MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

# Board of Trustees

## Public Meeting Packet

April 13, 2023

**MainePERS Board of Trustees Meeting**
**April 13, 2023**
**139 Capitol Street, Augusta**

## AGENDA

| | | | | |
|---|---|---|---|---|
| 9:00 a.m.[1] | | CALL TO ORDER | | Brian Noyes |
| 9:00 – 9:05 a.m. | 1. | CONSIDERATION OF CONSENT CALENDAR<br>• Minutes of March 9, 2023 Meeting<br>• Decision, T.E. Appeal<br>• Consideration of Items Removed | ACTION | Brian Noyes |
| 9:05 – 9:25 a.m. | 2. | CEO REPORT<br>• Succession Planning | | Dr. Rebecca M. Wyke<br>Michael Colleran |
| 9:25 – 9:35 a.m. | 3. | PRIVATE MARKET UPDATE<br>• Executive Session pursuant to 1 M.R.S. §405(6)(F); 5 M.R.S. §17057(4)<br>• Private Market Update | ACTION | Brian Noyes<br><br>James Bennett<br>Zackery McGuire |
| 9:35 – 9:55 a.m. | 4. | PRIVATE MARKET REVIEW<br>• Private Markets Activity<br>• Co-Investment Additional Reporting<br>• Private Markets Leverage Environment | | James Bennett<br>Zackery McGuire |
| 9:55 – 10:40 a.m. | 5. | INVESTMENT EDUCATION<br>• Infrastructure Asset Class Overview | | James Bennett<br>Zackery McGuire<br>Jennifer Yeung,<br>William Greenwood,<br>Mark White, Albourne |
| 10:40 – 10:55 a.m. | | *BREAK* | | |
| 10:55 – 11:15 a.m. | 6. | INVESTMENT REVIEW<br>• Investment Monthly Review<br>• Liquidity Portfolio Review | | James Bennett,<br>Zackery McGuire |
| 11:15 – 12:00 p.m. | 7. | FIDUCIARY EDUCATION | | Amy McDuffee,<br>Mosaic Governance Advisors |
| 12:00 – 12:15 p.m. | 8. | EMPLOYEE RELATIONS<br>• Executive Session pursuant to 1 M.R.S. §405(6)(D) | ACTION | Dr. Rebecca M. Wyke<br>Brian Noyes |
| 12:15 – 12:25 p.m. | 9. | ADMINISTRATIVE REPORT | | Michael Colleran<br>Chip Gavin<br>Sherry Vandrell |

[1] All times are estimated based upon the anticipated length of each presentation, hearing, discussion, and action. The presiding officer may take agenda items out of order for more efficient or effective conduct of the meeting.

| | | | |
|---|---|---|---|
| 12:25 – 12:30 p.m. | 10. | LEGISLATIVE UPDATE | Kathy Morin |
| 12:30 – 12:35 p.m. | 11. | LITIGATION SUMMARY<br>• Executive Session pursuant to 1 M.R.S. §405(6)(E) | Betsy Stivers |
| 12:35 p.m. | | ADJOURNMENT | Brian Noyes |

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Minutes

| | |
|---|---|
| Board of Trustees | MainePERS |
| Board Meeting | Augusta |
| March 9, 2023 | 9:00 a.m. |

*The Board of Trustees met at MainePERS, 139 Capitol Street, Augusta, ME 04332 at 9:00 a.m. on March 9, 2023. 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 Wyke, Chief Executive Officer; Michael Colleran, Chief Operating Officer and General Counsel; Chip Gavin, Chief Services Officer; 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; Kathy Morin, Director of Actuarial and Legislative Affairs; Brian McDonnell, Cambridge Associates; Tom Lynch and George Bumeder, Cliffwater; Jennifer Yeung, William Greenwood, Albourne; Shelley O'Brian, Retirement Services Manager; Lynn Hancock, Retirement Services Operations Leader; and Deanna Doyle, PLD Plan Administrator.*

Brian Noyes called the meeting to order at 9:00 a.m. Henry Beck, John Beliveau and Dick Metivier participated through video remote access pursuant to 1 M.R.S. § 403-B, having been excused from in-person attendance by the Board Chair due to illness or temporary absence from the State of Maine. All other Trustees were physically present.

## <u>CONSIDERATION OF THE CONSENT CALENDAR</u>

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

- Minutes of February 9, 2023

- <u>Action</u>. Shirrin Blaisdell made the motion, seconded by Ken Williams, to approve the Consent Calendar. Voted unanimously by six Trustees (Blaisdell, Brunton, Kimball, Metivier, Noyes, and Williams).

Jim Bennett welcomed and introduced Jennifer Yeung and William Greenwood of Albourne to the Trustees.

Brian Noyes shared the passing of Peter Leslie and noted what a gifted individual he was and the great leadership he provided to the Board and the System over the years.

*John Beliveau joined the meeting at 9:05 a.m. Henry Beck joined at 9:10 a.m.*

## CEO REPORT

### Employee Survey Results

Dr. Rebecca Wyke shared the highlights of the employee survey results and answered questions from the Trustees.

### Service Retirement

Chip Gavin, Shelley O'Brian, Lynn Hancock, and Deanna Doyle provided an overview of each of the service retirement programs and highlighted several initiatives that are underway, including a member self-service portal, enhanced account statements, an on-line benefit estimator, and pro-active messaging to those waiting for services. Chip, Shelley, Lynn, and Deanna answered questions from the Trustees.

### Backlogs

Dr. Rebecca Wyke provided the Trustees with background information on backlogs and the efforts being taken to address them, including temporarily closing to the public on Fridays to allow focused effort on reducing backlogs. She answered questions from the Trustees.

## PRIVATE MARKETS REVIEW

### Private Markets Activity

Jim Bennett reviewed the table of private market funds and co-investments that had closed during the past 12 months. Jim shared there are no manager meetings scheduled for March.

### Infrastructure, Natural Resources, and Real Estate Quarterly Review

Jennifer Yeung and Will Greenwood of Albourne provided the Trustees with a review of capital budgeting and pacing, market commentary, and a review of performance for the real estate, infrastructure, and natural resources portfolios, for the period ending September 30, 2022. Jennifer and Will answered questions from the Trustees.

## INVESTMENT REVIEW

### Investment Monthly Review

Jim Bennett reported that as of February 28th, the MainePERS fund had a preliminary market value of $18.3 billion, the preliminary return for the month was -1.0%, and the preliminary calendar year-to-date return was 1.3%.

## INVESTMENT EDUCATION

Zack McGuire led a presentation with the Trustees that provided an overview of the role of private asset classes in the Fund. Also included was an in-depth review of the investment process used to invest in private markets funds and co-investments. Jim and Zack answered questions from the Trustees.

## MAINESTART

Michael Colleran provided the MaineSTART Quarterly Review for the quarter ending December 31, 2022. He reviewed the types of plans, the number of participants, and market value by plan. Michael stated the process of removing the Vanguard STAR fund as an available fund for new contributions has begun. Michael answered questions from the Trustees.

## OPERATIONS AND MEMBER SERVICES REPORT

Chip Gavin shared that the PLD COLA was included with the February 2023 payroll Chip reviewed the online benefit estimator with the Trustees. He stated activity will be monitored and updates provided to the Board. Chip answered questions from the Trustees.

In response to a request from Brian Noyes, Chip agreed that a chart showing backlog progress would be added to the Board packet after implementation of the "Focus Fridays."

Michael Colleran shared that the Employer Reporting Unit continues to work on the account reconciliation backlogs. They moved from 138 to 401 fully-reconciled accounts.

Michael provided an update on recruitment. Three Pension Associate I positions have been filled as well as two IT staff positions. He shared the new Associate General Counsel, Nanette Arbry, will be introduced to the Trustees at the April meeting.

Michael stated the IT staff is helping to finalize the audit being conducted by the firm CBIZ Risk & Advisory Services.

## LEGISLATIVE UPDATE

Kathy Morin provided an update on the status of legislative bills. Kathy shared a bill that would eliminate the COLA base for retirees from State-sponsored plans has been scheduled for a work session. Kathy stated the 1% COLA adjustment for eligible retirees from the State-sponsored plans included in the supplemental budget was enacted. Public hearings continue on the proposed biennial budget, which included required funding for retired teacher group life insurance and the pay-as-you-go Governor's Retirement Plan.

## LITIGATION UPDATE

Betsy Stivers stated there are no new updates on litigation to report.

## GOVERNANCE

### Trustee Charter

Dr. Rebecca M. Wyke stated the Charter sets out the Board's principles, duties, and oversight responsibilities for the governance of MainePERS and its programs.

- Action: Mark Brunton made the motion, seconded by Ken Williams, that the Board approve the proposed MainePERS Board of Trustees Charter. Voted unanimously by seven Trustees (Beck, Beliveau, Blaisdell, Brunton, Metivier, Noyes, and Williams) and one abstention (Kimball).

**PERSONNEL DISCUSSION**

- Action. Shirrin Blaisdell made the motion, seconded by Mark Brunton, to enter into executive session pursuant to 1 M.R.S. §405(6)(A) to discuss a personnel matter. Voted unanimously by eight Trustees (Beck, Beliveau, Blaisdell, Brunton, Kimball, Metivier, Noyes, and Williams).

*The Board moved out of executive session.*

**ADJOURNMENT**

- Action. Mark Brunton made a motion, seconded by Dick Metivier, to adjourn the March Board of Trustees meeting. Voted unanimously by eight Trustees (Beck, Beliveau, Blaisdell, Brunton, Kimball, Metivier, Noyes, and Williams).

The meeting adjourned at approximately 1:00 p.m.

4/13/23
Date Approved by the Board

Dr. Rebecca M. Wyke, Chief Executive Officer

Date Signed

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PUBLIC EMPLOYEES RETIREMENT SYSTEM

# MEMORANDUM

**Date**: April 5, 2023

**To**: Board of Trustees

**From**: Dr. Rebecca M. Wyke, CEO

**Re**: CEO Report

**Congratulations**

Effective March 20th, Sherry Vandrell was promoted to Chief Financial Officer. In reviewing her role at MainePERS it became clear that her qualifications, scope of work, and importance to the organization justify this change. Together with the other members of the executive team, Sherry has been asked to assume a strategic and forward-looking approach to the work at MainePERS, and to promote collaboration across the organization as we all work to implement the Strategic Plan. I hope you will join me in congratulating her.

**Fiscal Year 2024 Budget**

We will present a draft of the proposed FY2024 Administration and Investment Operations Budgets to the Finance and Audit Committee at their meeting on April 13th for their review and comment.

The draft FY2024 consolidated budget for Administration and Investments is $25.5 million, an increase of $1.4 million over FY23, a difference of 5.6%. However, the draft budget does not yet include the cost of the bargaining unit staff compensation study and the third year wage reopener included in the current bargaining contract.

In addition to addressing the ongoing operational needs of MainePERS, the draft consolidated budget was developed to address the priorities reflected in the goals of the 5-Year Strategic Plan.

I. Preservation of the Trust fund
II. Stability of the Contribution Rates
III. Security and Integrity of our Information Systems
IV. Cultivation of a Member-centric Organization
V. Development of Stakeholder Relations
VI. Foster an Engaged Workforce that Advances the Organization's Mission

In particular, the draft budget supports *Goal I* through increased funding for audit, legal, investment and custodial services to ensure the integrity of the Trust Fund. *Goal II* is supported by increased actuarial services to inform a group life insurance premium study. *Goals III*, *IV*, and *V* are supported through new spending to initiate the line-of-business software replacement project. *Goal IV* is also supported through new spending to roll out and support the member portal. *Goal IV* and *Goal V* are further supported through a net increase of 7 new positions and funding for overtime/project positions to improve work processing time and respond to member and employer needs. Goal *VI* is supported through funding to continue confidential staff performance/market adjustments and bargaining unit staff position reclassifications that occurred in FY2023, as well as performance and step increases in FY2024. Additionally, *Goal VI* is supported by funding for employee recognition and staff development, as well as to support the cultural transformation to align with the organizational values.

The proposed budgets will be brought to the full Board at the May meeting.

**Fiduciary Duty Education**

Amy McDuffy, of Mosaic Governance Advisors, will be with us to conduct annual fiduciary duty education. The educational session includes a nuanced discussion of the fiduciary duties of Trustees for public pension plans informed by two case studies to be reviewed in advance of the meeting.

**TO:** BOARD MEMBERS

**FROM:** MICHAEL COLLERAN, CHIEF OPERATING OFFICER & GENERAL COUNSEL

**SUBJECT:** SUCCESSION PLANNING

**DATE:** APRIL 5, 2023

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The April Board meeting will include a presentation on the System's Succession Planning efforts. A copy of the presentation follows this memo.

**POLICY REFERENCE**

Board Policy 4.5 – Board/Staff Relations

Board Policy 4.6 – Communication and Support to the Board

**RECOMMENDATION**

*No Board action is required.*

MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

# Succession Planning

April 13, 2023

# Succession Planning

## MainePERS 5-Year Strategic Plan

Goal: Foster an Engaged Workforce that Advances the Organization's Mission

Strategic Objective: Develop and Maintain a Succession Plan

# MainePERS Work Force

- 105 Permanent Employees

- 68 Discrete Positions

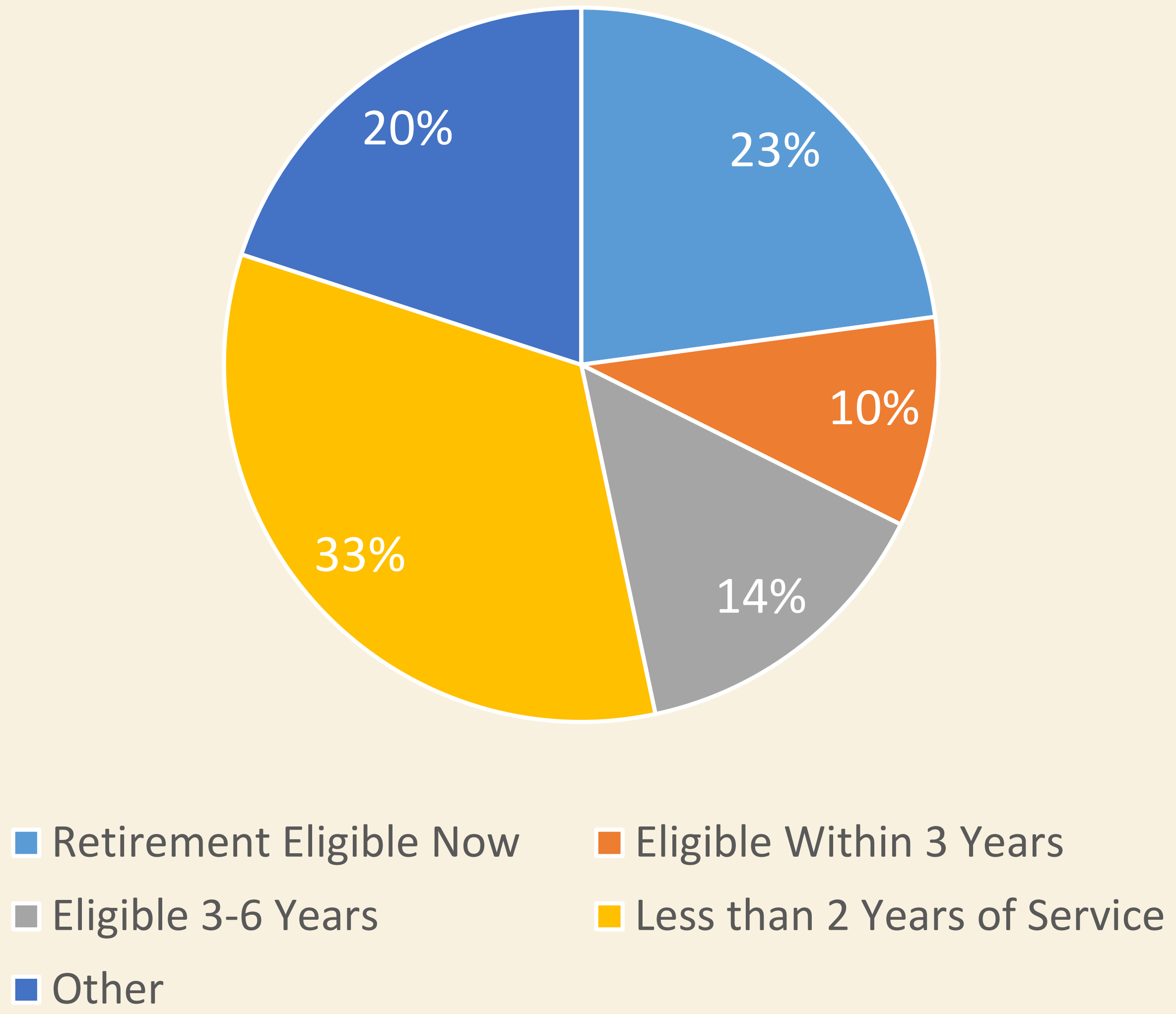
- Roughly 1/3 Long-Term Employees, 1/3 Medium-Term, and 1/3 Relatively New

    - 31 have been with MainePERS more than 20 years
    - 35 have been with MainePERS less than two years

# MainePERS Work Force

- 24 Employees Eligible to Retire Now – 23% of Total
- 34 Employees Eligible to Retire Now or in the Next Three Years – 33% of Total
- 49 Employees Eligible to Retire Now or in the Next Six Years – 47% of Total

# MainePERS Work Force



# Succession Planning Process

- Planning for Unexpected Loss of Each Employee
    - Identify how we will cover the loss
    - Identify any tools or training needed by the person covering
    - Develop a plan for providing the tools and training
    - Implement the plan

# Succession Planning Process

- Planning for Succession for Key Staff
  - Identify key positions
  - Identify for each key position possible feeder positions
  - Develop an individualized plan for each feeder position holder to prepare for readiness to assume the key position
  - Implement the plan
- Plans to be Refreshed Annually at Organizational Level and Quarterly at Departmental Level

# Examples

## Plan for Short-Term Coverage:

| Position | Backup | Resources Needed | Plan for Providing Resources |
|---|---|---|---|
| **General Counsel** | Associate General Counsel | None (once Associate General Counsel is trained on that position) | |
| **Associate General Counsel** | General Counsel | None | |
| **Compliance Officer** | Associate General Counsel | None (once Associate General Counsel is trained on that position) | |
| **System Representative** | Associate General Counsel | Exposure to Appeals | • Attend weekly System Representative check-in meetings<br>• Get copied on filings and transcripts<br>• Participate in one-on-one session with System Representative |
| **Paralegal** | Associate General Counsel (Investments) | None | |
| | Document Control Specialist (Procurement, VMP) | Training on Procurement and VMP | • Participate in series of one-on-one sessions with Paralegal |
| | Department's Attorneys (all other) | None | |
| **Specialist** | Paralegal (Appeals, QDROs) | Training on QDROs | • Participate in training session with General Counsel and Specialist<br>• Participate in follow-on training session with Specialist<br>• Review QDRO statutes, rule, and web postings |
| | Document Control Specialist (Policies) | Training on Policies | • Participate in series of one-on-one sessions with Specialist |

# Examples

## Plan for Long-Term Succession:

- Director of Actuarial and Legislative Affairs

| Key Task | Potential Successor | Plan for Potential Successor Readiness |
|---|---|---|
| Appeals | COO/General Counsel | None |
| Actuarial | New hire – Actuarial Coordinator | Training on actuarial related tasks<br>Training on MainePERS plans |
| | Financial Reporting Manager | Training on specific functions and/or tasks (e.g., rate-setting, DOE normal cost data) |
| Freedom of Access | Associate General Counsel | None |
| Legislative | New hire – Legislative Liaison | Training on legislative process<br>Training on relevant actuarial aspects of plan funding, plan changes, etc.<br>Training on MainePERS plans |
| Rulemaking | Associate General Counsel | None |
| Surveys and Reports | Communications | Information regarding annual surveys and reports and how compiled |

- Systems Development Supervisor

| Key Position | Potential Successor | Plan for Potential Successor Readiness |
|---|---|---|
| Systems Development Supervisor | Principal Programmer/Analyst | Leadership and supervisory training; training in modern programming languages needed for migration to cloud technology. |

- Facilities Manager

| Key Position | Potential Successor | Plan for Potential Successor Readiness |
|---|---|---|
| Facilities Manager | External Hire | Documentation of institutional knowledge is in development with the Document Control Specialist and the Facilities Manager. |

**TO:** BOARD MEMBERS

**FROM:** JAMES BENNETT, CHIEF INVESTMENT OFFICER

**SUBJECT:** **INVESTMENT REVIEW**

**DATE:** APRIL 5, 2023

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Following this memo is the Monthly Investment Review for March and the inaugural annual review of the System's "liquidity portfolio," used to facilitate cash management and portfolio rebalancing.

**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 $18.4 billion.
- Monthly return of 0.9%.
- Calendar year-to-date return of 2.2%.
- Fiscal year-to-date return of 2.2%.

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# Investment Review

April 13, 2023

# Investment Policy Objective

**Investment Objective**

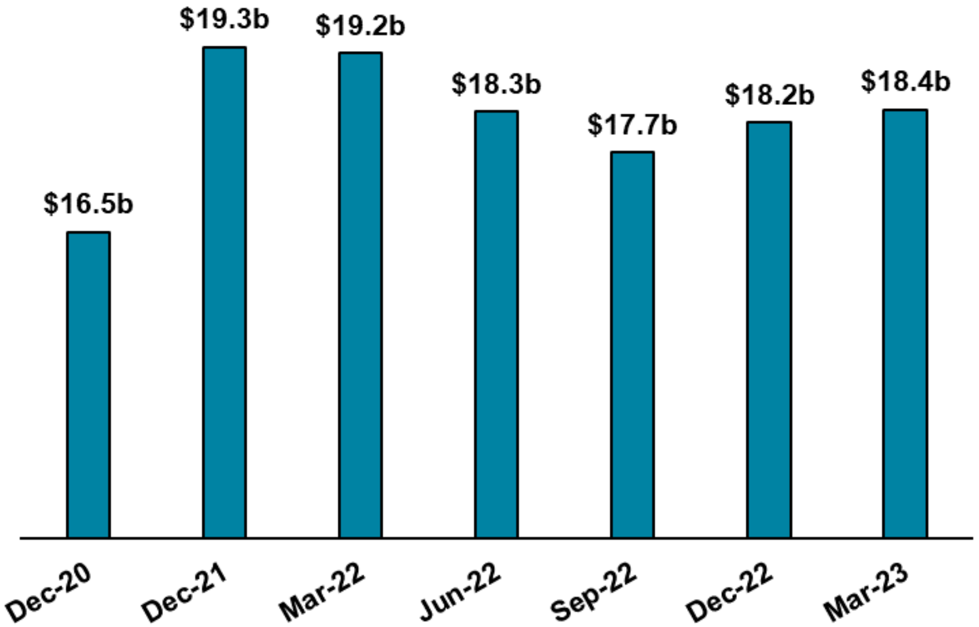
MainePERS' investment objectives balance the System's twin goals of generating investment returns (to ensure growth of the trust funds) and minimizing investment risks (loss of capital and cash flow shortfalls).

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.

# March 2023 Performance (Preliminary)

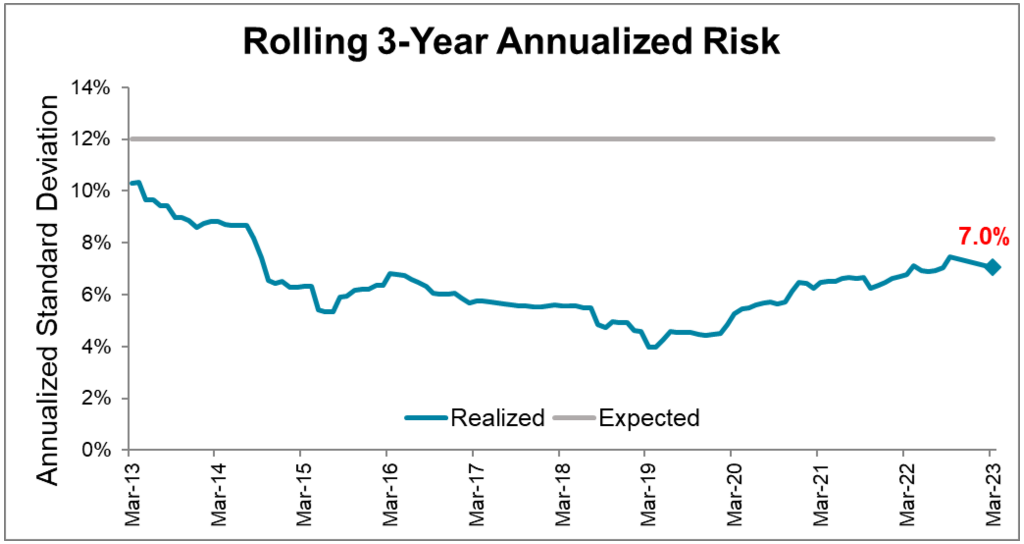
**The preliminary fund value at the end of March is $18.4 billion.**



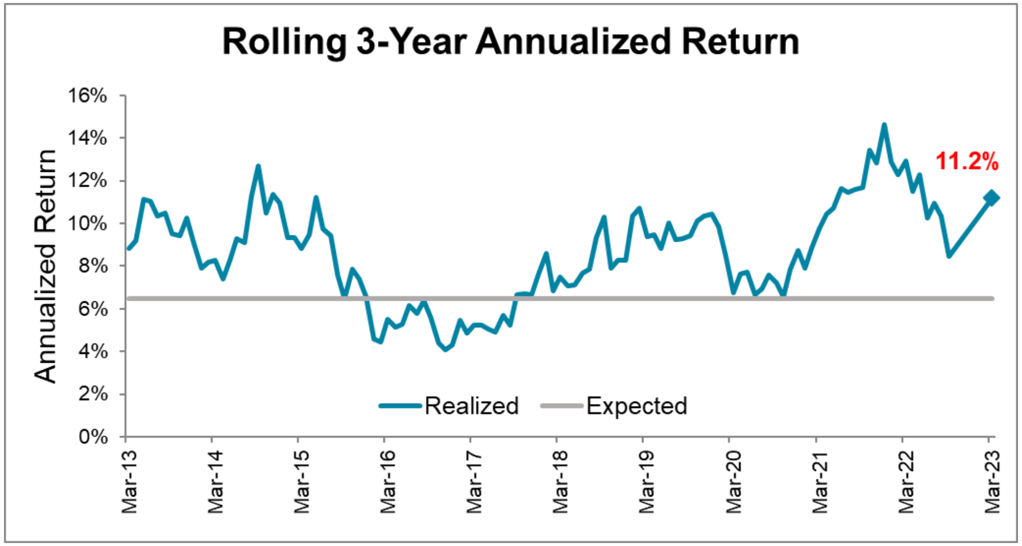

**Fund and Benchmark Returns**

| | Mar-23 | CYTD 2023 | FYTD 2023 |
|---|---|---|---|
| Total Fund | 0.9% | 2.2% | 2.2% |
| Russell 3000 | 2.7% | 7.2% | 9.8% |
| MSCI ACWI ex-USA | 2.4% | 6.9% | 10.0% |
| Bloomberg US Aggregate | 2.5% | 3.0% | -0.1% |

# Investment Objective Measurement: Risk and Return




Despite heightened volatility in 2022, observed risk at the Fund level remains below targeted risk on a rolling 3-year annualized basis.




On a rolling 3-year annualized basis, investment returns have exceeded expected values and the System's discount rate.

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.

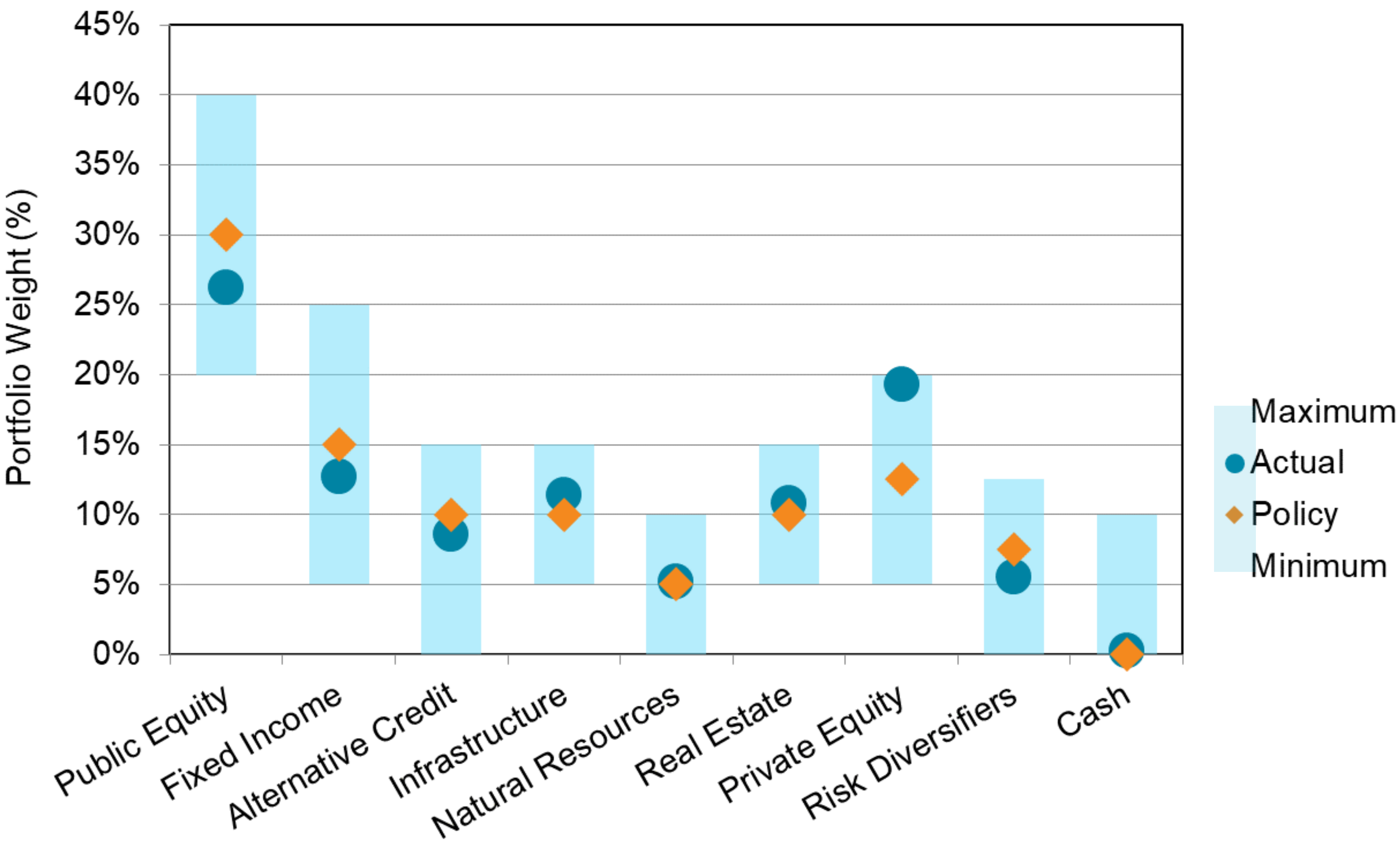
# March 2023 Asset Allocation (Preliminary)

| Assets (Millions) | | Value | % of Fund | Policy % |
|---|---|---|---|---|
| **MainePERS Portfolio** | **$** | **18,356** | **100.0%** | **100.0%** |
| Domestic Equity | $ | 2,916 | 15.9% | 18.1% |
| International Equity | $ | 1,895 | 10.3% | 11.9% |
| Fixed Income | $ | 2,338 | 12.7% | 15.0% |
| Alternative Credit | $ | 1,570 | 8.6% | 10.0% |
| Infrastructure | $ | 2,097 | 11.4% | 10.0% |
| Natural Resources | $ | 956 | 5.2% | 5.0% |
| Private Equity | $ | 3,549 | 19.3% | 12.5% |
| Real Estate | $ | 1,979 | 10.8% | 10.0% |
| Risk Diversifiers | $ | 1,014 | 5.5% | 7.5% |
| Cash | $ | 43 | 0.2% | 0.0% |

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

Private equity remains overweight at ~19% of Fund value, and private markets assets in aggregate comprise 55% of the overall portfolio, above the 47.5% policy weight.

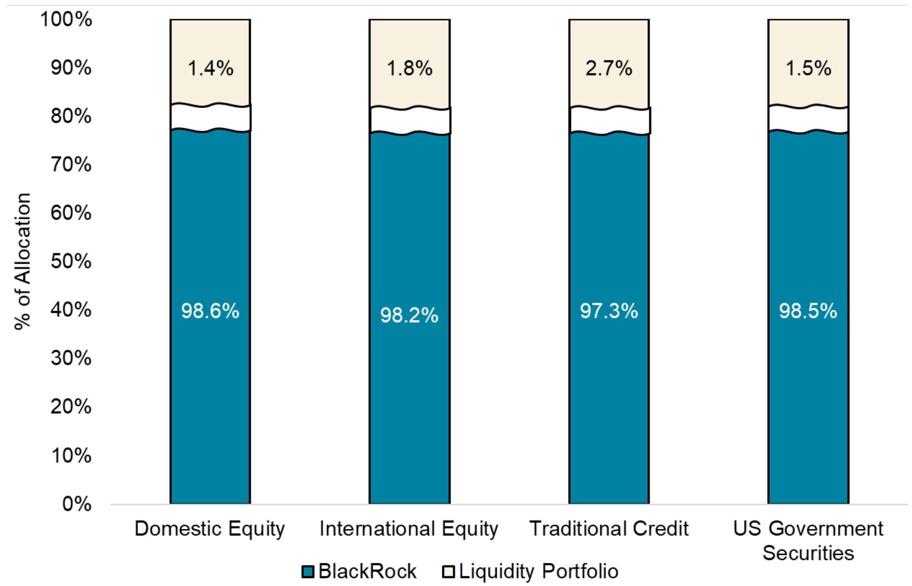
# March 2023 Asset Allocation (Preliminary)



# Public Securities: Liquidity Portfolio

At the end of March, 0.6% of Fund assets were invested via ETFs and futures contracts in an account managed by Parametric Associates.

The Liquidity Portfolio accounts for 1.7% of MainePERS' total exposure to public securities.




| MainePERS Liquidity Portfolio | Market Value (Millions) | Exposure Type |
|---|---|---|
| Parametric Domestic Equity | $39.7 | Futures |
| Parametric International Equity | $34.0 | Futures |
| Parametric Traditional Credit | $21.1 | ETFs |
| Parametric US Government Securities | $24.0 | Futures |
| **Total Liquidity Portfolio** | **$118.8** | |

# Derivatives and Leverage

MainePERS has **exposure 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: March 2023

| Description | FYTD 23 | FY 22 | FY 21 | FY 20 | FY 19 |
|---|---|---|---|---|---|
| Investment Mgmt. Fees | $92,181,092 | $119,200,558 | $118,561,261 | $124,480,394 | $106,398,871 |
| Securities Lending Fees [1] | 741,122 | 1,744,317 | 1,653,172 | 2,239,396 | 2,226,826 |
| Consulting Fees | 885,522 | 1,120,000 | 1,120,000 | 1,120,000 | 1,120,000 |
| Broker Commissions [2] | 100,438 | 77,558 | 52,364 | 37,461 | 28,970 |
| Placement Agent Fees | 0 | 0 | 0 | 0 | 0 |
| **Total** | **$93,908,174** | **$122,095,708** | **$121,386,797** | **$127,877,251** | **$109,774,667** |
| **Percentage of Fund [3]** | **0.68%** | **0.66%** | **0.67%** | **0.87%** | **0.74%** |

1. Securities Lending Fees are through 2/28/2023
2. Actual paid commissions reported by JP Morgan
3. Annualized estimated total fees divided by the current Fund value for FYTD 23. The prior years' calculations are actual fees divided by the June 30 market value of that year.

# Securities Lending: February 2023

| | Average Lendable Assets | Average Assets On Loan | Total Sec Lending Revenue | Revenue Split | MainePERS Net Income | MainePERS Net Income, FYTD |
|---|---|---|---|---|---|---|
| **BlackRock** | | | | | | |
| Fixed Income | $1,917,130,018 | $1,523,359,963 | $157,922 | 60%/40% | $94,753 | $590,519 |
| Total Equity | $1,806,487,736 | $228,175,373 | $95,317 | 60%/40% | $63,793 | $581,479 |
| **Total Blackrock** | $3,723,617,754 | $1,751,535,336 | $253,239 | | $158,546 | $1,171,998 |
| | | | | | | |
| **JP Morgan** | | | | | | |
| Domestic Equities | $2,805,860,186 | $161,661,606 | $64,357 | 85%/15% | $54,709 | $334,571 |
| **Total JP Morgan** | $2,805,860,186 | $161,661,606 | $64,357 | | $54,709 | $334,571 |
| | | | | | | |
| **Total** | **$6,529,477,940** | **$1,913,196,942** | **$317,596** | | **$213,255** | **$1,506,569** |

Total Annualized Securities Lending Income, FY 2023: $2,259,853 (0.01%, or 1.2 bps)

Total Actual Securities Lending Income, FY 2022: $3,118,726 (0.02%, or 1.7 bps)

# Liquidity Schedule: March 2023

| Term | Market Value | Percent of Portfolio |
|---|---|---|
| Liquid[1] | $7,193m | 39.2% |
| Semi-Liquid[2] | $2,367m | 12.9% |
| Illiquid[3] | $8,797m | 47.9% |
| **Total** | **$18,356m** | **100.0%** |

| Sources and Uses of Liquidity<br>Private Markets Activity | Last 12 Months Actual | Next 12 Months Projection |
|---|---|---|
| Capital Contributions | -$1,452m | -$860m |
| Distributions | $1,349m | $1,800m |
| **Net Private Markets Activity** | **-$104m** | **$940m** |
| | | |
| **Benefit Payments** | **-$325m** | **-$420m** |
| | | |
| **Net Cash Flows** | **-$429m** | **$520m** |

[1]Liquid assets includes public equities and public fixed income
[2]Semi-liquid assets includes risk diversifiers, open-end real estate investments, and listed alternative credit funds
[3]Illiquid assets includes closed-end alternative credit, infrastructure, natural resources, private equity, and real estate funds

# MainePERS Alternative Investments Summary

| *as of 03/31/2023* | # of Funds | # of GP Relationships |
|---|---|---|
| Alternative Credit | 24 | 13 |
| Infrastructure | 34 | 11 |
| Natural Resources | 15 | 10 |
| Private Equity | 122 | 33 |
| Real Estate | 33 | 18 |
| Risk Diversifiers | 10 | 9 |
| **Total*** | **238** | **85** |

*GP Total may not add due to overlapping relationships

Currently, MainePERS is invested in 238 funds, and has 85 distinct manager relationships.

# MainePERS Alternative Investments Summary

| (in $millions) as of 03/31/2023 | Current Market Value Dollars | % of Fund | Policy %* | Unfunded Commitment Dollars | % of Fund |
|---|---|---|---|---|---|
| Alternative Credit | $ 1,570 | 8.6% | 10.0% | $ 707 | 3.9% |
| Infrastructure | $ 2,097 | 11.4% | 10.0% | $ 646 | 3.5% |
| Natural Resources | $ 956 | 5.2% | 5.0% | $ 191 | 1.0% |
| Private Equity | $ 3,549 | 19.3% | 12.5% | $ 1,120 | 6.1% |
| Real Estate | $ 1,979 | 10.8% | 10.0% | $ 638 | 3.5% |
| Risk Diversifiers | $ 1,014 | 5.5% | 7.5% | $ 105 | 0.6% |
| **Total Alternatives** | **$ 11,165** | **60.8%** | **55.0%** | **$ 3,406** | **18.6%** |

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

*Investment Policy weights approved by the Board of Trustees effective May 2022

Note: Market values shown above are preliminary estimates. Private market asset values are based on 9/30/2022 values, adjusted for subsequent cash flows.

| (in $millions) as of 03/31/2023 | Private Market Commitments by Vintage Year 2020 | 2021 | 2022 | 2023 | 3-Year Average[1] |
|---|---|---|---|---|---|
| Alternative Credit | $ 275 | $ 410 | $ 550 | $ 80 | $ 412 |
| Infrastructure | $ 235 | $ 180 | $ 200 | $ - | $ 205 |
| Natural Resources | $ - | $ - | $ 30 | $ - | $ 10 |
| Private Equity | $ 276 | $ 438 | $ 268 | $ 21 | $ 327 |
| Real Estate | $ 80 | $ 285 | $ 180 | $ 15 | $ 182 |
| **Total Commitments** | **$ 866** | **$ 1,313** | **$ 1,228** | **$ 116** | **$ 1,136** |

[1]3-Year Average: 2020-2022

# MainePERS Private Market Investments Summary: 09/30/2022

| Asset Class Summary | Commitment (A) | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|
| Alternative Credit | $ 2,124,630 | $ 1,567,050 | $ 511,628 | $ 1,279,511 | $ 1,791,140 | 6.6% |
| Infrastructure | $ 3,326,658 | $ 3,144,736 | $ 2,545,812 | $ 2,000,496 | $ 4,546,308 | 11.4% |
| Natural Resources | $ 1,020,500 | $ 1,054,564 | $ 420,095 | $ 955,752 | $ 1,375,847 | 7.1% |
| Private Equity | $ 4,785,520 | $ 4,486,370 | $ 3,741,218 | $ 3,532,474 | $ 7,273,692 | 16.6% |
| Real Estate | $ 2,738,550 | $ 2,515,759 | $ 1,835,023 | $ 1,933,789 | $ 3,768,812 | 7.8% |
| **Total** | $ 13,995,858 | $ 12,768,479 | $ 9,053,777 | $ 9,702,022 | $ 18,755,798 | 11.0% |

Note: This Asset Class Summary table includes all private market investments: both fund investments and co-investments.

| Co-Investment Summary | Commitment (A) | # of Co-Investments | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Alternative Credit Co-Investments | $ 223,700 | 31 | $ 210,172 | $ 64,038 | $ 166,649 | $ 230,687 | 8.1% |
| Infrastructure Co-Investments | $ 204,717 | 10 | $ 204,605 | $ 197,727 | $ 147,763 | $ 345,490 | 13.8% |
| Natural Resources Co-Investments | $ 32,500 | 2 | $ 31,155 | $ - | $ 43,797 | $ 43,797 | 11.3% |
| Private Equity Co-Investments | $ 365,795 | 31 | $ 363,116 | $ 308,788 | $ 269,355 | $ 578,142 | 15.4% |
| Real Estate Co-Investments | $ 65,776 | 5 | $ 57,478 | $ 5,160 | $ 56,655 | $ 61,816 | 3.4% |
| **Total** | $ 892,488 | 79 | $ 866,527 | $ 575,713 | $ 684,219 | $ 1,259,932 | 13.7% |

Note: This table contains values for the co-investment portion of the private market portfolio.

(all dollar amounts in thousands) Page 1

# MainePERS Private Market Investments Summary: 09/30/2022

## Alternative Credit

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Angelo Gordon Direct Lending Fund II | $ 25,000 | 3/31/2020 | $ 23,749 | $ 19,507 | $ 12,665 | $ 32,172 | 19.5% |
| Angelo Gordon Direct Lending Fund III | $ 100,000 | 7/20/2018 | $ 100,918 | $ 59,455 | $ 74,573 | $ 134,028 | 10.9% |
| Participation Agreement #1 | $ 7,500 | 10/11/2019 | $ 7,463 | $ 1,494 | $ 7,265 | $ 8,759 | 7.9% |
| Participation Agreement #2 | $ 5,000 | 10/11/2019 | $ 4,994 | $ 5,422 | $ - | $ 5,422 | 8.8% |
| Participation Agreement #3 | $ 5,000 | 10/11/2019 | $ 5,000 | $ 5,700 | $ - | $ 5,700 | 7.3% |
| Participation Agreement #4 | $ 10,000 | 10/18/2019 | $ 9,915 | $ 1,528 | $ 9,629 | $ 11,157 | 7.5% |
| Participation Agreement #5 | $ 5,000 | 12/6/2019 | $ 5,000 | $ 1,788 | $ 4,261 | $ 6,049 | 8.4% |
| Participation Agreement #6 | $ 10,000 | 12/6/2019 | $ 9,991 | $ 1,402 | $ 9,793 | $ 11,195 | 8.1% |
| Participation Agreement #7 | $ 5,000 | 12/11/2019 | $ 5,000 | $ 1,298 | $ 4,654 | $ 5,952 | 7.2% |
| Participation Agreement #8 | $ 5,000 | 8/13/2020 | $ 4,914 | $ 845 | $ 4,806 | $ 5,651 | 7.3% |
| Participation Agreement #9 | $ 7,500 | 4/9/2021 | $ 7,425 | $ 804 | $ 7,379 | $ 8,183 | NM |
| Participation Agreement #10 | $ 5,000 | 4/20/2021 | $ 5,007 | $ 756 | $ 4,779 | $ 5,535 | NM |
| Participation Agreement #11 | $ 5,000 | 5/5/2021 | $ 5,000 | $ 502 | $ 4,875 | $ 5,377 | NM |
| Angelo Gordon Direct Lending Fund IV | $ 100,000 | 1/24/2020 | $ 85,000 | $ 6,681 | $ 92,870 | $ 99,551 | 12.4% |
| Participation Agreement #1 | $ 5,000 | 10/23/2020 | $ 4,913 | $ 1,192 | $ 4,397 | $ 5,588 | NM |
| Participation Agreement #2 | $ 12,500 | 8/17/2021 | $ 12,295 | $ 768 | $ 12,305 | $ 13,072 | NM |
| Participation Agreement #3 | $ 7,500 | 10/5/2021 | $ 7,500 | $ 7,913 | $ - | $ 7,913 | NM |
| Participation Agreement #4 | $ 5,000 | 12/21/2021 | $ 4,925 | $ 338 | $ 4,904 | $ 5,242 | NM |
| Participation Agreement #5 | $ 5,000 | 12/21/2021 | $ 4,925 | $ 315 | $ 4,906 | $ 5,222 | NM |
| Participation Agreement #6 | $ 5,000 | 1/12/2022 | $ 4,925 | $ 305 | $ 4,895 | $ 5,200 | NM |
| Participation Agreement #7 | $ 7,500 | 1/12/2022 | $ 7,388 | $ 460 | $ 7,322 | $ 7,783 | NM |
| Participation Agreement #8 | $ 12,500 | 6/16/2022 | $ 12,406 | $ 334 | $ 12,313 | $ 12,647 | NM |
| Angelo Gordon Direct Lending Fund IV Annex | $ 50,000 | 11/18/2021 | $ 40,000 | $ 472 | $ 41,199 | $ 41,671 | NM |
| Angelo Gordon Direct Lending Fund V | $ 125,000 | 8/3/2022 | $ 25,000 | $ - | $ 25,750 | $ 25,750 | NM |
| Participation Agreement #1 | $ 7,500 | 9/1/2022 | $ 7,388 | $ - | $ 7,350 | $ 7,350 | NM |
| Ares Capital Europe IV | $ 122,000 | 4/30/2018 | $ 96,949 | $ 20,608 | $ 80,084 | $ 100,692 | 1.4% |
| Ares Capital Europe V | $ 122,000 | 9/4/2020 | $ 68,037 | $ 1,609 | $ 62,409 | $ 64,017 | -8.1% |
| Ares Senior Direct Lending Fund II | $ 100,000 | 12/10/2021 | $ 28,181 | $ 1,453 | $ 28,756 | $ 30,209 | NM |
| Audax Senior Debt (MP), LLC | $ 100,000 | 6/30/2017 | $ 100,000 | $ - | $ 124,412 | $ 124,412 | 4.7% |
| Brookfield Infrastructure Debt Fund III | $ 100,000 | 7/15/2022 | $ - | $ - | $ - | $ - | NM |
| Comvest Credit Partners VI | $ 125,000 | 5/20/2022 | $ 12,500 | $ - | $ 12,696 | $ 12,696 | NM |
| Deerpath Capital VI | $ 75,000 | 9/30/2021 | $ 54,590 | $ 2,265 | $ 55,639 | $ 57,904 | NM |
| Global Infrastructure Partners Spectrum | $ 100,000 | 2/20/2019 | $ 69,397 | $ 18,279 | $ 54,972 | $ 73,252 | 7.0% |
| Mesa West Core Lending Fund | $ 100,000 | 6/18/2013 | $ 120,723 | $ 55,165 | $ 121,737 | $ 176,902 | 6.5% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Alternative Credit

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Owl Rock Capital Corporation | $ 100,000 | 3/10/2017 | $ 100,000 | $ 25,025 | $ 79,863 | $ 104,888 | 1.2% |
| Participation Agreement #1 | $ 5,000 | 5/7/2018 | $ 4,851 | $ 5,499 | $ - | $ 5,499 | 12.7% |
| Participation Agreement #2 | $ 6,185 | 7/31/2018 | $ 6,196 | $ 7,745 | $ - | $ 7,745 | 9.9% |
| Participation Agreement #3 | $ 5,000 | 8/7/2018 | $ 4,938 | $ 5,634 | $ - | $ 5,634 | 7.9% |
| Participation Agreement #4 | $ 5,000 | 8/20/2018 | $ 4,566 | $ 5,835 | $ - | $ 5,835 | 8.1% |
| Participation Agreement #5 | $ 5,000 | 12/21/2018 | $ 4,827 | $ 1,382 | $ 4,499 | $ 5,882 | 6.3% |
| Participation Agreement #6 | $ 7,500 | 8/7/2020 | $ 8,905 | $ 2,837 | $ 7,354 | $ 10,191 | 8.7% |
| Participation Agreement #7 | $ 7,500 | 7/26/2021 | $ 6,565 | $ 603 | $ 6,550 | $ 7,154 | NM |
| Participation Agreement #8 | $ 12,500 | 6/17/2022 | $ 10,768 | $ 510 | $ 10,423 | $ 10,933 | NM |
| Participation Agreement #9 | $ 7,500 | 9/26/2022 | $ 7,388 | $ 4 | $ 7,500 | $ 7,504 | NM |
| Owl Rock Capital Corporation III | $ 100,000 | 6/19/2020 | $ 109,230 | $ 9,230 | $ 110,225 | $ 119,455 | 7.7% |
| Pathlight Capital Fund II | $ 75,000 | 4/22/2021 | $ 99,653 | $ 43,296 | $ 61,754 | $ 105,050 | NM |
| Participation Agreement #1 | $ 7,500 | 4/1/2022 | $ 7,368 | $ 624 | $ 7,051 | $ 7,675 | NM |
| Participation Agreement #2 | $ 7,500 | 4/1/2022 | $ 7,429 | $ 202 | $ 7,437 | $ 7,639 | NM |
| Pathlight Capital Fund III | $ 75,000 | 6/24/2022 | $ 6,974 | $ - | $ 6,956 | $ 6,956 | NM |
| Solar Capital Private Corporate Lending Fund | $ 50,000 | 6/26/2019 | $ 37,663 | $ 4,838 | $ 39,426 | $ 44,264 | 14.2% |
| Solar Capital Debt Fund | $ 50,000 | 6/26/2019 | $ 19,608 | $ 1,022 | $ 21,317 | $ 22,340 | NM |
| Silver Point Specialty Credit II | $ 50,000 | 1/31/2020 | $ 57,821 | $ 22,404 | $ 39,748 | $ 62,152 | 8.5% |
| Tennenbaum Direct Lending VIII | $ 100,000 | 11/30/2017 | $ 100,883 | $ 75,755 | $ 45,674 | $ 121,430 | 6.3% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Infrastructure

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Alinda Infrastructure Fund II | $ 50,000 | 9/17/2009 | $ 67,889 | $ 64,449 | $ 9,389 | $ 73,839 | 1.9% |
| ArcLight Energy V | $ 75,000 | 10/28/2011 | $ 76,031 | $ 103,624 | $ - | $ 103,624 | 8.0% |
| Shore Co-Investment Holdings II | $ 20,000 | 1/30/2014 | $ 17,709 | $ 19,737 | $ - | $ 19,737 | 8.4% |
| ArcLight Energy VI | $ 150,000 | 11/25/2014 | $ 159,687 | $ 110,673 | $ 80,197 | $ 190,870 | 4.6% |
| Great River Hydro Partners | $ 12,000 | 6/17/2017 | $ 10,718 | $ 8,639 | $ 34,972 | $ 43,611 | 41.3% |
| Brookfield Infrastructure Fund II | $ 100,000 | 6/28/2013 | $ 116,095 | $ 101,011 | $ 87,212 | $ 188,223 | 9.7% |
| Brookfield Infrastructure Fund III | $ 100,000 | 4/15/2016 | $ 97,688 | $ 45,985 | $ 93,155 | $ 139,140 | 11.3% |
| Co-Investment #1 | $ 20,000 | 3/31/2017 | $ 15,946 | $ 18,660 | $ 16,682 | $ 35,342 | 28.1% |
| Carlyle Global Infrastructure Opportunity Fund | $ 100,000 | 5/1/2019 | $ 77,977 | $ 15,659 | $ 71,641 | $ 87,300 | 9.5% |
| Carlyle Infrastructure Partners | $ 50,000 | 11/2/2007 | $ 57,366 | $ 64,289 | $ 385 | $ 64,674 | 2.5% |
| Carlyle Power Partners II | $ 50,000 | 11/19/2015 | $ 62,167 | $ 29,156 | $ 58,154 | $ 87,310 | 11.3% |
| Cube Infrastructure | $ 45,000 | 4/16/2010 | $ 60,063 | $ 96,104 | $ 991 | $ 97,094 | 8.0% |
| Cube Infrastructure II | $ 90,000 | 9/11/2018 | $ 73,467 | $ 3,927 | $ 70,994 | $ 74,921 | 0.7% |
| Cube Infrastructure III | $ 90,000 | 8/16/2021 | $ 21,749 | $ - | $ 18,251 | $ 18,251 | NM |
| EQT Infrastructure III | $ 68,000 | 12/3/2016 | $ 93,959 | $ 127,522 | $ 36,025 | $ 163,547 | 20.6% |
| EQT Infrastructure IV | $ 100,000 | 12/17/2018 | $ 89,882 | $ 16,802 | $ 92,291 | $ 109,093 | 10.2% |
| EQT Infrastructure V | $ 75,000 | 12/8/2020 | $ 39,509 | $ 5,815 | $ 33,293 | $ 39,108 | NM |
| First Reserve Energy Infrastructure Fund | $ 50,000 | 6/30/2010 | $ 59,778 | $ 51,856 | $ 5,550 | $ 57,406 | -1.1% |
| First Reserve Energy Infrastructure Fund II | $ 100,000 | 10/21/2013 | $ 127,554 | $ 125,899 | $ 36,771 | $ 162,670 | 15.3% |
| Global Infrastructure Partners Sonic | $ 30,000 | 7/31/2020 | $ 31,578 | $ - | $ 20,058 | $ 20,058 | -19.5% |
| Global Infrastructure Partners | $ 75,000 | 3/31/2008 | $ 101,173 | $ 205,062 | $ 699 | $ 205,761 | 17.2% |
| Global Infrastructure Partners II | $ 75,000 | 12/3/2011 | $ 104,834 | $ 143,741 | $ 35,595 | $ 179,336 | 15.9% |
| Global Infrastructure Partners III | $ 150,000 | 4/15/2016 | $ 168,586 | $ 70,589 | $ 164,180 | $ 234,769 | 10.4% |
| Co-Investment #1 | $ 29,000 | 2/28/2017 | $ 27,420 | $ 15,870 | $ 26,189 | $ 42,059 | 10.8% |
| Co-Investment #2 | $ 25,000 | 8/16/2018 | $ 26,736 | $ 2,697 | $ 13,374 | $ 16,071 | -13.3% |
| Global Infrastructure Partners IV | $ 150,000 | 12/21/2018 | $ 105,960 | $ 8,456 | $ 100,824 | $ 109,280 | 3.9% |
| IFM Global Infrastructure (US), L.P. | $ 100,000 | 12/20/2012 | $ 144,550 | $ 208,040 | $ - | $ 208,040 | 9.8% |
| KKR Diversified Core Infrastructure Fund | $ 100,000 | 4/29/2022 | $ - | $ - | $ - | $ - | NM |
| KKR Global Infrastructure Investors | $ 75,000 | 9/29/2010 | $ 87,917 | $ 154,068 | $ 22 | $ 154,089 | 13.1% |
| KKR Global Infrastructure Investors II | $ 150,000 | 10/24/2014 | $ 183,287 | $ 227,444 | $ 79,319 | $ 306,763 | 16.8% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Infrastructure

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| KKR Atlanta Co-Invest | $ 24,000 | 9/26/2014 | $ 21,428 | $ 28,551 | $ - | $ 28,551 | 5.7% |
| KKR Taurus Co-Invest II | $ 25,000 | 8/15/2017 | $ 25,000 | $ 42,906 | $ 12,321 | $ 55,227 | 20.8% |
| KKR Byzantium Infrastructure Aggregator | $ 15,000 | 10/17/2017 | $ 15,000 | $ 7,013 | $ 9,039 | $ 16,052 | 2.0% |
| KKR Global Infrastructure Investors III | $ 100,000 | 3/29/2018 | $ 86,745 | $ 21,423 | $ 77,953 | $ 99,376 | 8.0% |
| Meridiam Infrastructure (SCA) | $ 11,000 | 9/23/2015 | $ 21,938 | $ 9,765 | $ 24,022 | $ 33,788 | 7.6% |
| Meridiam Infrastructure Europe II (SCA) | $ 22,500 | 9/23/2015 | $ 27,380 | $ 14,269 | $ 30,404 | $ 44,673 | 9.9% |
| Meridiam Infrastructure Europe III SLP | $ 95,000 | 4/27/2016 | $ 69,465 | $ 13,144 | $ 53,294 | $ 66,438 | -2.0% |
| Meridiam Sustainable Infrastructure Europe IV | $ 90,000 | 4/16/2021 | $ 9,952 | $ 4 | $ 6,811 | $ 6,815 | NM |
| Meridiam Infrastructure N.A. II | $ 75,000 | 9/28/2012 | $ 88,232 | $ 31,084 | $ 168,236 | $ 199,320 | 17.7% |
| MINA II CIP | $ 175 | 6/30/2015 | $ 169 | $ 29 | $ 18,952 | $ 18,981 | 130.2% |
| Meridiam Infrastructure N.A. II | $ 20,000 | 6/30/2015 | $ 18,870 | $ 4,342 | $ 43,105 | $ 47,447 | 25.1% |
| Meridiam Infrastructure N.A. III | $ 50,000 | 7/12/2017 | $ 21,323 | $ 1 | $ 27,864 | $ 27,864 | NM |
| Stonepeak Infrastructure Partners II | $ 140,000 | 11/12/2015 | $ 188,508 | $ 224,022 | $ 45,390 | $ 269,412 | 13.5% |
| Stonepeak Claremont Co-Invest | $ 25,000 | 5/30/2017 | $ 25,000 | $ 51,938 | $ 11 | $ 51,949 | 17.8% |
| Stonepeak Spear (Co-Invest) Holdings | $ 25,000 | 1/8/2018 | $ 19,648 | $ 1,717 | $ 35,175 | $ 36,893 | 15.0% |
| Stonepeak Infrastructure Partners III | $ 150,000 | 10/13/2017 | $ 146,855 | $ 44,138 | $ 183,232 | $ 227,370 | 19.8% |
| Stonepeak Infrastructure Partners IV | $ 125,000 | 5/8/2020 | $ 51,465 | $ 5,582 | $ 48,554 | $ 54,137 | NM |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Natural Resources

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| ACM Permanent Crops | $ 35,000 | 10/24/2014 | $ 39,100 | $ 10,375 | $ 60,972 | $ 71,347 | 10.5% |
| ACM Permanent Crops II | $ 35,000 | 5/12/2016 | $ 41,072 | $ 8,885 | $ 23,961 | $ 32,846 | -7.2% |
| AMERRA Agri Fund III | $ 50,000 | 2/11/2016 | $ 96,259 | $ 75,911 | $ 24,519 | $ 100,430 | 1.8% |
| Denham Mining Fund | $ 35,000 | 6/29/2018 | $ 26,701 | $ 659 | $ 32,454 | $ 33,113 | 8.8% |
| Homestead Capital Farmland II | $ 50,000 | 8/8/2016 | $ 54,272 | $ 9,540 | $ 52,958 | $ 62,499 | 4.4% |
| Homestead Capital Farmland III | $ 30,000 | 10/26/2018 | $ 21,254 | $ 2,014 | $ 20,785 | $ 22,799 | 5.9% |
| Orion Mine Finance Fund II | $ 50,000 | 5/25/2016 | $ 100,914 | $ 74,178 | $ 45,846 | $ 120,024 | 8.6% |
| Orion Mine Finance Co-Fund II | $ 20,000 | 8/13/2018 | $ 20,098 | $ - | $ 32,005 | $ 32,005 | 12.5% |
| Silver Creek Aggregate Reserves Fund | $ 100,000 | 11/6/2018 | $ 15,206 | $ 1,975 | $ 16,039 | $ 18,014 | NM |
| Sprott Private Resource Lending Fund III | $ 30,000 | 8/31/2022 | $ - | $ - | $ - | $ - | NM |
| Taurus Mining Fund | $ 50,000 | 3/27/2015 | $ 41,459 | $ 45,420 | $ 4,441 | $ 49,862 | 7.5% |
| Taurus Mining Fund Annex | $ 23,000 | 12/1/2016 | $ 18,312 | $ 23,073 | $ 1,127 | $ 24,200 | 17.9% |
| Taurus Mining Fund No. 2 | $ 75,000 | 4/18/2019 | $ 60,794 | $ 43,153 | $ 29,768 | $ 72,921 | 23.3% |
| Teays River Integrated Agriculture | $ 200,000 | 7/1/2015 | $ 198,982 | $ 28,770 | $ 344,874 | $ 373,644 | 9.7% |
| Twin Creeks Timber | $ 125,000 | 1/7/2016 | $ 199,068 | $ 84,577 | $ 125,643 | $ 210,220 | 1.6% |
| U.S. Farming Realty Trust III | $ 100,000 | 7/7/2015 | $ 110,017 | $ 11,565 | $ 128,567 | $ 140,132 | 5.6% |
| Canally Coinvest Holdings | $ 12,500 | 12/9/2019 | $ 11,057 | $ - | $ 11,792 | $ 11,792 | 4.1% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Private Equity

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| ABRY Advanced Securities Fund II | $ 20,000 | 5/4/2011 | $ 20,530 | $ 29,628 | $ 466 | $ 30,094 | 13.1% |
| ABRY Advanced Securities Fund III | $ 30,000 | 4/30/2014 | $ 44,186 | $ 19,942 | $ 22,489 | $ 42,431 | -1.3% |
| ABRY Heritage Partners | $ 10,000 | 5/31/2016 | $ 10,696 | $ 10,879 | $ 6,873 | $ 17,752 | 26.4% |
| ABRY Partners VII | $ 10,000 | 4/29/2011 | $ 12,930 | $ 17,293 | $ 2,300 | $ 19,594 | 12.4% |
| ABRY Partners VIII | $ 20,000 | 8/8/2014 | $ 23,838 | $ 29,614 | $ 4,101 | $ 33,715 | 10.4% |
| ABRY Senior Equity IV | $ 10,000 | 12/7/2012 | $ 10,819 | $ 16,620 | $ 1,670 | $ 18,290 | 15.1% |
| ABRY Senior Equity V | $ 12,050 | 1/19/2017 | $ 12,716 | $ 5,090 | $ 13,379 | $ 18,469 | 17.8% |
| Advent International GPE VII | $ 30,000 | 6/29/2012 | $ 34,811 | $ 52,335 | $ 6,179 | $ 58,514 | 13.7% |
| Advent International GPE VIII | $ 50,000 | 2/5/2016 | $ 55,594 | $ 42,125 | $ 58,747 | $ 100,871 | 18.5% |
| Advent International GPE IX | $ 50,000 | 5/9/2019 | $ 43,504 | $ 3,998 | $ 63,171 | $ 67,169 | 34.2% |
| GPE IX TKE Co-Investment | $ 24,000 | 3/30/2020 | $ 21,243 | $ - | $ 21,560 | $ 21,560 | 0.7% |
| Advent International GPE X | $ 45,000 | 4/28/2022 | $ 1,575 | $ - | $ 1,307 | $ 1,307 | NM |
| Advent Latin America PE Fund VI | $ 20,000 | 10/17/2014 | $ 19,516 | $ 10,750 | $ 21,460 | $ 32,210 | 15.9% |
| Affinity Asia Pacific Fund IV | $ 60,000 | 2/28/2013 | $ 64,493 | $ 68,021 | $ 28,223 | $ 96,244 | 13.5% |
| Affinity Asia Pacific Fund V | $ 40,000 | 12/11/2017 | $ 17,107 | $ 3,848 | $ 16,351 | $ 20,199 | NM |
| Bain Capital Ventures 2021 | $ 25,000 | 10/28/2020 | $ 16,188 | $ 1 | $ 18,574 | $ 18,575 | NM |
| Bain Capital Ventures 2022 | $ 25,000 | 6/10/2022 | $ - | $ - | $ - | $ - | NM |
| Bain Capital Venture Coinvestment Fund III | $ 15,000 | 4/1/2021 | $ 11,775 | $ - | $ 13,824 | $ 13,824 | NM |
| Bain Capital Venture Coinvestment Fund IV | $ 15,000 | 6/10/2022 | $ - | $ - | $ - | $ - | NM |
| Berkshire Fund VIII | $ 15,000 | 7/20/2011 | $ 16,795 | $ 25,469 | $ 11,534 | $ 37,003 | 17.4% |
| Berkshire Fund IX | $ 50,000 | 3/18/2016 | $ 53,980 | $ 30,233 | $ 57,273 | $ 87,507 | 18.6% |
| Blackstone Capital Partners VI | $ 30,000 | 6/30/2010 | $ 37,416 | $ 49,187 | $ 12,691 | $ 61,878 | 12.3% |
| Blackstone Capital Partners VII | $ 54,000 | 3/27/2015 | $ 59,357 | $ 30,675 | $ 56,740 | $ 87,415 | 13.8% |
| Carlyle Asia Partners III | $ 15,000 | 12/31/2009 | $ 20,408 | $ 29,734 | $ 1,083 | $ 30,817 | 12.6% |
| Carlyle Asia Partners IV | $ 60,000 | 6/3/2014 | $ 78,184 | $ 89,341 | $ 32,249 | $ 121,590 | 12.5% |
| Carlyle Asia Partners V | $ 45,000 | 10/30/2017 | $ 31,927 | $ 10,304 | $ 26,242 | $ 36,546 | 10.8% |
| Centerbridge Capital Partners III | $ 30,000 | 10/24/2014 | $ 46,842 | $ 41,967 | $ 32,305 | $ 74,272 | 19.8% |
| CB Blizzard Co-Invest | $ 10,000 | 9/11/2019 | $ 15,684 | $ 10,053 | $ 1,084 | $ 11,137 | -47.7% |
| Charterhouse Capital Partners VIII | $ 13,500 | 1/6/2011 | $ 11,188 | $ 14,160 | $ - | $ 14,160 | 7.9% |
| Charterhouse Capital Partners IX | $ 4,500 | 1/6/2011 | $ 5,373 | $ 7,091 | $ 163 | $ 7,254 | 12.0% |
| Charterhouse Capital Partners X | $ 67,000 | 5/13/2015 | $ 53,928 | $ 40,175 | $ 48,699 | $ 88,875 | 18.5% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Private Equity

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Charterhouse Acrostone | $ 12,000 | 8/24/2018 | $ 13,254 | $ 21,268 | $ 7 | $ 21,275 | 16.9% |
| Charterhouse Capital Partners XI | $ 45,000 | 4/23/2021 | $ 0 | $ - | $ 1,172 | $ 1,172 | NM |
| CVC Capital Partners VI | $ 67,000 | 7/12/2013 | $ 95,013 | $ 92,336 | $ 71,282 | $ 163,618 | 16.6% |
| CVC Capital Partners VII | $ 48,000 | 5/9/2017 | $ 69,198 | $ 32,398 | $ 59,476 | $ 91,874 | 20.4% |
| CVC Capital Partners VIII | $ 44,000 | 6/11/2020 | $ 30,312 | $ 16,060 | $ 14,605 | $ 30,665 | 4.2% |
| EnCap Energy Capital VIII | $ 30,000 | 1/31/2011 | $ 34,181 | $ 21,598 | $ 13,482 | $ 35,080 | 0.6% |
| EnCap Energy Capital Fund VIII Co-Investors, L.P. | $ 16,238 | 12/8/2011 | $ 16,500 | $ 5,268 | $ 7,129 | $ 12,396 | -4.2% |
| EnCap Energy Capital Fund IX | $ 30,000 | 12/19/2012 | $ 34,541 | $ 35,293 | $ 12,970 | $ 48,263 | 9.9% |
| EnCap Energy Capital Fund X | $ 40,000 | 3/5/2015 | $ 41,465 | $ 34,051 | $ 40,196 | $ 74,246 | 15.7% |
| EnCap Energy Capital Fund XI | $ 40,000 | 5/31/2017 | $ 34,643 | $ 8,927 | $ 39,092 | $ 48,019 | 18.8% |
| EnCap Flatrock Midstream Fund III | $ 20,000 | 4/9/2014 | $ 25,082 | $ 17,460 | $ 15,351 | $ 32,811 | 10.0% |
| EnCap Flatrock Midstream Fund IV | $ 22,000 | 11/17/2017 | $ 17,968 | $ 7,339 | $ 13,463 | $ 20,802 | 8.6% |
| General Catalyst X - Early Venture | $ 19,565 | 3/26/2020 | $ 18,391 | $ - | $ 36,453 | $ 36,453 | 52.3% |
| General Catalyst X - Endurance | $ 22,826 | 3/26/2020 | $ 22,859 | $ - | $ 25,093 | $ 25,093 | 5.9% |
| General Catalyst X - Growth Venture | $ 32,609 | 3/26/2020 | $ 31,467 | $ - | $ 45,540 | $ 45,540 | 24.7% |
| General Catalyst XI - Creation | $ 8,823 | 10/29/2021 | $ 2,143 | $ - | $ 2,470 | $ 2,470 | NM |
| General Catalyst XI - Endurance | $ 29,412 | 10/29/2021 | $ 16,842 | $ - | $ 16,085 | $ 16,085 | NM |
| General Catalyst XI - Ignition | $ 11,765 | 10/29/2021 | $ 5,914 | $ - | $ 5,779 | $ 5,779 | NM |
| GTCR Fund X | $ 30,000 | 1/28/2011 | $ 31,766 | $ 64,445 | $ 189 | $ 64,634 | 21.4% |
| GTCR Fund XI | $ 35,000 | 11/15/2013 | $ 34,196 | $ 67,178 | $ 52,607 | $ 119,785 | 35.9% |
| GTCR Fund XII | $ 50,000 | 9/29/2017 | $ 51,223 | $ 31,746 | $ 53,774 | $ 85,520 | 29.5% |
| Co-Investment #1 | $ 5,238 | 4/26/2019 | $ 4,556 | $ - | $ 8,714 | $ 8,714 | 21.1% |
| Co-Investment #2 | $ 5,997 | 11/1/2019 | $ 5,806 | $ 10,935 | $ 3,056 | $ 13,991 | 50.3% |
| GTCR XIII | $ 50,000 | 10/27/2020 | $ 18,325 | $ 1,809 | $ 21,718 | $ 23,527 | NM |
| H.I.G. Bayside Loan Fund II | $ 25,000 | 5/28/2010 | $ 24,192 | $ 29,602 | $ 1,992 | $ 31,593 | 6.5% |
| H.I.G. Bayside Loan Ops Fund III (Europe) | $ 30,000 | 7/27/2012 | $ 26,707 | $ 31,070 | $ 3,973 | $ 35,043 | 7.7% |
| H.I.G. Brazil & Latin America Partners | $ 60,000 | 7/1/2015 | $ 64,605 | $ 19,264 | $ 76,805 | $ 96,069 | 15.8% |
| H.I.G. Capital Partners V | $ 15,000 | 2/28/2013 | $ 18,922 | $ 22,498 | $ 14,530 | $ 37,028 | 23.7% |
| H.I.G. Europe Capital Partners II | $ 22,500 | 7/1/2013 | $ 25,240 | $ 20,667 | $ 13,127 | $ 33,794 | 10.8% |
| H.I.G. Growth Buyouts & Equity Fund II | $ 17,500 | 6/30/2011 | $ 22,235 | $ 24,210 | $ 15,497 | $ 39,707 | 15.0% |
| H.I.G. Growth Buyouts & Equity Fund III | $ 35,000 | 9/13/2018 | $ 11,852 | $ - | $ 11,956 | $ 11,956 | NM |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Private Equity

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| H.I.G Middle Market LBO Fund II | $ 40,000 | 2/7/2014 | $ 47,563 | $ 63,274 | $ 28,365 | $ 91,638 | 29.5% |
| Co-Investment #1 | $ 9,000 | 10/12/2017 | $ 9,000 | $ - | $ 1,547 | $ 1,547 | -29.8% |
| Co-Investment #2 | $ 686 | 6/19/2020 | $ 686 | $ - | $ 851 | $ 851 | 9.9% |
| Co-Investment #3 | $ 1,000 | 6/1/2021 | $ 1,079 | $ - | $ 1,249 | $ 1,249 | NM |
| H.I.G. Middle Market LBO Fund III | $ 40,000 | 7/23/2019 | $ 31,544 | $ 1,587 | $ 34,632 | $ 36,219 | 24.9% |
| Hellman & Friedman Capital Partners VII | $ 30,000 | 6/19/2009 | $ 44,344 | $ 105,630 | $ 5,781 | $ 111,411 | 24.7% |
| Hellman & Friedman Capital Partners VIII | $ 45,000 | 9/24/2014 | $ 48,468 | $ 26,428 | $ 55,544 | $ 81,973 | 15.4% |
| Hellman & Friedman Capital Partners IX | $ 45,000 | 9/28/2018 | $ 44,078 | $ 1,069 | $ 51,276 | $ 52,345 | 10.5% |
| Hellman & Friedman Capital Partners X | $ 45,000 | 5/10/2021 | $ 24,529 | $ - | $ 22,076 | $ 22,076 | NM |
| Inflexion Buyout Fund IV | $ 27,000 | 9/30/2014 | $ 33,724 | $ 34,364 | $ 19,552 | $ 53,916 | 13.8% |
| Inflexion Partnership Capital Fund I | $ 17,000 | 9/30/2014 | $ 23,954 | $ 31,196 | $ 10,144 | $ 41,341 | 20.8% |
| Inflexion Supplemental Fund IV | $ 10,000 | 5/31/2016 | $ 14,839 | $ 20,923 | $ 6,250 | $ 27,173 | 23.3% |
| Kelso Investment Associates VIII | $ 3,000 | 1/6/2011 | $ 3,022 | $ 4,263 | $ 147 | $ 4,409 | 8.2% |
| Kelso Investment Associates IX | $ 60,000 | 11/5/2014 | $ 70,003 | $ 86,281 | $ 31,134 | $ 117,416 | 20.1% |
| KIA IX (Hammer) Investor | $ 25,000 | 8/12/2016 | $ 25,426 | $ 69,298 | $ 211 | $ 69,508 | 21.4% |
| Kelso Investment Associates X | $ 45,000 | 3/16/2018 | $ 42,497 | $ 12,961 | $ 63,633 | $ 76,595 | 41.9% |
| Kelso Investment Associates XI | $ 45,000 | 12/22/2021 | $ 2,567 | $ 67 | $ 3,304 | $ 3,372 | NM |
| Kelso XI Heights Co-Investment | $ 12,000 | 8/19/2022 | $ 10,000 | $ - | $ 9,997 | $ 9,997 | NM |
| KKR North American Fund XI | $ 60,000 | 2/7/2012 | $ 98,069 | $ 164,323 | $ 21,797 | $ 186,120 | 19.7% |
| KKR North America Fund XI (Platinum) | $ 8,003 | 2/26/2016 | $ 8,040 | $ 2,313 | $ 5,252 | $ 7,565 | -1.4% |
| KKR Element Co-Invest | $ 10,000 | 8/29/2016 | $ 10,050 | $ 24,030 | $ - | $ 24,030 | 23.5% |
| KKR Americas XII | $ 60,000 | 3/3/2016 | $ 60,426 | $ 22,564 | $ 75,932 | $ 98,497 | 21.4% |
| KKR Sigma Aggregator | $ 15,000 | 6/22/2018 | $ 15,000 | $ - | $ 19,347 | $ 19,347 | 6.1% |
| KKR Enterprise Co-Invest | $ 15,000 | 10/11/2018 | $ 15,000 | $ - | $ - | $ - | -100.0% |
| KKR Enterprise Co-Invest AIV A | $ 8,936 | 11/8/2019 | $ 8,936 | $ 7,243 | $ 3,670 | $ 10,914 | 20.1% |
| KKR North America XIII | $ 40,000 | 6/25/2021 | $ 8,860 | $ - | $ 8,274 | $ 8,274 | NM |
| KKR Special Situations Fund | $ 60,000 | 12/19/2012 | $ 118,957 | $ 97,434 | $ 11,696 | $ 109,130 | -3.2% |
| KKR Special Situations Fund II | $ 60,000 | 12/19/2014 | $ 98,005 | $ 76,185 | $ 27,874 | $ 104,060 | 2.6% |
| Oaktree Opportunities VIII | $ 30,000 | 12/9/2009 | $ 30,000 | $ 43,849 | $ 237 | $ 44,085 | 9.1% |
| ONCAP IV | $ 15,000 | 11/8/2016 | $ 12,917 | $ 2,725 | $ 17,400 | $ 20,125 | 15.8% |
| Onex Partners III | $ 10,000 | 1/6/2011 | $ 11,181 | $ 16,832 | $ 1,788 | $ 18,620 | 13.2% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Private Equity

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Onex Partners IV | $ 60,000 | 11/22/2013 | $ 62,871 | $ 50,076 | $ 37,592 | $ 87,668 | 8.1% |
| Co-Investment #1 | $ 10,000 | 2/27/2017 | $ 10,471 | $ 1,235 | $ 9,781 | $ 11,016 | 1.0% |
| Onex Partners V | $ 45,000 | 7/11/2017 | $ 39,000 | $ 4,667 | $ 41,151 | $ 45,818 | 13.6% |
| Paine & Partners Capital Fund IV | $ 60,000 | 12/18/2014 | $ 53,400 | $ 29,070 | $ 48,082 | $ 77,152 | 9.3% |
| Wawona Co-Investment Fund I | $ 15,000 | 3/31/2017 | $ 15,012 | $ - | $ 7,978 | $ 7,978 | -10.9% |
| Lyons Magnus Co-Investment Fund I | $ 15,000 | 11/8/2017 | $ 15,000 | $ - | $ 35,107 | $ 35,107 | 19.0% |
| PSP Maverick Co-Invest | $ 7,238 | 9/12/2019 | $ 7,254 | $ - | $ 13,332 | $ 13,332 | 22.1% |
| PSP AH&N Co-Investment Fund | $ 19,724 | 11/27/2019 | $ 17,539 | $ - | $ 31,347 | $ 31,347 | 24.6% |
| Paine Schwartz Food Chain Fund V | $ 45,000 | 8/3/2018 | $ 40,922 | $ 12,976 | $ 41,474 | $ 54,450 | 31.0% |
| SNFL Co-Investment Fund | $ 10,000 | 10/11/2019 | $ 5,024 | $ 265 | $ 7,187 | $ 7,452 | 14.3% |
| Rhone Partners V | $ 56,000 | 3/12/2015 | $ 70,790 | $ 32,777 | $ 74,551 | $ 107,329 | 15.1% |
| Riverside Capital Appreciation Fund VI | $ 60,000 | 7/3/2013 | $ 61,710 | $ 79,808 | $ 16,537 | $ 96,345 | 12.0% |
| RCAF VI CIV XXXII | $ 12,399 | 10/21/2015 | $ 12,687 | $ 35,260 | $ - | $ 35,260 | 19.9% |
| Riverside Micro-Cap Fund III | $ 35,000 | 6/30/2014 | $ 49,448 | $ 183,115 | $ 68,005 | $ 251,120 | 38.1% |
| Riverside Micro-Cap Fund IV | $ 60,000 | 10/23/2015 | $ 55,659 | $ - | $ 99,884 | $ 99,884 | 12.9% |
| Riverside Micro-Cap Fund IV-B | $ 20,000 | 8/9/2019 | $ 24,292 | $ 5,583 | $ 33,838 | $ 39,422 | 29.3% |
| Riverside Micro-Cap Fund V | $ 40,000 | 8/21/2018 | $ 30,673 | $ - | $ 45,354 | $ 45,354 | 22.6% |
| Riverside Micro-Cap Fund VI | $ 45,000 | 8/26/2021 | $ 2,989 | $ - | $ 2,691 | $ 2,691 | NM |
| Shoreview Capital Partners III | $ 24,000 | 7/24/2013 | $ 25,134 | $ 28,438 | $ 24,580 | $ 53,018 | 19.6% |
| Shoreview Capital Partners IV | $ 30,000 | 6/3/2019 | $ 10,422 | $ 5,768 | $ 9,421 | $ 15,189 | NM |
| Sovereign Capital IV | $ 46,500 | 7/7/2014 | $ 40,344 | $ 21,967 | $ 33,200 | $ 55,168 | 9.4% |
| Summit Partners Credit II | $ 60,000 | 10/25/2013 | $ 90,550 | $ 84,158 | $ 22,704 | $ 106,862 | 6.5% |
| Summit Europe Growth Equity III | $ 22,000 | 3/18/2020 | $ 12,304 | $ - | $ 10,713 | $ 10,713 | -15.4% |
| Summit Growth Equity VIII | $ 25,000 | 5/27/2011 | $ 33,302 | $ 62,156 | $ 16,314 | $ 78,470 | 27.3% |
| Co-Investment #1 | $ 16,000 | 6/3/2015 | $ 16,000 | $ 38,735 | $ 16,654 | $ 55,390 | 32.0% |
| Summit Growth Equity IX | $ 60,000 | 8/26/2015 | $ 83,052 | $ 88,968 | $ 90,167 | $ 179,134 | 35.5% |
| Co-Investment #1 | $ 15,000 | 11/29/2016 | $ 14,895 | $ 41,104 | $ - | $ 41,104 | 159.6% |
| Summit Partners Co-Invest (Ironman) | $ 15,000 | 4/20/2018 | $ 15,001 | $ - | $ 17,903 | $ 17,903 | 4.2% |
| Summit Partners Co-Invest (Giants-B) | $ 15,000 | 10/22/2019 | $ 15,000 | $ 41,780 | $ 5,244 | $ 47,024 | 83.4% |
| Summit Growth Equity X | $ 60,000 | 2/26/2019 | $ 57,752 | $ 13,804 | $ 57,151 | $ 70,955 | 20.0% |
| Summit Partners Co-Invest (Lions) | $ 7,534 | 10/14/2020 | $ 7,534 | $ - | $ 12,400 | $ 12,400 | NM |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Private Equity

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Summit Partners Co-Invest (Indigo) | $ 10,000 | 12/11/2020 | $ 11,432 | $ - | $ 11,423 | $ 11,423 | NM |
| Summit Growth Equity XI | $ 45,000 | 10/1/2021 | $ 2,925 | $ - | $ 2,561 | $ 2,561 | NM |
| Summit Venture Capital III | $ 13,150 | 5/27/2011 | $ 18,044 | $ 32,899 | $ 2,555 | $ 35,455 | 17.6% |
| Summit Venture Capital IV | $ 40,000 | 8/26/2015 | $ 50,011 | $ 48,377 | $ 60,390 | $ 108,767 | 42.9% |
| Summit Venture Capital V | $ 45,000 | 6/16/2020 | $ 19,245 | $ 773 | $ 17,768 | $ 18,540 | NM |
| Summit Partners Co-Invest (CS) | $ 12,000 | 10/22/2021 | $ 12,007 | $ - | $ 9,669 | $ 9,669 | NM |
| Technology Crossover Ventures VIII | $ 60,000 | 5/8/2013 | $ 52,307 | $ 39,509 | $ 58,212 | $ 97,722 | 10.6% |
| Technology Crossover Ventures IX | $ 60,000 | 2/19/2016 | $ 48,428 | $ 46,154 | $ 47,674 | $ 93,827 | 20.6% |
| TCV Sports | $ 8,000 | 9/25/2018 | $ 8,000 | $ - | $ 7,712 | $ 7,712 | -0.9% |
| Technology Crossover Ventures X | $ 45,000 | 8/31/2018 | $ 33,774 | $ - | $ 63,110 | $ 63,110 | 28.2% |
| Technology Crossover Ventures XI | $ 45,000 | 10/2/2020 | $ 19,087 | $ - | $ 17,910 | $ 17,910 | NM |
| Technology Impact Fund | $ 40,000 | 12/18/2017 | $ 35,377 | $ 22,270 | $ 81,527 | $ 103,797 | 55.6% |
| Technology Impact Fund II | $ 40,000 | 4/13/2021 | $ 9,115 | $ - | $ 10,004 | $ 10,004 | NM |
| Technology Impact Growth Fund | $ 40,000 | 11/26/2018 | $ 47,650 | $ 26,676 | $ 32,540 | $ 59,216 | 12.6% |
| Technology Impact Growth Fund II | $ 40,000 | 8/6/2021 | $ 7,508 | $ - | $ 6,403 | $ 6,403 | NM |
| Thoma Bravo Fund XI | $ 50,000 | 5/1/2014 | $ 70,928 | $ 128,508 | $ 56,313 | $ 184,820 | 26.6% |
| Thoma Bravo Fund XII | $ 60,000 | 4/27/2016 | $ 75,782 | $ 61,856 | $ 75,868 | $ 137,725 | 16.6% |
| Thoma Bravo Fund XIII | $ 45,000 | 12/7/2018 | $ 59,671 | $ 31,856 | $ 62,970 | $ 94,826 | 32.1% |
| Thoma Bravo Special Opportunities Fund II | $ 15,000 | 3/27/2015 | $ 18,113 | $ 21,091 | $ 14,237 | $ 35,328 | 16.2% |
| Thoma Bravo Discover Fund IV | $ 45,000 | 7/1/2022 | $ - | $ - | $ - | $ - | NM |
| Tillridge Global Agribusiness Partners II | $ 50,000 | 10/21/2016 | $ 28,093 | $ 125 | $ 25,407 | $ 25,532 | -4.1% |
| Water Street Healthcare Partners III | $ 25,000 | 7/25/2012 | $ 29,786 | $ 77,121 | $ 7,563 | $ 84,684 | 35.3% |
| Water Street Healthcare Partners IV | $ 33,000 | 9/15/2017 | $ 32,093 | $ 10,624 | $ 27,738 | $ 38,361 | 9.0% |
| Water Street Healthcare Partners V | $ 43,000 | 4/15/2022 | $ 891 | $ - | $ 500 | $ 500 | NM |
| Wayzata Opportunities Fund III | $ 30,000 | 9/11/2012 | $ 14,718 | $ 10,063 | $ 4,639 | $ 14,702 | NM |
| Wynnchurch Capital Partners IV | $ 40,000 | 10/23/2014 | $ 38,047 | $ 35,402 | $ 55,237 | $ 90,640 | 27.6% |
| Wynnchurch Capital Partners V | $ 40,000 | 1/15/2020 | $ 19,194 | $ - | $ 24,982 | $ 24,982 | NM |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Real Estate

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Angelo Gordon Net Lease IV | $ 50,000 | 2/17/2020 | $ 32,474 | $ 1,446 | $ 34,543 | $ 35,989 | 7.5% |
| Angelo Gordon Realty Fund XI | $ 50,000 | 3/31/2022 | $ - | $ - | $ - | $ - | NM |
| Bain Capital Real Estate II | $ 50,000 | 3/5/2021 | $ 18,221 | $ 2,365 | $ 19,767 | $ 22,132 | NM |
| Blackrock Granite Property Fund | $ 63,791 | 9/30/2006 | $ 68,771 | $ 53,312 | $ - | $ 53,312 | -4.9% |
| Blackstone Property Partners | $ 350,000 | 6/29/2017 | $ 350,000 | $ 34,551 | $ 465,110 | $ 499,661 | 9.6% |
| Blackstone Real Estate Partners VII | $ 75,000 | 2/26/2012 | $ 104,190 | $ 154,517 | $ 17,155 | $ 171,672 | 15.3% |
| Blackstone Real Estate Partners VIII | $ 50,000 | 3/27/2015 | $ 63,106 | $ 64,056 | $ 40,872 | $ 104,927 | 17.5% |
| Blackstone Real Estate Partners IX | $ 40,000 | 12/21/2018 | $ 41,599 | $ 14,160 | $ 45,553 | $ 59,713 | 33.7% |
| Barings Asia Real Estate II | $ 50,000 | 7/31/2018 | $ 21,041 | $ - | $ 17,508 | $ 17,508 | NM |
| EQT Real Estate II | $ 55,000 | 4/26/2019 | $ 24,224 | $ 4,956 | $ 19,568 | $ 24,524 | NM |
| EQT Real Estate Rock Co-Investment | $ 11,000 | 8/10/2020 | $ 8,811 | $ - | $ 10,028 | $ 10,028 | 8.7% |
| H/2 Credit Partners, L.P. | $ 75,000 | 6/21/2011 | $ 75,000 | $ 112,177 | $ - | $ 112,177 | 5.9% |
| Harrison Street Core Property Fund, L.P. | $ 75,000 | 4/30/2012 | $ 94,990 | $ 49,197 | $ 136,736 | $ 185,933 | 9.1% |
| HSRE-Coyote Maine PERS Core Co-Investment | $ 20,000 | 12/4/2020 | $ 14,124 | $ 281 | $ 17,820 | $ 18,100 | NM |
| High Street Real Estate Fund IV, L.P. | $ 25,000 | 8/23/2013 | $ 24,717 | $ 34,157 | $ - | $ 34,157 | 14.7% |
| High Street Real Estate Fund V | $ 25,000 | 7/24/2015 | $ 24,925 | $ 36,045 | $ - | $ 36,045 | 13.2% |
| High Street Real Estate Fund VI | $ 25,000 | 3/22/2019 | $ 25,000 | $ 2,887 | $ 30,487 | $ 33,375 | 16.7% |
| HSREF VI Elgin Co-Invest | $ 10,000 | 4/9/2021 | $ 10,000 | $ 720 | $ 12,588 | $ 13,308 | NM |
| High Street Real Estate Fund VII | $ 35,000 | 8/16/2021 | $ 17,680 | $ - | $ 16,844 | $ 16,844 | NM |
| Hines US Property Partners | $ 200,000 | 9/9/2021 | $ 80,612 | $ 9,052 | $ 80,504 | $ 89,557 | NM |
| Invesco Real Estate Asia IV | $ 30,000 | 3/25/2020 | $ 20,369 | $ 10,069 | $ 9,798 | $ 19,867 | -5.9% |
| Invesco US Income Fund | $ 195,000 | 7/17/2014 | $ 215,629 | $ 56,906 | $ 346,246 | $ 403,152 | 13.2% |
| IPI Data Center Partners I | $ 30,000 | 12/15/2017 | $ 31,814 | $ 17,393 | $ 36,904 | $ 54,297 | 21.9% |
| IPI Data Center Partners II | $ 25,000 | 12/20/2019 | $ 13,142 | $ 1,619 | $ 11,160 | $ 12,779 | -3.7% |
| JPMCB Strategic Property Fund | $ 130,000 | 11/15/2005 | $ 186,941 | $ 297,519 | $ - | $ 297,519 | 5.8% |
| KKR Real Estate Partners Europe I | $ 50,000 | 12/2/2015 | $ 51,781 | $ 44,298 | $ 22,978 | $ 67,276 | 10.2% |
| KKR Real Estate Partners Europe II | $ 25,000 | 12/23/2019 | $ 17,617 | $ 4,250 | $ 15,607 | $ 19,857 | 16.6% |
| KKR Real Estate Partners Americas I | $ 50,000 | 12/20/2013 | $ 49,888 | $ 59,370 | $ 2,460 | $ 61,830 | 11.1% |
| KKR Real Estate Partners Americas II | $ 50,000 | 6/2/2016 | $ 58,396 | $ 67,320 | $ 17,921 | $ 85,241 | 24.4% |
| Northbridge-Strategic Fund II | $ 30,000 | 2/8/2019 | $ 30,000 | $ 3,074 | $ 39,087 | $ 42,161 | 10.3% |
| Prima Mortgage Investment Trust, LLC | $ 75,000 | 7/29/2011 | $ 97,490 | $ 131,918 | $ - | $ 131,918 | 3.8% |
| Principal Life Insurance Company U.S. Property | $ 60,000 | 5/20/2005 | $ 60,000 | $ 125,410 | $ - | $ 125,410 | 6.2% |
| PRISA | $ 90,000 | 6/30/2005 | $ 139,622 | $ 222,450 | $ - | $ 222,450 | 5.3% |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

## Real Estate

| Fund Name | Commitment (A) | Date of Commitment | Amount Contributed (B) | Total Distributions (C) | Current Market Value (D) | Total Value (C+D) | Interim Net IRR |
|---|---|---|---|---|---|---|---|
| Rubenstein Properties Fund III | $ 30,000 | 10/23/2015 | $ 30,606 | $ 627 | $ 27,575 | $ 28,202 | -2.1% |
| LCC Co-Investor B | $ 15,000 | 10/18/2019 | $ 14,917 | $ - | $ 11,569 | $ 11,569 | -9.5% |
| Rubenstein Properties Fund IV | $ 25,000 | 4/16/2019 | $ 5,700 | $ 56 | $ 4,219 | $ 4,275 | NM |
| Prudential Senior Housing Fund V | $ 50,000 | 3/17/2015 | $ 41,333 | $ 5,453 | $ 53,647 | $ 59,100 | 7.6% |
| Smart Markets Fund, L.P. | $ 195,000 | 6/17/2013 | $ 170,307 | $ 62,448 | $ 288,125 | $ 350,573 | 11.1% |
| Stonelake Opportunity Partners VII | $ 40,000 | 6/30/2022 | $ 0 | $ - | $ (561) | $ (561) | NM |
| Walton Street Real Estate Fund VII | $ 50,000 | 5/9/2012 | $ 43,990 | $ 49,882 | $ 11,989 | $ 61,871 | 9.8% |
| Walton Street Real Estate Fund VIII | $ 50,000 | 10/23/2015 | $ 42,685 | $ 29,649 | $ 29,130 | $ 58,780 | 11.0% |
| Co-Investment #1 | $ 10,000 | 9/27/2017 | $ 9,626 | $ 4,160 | $ 4,650 | $ 8,810 | -2.7% |
| Westbrook Real Estate Fund IX | $ 15,000 | 6/30/2014 | $ 17,390 | $ 17,500 | $ 3,112 | $ 20,612 | 6.3% |
| Westbrook Real Estate Fund X | $ 50,000 | 1/15/2015 | $ 48,514 | $ 42,649 | $ 18,711 | $ 61,360 | 11.0% |
| Westbrook Real Estate Fund XI | $ 40,000 | 1/31/2019 | $ 18,517 | $ 7,125 | $ 14,378 | $ 21,503 | NM |

(all dollar amounts in thousands)

# MainePERS Private Market Investments Summary: 09/30/2022

**Notes:** NM = Not Meaningful. MainePERS only reports IRRs for funds with more than 24 months of history and for which Amount Contributed is greater than 50% of Commitments. "Date of Commitment" is not the date of first capital draw. The "IRR" presented uses interim estimates and may not be indicative of ultimate performance of partnership investments due to a number of factors including lags in valuation, maturity of fund, and differences in investment pace and strategy of various funds. Performance figures should not be used to compare returns among multiple funds or different limited partners. Private market investments are long-term investments which are expected to generate returns over the course of their entire life cycle of 10 or more years. Common industry practice dictates that any performance analysis on these funds while they are still in the early years of their investment cycle would not generate meaningful results. The Interim Net IRR figures presented in this table are based on cash flow information provided by the general partner. The above information was not prepared, reviewed, or approved by any of the partnerships, general partners, or their affiliates and may differ from those generated by the general partner or other limited partners due to differences in timing of investments, disposal of in-kind distributions, and accounting and valuation policies.

MainePERS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

# Liquidity Portfolio Review

April 13, 2023

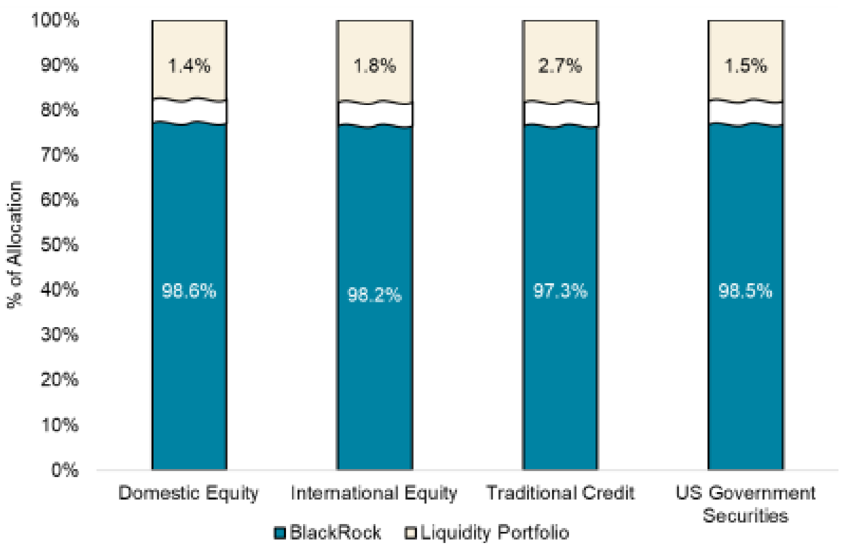
# Liquidity Portfolio

During 2021, Trustees approved shifting a portion of the System's public securities holdings into a "liquidity portfolio" in order to improve cash management practices and facilitate rebalancing.

This program invests cash balances using liquid instruments (futures and ETFs) in order to minimize transaction costs.

MainePERS engaged Parametric Associates to manage this program, and implemented the program in January 2022.

The Investment Team reports on the program each month as part of the Investment Monthly Review.



# Program Rationale

**Cash Management**

- Distributions from private asset classes have increased substantially as the private market investment program has matured.
- This leads to the accumulation of large cash balances during high-distribution periods, and the need for additional cash when distributions are lower than forecast.
- The use of the liquidity portfolio allows the System to maintain a higher average cash balance while minimizing “cash drag,” and avoiding the transactions costs and operational complexity of short-term transactions in our primary public market accounts.

**Rebalancing**

- The program effectively allows daily rebalancing, as cash is raised (or invested) based on current asset class weights relative to policy targets.

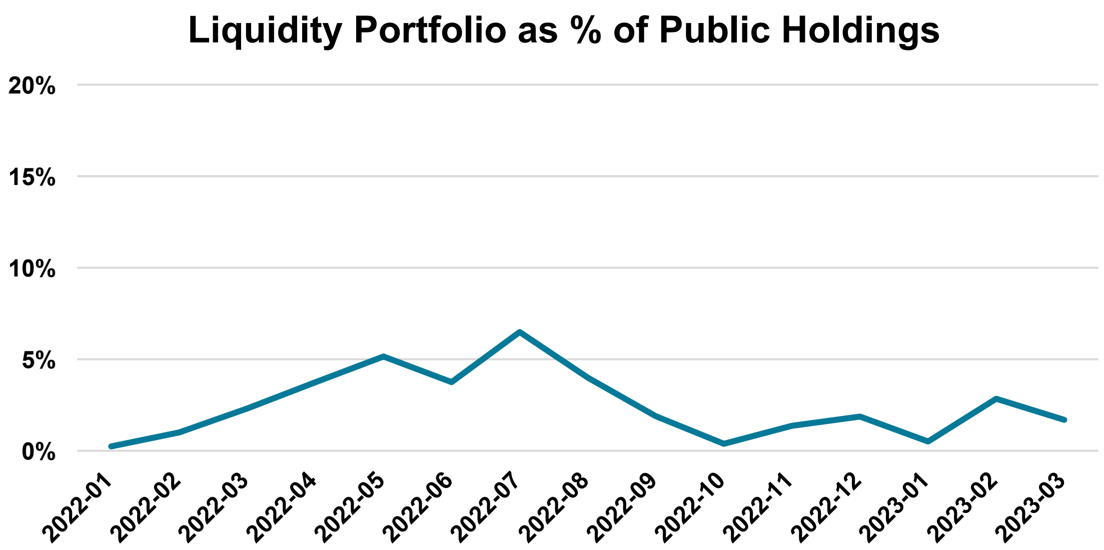
# Program Guidelines

**Leverage**

- The program does NOT cause the System to incur leverage.
- The investment exposure within the liquidity portfolio is always less than total available cash.

**Program Size**

- The liquidity portfolio will typically represent less than 5% of the System's public market exposure.



# Program Implementation

On a weekly basis, JPM provides Parametric with

- End-of-week cash balance
- Daily cash flows for the upcoming week

The amount available to be invested in the liquidity portfolio is equal to that day's cash balance, less a buffer amount.

This buffer is used to ensure that leverage is not incurred.

Parametric invests the available amount in public market asset classes using futures contracts and ETFs. Parametric then adds to, or reduces this amount on a daily basis based on that day's net cash flows.

# Program Monitoring

The Investment Team monitors the liquidity portfolio along two dimensions.

**Status Monitoring: Daily**

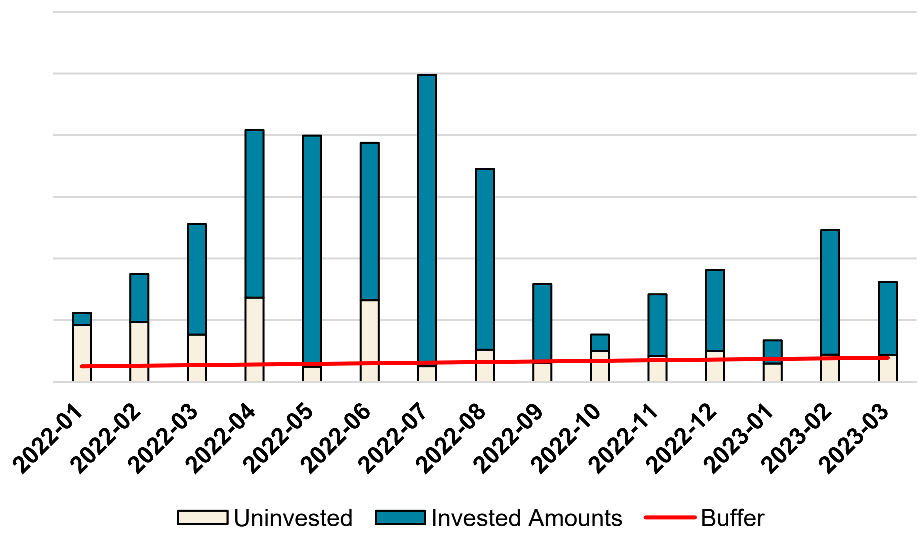
- MainePERS receives daily exposure reports from Parametric, and has direct account access for monitoring purposes
- The size and positioning of the liquidity portfolio are circulated to the Investment Team as part of each day's performance reporting

**Performance Monitoring: Quarterly (in development)**

- Monitoring addresses two areas:
  - Did the program allow available cash to be invested?
  - Did the futures and ETF holdings track target asset classes?

# Program Outcomes

The program has allowed available cash to be invested, without incurring leverage.




The investments within the liquidity portfolio (futures and ETFs) have tracked the performance of the target asset classes, with reasonable levels of tracking error.

**MAINEPERS**

**BOARD OF TRUSTEES MEMORANDUM**

**TO:** BOARD MEMBERS

**FROM:** DR. REBECCA M. WYKE, CEO

**SUBJECT:** FIDUCIARY DUTY EDUCATION

**DATE:** APRIL 5, 2023

Annual fiduciary duty education is a best practice for retirement system Boards of Trustees. At the April meeting, Amy McDuffy, of Mosaic Governance Advisors, will conduct fiduciary duty education. A copy of her presentation and the two case studies for discussion follows this memo.

## POLICY REFERENCE

Board Policy 1.2 – Trustee Fiduciary Responsibility

Board Policy 1.8 – Trustee Education

Board Policy 4.5 – Board/Staff Relations

Board Policy 4.6 – Communication and Support to the Board

## RECOMMENDATION

*No Board action is required.*

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MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

# Educational Session on Fiduciary Responsibilities

*A Presentation for the MainePERS Board of Trustees*

Amy McDuffee, Mosaic Governance Advisors, LLC

Michael Colleran, MainePERS General Counsel

Betsy Stivers, Assistant Attorney General

*April 13, 2023*

This presentation is intended for informational purposes only and not for the purpose of providing legal advice.

# Topics for Review and Discussion

- Core Fiduciary Responsibilities and Their Application
- Questions and Scenarios for Discussion
- Wrap Up



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# Objectives for Today's Discussion

- Refamiliarize the Board with the fundamentals of fiduciary concepts.
- Identify resources and protections available to Trustees that support you in your fiduciary role.
- Respond to your questions and invite your comments.
- Share your views on how you apply your fiduciary responsibilities within your role as Trustees.
- Discuss hypothetical scenarios.
- Other expectations?

# Why Training? A Focus on Fundamentals

- Being a Trustee carries great responsibility to follow fiduciary standards – the highest under law.
- Fiduciary concepts form the fundamentals of the role of a Trustee.
- The term “fiduciary” is not uniformly well-understood; its definition can differ from what we might expect.
- The consequences for a fiduciary breach can be significant.
- Ongoing training helps Trustees understand fiduciary duty and apply the understanding in practice.



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# Core Fiduciary Responsibilities and their Application

# Guidance for this Section of the Training

Review the content for this section.

Consider how the fiduciary concepts are interrelated to your actions as a Board and individual Trustees.

Review the discussion questions on page 33; please come to the meeting prepared to share your views.



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# Fiduciary Concepts Have a Long History

- The origins of fiduciary concepts date back centuries to principles of the common law of trusts.
- Pension funds emerged in the late 1800s and early 1900s, and the law evolved to address specific issues.
- Pension-related trust law for private sector plans was standardized at the federal level in 1974.
- State and local public retirement systems are not subject to the federal law, ERISA,* but are informed and influenced by it.
- Courts will often consider the standard set forth in ERISA when addressing public pension plan issues.
- The ERISA standard is derived from the common law of trusts, which is applicable in Maine.

*Employee Retirement Income Security Act of 1974



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# Three Primary Roles in a Trust

**Settlor (Sponsor)**

- The entity that created the trust/plans (the Legislature/PLDs)
- Makes business decisions: to establish a plan, include certain features, modify benefits, amend the plan, or terminate a plan
- When making decisions, acts for the State/PLDs, not the plans

**Trustees**

- The entity that oversees the management and administration of the trust (the MainePERS Board of Trustees)
- Implements the decisions of the settlor, and, in doing so, acts on behalf of the plans and its beneficiaries

**Bene-ficiaries**

- Those who receive payments from the trust/plans (the MainePERS members, including retirees and beneficiaries)

# What is a Fiduciary?

- Someone in a position of trust.
  - Others must rely on their integrity and fidelity.
  - This gives rise to special duties that the fiduciary owes to the others.
- "A fiduciary is someone who manages money or property for someone else. When you are named a fiduciary, you are required by law to manage the person's money and property for their benefit, not yours." *Consumer Financial Protection Bureau( CFPB)*
- Status is based on the functions performed, not a specific title.
- General examples of fiduciaries
  - Trustees
  - Investment advisors
  - Attorneys
  - General partners
  - Guardians
  - People with power of attorney



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# Specific Examples of Fiduciary Actions in the Public Pension Arena

- Hiring or delegating to persons to perform fiduciary functions, including the CEO, investment managers, and custodians, among others.
- Establishing investment policy, including setting asset allocation and investment strategies.
- Establishing and communicating any applicable guidelines for investment transactions and trading.
- Setting actuarial assumptions.
- Authorizing benefit payments.
- Setting and adjusting compensation for the CEO.
- Setting policy for voting proxies.



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# What Makes MainePERS Trustees Fiduciaries?

The Constitution of Maine

Maine Statutes

Federal Law on Qualified Pension Plans, including the Internal Revenue Code

*Please see the Appendix for specific legal citations.*



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# Examples of Board Fiduciary Decision-Making or Delegation: Two Key Areas

## MainePERS Plans and Programs

- Oversee Administrative Matters
- Set and Review Actuarial Assumptions
- Set Investment Policy
- Select Certain Consultants and Service Providers
- Report to the Legislature

## MainePERS the Quasi-Independent Agency*

- Appoint the CEO
- Oversee Accounting and Financial Matters
- Adopt an Administrative Budget

*The Board delegates all management responsibilities to the CEO and staff.



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# Key Fiduciary Duties

Loyalty

Prudence

Follow Plan Documents



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# Duty of Loyalty

## Do…

- Act solely in the interest of the members and beneficiaries
- For the sole benefit of the members and beneficiaries of the trust
- Impartially, with undivided loyalty

## Don't

- Engage in conflicts of interest
- Self-deal
- Use the position for personal benefit
- Favor one group of members, or individual members, over another

*This is the duty in the Maine Constitution and State statute to act solely in the interests of the members, retirees and beneficiaries as recipients of retirement or related benefits.*



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# Duty of Loyalty, cont'd

- Typically viewed as the easiest to remember and the hardest to fulfill.
- Often misunderstood, especially by those outside the public retirement system industry.
- Regardless of how one becomes a trustee, the duty of loyalty is the same.
- The same duty extends:
  – ***To decision-making in all subjects,*** including benefits, investments, and operations.
  – ***Across all members and beneficiaries,*** including an employee who is enrolled today, the member who is retiring today, and those already retired or receiving benefit payments.



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# Loyalty to Whom?
# Members of MainePERS Plans and Programs

MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

- Defined Benefit Plans
- Defined Contribution Plans
- Other Post-employment Benefit Trust
- Retiree Health Insurance Post-employment Benefits Investment Trust Fund
- Group Life Insurance Program

# The One Hat Analogy

- Trustees must only wear the hat of a fiduciary and not that of an employer, a representative for a certain group of members or retirees, a union, a member of the business community, or an elected official.
- In practice, this means that Trustees <u>do not</u> owe a fiduciary duty of loyalty to:
  - The entity who nominated, elected, or appointed him/her
  - The Legislature
  - Contributing employers
  - Special interest groups
  - Taxpayers
- Trustees must act impartially, considering beneficiaries' respective interests.

# Maine Attorney General Aaron M. Frey on Duty of Loyalty

As a fiduciary of a pension trust, the MainePERS Board of Trustees ("the Trustees") has a duty of loyalty to administer the trust solely in the interest of the beneficiaries and for the articulated purpose of the trust – providing retirement and related benefits. A trustee's duty of loyalty is a fundamental principle of common law reflected in the Restatement (Third) of Trusts,[1] the Maine Uniform Trust Code,[2] and the Employee Retirement Income Security Act of 1974 ("ERISA").[3] The constitutional intent is clear. By requiring the funds be held as in trust for the exclusive purpose of providing retirement benefits, the Constitution is mandating that the Trustees manage these funds solely in the best interest of MainePERS members as pension recipients.

*Letter to Joint Standing Committee on Labor and Housing dated April 9, 2021 regarding LD 99 and LD 319*

# Practicing the Duty of Loyalty

- Do not exert your authority as a fiduciary in a way that will benefit you personally.
- Avoid matters where you have an actual conflict of interest or where others could perceive a conflict of interest.
  - If they cannot be avoided, disclose and recuse.
- It is important that Trustees be viewed as using their best independent judgment when making decisions for MainePERS.
- Trustees should not act on behalf of a party whose interests are adverse to MainePERS, even if they receive no personal gain.
- No amount of disclosure or recusal will help a trustee who accepts bribes, favors, or "kickbacks."



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# Duty of Prudence – Prudent Investor Standard

Exercise reasonable care, skill, and caution in administering the trust, acting as a prudent person would under the circumstances.

Consider the **entire investment portfolio** when determining the fit of an individual investment

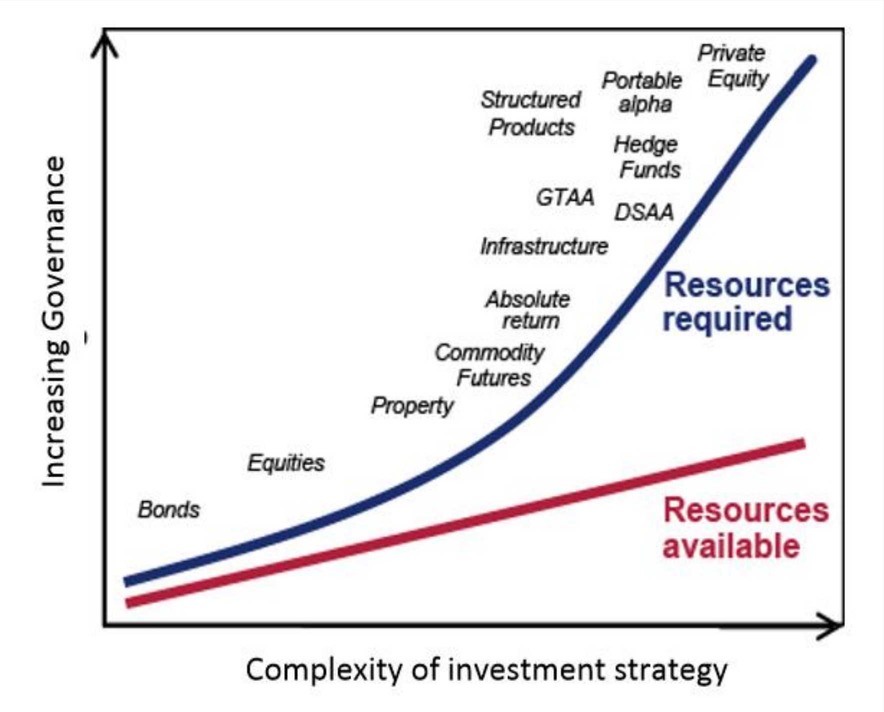
**Diversification** is required, unless it is not prudent to do so

Use special skills and expertise if you have them; otherwise, **delegation*** is allowed and encouraged when a trustee doesn't have the requisite expertise

*Oversee delegation to the investment staff.

# Standards of Prudence Evolve

- Markets are dynamic and the environment is highly complex.
- Fiduciaries need to stay abreast of the changes.
- Due diligence practices of the past may not be enough today.
- Investments with the potential for higher returns are often higher risk and require more due diligence.
- Decisions must be made using contemporary standards.




*Source: Spano, Martha, "Good Pension Governance: There is An ROI," February 2012.*



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# Practicing the Duty of Prudence

- The courts have held that good intentions are not good enough ("a pure heart and empty head*").
- Behave in a careful, thorough, and diligent manner.
- Become familiar with the written policies and staff's policy framework.
- Ask the Board's experts what questions they would ask if they stood in your role.
- Remember that monitoring is essential; Trustees cannot abdicate their responsibility, nor should they try and perform work or make decisions that are better performed through delegation.
- Focus on *process*; Trustees are not guarantors of outcomes.

*Donovan v. Cunningham, 716 F. 2d 1455, 1467 (5th Cir. 1983)



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# Areas Where Prudence Comes Into Play for MainePERS

- Determining risk tolerance and setting asset allocation
- Setting actuarial assumptions
- Reviewing performance
- Documenting processes
- Establishing and reviewing delegations of authority
- Retaining and evaluating expert assistance

# Examples of Exercising Prudence at MainePERS

**Identify Experts**

- CEO, Staff, Internal Auditor
- Board Consultants
- External Auditor

**Set Policy / Delegate**

- Governance Manual, including Investment Policy Statement
- Budget

**Evaluate Experts / Delegation**

- CEO Evaluation
- Select/Review Board Consultants and External Auditor

**Monitor Progress**

- Routine investment, actuarial, operations, and financial reports



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# Duty to Follow Plan Documents

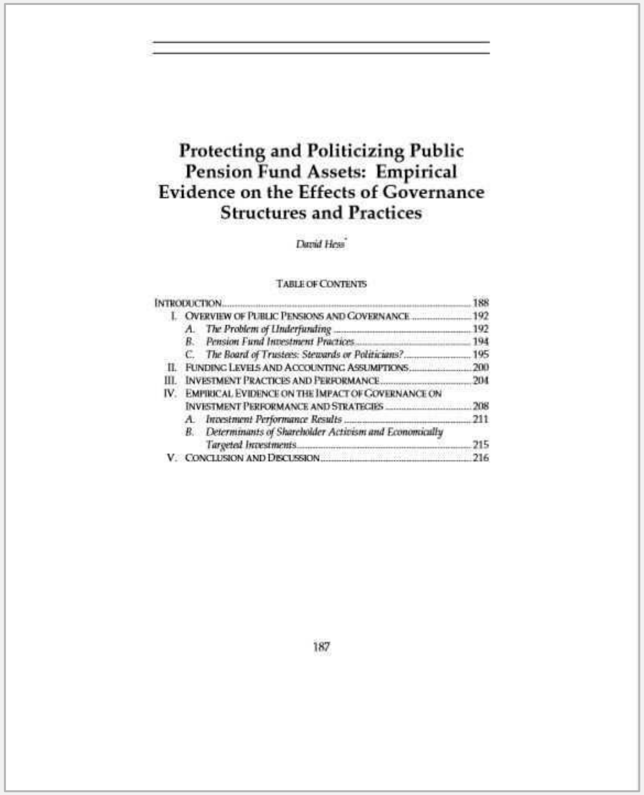
- Establishing a written plan document is a nonfiduciary "settlor" activity.
- Examples of MainePERS "Plan Documents":
  - The Maine Constitution;
  - Maine State Statutes; and
  - Federal Statutes, specifically, including the Internal Revenue Code and securities laws.
- Following the written plan document in the day-to-day management and administration of the plan is a fiduciary duty.
- Strict compliance is non-negotiable; straying from the plan's written terms is generally considered a violation.

# How Fiduciaries Practice Following Plan Documents

- Look to plan documents for guidance on fulfilling their role.
- Adopt administrative rules to interpret legislative provisions and provide clarity to staff, service providers, members, and stakeholders.
- Adopt policies and procedures to specify the roles and responsibilities and to guide the actions of those implementing them.
- Follow past precedent, if still applicable; do not arbitrarily ignore existing precedents.
- It is important to periodically review plan documents and how they are practiced, and make updates accordingly.

# The Pressures are Real

- Trustees for other systems have faced pressures, including:
  - Political interests.
  - Budget deficits and competition for dollars.
  - Higher retirement benefits for special groups.
  - Preference for business relationships.
  - Lower taxes.
  - Economic development in the state.



**Protecting and Politicizing Public Pension Fund Assets: Empirical Evidence on the Effects of Governance Structures and Practices**

*David Hess*[*]

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*https://lawreview.law.ucdavis.edu/issues/39/1/articles/DavisVol39No1_HESS.pdf



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# Examples of Breach of Fiduciary Duty

- **Breach of the Duty of Loyalty**
  - Making a decision on some basis other than the best interests of the members, such as personal gain or for the benefit of a non-member.
- **Breach of the Duty of Prudence**
  - Making a decision without following a proper due diligence protocol or without taking the results of the due diligence into consideration.
- **Breach of the Duty to follow Plan Documents**
  - Failure to follow the written plan terms in administering and managing the plan.



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# Examples of Breach of Fiduciary Duty *(Cont'd)*

- **Co-fiduciary Liability**
  - Often referred to as "you are your sibling's keeper."
  - If a trustee knows of a fiduciary breach by another trustee and does nothing about it, the trustee is breaching their fiduciary duty.
  - The standard is actual knowledge of another trustee's wrong-doing.



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# Protection from Personal / Civil Liability

- State law provides significant protection for governmental entities, including the Board and the individual Board members in their capacity as Trustees.

- Board members, acting in good faith and within their authority as Trustees, will be defended against claims arising from the performance of their duties.

# Ways to Mitigate Risk and Manage Liability

- Attend orientation and participate in continuing education.
- Read materials prepared for the Board and committee meetings.
- Ask questions.
- Participate in discussions during the decision-making process.
- Require clear documentation of Board actions and rationale.
- Use advice from the Board's experts on legal, actuarial, investment, and audit matters.
- Delegate when you, or the Board as a whole, lack expertise.
- Ensure delegations and assignments to committees, staff, and outside service providers are clear and regularly monitored.
- Wear "one hat" but welcome diverse opinions and perspectives into Board discussions.



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# Questions and Scenarios for Discussion

# Discussion Questions

1. When you prepare for Board discussions, what principles rise to the top of your mind as it pertains to satisfying your fiduciary responsibilities?
2. What situations did the Board address in the past year where you felt fiduciary issues were particularly pressing?
   - How did the Board handle them?
   - What worked well?
   - What could improve how the Board operates relative to sound fiduciary principles?
3. What do you think could be done to raise awareness among stakeholders about what the Board's fiduciary responsibility entails?
4. Any other comments or questions?

# Scenario #1 – Spot the Potential Fiduciary Error

TBD

# Scenario #2 – Spot the Potential Fiduciary Error

TBD

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# Appendix

# Applicable Legal Citations

- Constitutional provisions governing MainePERS
  Constitution of Maine - Article 9 (see Sections 18, 18A and 18B)

  Maine Public Employees Retirement System
  Governor's Retirement Fund - Title 2 MRSA §1A
  Legislative Retirement - Title 3 MRSA §701 to §860
  Judicial Retirement - Title 4 MRSA §1201 to §1361

  Title 5 MRSA Part 20:
  Chapter 421: General Provisions §17001 - §17451
  Chapter 423: State Employees and Teachers §17601 - §18061
  Chapter 425: Participating Local Districts §18201 - §18663
  Chapter 427: Participating Local Districts Consolidated Plan §18801 - §18806
- Federal Law on Qualified Retirement Plans
  - Internal Revenue Code § 401(a)(2)
  - Treas. Regs. § 1.401-2(a)(3)
- MainePERS rules:
  Maine Public Employees Retirement System (94-411).



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## CONTEXT

At today's meeting, the XYZPERS board of trustees, a fictitious statewide public retirement system, is deciding on the strategic asset allocation for the XYZPERS investment portfolio. The board has received educational presentations on the matter over the past two board meetings. Today, the system's staff and the board's general investment consultant are presenting a recommendation.

The board refers to materials contained in the "board book" that was distributed to all trustees one week in advance of the meeting. The board book includes a written recommendation from staff. There is also a memo from the board's general investment consultant concurring with the staff recommendation, along with the following: a comprehensive and detailed analysis on each asset allocation portfolio alternative explored, the short- and long-term expectations, key risks, historical context, pertinent information from the recently concluded actuarial experience and asset/liability studies, and peer data.

Board questions on the item are intense. After twenty minutes, there is no apparent consensus. The newest trustee flags the chair. "This is my first meeting and I'm just lost. Does the board have to make this decision today? I'm not an investment expert and I'm not at all comfortable."

The chair responds saying that the system's CIO will find a time to meet with the new trustee after the meeting. Clearly overwhelmed, the new trustee closes their board book and crosses their arms. "I guess I'll just go with whatever decision my board colleagues come to."

Another trustee chimes in. "Before we decide, I want to make sure I understand from whom the board is receiving this recommendation. I just think the advice we get should be independent."

"We have that," responds the board chair. "It's in the memo from our general investment consultant."

"I guess I'm confused then," states the trustee. "I thought the general investment consultant works for staff? Isn't it staff who selects the investment consultant?"

"That's not the case," states the board chair, as she turns to the CEO, "right?" The CEO nods. "Now, back to the matter at hand. We need to find a way to come to consensus. Staff and the investment consultant have provided us with a clear recommendation. It's right here in black and white print," the board chair says, pointing to the board materials.

Another trustee then raises their hand. "Madam Chair, I hate to further muddy the waters, but please hear me out. Just like staff and the investment consultant, I follow the investment markets, too. No offense but I just don't trust the recommendation." The trustee then goes on to advocate for an asset allocation alternative that is entirely different than the recommendation or any other options set forth in the board book.

Seeing that several board member colleagues are nodding in agreement, the trustee makes a motion. “I move for adoption of the alternative asset allocation I just presented. It just makes more sense.”

The motion quickly receives a second.

The board chair asks for any further discussion from the board.

## QUESTIONS TO DISCUSS

1. What do you observe about this situation given your knowledge and experience about sound fiduciary principles?
    - What, if any, are the positives?
    - Where are potential lapses in the application of sound fiduciary principles?
2. What would you do?
    - If you were the board chair?
    - If you were a member on this board of trustees?
    - What might you expect staff or the general investment consultant to do in this situation?
3. Any other comments?

## CONTEXT

It is the morning of the XYZ public retirement system (XYZPERS) board of trustees meeting.

A few board members, staff, and others are assembling in the board room. Two board members have joined the "Zoom" broadcast and are on mute waiting for the meeting to begin.

A new face enters the room, looking a bit lost. "Is this the meeting of the XYZPERS board of trustees?" they ask. As it turns out, it is Bill, a new board member. Although the CEO says they recall seeing Bill's name at some point as the governor's new appointee, the other board members in the room are surprised.

"After six years of not having that seat filled, I didn't think anyone would *ever* be appointed!" whispered one board member to another.

The chair calls the meeting to order. Including the two trustees on Zoom, seven of the 11 board members are present at the meeting. "I'm glad that we were able to achieve a quorum this month," the chair observed. "We have a packed agenda today."

The meeting progresses and, during the morning segment, the board hears three information items, including a legislative update, the results of staff's recent member services research study, and an update on a new actuarial standard of practice that will impact reporting for all public pensions, including XYZPERS.

At the lunch break, Bill makes his rounds among the trustees that are present, shaking hands and smiling. He grabs his bag and walks toward the door, engaging the board chair last.

"I have to admit," Bill says, "I am a bit confused. They told me in the appointments office that this would be a piece of cake. Since I know so many investment managers, I was told I could help the system and the state by making introductions and ensuring that in-state managers got a piece of the pie. But it's hard to sit through this other stuff, especially when you just get the meeting packet the morning of the meeting."

"We all get the meeting packet at the same time, Bill," replied the chair. "Staff doesn't send it in advance because no one has time to read it anyway."

"Sorry for jumping in on your conversation" says the board vice-chair. "I couldn't help but overhear the part about how you know so many investment managers, Bill. I hate to be the bearer of bad news, but as fiduciaries, making in-state investments can't be our primary focus. We're required to be prudent in our decision-making process."

"Look, I'm sorry if you misheard me," says Bill. "I know how to be a fiduciary. I've been in this industry my entire career. From my perspective, the great thing about boards like this is the diversity we all bring to the table. So, you can be the kind of fiduciary you want to be, and so can I. Hey guys, sorry, I need to jump to my next appointment, but great to meet you."

The CEO then approaches the board chair. "We just got a message in the Zoom chat from one of the trustees. They need to leave. Something has come up."

Everyone looks around the room in disbelief. Three major action items remain on the afternoon agenda.

## QUESTIONS TO DISCUSS

1. What do you observe about this situation given your knowledge and experience about sound fiduciary principles?
    - What, if any, are the positives?
    - Where are potential lapses in the application of sound fiduciary principles?
2. What would you do?
    - If you were the board chair?
    - If you were a member on this board of trustees?
    - What might you expect staff to do in this situation?
3. Any other comments?

**TO:** BOARD MEMBERS

**FROM:** MICHAEL J. COLLERAN, CHIEF OPERATING OFFICER & GENERAL COUNSEL
CHIP GAVIN, CHIEF SERVICES OFFICER
SHERRY VANDRELL, CHIEF FINANCIAL OFFICER

**SUBJECT:** MEMBER SERVICES, FINANCE, AND OPERATIONS REPORT

**DATE:** APRIL 5, 2023

---

Content in the following paragraphs was selected to provide noteworthy information regarding the System's operations and member services.

## POLICY REFERENCE

Board Policy 4.5 – Board/Staff Relations

Board Policy 4.6 – Communications and Support to the Board

### MEMBER SERVICES

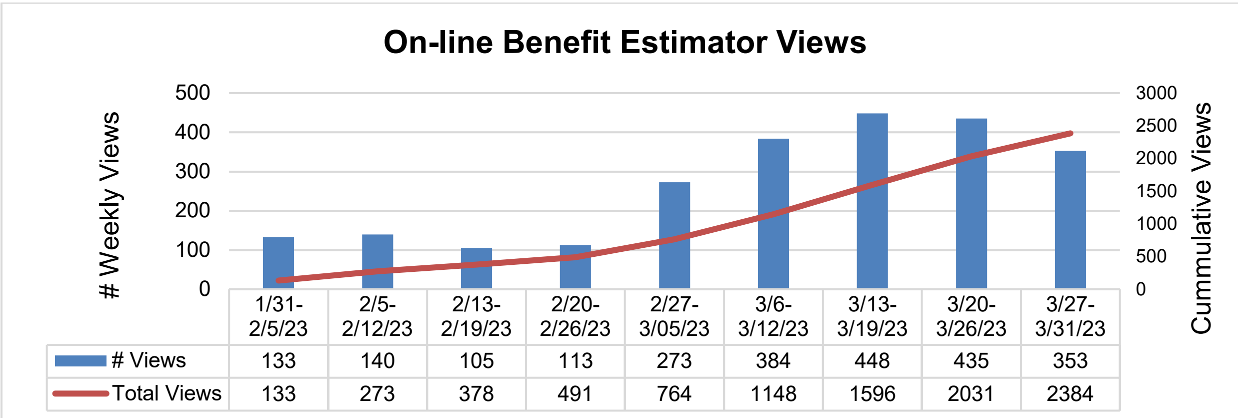
1. CUSTOMARY SERVICES DATA. The customary data about routine member services are attached to this report.

2. FOCUS FRIDAYS: The Focus Friday effort to allow dedicated time for processing of member service requests begins April 7. Tracking metrics will be added to the operations report starting in May to monitor Focus Friday efforts as discussed previously with Trustees. Proactive communication occurred throughout March and is ongoing to advise those seeking to do business with MainePERS of this temporary change in member services public business hours.

3. STATE/TEACHER COLA: The one-time 1% COLA for State and Teacher plan retirees included in the State supplemental budget for Fiscal Year 2023 is being implemented for the April 2023 payroll. The additional 1.0% applied to retirement benefit payments (up to a maximum of $24,186.25) for the one-year period ending August 31, 2022. Approximately 35,750 individuals will be receiving a disbursement. Pro-active outreach has and is occurring to advise recipients and other stakeholders of this one-time benefit increase. USPS, email, web site and phone messaging all are being used.

4. PENSION ADMINISTRATION SOFTWARE: The project to review and replace or upgrade the current line of business software used by MainePERS is ongoing. Competitive solicitations for advisory services and for preliminary information from potential solution providers both are active.

5. ONLINE BENEFIT ESTIMATOR: The new online benefit estimator previously discussed with Trustees continues to grow in visitation, averaging approximately 130 views per week in February then more than 400 per week for the period March 6-March 31. The Estimator has received more than 2,300 total page views since launching in late January, 2023.




| | 1/31-2/5/23 | 2/5-2/12/23 | 2/13-2/19/23 | 2/20-2/26/23 | 2/27-3/05/23 | 3/6-3/12/23 | 3/13-3/19/23 | 3/20-3/26/23 | 3/27-3/31/23 |
|---|---|---|---|---|---|---|---|---|---|
| # Views | 133 | 140 | 105 | 113 | 273 | 384 | 448 | 435 | 353 |
| Total Views | 133 | 273 | 378 | 491 | 764 | 1148 | 1596 | 2031 | 2384 |

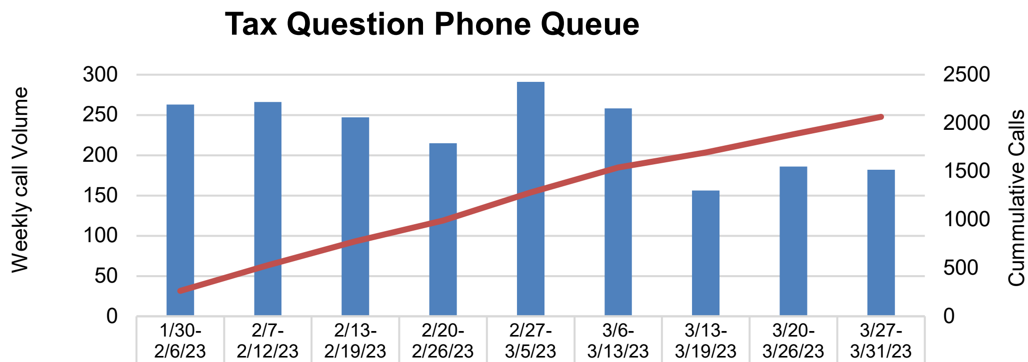
6. MEMBER EDUCATION: A new introductory member education session tailored to new and mid-career members in the Teacher Plan is launching April 20. This is available on a scheduled basis for individual members to be able to register at their own discretion.

## 2023 Retirement Planning Sessions

| DAY | DATE | TIME | SUBJECT | STATUS |
|---|---|---|---|---|
| Wednesday | 2/22/2023 | 2:30 p.m. | READY TO RETIRE | ONLINE |
| Thursday | 2/23/2023 | 9:00 a.m. | READY TO RETIRE | ONLINE |
| Thursday | 3/23/2023 | 2:30 p.m. | READY TO RETIRE | ONLINE |
| Wednesday | 4/19/2023 | 2:30 p.m. | READY TO RETIRE | ONLINE |
| Thursday | 4/20/2023 | 9:00 a.m. | INTRO TO TEACHER PLAN | ONLINE |
| Thursday | 5/25/2023 | 2:30 p.m. | READY TO RETIRE | ONLINE |
| Thursday | 6/8/2023 | 2:30 p.m. | READY TO RETIRE | ONLINE |

7. GROUP LIFE INSURANCE: MainePERS is currently soliciting competitive proposals to serve as the third party administrator of its group life insurance program. The solicitation is active.

8. TAX DOCUMENT SEASON MEMBER SERVICES ACTIVITIES: Proactive communication to members, including phone system adjustments that have been in place since January 2023, will be concluding once April 15 passes.




| | 1/30-2/6/23 | 2/7-2/12/23 | 2/13-2/19/23 | 2/20-2/26/23 | 2/27-3/5/23 | 3/6-3/13/23 | 3/13-3/19/23 | 3/20-3/26/23 | 3/27-3/31/23 |
|---|---|---|---|---|---|---|---|---|---|
| Weekly Tax Queue Calls | 263 | 266 | 247 | 215 | 291 | 258 | 156 | 186 | 182 |
| Cummulative Calls | 263 | 529 | 776 | 991 | 1282 | 1540 | 1696 | 1882 | 2064 |

## FINANCE

1. <u>Employer Reporting</u>. Employers submitted defined benefit payrolls on time at an 89% rate in March, which is in line with the fiscal year to date monthly average of 88.8% and last March's 90%. Work continues assisting late-reporting employers to become current and coordinating with payroll vendors to improve accuracy and timeliness of their clients' reporting. The Employer Reporting unit continues to make progress in reducing an account reconciliation backlog, moving from 138 to 414 fully-reconciled accounts in a little more than a year. This is an increase of 13 fully-reconciled accounts since last reported.

2. <u>Employer Auditing</u>. Five audits were opened in March, and three were completed. All three of the completed audits revealed contribution errors that staff are working to resolve with the employers. Eighty percent of all findings to date have been resolved satisfactorily. This is a decrease from the ninety-two percent reported last. The increase in unresolved findings is attributable to multiple, but similar issues being identified with a recent review. Those findings are expected to be resolved by the time we report next.

## OPERATIONS

1. <u>Compliance</u>. We successfully processed all required minimum distributions by the April 1, 2023, deadline.

2. <u>Human Resources</u>. We had four new employees start in March and are actively recruiting for nine open positions. We entered into a memorandum of understanding with MSEA on adopting a job series for Employer Reporting that will provide more room for advancement.

3. <u>Facilities</u>. Repair of the water-damaged office in Portland has been completed. We are converting one of our conference rooms into an employee training room.

4. <u>Business Continuity</u>. We closed out last fall's Facilities tabletop exercise with senior management's acceptance of the completed action plan. Action items included updating the Facilities Business Continuity Plan, creating and testing a Board of Trustees Text-Em-All group, and adding accessibility to Business Continuity Plan documents through System iPhones and iPads.

5. IT EQUIPMENT. We are replacing our five MICR printers with two new smaller MICR printers and three general-use printers. This reduces the cost of equipment and specialized ink. The change is possible because of our successful campaign to minimize the use of checks and maximize the use of electronic transactions.

6. BOARD SOFTWARE. We are using only the Govenda platform to deliver the April Board materials to you. IT staff will be onsite to assist and answer questions.

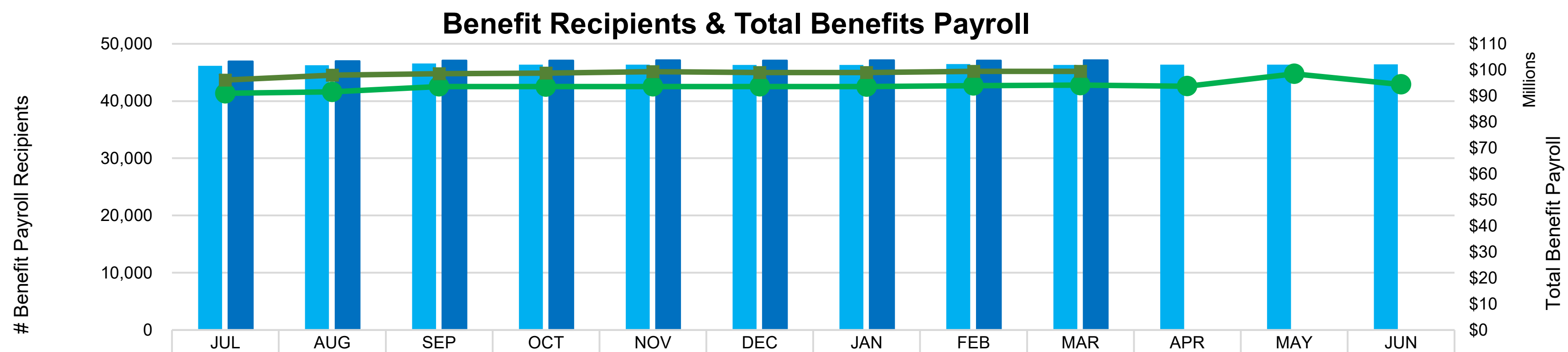
**RECOMMENDATION**

*No Board action is recommended at this time.*

**_APRIL 2023_ BOARD OF TRUSTEES OPERATIONS - SERVICE PROGRAMS SUPPLEMENTAL NUMBERS**

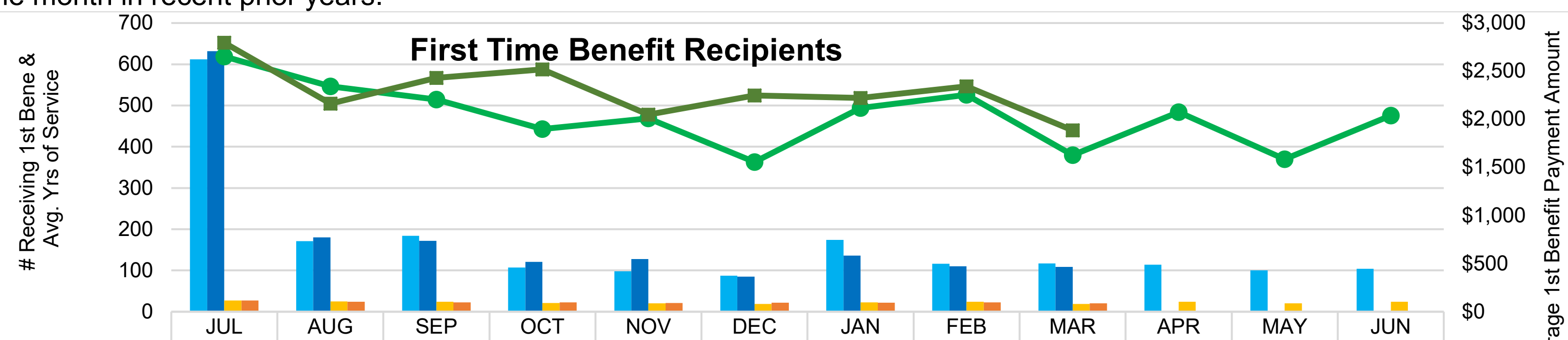
**RETIREMENT SERVICES**

BENEFITS PAYROLL. Regular monthly pension benefit payments were made to 47,103 recipients in March, totaling $99,380,454. *Note: Special payments paid outside of the regular payroll run are not reflected in the "Benefits Payroll" total.*




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 Benefit Recipients (#) | 46,157 | 46,273 | 46,557 | 46,383 | 46,372 | 46,294 | 46,305 | 46,453 | 46,322 | 46,344 | 46,362 | 46,390 |
| FY23 Benefit Recipients (#) | 46,924 | 46,986 | 47,049 | 47,073 | 47,106 | 47,088 | 47,103 | 47,073 | 47,103 | | | |
| FY22 Benefits Payroll | $90,981,866 | $91,530,971 | $93,618,579 | $93,515,788 | $93,585,082 | $93,580,970 | $93,561,274 | $93,959,837 | $94,091,259 | $93,732,973 | $98,441,894 | $94,406,978 |
| FY23 Benefits Payroll | $96,074,419 | $97,911,533 | $98,525,514 | $98,774,481 | $99,301,667 | $98,971,192 | $98,985,590 | $99,415,421 | $99,380,454 | | | |

FIRST TIME BENEFIT RECIPIENTS. One hundred nine (109) individuals received their first benefit payment in March. The average benefit amount was $1,885. First time recipients averaged twenty (20) years of service. The count of new recipients, payment amount, and service are comparable to data seen during the same month in recent prior years.

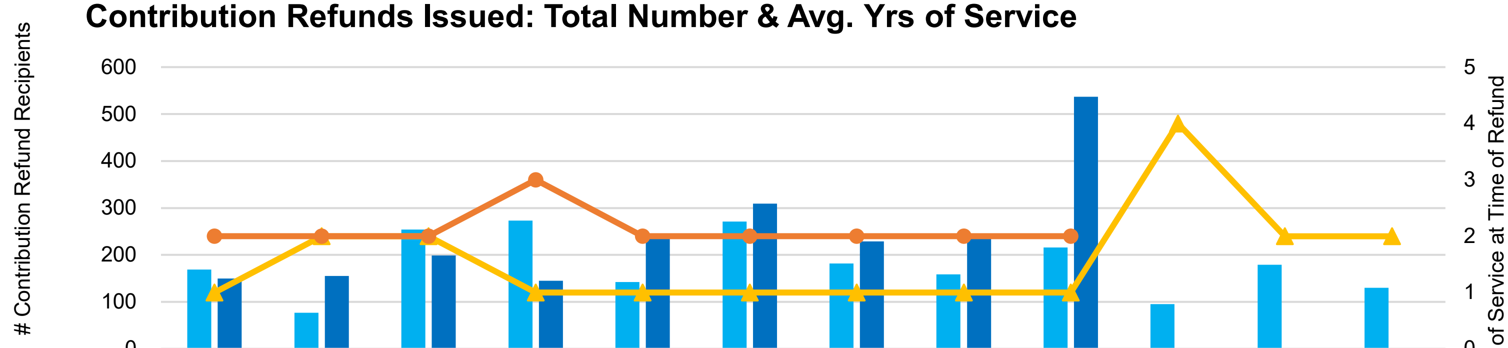



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # Receiving 1st Benefit Pmt | 612 | 171 | 184 | 107 | 98 | 87 | 174 | 116 | 117 | 114 | 100 | 104 |
| FY23 # Receiving 1st Benefit Pmt | 632 | 180 | 172 | 121 | 128 | 85 | 136 | 110 | 109 | | | |
| FY22 Avg Years of Svc @1st Benefit Pmt | 27 | 25 | 24 | 21 | 20 | 19 | 23 | 24 | 19 | 24 | 20 | 24 |
| FY23 Avg Years of Svc @1st Benefit Pmt | 27 | 24 | 23 | 23 | 21 | 22 | 22 | 23 | 20 | | | |
| FY22 Avg. 1st Benefit Pmt Amount | $2,652 | $2,341 | $2,206 | $1,897 | $2,008 | $1,556 | $2,118 | $2,253 | $1,628 | $2,073 | $1,584 | $2,038 |
| FY23 Avg. 1st Benefit Pmt Amount | $2,795 | $2,163 | $2,431 | $2,519 | $2,048 | $2,246 | $2,220 | $2,342 | $1,885 | | | |

## Retirement Services: Continued

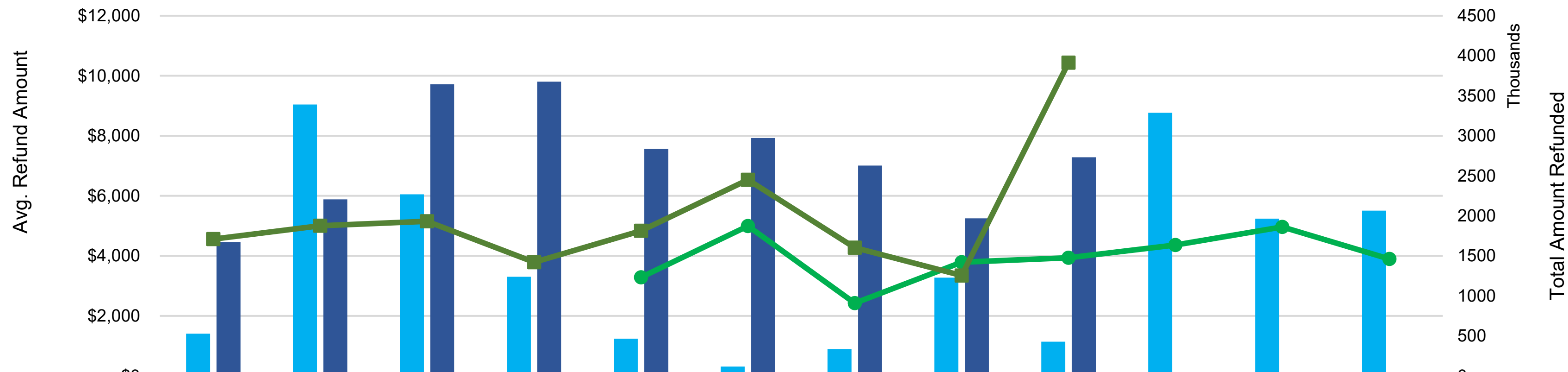
Contribution Refund Issues: Five-hundred-thirty-seven (537) former members received a refund of their contributions in March. The average refund was $7,290 as the result of two (2) years of service. The aggregate amount refunded was $3,914,735. The spike in refund volume and increase in the average refund amount is due to timely completion of required minimum distributions (RMD).

### Contribution Refunds Issued: Total Number & Avg. Yrs of Service




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # of Contribution Refund Recipients | 169 | 77 | 254 | 273 | 142 | 271 | 182 | 159 | 216 | 95 | 179 | 130 |
| FY23 # of Contribution Refund Recipients | 150 | 155 | 199 | 145 | 240 | 309 | 229 | 239 | 537 | | | |
| FY22 Avg. YRs of Service at Time of Refund | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 4 | 2 | 2 |
| FY23 Avg. YRs of Service at Time of Refund | 2 | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 2 | | | |

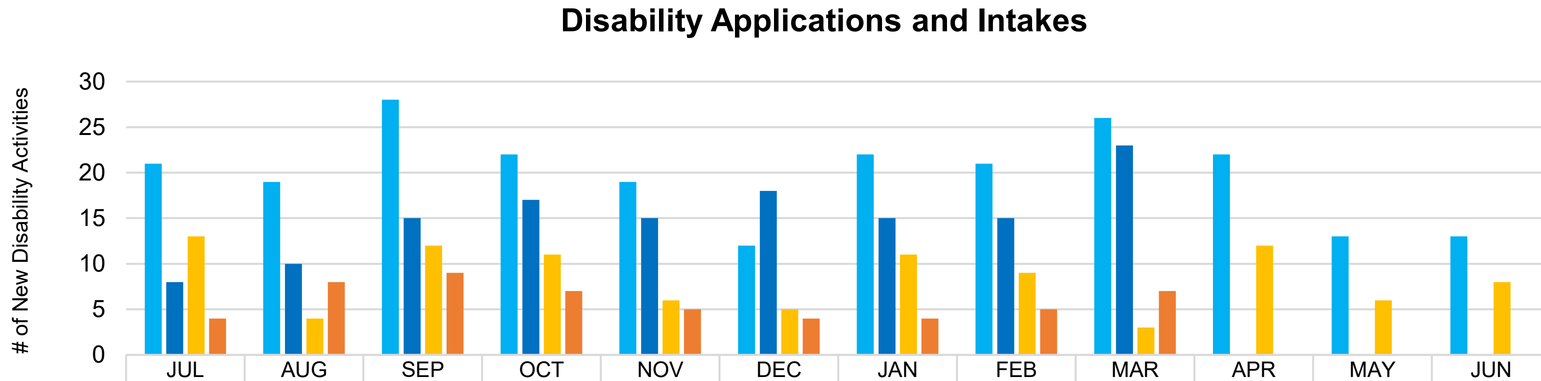
### Contribution Refund Average Amount and Total Amount Refunded




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 Avg. Refund Amount | $1,408 | $9,047 | $6,054 | $3,304 | $1,240 | $313 | $897 | $3,272 | $1,141 | $8,766 | $5,240 | $5,506 |
| FY23 Avg. Refund Amount | $4,463 | $5,879 | $9,715 | $9,801 | $7,563 | $7,930 | $7,006 | $5,253 | $7,290 | | | |
| FY22 Total Amount Refunded | | | | | $1,231,956 | $1,873,289 | $909,804 | $1,421,562 | $1,475,250 | $1,635,042 | $1,860,801 | $1,461,766 |
| FY23 Total Amount Refunded | $1,708,414 | $1,877,641 | $1,933,334 | $1,421,169 | $1,815,175 | $2,450,445 | $1,604,476 | $1,255,368 | $3,914,735 | | | |

**DISABILITY SERVICES**

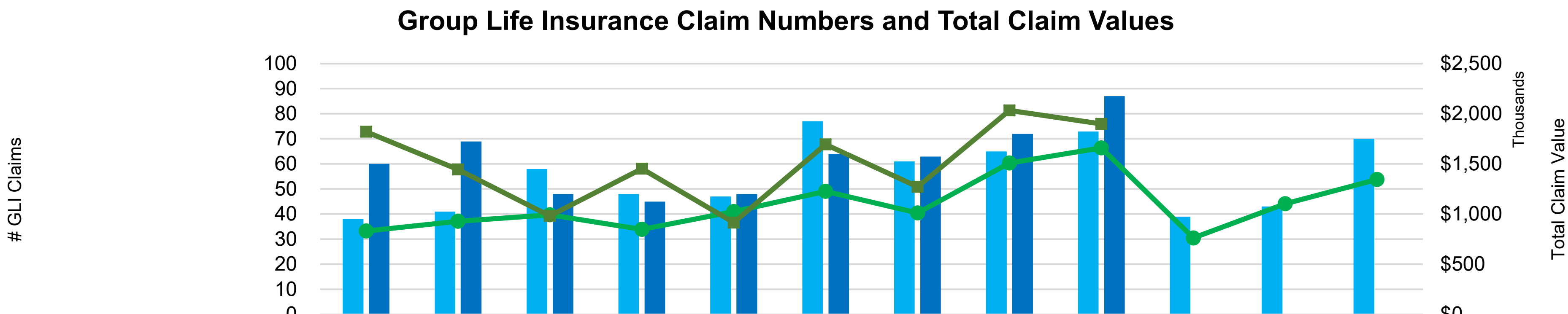
Twenty-three (23) intake interviews were completed in March with varying levels of detail and duration. Intakes included twelve (12) State members, four (4) Teacher and six (6) PLD members and one (1) other. Seven (7) new disability retirement applications were received in March.




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # Disability Intake Interviews | 21 | 19 | 28 | 22 | 19 | 12 | 22 | 21 | 26 | 22 | 13 | 13 |
| FY23 # Disability Intake Interviews | 8 | 10 | 15 | 17 | 15 | 18 | 15 | 15 | 23 | | | |
| FY22 # Disability Retirement Applications | 13 | 4 | 12 | 11 | 6 | 5 | 11 | 9 | 3 | 12 | 6 | 8 |
| FY23 # Disability Retirement Applications | 4 | 8 | 9 | 7 | 5 | 4 | 4 | 5 | 7 | | | |

**SURVIVOR SERVICES**

Eighty-seven (87) life insurance claims were sent to our carrier (The Hartford) in March, with a total value of $1,898,640 in payments due to beneficiaries. Of the claims, seventy-seven (77) were retirees and ten (10) were active members. There were five (5) dependent claims in March.

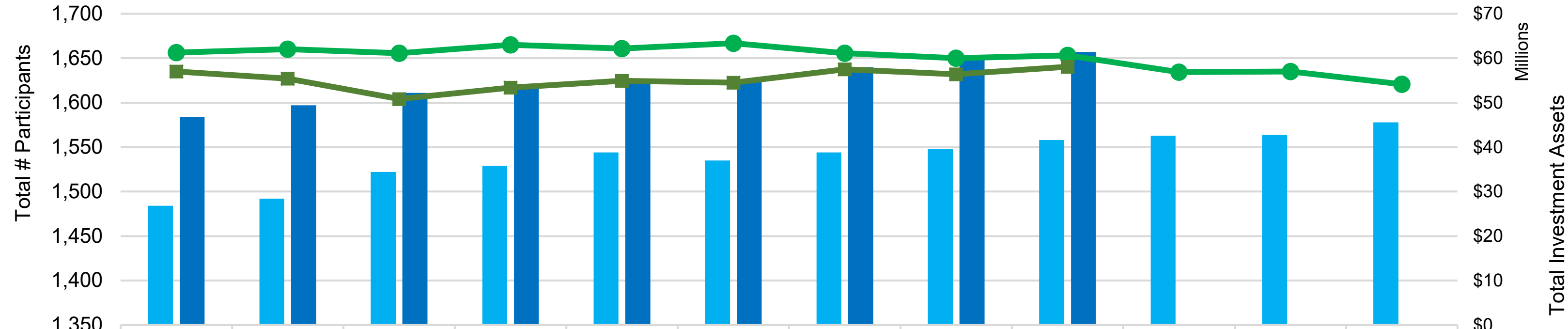



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # Life Insurance Claims Filed | 38 | 41 | 58 | 48 | 47 | 77 | 61 | 65 | 73 | 39 | 43 | 70 |
| FY23 # Life Insurance Claims Filed | 60 | 69 | 48 | 45 | 48 | 64 | 63 | 72 | 87 | | | |
| FY22 Total Claim Value | $830,400 | $928,180 | $993,600 | $848,665 | $1,024,430 | $1,226,560 | $1,012,780 | $1,509,130 | $1,660,260 | $762,745 | $1,104,050 | $1,345,580 |
| FY23 Total Claim Value | $1,820,300 | $1,444,925 | $983,345 | $1,452,840 | $916,000 | $1,695,725 | $1,273,690 | $2,033,603 | $1,898,640 | | | |

## Defined Contribution Plan Services

MaineSTART had 1,657 participants at the end of March, with $58,083,647 of investment assets in the program.

### MaineSTART Total Participants and Investment Assets

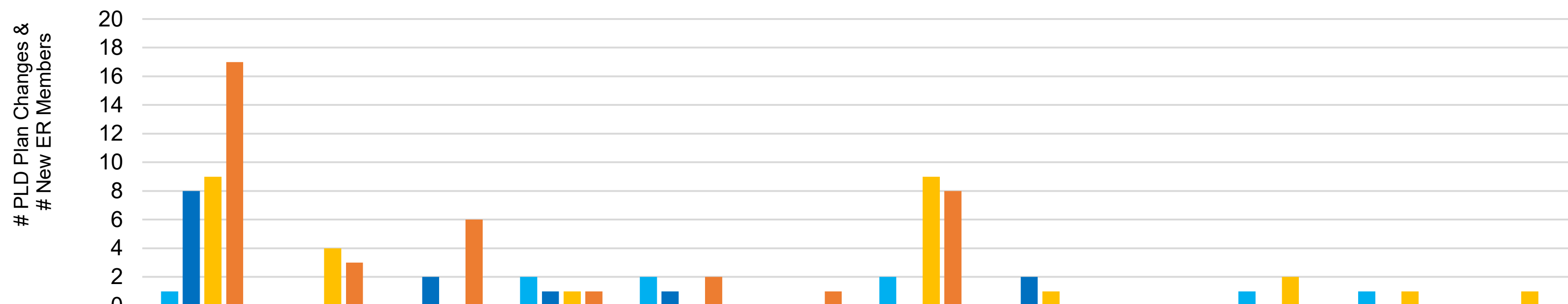



| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # MaineSTART Participants | 1,484 | 1,492 | 1,522 | 1,529 | 1,544 | 1,535 | 1,544 | 1,548 | 1,558 | 1,563 | 1,564 | 1,578 |
| FY23 # MaineSTART Participants | 1,584 | 1,597 | 1,611 | 1,621 | 1,626 | 1,626 | 1,640 | 1,650 | 1,657 | | | |
| FY22 Total Investment Assets | $61,274,938 | $62,044,851 | $61,110,033 | $62,992,964 | $62,145,242 | $63,376,093 | $61,101,482 | $59,982,909 | $60,660,028 | $56,908,228 | $56,993,617 | $54,147,040 |
| FY23 Total Investment Assets | $56,988,173 | $55,406,634 | $50,831,630 | $53,388,359 | $54,892,043 | $54,531,425 | $57,495,075 | $56,379,826 | $58,083,647 | | | |

## PLD Plan Administration

No new employers joined the PLD Retirement Program effective March 01, 2023. There were no employer plan changes effective in March 01, 2023. *<u>Note:</u> This metric reflects PLD employer changes (joining, returning, adopting plan changes) in the month of their implementation. This format is consistent with MainePERS activity reporting to our actuary.*

### PLD Plan: New ER Members & Plan Changes




| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FY22 # New PLD Plan Employers | 1 | 0 | 0 | 2 | 2 | 0 | 2 | 0 | 0 | 1 | 1 | 0 |
| FY23 # New PLD Plan Employers | 8 | 0 | 2 | 1 | 1 | 0 | 0 | 2 | 0 | | | |
| FY22 # PLD's Adopting Plan Changes | 9 | 4 | 0 | 1 | 0 | 0 | 9 | 1 | 0 | 2 | 1 | 1 |
| FY23 # PLD's Adopting Plan Changes | 17 | 3 | 6 | 1 | 2 | 1 | 8 | 0 | 0 | | | |

**TO:** BOARD MEMBERS

**FROM:** MICHAEL J. COLLERAN, COO & GENERAL COUNSEL
KATHY MORIN, DIRECTOR, ACTUARIAL AND LEGISLATIVE AFFAIRS

**SUBJECT:** **LEGISLATIVE UPDATE**

**DATE:** APRIL 5, 2023

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The First Regular Session of the 131st Legislature convened on December 7, 2022 and adjourned on March 30, 2023. The First Special Session of the 131st Legislature convened on April 5, 2023, and all bills not yet acted upon in the First Regular Session were carried over to the Special Session. We will review proposed bills as they are printed and will bring to you bills that either could directly impact the System or are likely of interest.

## 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

## COMMITTEE OF JURISDICTION

The Committee on Labor and Housing remains the committee of jurisdiction for MainePERS-related matters.

## PRINTED BILLS

The following bills have been printed. The current status of each bill is provided, with updates from last month italicized.

**L.D. 70 – COLA BASE**

This bill would eliminate the COLA Base, which is the level of benefit that is subject to a cost-of-living adjustment (COLA). This applies to retirees from the State-sponsored plans. A public hearing was held on February 14. *A work session was held on March 9, at which the Committee unanimously voted ought to pass as amended, with the amendment to establish the COLA Base at $40,000. The bill has not yet been reported out of Committee.*

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

**L.D. 106 – SERVICE CREDIT**

This bill would allow a member who has completed an established percentage of the special plan to continue to earn special plan credit upon transfer to a regular plan position. A public hearing was held on February 9, and a work session has not yet been scheduled.

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

**L.D. 185 – TEACHER EARLY RETIREMENT**

This bill would change the early retirement reduction that applies to teachers with at least thirty-five years of service credit. A public hearing was held on February 9, and a work session has not yet been scheduled.

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

**L.D. 197 – SPECIAL PLAN FOR CRIME LAB/COMPUTER CRIMES UNIT**

This bill would establish a new special plan for certain employees in the Department of Public Safety, Computer Crime Laboratory or computer crimes unit. A public hearing has not yet been scheduled.

**L.D. 206 – FY 2023 SUPPLEMENTAL BUDGET**

Part J of the proposed supplemental budget would provide a one-time, non-cumulative 1% cost-of-living adjustment for eligible retirees from the State-sponsored plans.

The budget was enacted as PL 2023, c. 3, effective February 2, 2023, and included the one-time COLA provision.

**L.D. 313 – SPECIAL PLANS FOR LAW ENFORCEMENT**

This concept draft aligns retirement plans for certain law enforcement officers. *A public hearing was held on March 28, at which an amendment was submitted by the sponsor that permits an employee or employer to elect to pay the cost to transfer service from one special plan to another special plan. A separate amendment was submitted to address a service purchase issue for specific PLD members. A work session has not yet been scheduled.*

*Copies of the amendments and the System's testimony are included with this memo.*

***L.D. 424 – FY 2024-2025 BIENNIAL BUDGET***

*This bill is the biennial budget enacted as PL 2023, c. 17, effective March 31, 2023. It includes required funding for normal cost and unfunded liability costs for the State-sponsored plans. It also includes required funding for retired teacher group life insurance and the pay-as-you-go Governor's Retirement Plan.*

**L.D. 426 – MILITARY SERVICE PURCHASE**

This bill expands the periods of military service that eligible members may purchase at a subsidized rate. *A public hearing was held on March 2, and a work session has not yet been scheduled.*

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

**L.D. 483 – RETROACTIVE SPECIAL PLAN COVERAGE**

This bill provides retroactive special plan coverage for certain employees of the Department of Corrections. *A public hearing was held on March 2, and a work session has not yet been scheduled.*

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

**L.D. 610 – EXPAND 1998 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 March 2, and a work session has not yet been scheduled.*

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

**L.D. 635 – RETIRE-REHIRE FOR LAW ENFORCEMENT OFFICERS**

This bill would allow retired law enforcement officers to be hired as a school resource officer without any impact to their current retirement benefits. *A public hearing was held on March 2, at which the bill was unanimously voted ought not to pass at the sponsor's request.*

**L.D. 733 – ANNUAL STATEMENTS**

This bill requires employers and MainePERS to provide an annual benefits statement and specifies what must be included in the statement. *A public hearing was held on March 28, and a work session has not yet been scheduled.*

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

**L.D. 742 – DIVESTMENT**

This bill requires MainePERS to no longer invest in companies that are boycotting Maine lobster and to divest of current holdings, in accordance with sound investment criteria and consistent with the Board's fiduciary obligations. *A public hearing was held on March 9. A work session was held on April 4, at which the bill was unanimously voted ought not to pass.*

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

**L.D. 882 – LOCAL DISTRICT DEFINITION EXPANSION**

This bill would allow certain non-municipal emergency medical service providers to participate in the Participating Local District Consolidated Retirement Plan. *A public hearing was held on March 28, at which the bill was unanimously voted ought not to pass at the sponsor's request.*

***L.D. 926 – MAINEPERS REPRESENTION***

*The stated intent of this concept draft is to improve MainePERS representation. A public hearing has not yet been scheduled.*

*A copy of this bill is included with this memo.*

***L.D. 1023 – IRREVOCABLE BUDGET TRUST FUND***

*This bill would establish an Irrevocable Budget Trust Fund and requires that a portion of the trust funds be invested through MainePERS. A public hearing has not yet been scheduled.*

*A copy of this bill is included with this memo.*

***L.D. 1082 – MAINE RETIREMENT SAVINGS PROGRAM***

*This bill makes several changes to the Maine Retirement Savings Program. Section 15 of the bill is the only section relevant to MainePERS. That section makes employees of the Maine Retirement Savings Board eligible for participation in the MaineSTART plans offered by MainePERS. A public hearing is scheduled for April 11.*

*A copy of this bill is included with this memo.*

***L.D. 1096 – COLA CAP***

*This bill would change the index on which COLA for MainePERS retirees is based from the CPI-U to the CPI-W, for the Northeast Region. If would also eliminate the 3% COLA cap currently in effect. A public hearing was held on March 28, and a work session has not yet been scheduled.*

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

***L.D. 1123 – REBUTTABLE PRESUMPTION***

*This bill would create a rebuttable presumption of disability for law enforcement officers who suffer specific injuries or diseases. A public hearing is scheduled for April 6.*

*A copy of this bill is included with this memo.*

***L.D. 1152 – LONG-TERM DISABILITY INSURANCE***

*This bill requires the Board to offer long-term disability insurance coverage to participating employers, and requires employers to pay the full cost of that coverage. This bill is the version of the proposed legislation included in the November 2022 Long-Term Disability Insurance Implementation Plan that was favored by the labor members of the stakeholder group. A public hearing was held on April 4, and a work session has not yet been scheduled.*

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

***L.D. 1230 – WEP/GPO INTERSTATE COMPACT***

*This bill directs the System to study the creation and adoption of an interstate compact with other states affected by the WEP and GPO. A public hearing was held on April 4, and a work session has not yet been scheduled.*

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

***L.D. 1424 – DEPARTMENT OF CORRECTIONS SPECIAL PLAN***

*This bill appears to provide retroactive 1998 Special Plan coverage for all Department of Corrections employees whose positions are covered by that plan. A public hearing has not yet been scheduled.*

*A copy of this bill is included with this memo.*

***L.D. 1425 – RECORDING OF PUBLIC MEETINGS***

*This bill requires public bodies to allow for remote recording of public meetings on the same platform that is used to conduct the meeting as long as additional costs are not incurred by the public body. A public hearing has not yet been scheduled.*

*A copy of this bill is included with this memo.*

***L.D. 1499 – EARLY RETIREMENT REDUCTION***

*This bill requires a recalculation of retirement benefits based on a decreased early retirement reduction for certain state employee and teacher retirees. A public hearing has not yet been scheduled.*

*A copy of this bill is included with this memo.*

**REPORTS**

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

BOARD AND PLD ADVISORY COMMITTEE ACTIVITY

The System is required to report annually to the Secretary of State on activities of the Board of Trustees and the PLD Advisory Committee. These reports were submitted on December 20, 2022, and copies were previously provided to the Board.

ESG POLICY

The System is required to report information annually to the Legislature regarding its environmental, social and governance investment policy. This report must disclose commonly available environmental performance metrics on the environmental effects of the board's investment. This report was filed on December 15, 2022, and a copy was previously provided to the Board.

## DIVESTMENT

The System is required to report information to the Legislature regarding the progress of divestment from fossil fuels and the implementation of the divestment law enacted in 2021 (PL c. 231). This report must be submitted annually by January 1, 2023, 2024 and 2025. We requested an extension for the filing of this report until January 17, 2023 in order for the Board to have an opportunity to review the final report before it was submitted. The report was submitted on January 17, and a copy was previously provided to the Board.

## LONG-TERM DISABILITY INSURANCE

The System is required to submit a report to the Legislature regarding an implementation plan for mandatory long-term disability insurance. This report was filed on December 20, 2022, and a copy was previously provided to the Board.

## DISABILITY RETIREMENT

The System is required to submit a report to the Legislature regarding the experience of the system and its members after the implementation of the new disability program provisions. This report was filed on January 31, 2023, and a copy was previously provided to the Board.

## 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 filed on January 23, and a copy was previously provided to the Board.

## 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 was filed on February 7, and a copy is included with this memo.

## ANNUAL REPORT TO THE LEGISLATURE

The System is required to submit an annual report to the Legislature, including specific information set out in statute. This report was filed on February 27, and a copy was previously provided to the Board.

**PRESENTATIONS**

The System presented an orientation briefing to the Committee on Appropriations and Financial Affairs (AFA) on January 30, and to the Committee on Labor and Housing (LBHS) on January 31. Both presentations were well received.

The System presented the Disability Program Experience Report to the LBHS Committee on February 2. The presentation was well received.

DATE: February 14, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 70 – An Act to Eliminate the Cap on Retirement Benefits For State Employees and Teachers to Which a Cost-of-Living Adjustment is Made

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 70. We are here to provide information and offer any assistance the Committee might need regarding this bill.

The State of Maine defined benefit plans are funded by employer and member contributions and by investment returns. Contributions cover the normal, or annual costs of the plan, as well as payments on the unfunded actuarial liability, or UAL. The required level of contributions is determined on an actuarial basis every two years, by comparing plan assets to liabilities.

Included with this testimony is a chart that shows a partial history of cost-of-living adjustments (COLA) for the State-sponsored retirement programs, which includes state employees, teachers, legislators and judges. As shown, prior to 2011, cost-of-living adjustments for these groups were based on the Consumer Price Index for All Urban Consumers (CPI-U), up to a maximum of 4%, and the entire benefit was subject to COLA. In 2011, COLA was frozen for three years, during which non-cumulative ad hoc COLAs were paid; the maximum COLA was reduced from 4% to 3%; and the annual COLA base was limited to the first $20,000 of benefits, indexed by future COLAs. These changes greatly reduced the required unfunded actuarial liability payment, which had increased significantly as a result of the 2008 recession.

L.D. 70 proposes to eliminate the cap on the portion of benefit subject to a COLA from $20,000 (now at $24,186.25 as of September 2022), and to instead pay the COLA on the entire benefit received by retirees. This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created because retirees, both current and future, would receive a higher COLA than currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

We estimate an approximate $1.2 billion increase to the UAL, which is the amount that would have to be paid if this bill is enacted. Additionally, we estimate an ongoing increased normal cost of approximately $14 million per year. Normal costs are paid by the State for its employees and by local school units for teacher members. The increased normal costs cover the cost of the increased COLAs to be paid on future benefits as they are earned.

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

MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM



DATE: February 9, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 106 – An Act to Standardize Service Credit Qualifications for State Retirees

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 106. We are here to provide information and offer any assistance the Committee might need regarding this bill.

Most 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. Retirement after twenty-five years of service but prior to normal retirement age results in the application of an early retirement reduction to the benefit, which for most members is 6% for each year below normal retirement age. The reduction reflects that benefits will be paid to the retiree over a longer period of time. In essence, lower benefits paid over a longer period of time equate to a higher, unreduced benefit, being paid over a fewer number of years. 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.

Special plans are typically provided to employees in law enforcement positions. These plans require that a certain number of years of service, specified in statute, must be completed while employed in a plan-covered capacity in order to meet the eligibility requirements of the plan. So, for example, to qualify to retire under a plan that provides for retirement after twenty-five years of service, regardless of age, the service must be earned in a position covered by that plan. Typically, service earned in other plans, such as the regular plan, may not be included towards meeting the years of service eligibility requirement. Any benefit for service earned in a different plan is calculated under the plan in which it was earned, which could result in the application of an early retirement reduction.

As drafted, L.D. 106 would permit a member covered by a special plan to leave that plan prior to meeting plan eligibility requirements, and continue to earn service credit in that special plan, even though no longer employed in an otherwise plan-covered capacity. While under current law, benefits earned in a regular plan subsequent to leaving the special plan would be determined under the regular plan benefit calculations, under L.D. 106, all benefits would be based on the special plan benefit calculations. This could have two results: 1) the member could qualify for a special plan benefit when, under current law, that qualification may not be met; and 2) the member could receive a higher benefit at retirement, since any early retirement reduction, if applicable, would be based on the special plan provisions rather than the regular plan provisions.

L.D. 106 will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under L.D. 106 because retirees would be receiving higher benefits than currently accounted for and funded, creating a new unfunded actuarial liability (UAL). We also think it important to note that both the member and employer normal costs for the special plans are typically higher than those costs for the special plans. It is unclear from the bill as to how those increased costs will be paid for a member employed in a regular plan position but earning special plan benefits. We have not yet determined an estimate of the costs associated with this bill, but will do so once we have a better understanding of its intent and application.

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: February 9, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 185 – An Act to Reduce the Benefit Penalty Imposed on Career Educators Who Retire After 35 Years of Service

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 185. We are here to provide information and offer any assistance the Committee might need regarding this bill. It is our understanding that the bill as drafted does not reflect the intent of the sponsor and that an amendment will be offered to provide clarification. Our testimony is based on that amended language.

Under current plan provisions, there are two ways by which a teacher becomes eligible to retire. One way is by completing twenty-five years of service and the other is by reaching the applicable normal retirement age, which is age 60, 62, or 65 depending on service requirements at specific dates set in law. A teacher who reaches twenty-five years of service prior to reaching normal retirement age may retire with a reduction, approximately 2.125% for teachers in the age 60 plan and 6% for teachers in the age 62 and 65 plans, for each year below normal retirement age. The reduction reflects that benefits will be paid to the retiree over a longer period of time. In essence, lower benefits paid over a longer period of time equate to a higher, unreduced benefit, being paid over a fewer number of years.

As amended, L.D. 185 proposes to allow all teachers with at least thirty-five years of service to retire with an early retirement reduction of approximately 2.125% per year, regardless of the normal retirement age of the plan in which they participate. So, for example, a teacher who has a normal retirement age of 62 and is age 58 would currently be subject to a reduction of 24% (4 years x 6% per year). Under this proposal, the teacher would instead be subject to a reduction of approximately 8.5% (4 years x 2.125%).

L.D. 185 will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under

L.D. 185 because a teacher would be receiving higher benefits than currently accounted for and funded, creating a new unfunded actuarial liability (UAL). We estimate an approximate $49 million increase to the UAL if this bill is enacted. Additionally, we estimate an ongoing increased normal cost of approximately $1.1 million per year.

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

# LD 313 – SPONSOR AMENDMENT – SEN. HICKMAN

**Amend the bill by striking everything after the enacting clause and inserting the following:**

**§17656. Employment changes affecting membership**

**1. Reemployment with new employer.** Membership of a member who is reemployed with a new employer, or who transfers from one State employee plan to another State employee plan is governed as follows,:

A. Any member of the State Employee and Teacher Retirement Program or the Participating Local District Retirement Program whose service is terminated as a state employee, teacher or participating local district employee and who becomes employed as a state employee, teacher or participating local district employee with a new employer shall, if the member has not previously withdrawn the member's accumulated contributions:

(1) Have the membership transferred to the member's account with the new employer; and

(2) Be entitled to all benefits that:

(a) Are based on creditable service and earnable compensation with the previous employer and the provisions of this Part in effect with respect to the previous employer at the date of termination of service by the member; and

(b) Do not require additional contributions by the new employer.

B. The new employer may elect to include the creditable service and earnable compensation of the member with the previous employer with the creditable service and earnable compensation with the new employer. If that election is made, the new employer shall make, from time to time, whatever contributions are necessary to provide the benefits under the applicable retirement program for the member as have accrued to the member by reason of the member's previous employment and as may accrue to the member by reason of the member's new employment.

C. If the new employer makes the election provided under paragraph B, or the member makes the election provided under paragraph D, all funds in the applicable retirement program contributed by the member's former employer on account of the member's previous employment must be transferred to the account of the new employer and must be used to liquidate the liability incurred by reason of the previous employment.

D. Notwithstanding paragraph A, a member of the Maine Public Employees Retirement System who is a law enforcement officer as defined in Title 25, section 2801-A, subsection 5, or a state firefighter, whose previous membership was based upon employment as a municipal firefighter as defined in section 286-M, a law enforcement officer or a state firefighter, or their employer, may elect to make the contribution necessary to include all or part of the member's creditable service and earnable compensation from the prior plan in the new plan, including a transfer from one State employee plan to a different State employee plan. For members moving from one State employee plan to another State employee plan, no separation of service or reemployment is necessary. The retirement system shall establish procedures for determining the contribution necessary for such a member to carry forward all or part of the creditable service and earnable compensation from a prior plan or plans. For purposes of this paragraph, "state firefighter" means a person employed by the State with the primary responsibility of aiding in the extinguishment of fires and includes a member of emergency medical services line personnel as defined in section 286-M, subsection 2, paragraph H.

**SUMMARY**

This amendment replaces the bill, which is a concept draft. The intent of the amendment is that law enforcement officers with retirement benefits accumulated while working in law enforcement positions covered under different retirement plans be allowed to bring with them the time accumulated when transferring to a different law enforcement position.

Joseph Baldacci
Senator, District 9

THE MAINE SENATE
131st Legislature

3 State House Station
Augusta, Maine 04333

Proposed amendment on behalf of Senator Joe Baldacci relating to LD 362

A former employee of a local district who was not permitted to become a member of the Participating Local District Retirement Program when the local district resumed participation in the Program under section 18254-A, because the former employee had earlier elected not to remain a member when the local district withdrew from participation, and has become a member as an employee of another local district, may purchase service credit for time employed by the local district if the employee would be entitled to purchase the service credit under Section 18252-A, subsection 1, paragraph E and 18254, subsection 1 if still employed by the local district. Any purchase under this section must be completed by December 31, 2023.

*State House: (207) 287-1515 * Fax: (207) 287-1585 * Toll Free: 1-800-423-6900 * TTY: 711*
*Joe.Baldacci@legislature.maine.gov * Web Site: legislature.maine.gov/senate*

DATE: March 28, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 313 – An Act to Ensure Consistency in Retirement Plans for Certain Law Enforcement Officers

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 313. We are here to provide information and offer any assistance the Committee might need regarding this bill. We have seen the sponsor's amendment to the bill and our comments pertain to that amendment.

We previously provided the Committee with a chart describing the various retirement plans by which State employees and teachers are covered. Most state employees and all teachers are covered by the regular plan, which permits retirement after 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, and are typically provided to law enforcement officers or employees in other high risk positions. Current special plans have different retirement eligibility requirements and the costs vary across the plans.

Members are required to complete the eligibility requirements within a specific special plan in order to qualify to retire from that plan. Service earned under different regular or special plans is not usually interchangeable such that all service can be combined towards meeting retirement eligibility requirements. There are two reasons for this. First, the statutory language that establishes the special plans governs how benefits are determined under that plan. For example, the 1998 Special Plan is established for certain classifications of employees and it is only service in those classifications that can be included towards meeting eligibility requirements under that plan. Second, each plan has its own normal costs based on the plan provisions. The costs are established assuming that members are required to meet the qualifications of that plan in order to retire. As such, contributions are not made in a way that supports a member moving across plans and being able to count all service towards one plan.

Based on the summary of the amendment, it appears that the intent of the bill is to allow an employee or employer to elect to provide full interchangeability across plans for certain position classifications, with the additional cost paid by either the employee or the employer. The cost of being able to carry service from one plan to another can be extremely expensive and is likely to be cost prohibitive for members. As with existing statute, special plan participants whose prior or current position is not in the covered position classifications would not be permitted to make the election discussed above.

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: March 2, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 426 – An Act to Amend the Eligibility Criteria for Creditable Service in the Armed Forces of the United States Under the State Retirement System

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 426. We are here to provide information and offer any assistance the Committee might need regarding this bill.

MainePERS members can receive limited credit for time served in the military before they became members. For most members, the inclusion of military service credit results in the ability to retire earlier and/or with an increased retirement benefit. There are requirements that must be met to get this credit, including costs that must be paid by the member.

Under current law, the amount that must be paid by the member depends on whether the military service was during a federally recognized period of conflict. Members who served during one of these periods pay a relatively low amount and have the remainder subsidized by the State (for members of the State/Teacher Plan) or by the Participating Local District ("PLD") Consolidated Plan (for members of that plan).

With one exception, members whose military service was not during a federally recognized period of conflict must pay the full actuarial cost of the additional service credit. This cost is significantly higher than the subsidized rate since the member is essentially self-funding the additional benefit that results from the inclusion of the military service. The employer does not share in the costs for the purchase. The exception exists only in the State/Teacher Plan. Members in that plan who did not serve during a federally recognized period of conflict can purchase subsidized military service credit if they received a type of medal for their military service that indicates participation in a conflict, and if the Legislature has appropriated funds to cover the cost of the subsidy. MainePERS submits an annual report to the Legislature of members who have self-reported who fall into this category. The most recent report was submitted on February 7, 2023.

"Federally recognized period of conflict" is defined in statute to include the dates of several military conflicts over the past century. This term essentially includes everything except a 15-year period between May 7, 1975 and August 8, 1990. L.D. 426 would add two conflicts that occurred during this 15-year period to the definition of "federally recognized period of conflict," resulting in the addition of approximately 18 months to the definition.

L.D. 426 would have a fiscal impact because it would increase the number of members eligible for a subsidized purchase. Additionally, members who served during the newly-added periods and already purchased military service at the full actuarial rate would be entitled to a refund equal to the amount of the subsidy they would have received had those periods been included when they made the purchase.

The cost of the new subsidies and refunds for the State/Teacher Plan would have to be funded immediately because the State Constitution prohibits the creation of unfunded liabilities for that plan.

It is difficult to accurately estimate the additional costs because we generally do not know which of our members served during the new periods that would be added by L.D. 426. In the 130th Legislature, L.D. 956 proposed the same change as is being proposed in L.D. 426. At that time, we estimated an increased liability of between $4.9 million and $7.4 million to fund this new provision. Our estimated costs were developed based on a review of requests from members with military service during the expanded periods of conflict. The enactment of L.D. 426 would likely increase the number of requests and purchases made at the more favorable level of costs. This could have a future impact on the normal costs of the plan, but that impact cannot be determined at this time, and would be captured in future experience studies of the plan.

If enacted, the PLD Advisory Committee would consider whether to recommend that the PLD Plan be amended to include this new provision in that plan. The State does not fund the PLD Consolidated Plan, so the cost of the additional subsidies and refunds ultimately would have to be paid by the PLDs and their employees who are members.

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

DATE: March 2, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 483 – An Act to Amend the Laws Governing Retirement Benefit Reductions for Certain Employees Currently Included in the 1998 Special Plan

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 483. 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 permits retirement after 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. Included with this testimony is a chart that details the different plans and the groups covered by each.

Department of Corrections employees included in L.D. 483 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. 483 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. In the 130th Legislature, L.D. 1840, as amended, proposed the same change as is being proposed in L.D. 483. At that time, the estimated cost was approximately $335,000. MainePERS will work with the Department and the Office of Fiscal and Program Review to confirm the individuals covered by this proposal and to update 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.

DATE: March 2, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 610 – An Act to Expand the 1998 Special Retirement Plan to Include Employees Who Work for the Office of the Chief Medical Examiner

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 610. 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 permits retirement after 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. 610 would move these employees into the 1998 Special Plan effective July 1, 2022, and would apply retroactively to include all covered service in the 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.

This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created under L.D. 610 because covered employees would be able to retire earlier and with a higher benefit, and therefore would receive benefits in excess of those currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

During the 130th Legislature, the Committee considered L.D. 1746, which was amended to include the same proposal as L.D. 610. At that time, MainePERS estimated the cost for the plan change to be approximately $458,000 in increased UAL. There would also be an increase to the ongoing employer and member normal costs for the employees covered by this bill. MainePERS will work with the Department and the Office of Fiscal and Program Review to confirm the individuals covered by this proposal and to update the costs associated with amending the retirement plan coverage for this group of employees.

MainePERS has one concern about the way L.D. 610 is drafted. Specifically, the bill as proposed includes a July 1, 2022 special plan coverage date for these employees. This bill does not currently have an emergency preamble, which means that it is unlikely to be effective by that date. We would recommend that a date beyond what is projected to be the general effective date for this session's enacted laws be used as the effective date for entry into the plan, so that correct member and employer contributions can be timely made.

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: March 28, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 733 – An Act to Require Annual Itemized Statement of Benefits for Public Employees and Retirees

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 733. We are here to provide information and offer any assistance the Committee might need regarding this bill.

MainePERS agrees that it is important for members and retirees to have all information necessary to make important financial decisions. We are continuously expanding the ways in which we serve members in this regard. MainePERS currently offers an introductory seminar for new members and a pre-retirement seminar for members preparing to retire. For active members, MainePERS provides an annual account statement including key member information. We provide retirees with an annual 1099-R showing their benefits received during the prior year. We recently launched a benefit estimator on our website that members can use to get an estimate of retirement benefits. The website also includes links to various financial planning and retirement savings resources, many of which provide retirement planning calculators to assist individuals in determining their financial needs into retirement. We are also working on a member self-service portal that will grow over time to provide members with more direct access to their retirement account information.

However, certain requirements of L.D. 733 would be burdensome and expensive for MainePERS to implement. The legislation requires MainePERS to provide specific information to either public employers or retirees beginning January 1, 2024. MainePERS does not currently have much of the information the bill would require us to provide to either the public employers or the retirees. For example, MainePERS does not receive employer contributions by individual member, does not allocate employer contributions to specific member accounts, and does not have information on other benefits a retiree might receive. Additionally, obtaining and providing this information or other information required by L.D. 733 to the public employers or the retirees could not be accomplished by January 1, 2024 due to extensive changes that would be required to our processes and to our line-of-business software.

As recently discussed with the Committee, we have surveyed members and retirees as part of our effort to determine the information and resources that would be most helpful to them both during their working lives and into retirement. Many of the already implemented items discussed above result from that valuable feedback. MainePERS is committed to continuing to improve the services and information available to its members and retirees and will continue to seek input as we advance our ability to make additional improvements.

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

MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

CHIEF EXECUTIVE OFFICER
Dr. Rebecca M. Wyke



DATE: March 9, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 742 – An Act to Divest State Pensions from Companies Boycotting Maine Lobster

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is testifying neither for nor against L.D. 742. We are here to provide information and offer any assistance the Committee might need regarding this bill.

L.D. 742 would require MainePERS to divest holdings from companies that boycott Maine lobster and to limit further investment in those companies. Importantly, these actions are only required to the extent they are "in accordance with sound investment criteria and consistent with fiduciary obligations." This acknowledges that the Maine Constitution requires the MainePERS Board of Trustees to make investment decisions solely in the best financial interest of the members as pension recipients.

During the 130th Legislature, the Committee considered L.D. 99 and L.D. 319, which limited investments in the fossil fuel industry and for-profit prisons. At that time, the Committee requested guidance from the Office of the Attorney General regarding the constitutionality of the bills as drafted. At least in part based on the response from the Attorney General, the bills were amended to include the language that is also included in L.D. 742 as referenced above and enacted into law.

The enactment of L.D. 99 (PL 2021, c. 231) included a requirement that MainePERS review the extent to which its holdings included fossil fuels and to submit an annual report to the Legislature regarding progress of divestment under that law. The initial review and identification of covered holdings was an extensive process that took approximately one year to complete. The System submitted the required report on January 17, 2023, which includes information about the process undertaken, including engaging a consultant to determine the holdings and potential impact of divestment of those holdings. We recommend that Committee members refer to that report for much more in-depth information about the System's holdings, investment policies, and general impacts of divestment. The Attorney

General's letter referenced above is included as an appendix in that report as is a separate letter from the Attorney General's Office to MainePERS regarding the divestment laws.

As with the previously enacted laws, implementing additional divestment laws would require MainePERS to expend resources on identifying investments covered by the laws and analyzing portfolio and cost impacts. Divestment would result from this process only if doing so was in the best financial interest of MainePERS' members as pension recipients. The Attorney General's Office has said regarding the similarly-worded divestment laws:

> The subject statutes do not affect the Board's exercise of its fiduciary duties. And they do not require the Board to either cease investing in or divest such holdings unless sound investment criteria and fiduciary obligations require such actions. Both statutes specifically condition their directives on "accordance with sound investment criteria" and "consisten[cy] with fiduciary obligations." As such, they reiterate rather than modify the Board's fiduciary obligations as a trustee – both constitutional and statutory.
>
> * * *
>
> If adherence to sound investment criteria and fiduciary obligations prevents achievement of the investment and divestiture objectives of [the statutes], failure to achieve those objectives is not a violation of the directives in those statutes. In short, the Board's focus should remain on adhering to sound investment criteria and fulfilling its fiduciary obligations. However, if the Board encounters a situation where the application of sound investment criteria and its fiduciary obligations neither favors nor disfavors either of two potential investment options, the Board shall pursue the option that more closely complies with the directives.

(*See* Divestment Report dated January 17, 2023, Appendix D.)

We have completed some preliminary analysis to estimate current exposures to companies that appear to be covered by L.D. 742, and estimate that MainePERS has approximately $70 million in holdings with such companies. Significantly more analysis would be necessary to confirm those potential exposures and the impacts of divesting from those holdings.

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

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 926** |
|---|---|
| S.P. 397 | In Senate, March 2, 2023 |

**An Act to Improve Maine Public Employees Retirement System Representation**

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

DAREK M. GRANT
Secretary of the Senate

Presented by Senator TIPPING of Penobscot.

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

## CONCEPT DRAFT

## SUMMARY

This bill is a concept draft pursuant to Joint Rule 208.

This bill would improve Maine Public Employees Retirement System representation.

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1023** |
|---|---|
| H.P. 659 | House of Representatives, March 7, 2023 |

**An Act to Strengthen Maine's Financial Future in Perpetuity by Establishing the Irrevocable Budget Trust Fund**

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

ROBERT B. HUNT
Clerk

Presented by Representative PERRY of Bangor.

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

**Sec. 1. 5 MRSA §1524** is enacted to read:

**§1524. Irrevocable Budget Trust Fund**

**1. Irrevocable Budget Trust Fund established; purpose.** The Irrevocable Budget Trust Fund, referred to in this section as "the trust fund," is established to create a long-term revenue stream from investments in order to supplement future General Fund revenues. Funds appropriated to the trust fund must be held in trust and must be invested for the exclusive purpose of providing stable revenues for the General Fund and may not be encumbered for or diverted to other purposes. Funds appropriated for the trust fund may not be diverted or deappropriated by any subsequent action.

**2. Trustees.** The Treasurer of State and the State Controller are the trustees of the trust fund.

**3. Duties of the trustees.** The trustees of the trust fund shall jointly make the final decision on all matters pertaining to administration of the trust fund.

**4. Investment of funds.** The trustees of the trust fund are responsible for the investment and reinvestment of the funds appropriated to the trust fund in accordance with the Maine Uniform Trust Code and the Maine Uniform Prudent Investor Act under Title 18-B, subject to the guidelines set for the Retiree Health Insurance Post-employment Benefits Investment Trust Fund in section 17435. A portion of the trust fund must be invested in the Treasurer of State's cash pool with other trust funds invested through the Maine Public Employees Retirement System.

**5. Annual transfers of funds.** Notwithstanding any provision of law to the contrary and before any transfers pursuant to chapter 142 or any other provision of law, annually beginning with the fiscal year starting July 1, 2024 the Legislature shall appropriate 5% of General Fund revenues to fund the trust fund. Annually beginning with the fiscal year starting July 1, 2025 the trustees of the trust fund shall transfer to the General Fund 5% of the fund earnings from the previous fiscal year. Earnings transferred to the General Fund from the trust fund are not considered General Fund revenue for the purposes of this subsection.

**6. Report to Legislature.** The trustees of the trust fund shall make a written report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs on or before March 1st of each year including a discussion of any areas of policy or administration of the trust fund that, in the opinion of the trustees of the trust fund, should be brought to the attention of the joint standing committee and a review of the status of the trust fund.

## SUMMARY

To provide a stable source of revenue for the State, this bill establishes the Irrevocable Budget Trust Fund and requires the Legislature to appropriate 5% of General Fund revenues to the Irrevocable Budget Trust Fund, beginning with the fiscal year starting July 1, 2024. The Treasurer of State and the State Controller, as trustees of the fund, are required to invest the money in the fund. Beginning with the fiscal year starting July 1, 2025, 5% of the earnings in the fund are transferred back to the General Fund.

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1082** |
|---|---|
| S.P. 451 | In Senate, March 9, 2023 |

**An Act to Advance the Maine Retirement Savings Program**

(EMERGENCY)

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator VITELLI of Sagadahoc.
Cosponsored by Representative TERRY of Gorham and
Senators: BAILEY of York, DAUGHTRY of Cumberland, STEWART of Aroostook, Representative: CLUCHEY of Bowdoinham.

**Emergency preamble. Whereas,** acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

**Whereas,** current law requires that by April 1, 2023 a covered employer with 25 or more covered employees must offer the Maine Retirement Savings Program to its covered employees; and

**Whereas,** current law requires that by October 1, 2023 a covered employer with 15 to 24 covered employees must offer the Maine Retirement Savings Program to its covered employees; and

**Whereas,** current law sets forth penalties for covered employers that fail to comply with the law; and

**Whereas,** the Maine Retirement Savings Program will not be implemented in time for employers to offer the program on April 1, 2023 or October 1, 2023; and

**Whereas,** in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

**Sec. 1. 5 MRSA §172, first ¶,** as enacted by PL 2021, c. 356, §1, is amended to read:

The Maine Retirement Savings Board is established <u>as a body corporate and politic and a public instrumentality of the State</u> pursuant to section 12004-G, subsection 33-G to develop and maintain the Maine Retirement Savings Program for individuals employed or self-employed for wages or other compensation in this State.

**Sec. 2. 5 MRSA §172, sub-§8,** as enacted by PL 2021, c. 356, §1, is amended to read:

**8. Meetings.** The board shall meet ~~monthly~~ <u>at such times as established by policy of the board, but at least quarterly,</u> beginning no later than May 2022 and may also meet at other times at the call of the chair. All meetings of the board are public proceedings within the meaning of Title 1, chapter 13, subchapter 1.

**Sec. 3. 5 MRSA §173, sub-§1, ¶A,** as enacted by PL 2021, c. 356, §1, is amended to read:

A. Develop, establish, implement and maintain the program and, to that end, may conduct market, legal and feasibility analyses if the board considers them advisable <u>and may determine a name for the program</u>;

**Sec. 4. 5 MRSA §173, sub-§1, ¶E,** as enacted by PL 2021, c. 356, §1, is amended to read:

E. Develop and implement an investment policy that defines the program's investment objectives consistent with the objectives of the program and that provides for policies and procedures consistent with those investment objectives. The board shall strive to select and offer investment options available to participants and other program features that are intended to achieve maximum possible income replacement balanced with an appropriate level of risk in an IRA-based environment consistent with the investment objectives under the policy. The investment options may encompass a range of risk and return opportunities and allow for a rate of return commensurate with an appropriate level of risk in view of the investment objectives under the policy. The menu of investment options must be determined by considering the nature and objectives of the program, the desirability ~~based on behavioral research findings~~ of limiting investment options under the program to a reasonable number and the extensive investment options available to participants in the event that they roll over funds in an IRA established under the program to an IRA outside the program. In accordance with paragraphs K and O, the board, in carrying out its responsibilities and exercising its powers under this chapter, shall employ or retain appropriate entities or personnel to assist or advise it and to whom to delegate the carrying out of such responsibilities and exercise of such powers;

**Sec. 5. 5 MRSA §173, sub-§2,** as enacted by PL 2021, c. 356, §1, is amended to read:

**2. Required elements of program.** In accordance with the implementation ~~dates~~ <u>schedule</u> set forth in subsection 3, the program must:

A. Allow an eligible individual in this State to choose whether or not to contribute to an IRA under the program, including allowing a covered employee in the State the choice to contribute to an IRA under the program through a payroll deduction IRA arrangement;

B. Notwithstanding any provision of state law related to payroll deduction to the contrary, require each covered employer to offer its covered employees the choice whether or not to contribute to a payroll deduction IRA by automatically enrolling them in the payroll deduction IRA with the opportunity to opt out. A covered employee who is not a participant because that employee has opted out will be automatically reenrolled with the opportunity to opt out again at regular or ad hoc intervals determined by the board in its discretion, but not more frequently than annually;

C. Provide that the IRA to which contributions are made is a Roth IRA, except that the board has the authority at any time, in its discretion, to add an option for all participants to affirmatively elect to contribute to a traditional IRA as an alternative to the Roth IRA;

D. Provide that, unless otherwise specified by the covered employee, a covered employee must automatically initially contribute 5% of the covered employee's salary or wages to the program and may elect to opt out of the program at any time or contribute at any higher or lower rate, expressed as a percentage of salary or wages, or, if the board in its discretion permits, expressed as a flat dollar amount, subject in all cases to the IRA contribution and income eligibility limits applicable under the Internal Revenue Code at no additional charge. The board is authorized to change, from time to time, the 5% automatic initial default contribution rate for all covered employees in its discretion;

E. Provide on a uniform basis, if and when the board so determines in its discretion, for an annual increase of each participant's contribution rate, by not more than 1% of salary or wages per year up to a maximum of ~~8%~~ <u>10%</u>. Any such increases must apply to participants, as determined by the board in its discretion, either by default or only if initiated by affirmative participant election and are in either case subject to the IRA contribution and income eligibility limits applicable under the Internal Revenue Code;

F. Provide for direct deposit of contributions into investments under the program, including, but not limited to, a default investment such as a series of target date funds and a limited number of investment alternatives including a principal preservation option determined by the board. In addition, the board may provide that each participant's initial contributions, up to a specified dollar amount or for a specified period of time, are required to be invested in a ~~principal~~ capital preservation investment or, in the board's discretion, must be defaulted into such an investment unless the participant affirmatively opts for a different investment for those contributions. The board shall determine how often participants will have the opportunity to change their selections of investments for future contributions or existing balances or both;

G. Provide that employer contributions by a covered employer are not required or permitted;

H. Be professionally managed;

I. When possible and practicable, use existing employer and public infrastructure to facilitate contributions, record keeping and outreach and use pooled or collective investment arrangements for amounts contributed to the program;

J. Require the maintenance of separate records and accounting for each account under the program and allow for participants to maintain their accounts regardless of place of employment and to roll over funds into other IRAs or other retirement accounts;

K. Provide for reports on the status of each participant's account to be provided to each participant at least annually and make best efforts to provide each participant frequent or continual online access to information on the status of that participant's account;

L. Provide that each participant owns the contributions to and earnings on amounts contributed to the participant's account under the program and that the State and covered employers have no proprietary interest in those contributions or earnings;

M. Be designed and implemented in a manner consistent with federal law to the extent that it applies and consistent with the program not being preempted by, and the payroll deduction IRAs and covered employers not being subject to, ERISA;

N. Promote expanded retirement saving by encouraging employers in the State that would otherwise be covered employers to instead adopt a specified tax-favored retirement plan;

O. Make provision for participation in the program by individuals who are not employees, such as self-employed individuals and independent contractors, as provided in rules adopted pursuant to section 174, subsection 2;

P. Seek to keep fees, costs and expenses of the program as low as practicable, except that any administrative fee imposed on a covered employee for participating in the program may not exceed a reasonable amount relative to fees charged by similar established programs in other states. The fee may be an asset-based or investment return fee, flat fee or hybrid of the permissible fee structures identified in this paragraph;

Q. Adopt rules and establish procedures governing the distribution of funds from the program, including such distributions as may be permitted or required by the program and any applicable provisions of tax laws, with the objectives of maximizing financial security in retirement, helping to protect spousal rights and assisting participants with the challenges of decumulation of savings. The board has the authority to provide for one or more reasonably priced distribution options to provide a source of regular retirement income, including income for life or for the participant's life expectancy or for joint lives and life expectancies, as applicable;

R. Adopt rules and establish procedures promoting portability of benefits, including the ability to make tax-free rollovers or transfers from IRAs under the program to other IRAs or to tax-qualified plans that accept such rollovers or transfers;

S. Establish penalties in accordance with subsection 4 for a covered employer that fails without reasonable cause to enroll a covered employee in the program as required or that fails to transmit a payroll deduction IRA contribution to the program as required<u>. A lack of reasonable cause is established by the failure to enroll after the program communicates with the employer 3 times</u>;

T. In accordance with subsection 1, paragraph C, use private sector entities to administer the program and invest the contributions to the program under the supervision and guidance of the board; and

U. Allow the board to provide for the establishment, maintenance, administration, operation and implementation of the program to be carried out jointly with, or in partnership, collaboration, coordination or alliance with one or more other states, the Federal Government or any federal, state or local agencies or instrumentalities.

**Sec. 6. 5 MRSA §173, sub-§3,** as enacted by PL 2021, c. 356, §1, is repealed and the following enacted in its place:

<u>**3. Implementation.** The board may implement the program in stages, which may include a pilot program and phasing in the program based on the size of employers, or other factors. A covered employer shall offer the program to its covered employees no later than December 31, 2024.</u>

<u>A covered employer with fewer than 5 employees is not required to offer the program to its covered employees but may offer the program to its employees at the option of the employer and in accordance with rules established by the board.</u>

**Sec. 7. 5 MRSA §173, sub-§4, ¶A,** as enacted by PL 2021, c. 356, §1, is amended to read:

A. If a covered employer fails to enroll a covered employee without reasonable cause, the covered employer is subject to a penalty for each covered employee for each calendar year or portion of a calendar year during which the covered employee was not enrolled in the program or had not opted out of participation in the program and, for each calendar year beginning after the date on which a penalty has been assessed with respect to a covered employee, is subject to a penalty for any portion of that calendar year during which the covered employee continues to be unenrolled without opting out of participation in the program. The amount of any penalty imposed on a covered employer for the failure to enroll a covered employee without reasonable cause is determined as follows:

(1) ~~Prior to April 1, 2024~~ From July 1, 2025 to June 30, 2026, the maximum penalty per covered employee is ~~$10~~ $20;

(2) From ~~April 1, 2024 to March 31, 2025~~ July 1, 2026 to June 30, 2027, the maximum penalty per covered employee is ~~$20~~ $50; and

~~(3) From April 1, 2025 to September 30, 2026, the maximum penalty per covered employee is $50; and~~

(4) On or after ~~October 1, 2026~~ July 1, 2027, the maximum penalty per covered employee is $100.

**Sec. 8. 5 MRSA §173, sub-§4, ¶C,** as enacted by PL 2021, c. 356, §1, is amended to read:

C. A penalty may not be imposed on a covered employer for any failure to enroll a covered employee if the covered employer exercised reasonable diligence to meet the requirements of this chapter and the covered employer complies with those requirements with respect to each covered employee by the end of the 90-day period beginning on the first date the covered employer knew, or exercising reasonable diligence would have known, that the failure existed. The covered employer is deemed to have known that the failure existed after receiving 3 communications from the program.

**Sec. 9. 5 MRSA §174, sub-§2, ¶C,** as enacted by PL 2021, c. 356, §1, is amended to read:

C. Establish processes for ~~phasing in enrollment of eligible individuals, including phasing in enrollment of covered employees by size or type of covered employer~~ implementing the program in accordance with section 173, subsection 3;

**Sec. 10. 5 MRSA §177,** as enacted by PL 2021, c. 356, §1, is amended to read:

**§177. Intergovernmental collaboration and cooperation**

The board may enter into an intergovernmental agreement or memorandum of understanding with the State and any agency or instrumentality of the State in order to further the successful implementation and operation of the program through the provision, receipt or other sharing of data, technical assistance, enforcement, compliance, collection and other services or assistance to the program, and all such agencies and instrumentalities shall cooperate with the board in achieving those ends. The board may enter into an intergovernmental agreement or memorandum of understanding with the State and any agency or instrumentality of the State to receive outreach, technical assistance, enforcement and compliance services, collection or dissemination of information pertinent to the program, subject to such obligations of confidentiality as may be agreed to or required by law, or other services or assistance. The State and any agencies or instrumentalities of the State that enter into such agreements or memoranda of understanding shall collaborate to provide the outreach, assistance, information and compliance or other services or assistance to the board. The agreements or memoranda of understanding may cover the sharing of costs incurred in gathering and disseminating information and the reimbursement of costs for any enforcement activities or assistance.

**Sec. 11. 5 MRSA §178, sub-§1,** as enacted by PL 2021, c. 356, §1, is amended to read:

**1. Fund established.** The Maine Retirement Savings Program Enterprise Fund is established as an enterprise fund. The board shall use funds deposited in the enterprise fund in accordance with this section. The enterprise fund may receive grants, gifts, donations, appropriations, loans or other funds designated for administrative expenses or otherwise transferred to the enterprise fund from or deposited in the enterprise fund by the State or a unit of federal, state or local government or any other person, firm, partnership or corporation, including appropriations to the enterprise fund by the Legislature and funds from the payment of application, account, administrative or other fees and the payment of other funds due the board. Interest or other investment earnings or returns that are attributable to funds in the enterprise fund must be deposited into or retained in the enterprise fund. The enterprise fund may not lapse but must be carried forward to carry out the purposes of this chapter. ~~The board shall amortize any amounts appropriated to the enterprise fund by the Legislature to ensure that those amounts are paid back to the funding sources based on an amortization schedule determined by the board, but no later than 5 years after the program is fully implemented.~~

**Sec. 12. 5 MRSA §178, sub-§3,** as enacted by PL 2021, c. 356, §1, is amended to read:

**3. Administrative costs.** Subject to appropriation by the Legislature, the State may pay administrative costs associated with the creation, maintenance, operation and management of the program and provide funding for the program until sufficient assets are available in the enterprise fund for that purpose. Thereafter, all administrative costs of the enterprise fund~~, including any repayment of start-up funds provided by the State,~~ must be repaid only out of money on deposit in the enterprise fund. However, private funds or federal funding received in order to implement the program until the enterprise fund is self-sustaining may not be repaid unless those funds were offered contingent upon the promise of such repayment.

**Sec. 13. 5 MRSA §179, sub-§2,** as enacted by PL 2021, c. 356, §1, is amended to read:

**2. Submission of report.** Beginning February 1, ~~2024~~ <u>2026</u> and annually thereafter, the board shall submit to the Governor, the Treasurer of State and the Legislature an audited financial report, prepared in accordance with generally accepted accounting principles, detailing the activities, operations, receipts and expenditures of the program and board during the preceding calendar year. The report must include the number of participants, the investment options and their rates of return and other information regarding the program and must also include projected activities of the program for the current calendar year.

**Sec. 14. 5 MRSA §285, sub-§1, ¶F-12** is enacted to read:

<u>F-12. Any employee of the Maine Retirement Savings Board;</u>

**Sec. 15. 5 MRSA §17103, sub-§12,** as amended by PL 2021, c. 548, §17, is further amended to read:

**12. Defined contribution, deferred compensation and tax sheltered annuity plans.** The board shall establish one or more defined contribution, deferred compensation or tax sheltered annuity plans consistent with the applicable requirements of the Internal Revenue Code and may, with employer agreement, offer participation in such plans to employees eligible for membership in a retirement program of the retirement system and to employees of the Maine Retirement Savings Board.

**Sec. 16. PL 2021, c. 356, §3, first ¶** is amended to read:

**Sec. 3. Implementation of Maine Retirement Savings Program.** Except as provided in this section, the Maine Retirement Savings Board shall establish the Maine Retirement Savings Program as required under this Act so that individuals may begin making contributions under the program no later than ~~April 1, 2023~~ January 1, 2025.

**Sec. 17. PL 2021, c. 356, §3, sub-§1** is amended to read:

**1. Phase in of program; implementation.** The board shall phase in the program with regard to covered employers and accept contributions from covered employees employed by those covered employers as required under this Act and may in its discretion phase in the program for individuals who are not employees, such as self-employed individuals or independent contractors, except that any implementation schedule set by the board must be such that all individuals may begin making contributions under the program no later than January 1, ~~2025~~ 2026. The board may not implement the program if and to the extent that the board determines that the program is preempted by the federal Employee Retirement Income Security Act of 1974, as amended, 29 United States Code, Section 1001 et seq. If and to the extent that the board determines that a portion or aspect of the program is preempted by the federal Employee Retirement Income Security Act of 1974, the board may not implement that portion or aspect of the program but shall proceed to implement the remainder of the program to the extent practicable.

**Emergency clause.** In view of the emergency cited in the preamble, this legislation takes effect when approved.

## SUMMARY

This bill makes the following changes to the Maine Retirement Savings Program.

1. It provides that the program may establish a name other than the Maine Retirement Savings Program for the operation of the program.

2. It establishes that the Maine Retirement Savings Board must meet as established by policy of the board, but no less than quarterly.

3. It increases the maximum amount that employees may contribute to the program from 8% to 10% of salary or wages per year.

4. It amends the laws governing the program to postpone the dates by which covered employers are required to participate in the program and similarly postpones the dates when the board may begin assessing penalties to covered employers who fail to participate.

5. It identifies the board as a body corporate and politic and a public instrumentality of the State.

6. It specifies that covered employers are deemed to have reasonable notice of the need to participate in the program after the program has communicated the need to participate 3 times.

7. It authorizes the board to enter into an intergovernmental agreement or memorandum of understanding with the State and any agency or instrumentality of the State in order to further the successful implementation and operation of the program.

8. It clarifies that the funds transferred from the State in the enabling legislation are not an appropriation subject to repayment.

9. It authorizes employees of the board to participate in the state health insurance plan.

10. It authorizes employees of the board to participate in the defined contribution plans offered by the Maine Public Employees Retirement System without requiring participation in the defined benefit plan offered by the retirement system.

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1096** |
|---|---|
| H.P. 691 | House of Representatives, March 9, 2023 |

**An Act to Help Retired Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of-living Adjustment for Social Security Benefits**

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

ROBERT B. HUNT
Clerk

Presented by Representative DODGE of Belfast.
Cosponsored by Representative SHAGOURY of Hallowell, Senators: DAUGHTRY of Cumberland, HICKMAN of Kennebec and
Representatives: BRIDGEO of Augusta, CLUCHEY of Bowdoinham, CROCKETT of Portland, FAULKINGHAM of Winter Harbor, LaROCHELLE of Augusta, PLUECKER of Warren, WARREN of Scarborough.

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

**Sec. 1. 5 MRSA §17001, sub-§9, ¶A,** as amended by PL 2001, c. 181, §3, is further amended to read:

A. The Consumer Price Index for ~~All Urban Consumers, CPI-U~~ Urban Wage Earners and Clerical Workers, CPI-W, for the Northeast Region, as compiled by the Bureau of Labor Statistics, United States Department of Labor; or

**Sec. 2. 5 MRSA §17806, sub-§1, ¶A,** as amended by PL 2021, c. 635, Pt. NN, §1, is further amended to read:

A. Except as provided in paragraphs A-1, A-2 and A-3, whenever there is a percentage increase in the Consumer Price Index from July 1st to June 30th, the board shall automatically make an equal percentage increase in retirement benefits, beginning in September~~, up to a maximum annual increase of 3%~~. Effective July 1, 2011, the increase applies to that portion of the retirement benefit up to $20,000, which amount must be indexed in subsequent years by the same percentage adjustments granted under this section. Effective July 1, 2022, the increase applies to that portion of the retirement benefit up to $24,186.25, which amount must be indexed in subsequent years by the same percentage adjustments granted under this section.

**Sec. 3. 5 MRSA §17806, sub-§1, ¶B,** as amended by PL 2011, c. 380, Pt. T, §11 and affected by §26, is repealed.

## SUMMARY

This bill changes the index used to calculate the cost-of-living adjustment for state employee and teacher retirement benefits to the same index that is used to calculate the cost-of-living adjustment for benefits under the United States Social Security Act. This bill also removes the 3% cap on the cost-of-living adjustment for state employee and teacher retirement benefits.

DATE: March 28, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 1096 – An Act to Help Teachers and State Employees Keep Pace with Inflation by Matching the Cost-of-Living Adjustment for Social Security Benefits

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1096. We are here to provide information and offer any assistance the Committee might need regarding this bill.

We previously provided the Committee with a history of cost-of-living adjustments (COLA) for the State-sponsored retirement programs, which includes state employees, teachers, legislators and judges. Prior to 2011, cost-of-living adjustments for these groups were based on the Consumer Price Index for All Urban Consumers (CPI-U), up to a maximum of 4%, referred to as the COLA cap. In 2011, the COLA cap was reduced from 4% to 3%, and the annual COLA base was limited to the first $20,000 of benefits, indexed by future COLAs. In 2022, the COLA base was $24,186.25.

L.D. 1096 proposes two changes to the cost-of-living provisions. First, it changes the index used to establish COLA from the Consumer Price Index for All Urban Consumers (CPI-U) to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Northeast Region. In 2001, the index used to establish COLAs for MainePERS retirees changed from the Consumer Price Index for Urban Wage Earners and Clerical Workers; United States City Average, to the CPI-U which serves as the current basis. At the time of that change, the emergency preamble to the enacting legislation, PL 2001, ch. 181, stated that the change was made "…because (the CPI-U) is the most reflective of the purchasing power of the dollar for the broadest population of consumers, including retired consumers…" For comparison purposes, the CPI-U for the twelve-months ending June 30, 2022, upon which MainePERS retiree COLAs were based was 9.1%, while the proposed CPI-W basis for the same period was 8.6%.

L.D. 1096 also proposes to eliminate the COLA cap, currently 3%, and instead increase benefits by the full Consumer Price Index increase. As previously indicated, prior to 2011, the COLA cap was 4%, which was established in law in 1977. In years in which the Consumer Price Index exceeds the cap, MainePERS provides information to the Governor's Office regarding the cost of an additional increase, as required by statute.

This bill will have a fiscal impact because the Constitution does not allow the creation of new or additional benefits unless immediately and fully funded. New benefits are created because retirees, both current and future, would receive a higher COLA than currently accounted for and funded, creating a new unfunded actuarial liability (UAL).

We estimate an approximate $672 million increase to the UAL, which is the amount that would have to be paid if this bill is enacted. Additionally, we estimate an ongoing increased normal cost of approximately $11 million per year. Normal costs are paid by the State for its employees and by local school units for teacher members. The increased normal costs cover the cost of the increased COLAs to be paid on future benefits as they are earned.

It is important to note that these estimated costs reflect only the elimination of the 3% COLA cap as proposed by L.D. 1096. They do not reflect any change to the COLA base, which is the level of benefit subject to COLA. The Committee recently voted to pass L.D. 70, which increases the COLA base to $40,000. If the COLA base is increased to $40,000 and the 3% COLA cap is eliminated, the UAL cost would increase by approximately $1.65 billion and the normal cost would increase by approximately $22.6 million per year.

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

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1123** |
|---|---|
| S.P. 457 | In Senate, March 9, 2023 |

**An Act to Create a Presumption That a Cardiovascular Injury or Disease or Pulmonary Disease Suffered by Certain Law Enforcement Officers Is in the Course of Employment**

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

DARECK M. GRANT
Secretary of the Senate

Presented by Senator LAWRENCE of York.
Cosponsored by Representative MEYER of Eliot and
Senator: HARRINGTON of York, Representatives: MALON of Biddeford, MASTRACCIO of Sanford.

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

**Sec. 1. 5 MRSA §18511-A** is enacted to read:

**§18511-A. Presumption of disability for active law enforcement officers**

**1. Active member of law enforcement agency.** For purposes of this section, a person is considered to be an active member of a law enforcement agency, as defined in section 4651, if the person is vested by law with the power to make arrests for crimes or serve criminal process, whether that power extends to all crimes or is limited to specific crimes and if the person holds a current and valid certificate issued by the Board of Trustees of the Maine Criminal Justice Academy pursuant to Title 25, section 2803-A.

**2. Presumption.** It is presumed that a member incurred a disability in the line of duty that occurred while in actual performance of duty at some definite time and place and that was not caused by the willful negligence of the member if:

A. The disability is the result of a cardiovascular injury that occurred, or a cardiovascular or pulmonary disease that developed, within 6 months of having participated in law enforcement activities or in a training or drill that involved law enforcement activities; and

B. The member was an active member of a law enforcement agency, as defined in section 4651, for at least 2 years before the injury or the onset of the disease described in paragraph A.

**3. Rebuttal.** This presumption is subject to rebuttal in accordance with the Maine Rules of Evidence, Rule 301.

**Sec. 2. 39-A MRSA §328-D** is enacted to read:

**§328-D. Cardiovascular injury or disease and pulmonary disease suffered by a law enforcement officer or resulting in a law enforcement officer's death**

Cardiovascular injury or disease and pulmonary disease suffered by a law enforcement officer or resulting in a law enforcement officer's death are governed by this section.

**1. Law enforcement officer defined.** For the purposes of this section, "law enforcement officer" means an active member of a law enforcement agency, as defined in Title 5, section 4651, if the person is vested by law with the power to make arrests for crimes or serve criminal process, whether that power extends to all crimes or is limited to specific crimes and if the person holds a current and valid certificate issued by the Board of Trustees of the Maine Criminal Justice Academy pursuant to Title 25, section 2803-A.

**2. Presumption.** There is a rebuttable presumption that a law enforcement officer received the injury or contracted the disease arising out of and in the course of employment, that sufficient notice of the injury or disease has been given and that the injury or disease was not occasioned by the willful intention of the law enforcement officer to cause self-injury or injury to another if the law enforcement officer has been an active member of a law enforcement agency, as defined in Title 5, section 4651, for at least 2 years prior to a cardiovascular injury or the onset of a cardiovascular disease or pulmonary disease and if:

A. The disease has developed or the injury has occurred within 6 months of having participated in law enforcement activities or in a training or drill that involved law enforcement activities; or

B. The law enforcement officer had developed the disease or had suffered the injury that resulted in death within 6 months of having participated in law enforcement activities or in a training or drill that involved law enforcement activities.

## SUMMARY

This bill establishes a rebuttable presumption:

1. Of disability under the Maine Public Employees Retirement System for a law enforcement officer who suffers a disability as a result of a cardiovascular injury or a cardiovascular or pulmonary disease; and

2. That a law enforcement officer's cardiovascular injury or disease or pulmonary disease arose out of and in the course of employment under the Maine Workers' Compensation Act of 1992.

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1152** |
| --- | --- |
| S.P. 479 | In Senate, March 13, 2023 |

**An Act to Make Long-term Disability Insurance Coverage Available to Public Employees**

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator INGWERSEN of York.
Cosponsored by Representative MALON of Biddeford and
Senators: DAUGHTRY of Cumberland, TIPPING of Penobscot, Representatives: BRENNAN of Portland, GERE of Kennebunkport, PLUECKER of Warren, SHEEHAN of Biddeford.

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

**Sec. 1. 5 MRSA §18101,** as enacted by PL 2017, c. 378, §1, is amended to read:

**§18101. Long-term disability insurance coverage ~~authorized~~ required**

The board ~~may~~ shall offer long-term disability insurance coverage to members through their employer and may contract with one or more insurance companies to provide this coverage. An employer shall offer the long-term disability insurance coverage or substantially equivalent coverage from another source to the employer's employees that are members.

**1. Premiums.** All premiums and any other amounts due to an insurance company or other 3rd party in connection with coverage offered by the board under this subchapter must be borne by the ~~covered person, the~~ covered person's employer ~~or both the covered person and the covered person's employer~~.

**1-A. Benefits.** The coverage offered by the board under this subchapter must provide for a monthly benefit payment amount of not more than $8,000 and not less than $100, including applicable offsets. The monthly benefit payment must be in an amount to replace:

A. For a member who would receive a disability retirement benefit equal to 59% of the member's average final compensation if qualified for disability retirement benefits, 59% of the covered member's income from the employer providing the coverage; or

B. For a member who would receive a disability retirement benefit equal to 66 2/3% of the member's average final compensation if qualified for disability retirement benefits, 66 2/3% of the covered member's income from the employer providing the coverage.

**2. Rules.** The board may adopt rules to implement this subchapter. Rules adopted pursuant to this subsection are routine technical rules pursuant to chapter 375, subchapter 2-A.

**Sec. 2. 5 MRSA §18701,** as enacted by PL 2017, c. 378, §2, is amended to read:

**§18701. Long-term disability insurance coverage ~~authorized~~ required**

The board ~~may~~ shall offer long-term disability insurance coverage to members and employees who choose not to become members but participate in the defined contribution plan pursuant to section 18801, subsection 1 through their employer and may contract with one or more insurance companies to ~~provide~~ offer this coverage. An employer shall provide the long-term disability insurance or substantially equivalent coverage from another source to the employer's employees who are members or participants in the defined contribution plan pursuant to section 18801, subsection 1.

**1. Premiums.** All premiums and any other amounts due to an insurance company or other 3rd party in connection with coverage offered by the board under this subchapter must be borne by the ~~covered person, the~~ covered person's employer ~~or both the covered person and the covered person's employer~~.

**1-A. Benefits.** The coverage offered by the board under this subchapter must provide for a monthly benefit amount of not more than $8,000 and not less than $100, including applicable offsets. The monthly benefit payment must be in an amount to replace:

A. For a member or a participant who would receive a disability retirement benefit equal to 59% of the member's or participant's average final compensation if qualified for disability retirement benefits, 59% of the member's or participant's income from the employer providing the coverage;

B. For a member or a participant who would receive a disability retirement benefit equal to 60% of the member's or participant's annual compensation if qualified for disability retirement benefits, 60% of the member's or the participant's income from the employer providing the coverage; or

C. For a member or a participant who would receive a disability retirement benefit equal to 66 2/3% of the member's or the participant's average final compensation if qualified for disability retirement benefits, 66 2/3% of the member's or the participant's income from the employer providing the coverage.

**2. Rules.** The board may adopt rules to implement this subchapter. Rules adopted pursuant to this subsection are routine technical rules pursuant to chapter 375, subchapter 2-A.

## SUMMARY

This bill requires the Maine Public Employees Retirement System to offer long-term disability insurance coverage and requires employers to provide the coverage at employer expense to members of the system and certain employees who participate in the system's defined contribution plan or provide substantially equivalent coverage obtained from another source.

DATE: April 4, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 1152 – An Act to Make Long-term Disability Insurance Coverage Available to Public Employees

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1152. We are here to provide information and offer any assistance the Committee might need regarding this bill. We are supportive of offering long-term disability insurance (LTDI) coverage to our members, whether through a plan offered through MainePERS or through an alternative plan offered by an employer. However, we do not endorse or oppose any specific position on allocating the costs of providing coverage.

LTDI would assist in filling income protection gaps for public employees who are temporarily unable to work due to a disabling condition. MainePERS disability retirement provides income replacement for those permanently disabled, but is not available to those temporarily unable to work.

Public Law 2021, c. 277, Sec. 43 required MainePERS to "… convene a stakeholder group, including representatives of participant employers and employee groups, to develop an implementation plan for providing mandatory long-term disability insurance coverage to retirement system members through their employers…(and)…submit an implementation plan, including any recommended legislation…"

MainePERS convened the stakeholder group and facilitated the discussion on the development of the LTDI Implementation Plan. The group represented employees and employers and as such brought differing views and opinions to the discussion. While there were key areas in the design of the plan in which agreement was reached, there were other areas where disagreement remained, including how the plan should be funded. The LTDI Implementation Plan MainePERS submitted to the LBHS Committee on December 15, 2022, included two versions of proposed legislation, one that mandated employer-paid coverage and one that did not. L.D. 1152 is the version of proposed legislation favored by the labor members of the stakeholder group that requires employers to fully fund LTDI for covered employees. Although MainePERS is in favor of providing the coverage, as previously indicated, we do not have a position on how a LTDI program should be funded.

If the Committee is interested in receiving a more detailed briefing of the proposed LTDI program as detailed in the Implementation Report, we would be happy to provide that at the Committee's convenience.

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

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

**Legislative Document** **No. 1230**

H.P. 778 House of Representatives, March 21, 2023

**Resolve, Directing the Maine Public Employees Retirement System to Study the Creation of an Interstate Compact Concerning the Windfall Elimination Provision and Government Pension Offset**

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

ROBERT B. HUNT
Clerk

Presented by Representative GREENWOOD of Wales.
Cosponsored by Senator BALDACCI of Penobscot and
Representatives: BRENNAN of Portland, DODGE of Belfast, DRINKWATER of Milford, FAULKINGHAM of Winter Harbor, HAGGAN of Hampden, WOODSOME of Waterboro, Senators: KEIM of Oxford, NANGLE of Cumberland.

**Sec. 1. Maine Public Employees Retirement System to study interstate compact. Resolved:** That the Maine Public Employees Retirement System shall study the creation and adoption of an interstate compact with other states affected by the government pension offset, pursuant to the federal Social Security Amendments of 1977, Public Law 95-216, and the windfall elimination provision, pursuant to the federal Social Security Amendments of 1983, Public Law 98-21. The Maine Public Employees Retirement System shall consult and collaborate with any applicable retirement associations, such as the National Association of State Retirement Administrators, as necessary. The Maine Public Employees Retirement System shall submit a report with its recommendations, including any suggested legislation, no later than December 6, 2023 to the Joint Standing Committee on Labor and Housing. The committee may report out a bill based upon the report and recommendations to the Second Regular Session of the 131st Legislature.

## SUMMARY

This resolve directs the Maine Public Employees Retirement System to study the creation of an interstate compact with other states affected by the windfall elimination provision and the government pension offset. The Maine Public Employees Retirement System must submit a report with its recommendations, including any suggested legislation, to the Joint Standing Committee on Labor and Housing no later than December 6, 2023. The committee may report out a bill based upon the report and recommendations.

DATE: April 4, 2023

TO: Senator Michael Tipping, Chair
Representative Amy Roeder, Chair
Members, Joint Standing Committee on Labor and Housing

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

SUBJECT: Testimony on L.D. 1230 – Resolve, Directing the Maine Public Employees Retirement System to Study the Creation of an Interstate Compact Concerning the Windfall Elimination Provision and the Government Pension Offset

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Good afternoon, Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing. My name is Kathy Morin, and I am the Director of Actuarial and Legislative Affairs for the Maine Public Employees Retirement System.

MainePERS is neither for nor against L.D. 1230. We are here to provide information and offer any assistance the Committee might need regarding this bill.

We know that the topic of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) is important because we receive numerous inquiries each year about the impact they have on plan members.

L.D. 1230 requires MainePERS to study the creation of an interstate compact with other states impacted by the Social Security offset provisions and to submit a report of recommendations by December 6, 2023. The 130th Legislature considered an identical bill, L.D. 341, which was enacted as Resolve, Chapter 84, and which required the submission of a report of recommendations by January 1, 2022. MainePERS submitted the report on December 29, 2021, a copy of which is included with this testimony. The 130th Legislature also enacted Resolves, Chapters 66 and 72, both of which addressed specific aspects of plan design and Social Security coverage for certain Maine public employees. The February 2022 report responsive to that legislation was previously provided to the Committee. Both reports are also available on the System's website.

Extensive work was completed in response to the aforementioned enacted Resolves. MainePERS does not believe that another study of these issues would result in any additional or different recommendations than those already reported in the 2021 and 2022 reports.

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

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1424** |
|---|---|
| H.P. 920 | House of Representatives, March 30, 2023 |

**An Act to Remove the Age Requirement for Correctional Staff Retirement Under the 1998 Special Plan**

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

ROBERT B. HUNT
Clerk

Presented by Representative PLUECKER of Warren.
Cosponsored by Representatives: GERE of Kennebunkport, PRINGLE of Windham, SALISBURY of Westbrook, WARREN of Scarborough, Senators: BEEBE-CENTER of Knox, POULIOT of Kennebec, TIPPING of Penobscot.

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

**Sec. 1. 5 MRSA §17851-A, sub-§1, ¶E,** as amended by PL 1999, c. 493, §4, is further amended to read:

E. Maine State Prison employees to whom section 17851, subsection 11, paragraph B applies and who were employed after August 31, 1984 and before January 1, 2000, other than those employees described in paragraph I, subparagraph (2);

**Sec. 2. 5 MRSA §17851-A, sub-§1, ¶I,** as amended by PL 2005, c. 519, Pt. FF, §1, is repealed and the following enacted in its place:

I. Employees of the Department of Corrections or the Department of Administrative and Financial Services who:

(1) Were employed on or after January 1, 2000 and who are employed in a correctional facility, as defined in Title 34-A, section 1001. Those employees of the Department of Corrections on January 3, 2006 whose positions were transferred to the Department of Administrative and Financial Services remain eligible for the 1998 Special Plan under this subparagraph as long as they are assigned to work in a correctional facility, as defined in Title 34-A, section 1001; or

(2) Regardless of when employed, are employees whose duties involve contact with prisoners, probationers, parolees or juvenile offenders or any person employed as the supervisor of those employees. Those employees of the Department of Corrections on January 3, 2006 whose positions were transferred to the Department of Administrative and Financial Services remain eligible for the 1998 Special Plan under this subparagraph as long as their duties involve contact with prisoners, probationers, parolees or juvenile offenders. An employee of the Department of Administrative and Financial Services hired after January 3, 2006 to replace an employee whose position was transferred and who remained eligible for the 1998 Special Plan is also eligible for the plan as long as that employee is assigned to work in a correctional facility, as defined in Title 34-A, section 1001, and that employee's duties involve contact with prisoners, probationers, parolees or juvenile offenders;

**Sec. 3. 5 MRSA §17851-A, sub-§2,** as amended by PL 2021, c. 474, §6, is further amended to read:

**2. Qualification for benefits.** A member employed in any one or a combination of the capacities specified in subsection 1 after June 30, 1998 and before September 1, 2002 for employees identified in subsection 1, paragraphs A and B; after June 30, 1998 for employees identified in subsection 1, paragraphs C to H; after December 31, 1999 for employees identified in subsection 1, ~~paragraphs I to K~~ paragraph I, subparagraph (1) and subsection 1, paragraphs J and K; any employee identified in subsection 1, paragraph I, subparagraph (2) or subsection 1, paragraph M; after June 30, 2020 for employees identified in subsection 1, paragraphs N to P; after September 30, 2021 for employees identified in subsection 1, paragraph Q; and any employee identified in subsection 1, paragraph L, qualifies for a service retirement benefit if that member either:

A. Is at least 55 years of age and has completed at least 10 years of creditable service under the 1998 Special Plan in any one or a combination of the capacities; ~~or~~

B. Has completed at least 25 years of creditable service in any one or a combination of the capacities specified in subsection 1, whether or not the creditable service included in determining that the 25-year requirement has been met was earned under the 1998 Special Plan or prior to its establishment~~.~~; or

C. Is an employee identified in subsection 1, paragraph I, subparagraph (2) and has completed at least 25 years of creditable service in any capacity specified in subsection 1, paragraph I, subparagraph (2), whether or not the creditable service included in determining that the 25-year requirement has been met was earned under the 1998 Special Plan or prior to its establishment.

## SUMMARY

Under current law, an employee of the Department of Corrections or the Department of Administrative and Financial Services who was employed on or after January 1, 2000 and whose duties involve contact with prisoners, probationers, parolees or juvenile offenders or supervising such an employee qualifies for the 1998 Special Plan and may receive a service retirement benefit after completing 25 years of service.

This bill removes the qualification that these employees must have been employed on or after January 1, 2000 so any employee whose duties involve contact with prisoners, probationers, parolees or juvenile offenders or supervising such an employee qualifies for the 1998 Special Plan and may receive a service retirement benefit after completing at least 25 years of service.

# 131st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2023

| **Legislative Document** | **No. 1425** |
|---|---|
| H.P. 921 | House of Representatives, March 30, 2023 |

**An Act to Strengthen Freedom of Access Protections by Allowing Remote Meetings to Be Recorded**

Reference to the Committee on Judiciary suggested and ordered printed.

ROBERT B. HUNT
Clerk

Presented by Representative PERKINS of Dover-Foxcroft.
Cosponsored by Senator FARRIN of Somerset and
Representatives: ARDELL of Monticello, BOYER of Poland, BRADSTREET of Vassalboro, HASENFUS of Readfield, LAJOIE of Lewiston, LANDRY of Farmington, NUTTING of Oakland, QUINT of Hodgdon.

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

**Sec. 1. 1 MRSA §403-B, sub-§2, ¶G,** as enacted by PL 2021, c. 290, §1, is amended to read:

G. All votes taken during a public proceeding using remote methods must be taken by roll call vote that can be seen and heard if using video technology, and heard if using only audio technology, by the other members of the public body and the public; ~~and~~

**Sec. 2. 1 MRSA §403-B, sub-§2, ¶H,** as amended by PL 2021, c. 611, §2, is further amended to read:

H. The public body must make all documents and other materials considered by the public body available, electronically or otherwise, to the public who attend by remote methods to the same extent customarily available to members of the public who attend the proceedings of the public body in person, as long as additional costs are not incurred by the public body. The public body must make the proposed policy regarding remote participation available in advance of the meeting if meeting remotely under paragraph A, subparagraphs (1) and (2)~~.~~; and

**Sec. 3. 1 MRSA §403-B, sub-§2, ¶I** is enacted to read:

I. The public body must allow for remote recording of the meeting by members of the public on the same platform that is used to conduct the meeting as long as additional costs are not incurred by the public body.

A public official who willfully violates this paragraph or willfully unduly hinders the public's ability to record a remote meeting is subject to the provisions of section 410.

## SUMMARY

This bill provides that a public body must allow for remote recording of a public meeting by members of the public on the same platform that is used to conduct the meeting as long as additional costs are not incurred by the public body.

# 131st MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2023


**Legislative Document** **No. 1499**

H.P. 954 House of Representatives, April 5, 2023


**An Act Regarding Penalties for Early Retirement for Certain Members of the Maine Public Employees Retirement System**

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

ROBERT B. HUNT
Clerk

Presented by Representative SHAGOURY of Hallowell.
Cosponsored by Representative POLEWARCZYK of Wiscasset, Senator HICKMAN of Kennebec and Representatives: BRENNAN of Portland, DODGE of Belfast, MADIGAN of Waterville, MALON of Biddeford, RUSSELL of Verona Island.

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

**Sec. 1. Reduction in early retirement penalty for certain state employees and teachers.** Notwithstanding the Maine Revised Statutes, Title 5, section 17852, subsection 3-A or any other provision of law to the contrary, beginning October 1, 2023 the reduction in the retirement benefit for a qualified member is 2.25% for each year that the qualified member's age precedes 62 years of age at retirement.

As used in this section, "qualified member" means a member of the Maine Public Employees Retirement System who:

1. Retired from service as a state employee between July 1, 2011 and January 1, 2012 or as a teacher between July 1, 2011 and July 1, 2012;

2. Had completed 25 or more years of creditable service upon retirement;

3. Had neither 10 years of creditable service nor had reached 60 years of age with one year of creditable service immediately before July 1, 1993; and

4. Had not attained 62 years of age as of retirement from service as a state employee or teacher.

As used in this section, "creditable service," "employee," "member," "retirement," "retirement benefit," "state employee" and "teacher" have the same meanings as in Title 5, section 17001.

## SUMMARY

Under changes made to the Maine Public Employees Retirement System in 1993, employees who were members of the Maine Public Employees Retirement System as of July 1, 1993 but did not have 10 years of creditable service as of July 1, 1993 are required to have 25 years of creditable service and attain 62 years of age in order to avoid incurring a penalty of 6% of earned benefits for each year the person retires before attaining 62 years of age. Prior to that change, the penalty was 2.25% for each year below 60 years of age the person retired.

Beginning October 1, 2023, this bill changes the rate of the penalty for those state employees who retired between July 1, 2011 and January 1, 2012 and for teachers who retired between July 1, 2011 and July 1, 2012 who had at least 25 years of service on July 1, 2011 but had not attained 62 years of age to 2.25% for each year the person was below 62 years of age upon retirement from service.