules to the Board.

Accordingly, the Executive Director shall develop a reporting system for the Board which:

- Presents quarterly financial reports to the Finance and Audit Committee. These reports shall include:

Governance Manual

MainePERS Board of Trustees

- Actual financial performance against budget, with reasons for and substantiation of variations from budget;
- Any recommended budget adjustments to accommodate unanticipated requirements or unexpected changes in costs;
- Compliance with statutory requirements for which the Board is responsible, including;
 - Annual Report to the Legislature due February 1 each year documenting compliance with 5 M.R.S. § 12023
 - Annual Report to the Legislature due March 1 each year documenting annual operations in compliance with [5 M.R.S. § 17103\(11\)](#)

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Administrative Governance

3.1 – Procurement

Summary of Policy

The Maine Public Employees Retirement System (“System” or “MainePERS”) shall ensure that goods, services, materials, and property are procured prudently and in accordance with applicable laws and MainePERS Board of Trustees policies. Competitive procurement is established as the System’s standard procurement method. Documented waivers from this standard are permitted in certain circumstances. This Policy identifies those circumstances and outlines the procurement processes to be followed.

Statutory/Legal Provisions

- 5 M.R.S. §§12021, 12022, 12023
- 5 M.R.S. §17103(7)
- MainePERS Governance Manual, Board Policy 4.2, 5.3, 5.4

Departmental Responsibility

All procurement shall conform to the established budget, stated mission of pension administration, and applicable laws and regulations. The System shall make every reasonable effort to obtain all supplies, equipment and services at the lowest cost that meets required quality, including track record and industry knowledge where applicable, from the resources available at the time of procurement. Each department within the System shall exercise sound judgment and prudent business practices when procuring items, supplies, and services in accordance with the fiscal year’s budget. Responsibilities include participating in shared procurement with other departments for routine or recurring supplies and services whenever feasible and reviewing invoices to ensure cost control and alignment.

Competitive Procurement

Competitive procurement must be used to obtain goods, services, materials, or property unless an exception to this standard applies. Competitive procurement requires one of the following:

- A request for proposals (RFP) to be published on the MainePERS website and in the Kennebec Journal for at least three consecutive days ending at least 10 days before the bid deadline;
- An RFP to be sent to at least three qualified bidders a reasonable amount of time prior to the bid deadline; or
- Procurement under the same material terms obtained by the State of Maine from a vendor through a competitive process or by joining a multi-state contract.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Cost is always one of the selection criteria in competitive procurement and is ordinarily assigned a weight of at least 25%.

Exceptions to Competitive Procurement

Competitive procurement may be waived in the following situations:

- The total cost to MainePERS does not exceed \$10,000 in a fiscal year;
- Procurement is only available from one vendor;
- Procurement is available only on a single set of material terms regardless of the vendor because of reseller or similar restrictions;
- Using a different vendor from the vendor in a prior procurement would cause compatibility issues, significant delay, or unnecessary expense;
- There is insufficient time to perform competitive procurement of essential goods, services, materials, or property because of an emergency or other circumstances beyond the control of MainePERS;
- Competitive procurement would result in a violation of law or breach of fiduciary duty;
- The System is purchasing or leasing real property based on a market analysis including at least three available, suitable properties; or
- The System is hiring an investment manager after receiving approval of the Board of Trustees based on an investment staff recommendation that included an evaluation of the manager's performance and fees relative to peers.

Waivers to competitive procurement must be documented, including the justification for the waiver. This documentation must be maintained for at least five years after the waiver was granted. Procurement that does not exceed \$10,000 in a fiscal year is exempt from the documentation requirements.

Procurement Approval

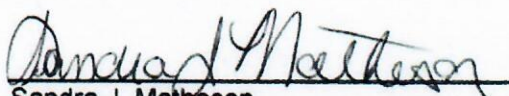
All RFPs, waivers to competitive procurement (except for investment managers approved by the Board of Trustees), and contracts must be reviewed by the General Counsel or Compliance Officer for compliance with legal and policy requirements and by the Director of Finance or Accounting Manager for budgetary compliance and approved in writing by a member of Senior Management. If the amount to be expended exceeds \$25,000, the approving authority is the Executive Director.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ownership

This Administrative Policy is owned by the General Counsel.

Adopted May 19, 2014; Amended and Restated July 20, 2020.

A handwritten signature in black ink, appearing to read "Sandra J. Matheson", written over a horizontal line.

Sandra J. Matheson
Executive Director