

# Board Responsibilities – Investment Policy for DC Plans

## 2.1-C – DC Plans Investment Policy Statement

Date Adopted: January 9, 2020

Date Amended: December 9, 2021

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### Policy

The Board of Trustees has fiduciary duties to the participants in the MaineSTART deferred compensation and defined contribution plans (“DC plans” or “MaineSTART”). The objective of the DC plans is to provide participants with the ability to supplement retirement savings based on each participant’s unique circumstances, risk tolerance, and return goals. This is accomplished by providing a range of investment options to participants at reasonable costs. The Board carries out its fiduciary duties by approving investment options, default investment alternatives, and service providers and by monitoring of the program. Implementing the Board’s decisions and administration of the DC plans is delegated to staff, assisted by service providers.

### Statutory/Legal Provisions

- [Me. Const. art. IX, § 18](#)
- [5 M.R.S. §§ 17103\(12\), 18801\(1\)\(E\)](#)
- [MainePERS Rule Chapter 803](#)
- [26 U.S.C. §§ 401\(a\), 403\(b\), 457](#)

### Background

Participants in the DC plans direct the investment of assets in their accounts by selecting from the investment options as they deem appropriate to meet their own retirement savings objectives. Participants may exchange and transfer amounts in their accounts among the various investment options subject to any restrictions applicable to the particular funds involved. Participants alone bear the risk of investment results from the investment options and asset allocations that they choose.

### Criteria for Selecting Investment Managers

The Board considers qualitative and quantitative factors when selecting MaineSTART investment managers. Qualitative factors include a fund manager’s investment philosophy, organizational structure, and financial condition. Quantitative factors include adherence to fund objectives, manager tenure, performance, and expenses. The number of managers is limited to avoid overwhelming participants with choices.

### Criteria for Selecting Investment Options

Because participants have different investment objectives, time horizons and risk tolerances, MainePERS provides a range of investment options in which participants may direct the investment of their accounts. As with the number of managers, the number of options is limited to make participant decision-making easier and avoid duplication. Options should include all major asset classes (e.g., equities, fixed income, cash) and may include asset allocation funds.

MaineSTART investment options provide choices across a broad risk/return spectrum to allow each participant to construct an investment portfolio to achieve their own investment goals. Options are relatively low-cost and easily understandable. Options that require little participant management, such as target date funds, are included. Each option is diversified within its area of focus and has a performance track record comparable to funds with similar objectives.

Generally, funds allow daily liquidity and valuation, and transfers among funds may occur daily. However, liquidity and transfers are subject to any restrictions outlined in each fund's prospectus and the plan document for the particular DC plan.

Option approval should include consideration of fees and expenses, size, age, past performance, risk, turnover rate, and volatility.

### Default Investment Alternative

The Board establishes a default investment alternative for situations where a participant fails to select an option. Although the DC plans are not subject to ERISA, the ERISA Qualified Default Investment Alternative criteria are used as guidance in selecting a default investment alternative.

### Monitoring of Investments

The Board monitors existing investment managers and options and makes any appropriate changes based on recommendations from staff and Board consultants. Information for monitoring is provided to the Board by staff on at least a quarterly basis or more frequently as needed. Board monitoring will include a comparison of each investment option against a suitable benchmark based on the fund's objectives, composition, performance or other factors. Board monitoring also encompasses fees and expenses, including the availability of any breakpoints to reduce fees, and regulatory compliance.

### Terminating an Investment Option

The Board will terminate and replace an investment option that performs poorly against its benchmark over time, has excessive fees and expenses as compared to suitable alternatives, experiences regulatory compliance problems, or otherwise is no longer appropriate for the DC plans.

## **Governance Manual**

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### **Current Investment Managers, Options, and Benchmarks**

The current investment manager is Vanguard. Current investment options and benchmarks are set forth in Appendix 1.

The current default investment alternative for each participant is the target retirement fund with a target year closest to the participant's 65th birthday.

## Governance Manual

MainePERS Board of Trustees

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#### Appendix 1: Fund Options and Benchmarks

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<b>Fund</b>	<b>Benchmark</b>
<b>Target Retirement</b>	
Vanguard Target Retirement 2015	Target Retirement 2015 Composite Index
Vanguard Target Retirement 2025	Target Retirement 2025 Composite Index
Vanguard Target Retirement 2035	Target Retirement 2035 Composite Index
Vanguard Target Retirement 2045	Target Retirement 2045 Composite Index
Vanguard Target Retirement 2055	Target Retirement 2055 Composite Index
Vanguard Target Retirement 2065	Target Retirement 2065 Composite Index
Vanguard Target Retirement Income	Target Retirement Income Composite Index
<b>US Equity</b>	
Vanguard Total Stock Market Index	CRSP US Total Market Index
Vanguard FTSE Social Index	FTSE4Good US Select Index
<b>Non-US Equity</b>	
Vanguard Total International Stock Index	FTSE Global All Cap ex US Index
<b>Balanced</b>	
Vanguard STAR	STAR Composite Index
<b>Fixed Income</b>	
Vanguard Total Bond Market Index	Bloomberg US Aggregate Bond Index
<b>Cash</b>	
Vanguard Cash Reserves Federal Money Market	US Government Money Market Funds Average Index