

**MainePERS Board of Trustees
Finance and Audit Committee Meeting
May 11, 2023
139 Capitol Street, Augusta
AGENDA**

8:00 a.m.		CALL TO ORDER		Shirrin Blaisdell
8:00 – 8:05 a.m.	1.	MINUTES APPROVAL 04/13/2023 Meeting	ACTION	Shirrin Blaisdell
8:05 – 8:10 a.m.	2.	ADMINISTRATION		Dr. Rebecca M. Wyke Sherry Vandrell
		<ul style="list-style-type: none"> a. Employer Reporting Update b. Report on Internal Audit c. Proposed Updated Internal Audit Plan d. FY23 Financial Statement Audit Schedule 		
8:10 – 8:20 a.m.	3.	REPORT ON FINANCIAL OPERATIONS		Dr. Rebecca M. Wyke Sherry Vandrell
		<ul style="list-style-type: none"> a. 03/31/2023 Administration Operations Expense Report b. 03/31/2023 Investment Operations Expense Report 		
8:20 – 8:45 a.m.	4.	FY24 DRAFT BUDGET		
		<ul style="list-style-type: none"> • Executive Session pursuant to 1 M.R.S. §405(6)(D) to discuss labor contracts and proposals between MainePERS and MSEA. 	ACTION	Brian Noyes
		<i>Committee moves out of executive session.</i>		
		<ul style="list-style-type: none"> a. FY24 Draft Administration Operations Budget b. FY24 Draft Investment Operations Budget 		Dr. Rebecca M. Wyke Sherry Vandrell
8:45 – 8:50 a.m.	5.	OPEGA REQUIRED REPORTING TO THE BOARD		Dr. Rebecca M. Wyke Sherry Vandrell
		<ul style="list-style-type: none"> a. Travel Report b. Procurement Report – Next Report in August 		
8:50 a.m.		ADJOURNMENT		Shirrin Blaisdell

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

M i n u t e s

Board of Trustees
Meeting of the Finance and Audit Committee
April 13, 2023

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

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

MINUTES

Shirrin called for acceptance of the minutes from the February 9, 2023 meeting of the Finance and Audit Committee.

- **Action:** Brian Noyes made the motion, seconded by Dick Metivier, to accept the minutes from the February 10, 2023 meeting. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

ADMINISTRATION

Status of Internal Audit Work

Sherry Vandrell shared that Wipfli has started the next internal audit engagement work focusing on investment processes and controls. Sherry stated the next work scope is tentatively scheduled to cover employer reporting and processes but that this might change. Sherry will bring recommendations for updating the schedule at a future meeting.

Shirrin Blaisdell and Committee members congratulated Sherry Vandrell on her recent promotion to Chief Financial Officer.

REPORT ON FINANCIAL OPERATIONS

Sherry reviewed the Administrative and the Investment Operations Reports for the eight months ended February 28, 2023. Sherry discussed and answered questions from the Committee on both the Administrative and Investment expense reports.

FY24 DRAFT BUDGET

Dr. Rebecca M. Wyke and Sherry Vandrell reviewed the proposed Administrative and the Investment Operations budgets for the fiscal year ending June 30, 2024 and answered questions from the Committee.

Dr. Wyke shared the proposed Administrative budget is an increase of 6% and the Investment budget represents an increase of 4.5% from the current fiscal year budgets.

Finance and Audit Committee
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Sherry and Dr. Wyke discussed and answered questions from the Committee regarding the specific increases in some of the line items in both budgets.

BANKING

Sherry Vandrell and the Committee discussed the relationship with the current banking institution.

ADJOURNMENT

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

The meeting adjourned at 8:40 a.m.

The next meeting of the Finance and Audit Committee is expected to be held May 11, 2023 at 8:00 a.m.

May 11, 2023
Date Approved by the Committee

Dr. Rebecca M. Wyke, Chief Executive Officer

Date Signed

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: REPORT ON EMPLOYER REPORTING
DATE: MAY 3, 2023

POLICY REFERENCE

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

EMPLOYER REPORTING OVERVIEW

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

The Employer Reporting business unit is responsible for collecting data and contributions from over 650 employer locations each month. Employers submit this information electronically via the Employer Self-Service (ESS) Portal. Employer Reporting staff monitor the activity, assist employer staff with submitting payroll files and forms, and review the data submitted for completeness and reasonableness. Part of monitoring the activity includes identifying employers who are late in submitting data or contributions and taking appropriate action to assist those employers with getting their information or contribution in.

EMPLOYER REPORTING STATUS UPDATES

At your last regular quarterly meeting we reported on a number of issues we were experiencing with employers who were delinquent in reporting data and/or making contributions payments timely. I continue to monitor employers who have been flagged as having other than routine account reconciliation issues. At this time, I am working with

staff to monitor 11 employers who have been flagged as needing additional support and attention. This is down from 14 employers in February. We are currently missing 16 payroll reports from this subset of employers (some are missing more than one month) and we are monitoring 7 employers who have not made one or more payments. Most employers with payroll reporting problems are making estimated payments. Missing contribution payments for this group of employers is approximately \$400,000 as of April 28, 2023.

Included in this group of employers are three larger school districts who have changed payroll software vendors, had turnover in their payroll office, or both. Staff started conducting standing weekly account support meetings via Zoom with two of these employers and we are working to get the third to agree to the same. This dedicated time spent on payroll reporting issues appears to be improving the situation for the two employers who are currently taking advantage of it.

When we met in February I reported that we were refreshing our policies and practices on monitoring payroll reporting and contribution payments to assure timeliness. Those documents have been updated to make expectations clear and all staff in the unit have reviewed them and our training specialist is incorporating these expectations into training materials and presentations for our newer staff as well as refresher training for those who have been with us longer.

Employer account reconciliations continue to be an ongoing focus of our work, with 62% of all employer accounts fully reconciled through February payrolls as of April 27, 2023. Staff are working to reconcile March data now as well as to continue reconciling older data for the remaining 38% of accounts.

Finally, the employer reporting job series was rolled out during this last quarter. This new approach to assigning work in the unit means that all staff who were formerly Account Associates or Employer Reporting Technicians are now Employer Reporting Account Associates (ERAA) and they all have the same duties when it comes to working with their assigned employers. The complexity of the employer relationship will determine which level ERAA will be assigned to the account, with our more seasoned ERAA III's being assigned the most complex accounts and our ERAA I's being assigned the least complex accounts. They will all be expected to reconcile the transactions on their assigned accounts, which is a change from the former model of assigning work, allowing us to spread the work of 657 employer account reconciliations across more staff. Staff

who were not expected to reconcile accounts prior to this change are currently being trained in that duty.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: INTERNAL AUDIT UPDATE
DATE: MAY 3, 2023

POLICY REFERENCE

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

INTERNAL AUDIT UPDATE

The internal audit engagement focusing on investment processes and controls has commenced and staff are busy responding to document requests. This work is expected to be complete within the next several months.

We are currently developing a scoping memo for the next internal audit which will focus on several key accounting processes and controls including purchasing, accounts payable, benefit payroll processing, and employee payroll. This engagement is proposed to occur in the first quarter of FY24.

A summary of audit finding activity for the quarter follows:

Activity for January through March 31, 2023					
Source	Open Items Beginning of Quarter	Findings Resolved	Identified	Resolved	Open Items End of Quarter
Internal Audit	2	1	-	-	1
External Audit	-	-	-	-	-
Total	2	1	-	-	1

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: PROPOSED INTERNAL AUDIT PLAN FOR FY24
DATE: MAY 3, 2023

POLICY REFERENCE

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

REVIEW OF INTERNAL AUDIT ACTIVITY F23

We kicked off the new internal audit program in FY23 by conducting a complete risk assessment and five year audit work plan. That work plan called for three additional internal audits during this fiscal year covering the disability program review, an audit of investment processes and controls, and an audit of employer reporting processes and controls. The disability program review was completed and the audit of investment processes and controls is underway. We were unable to accomplish the review of employer reporting processes and controls this fiscal year, in part due to scheduling conflicts both internally as well as with the audit firms we are engaging, but also due to the backlog of work in this unit and the number of new staff who are just getting trained and comfortable in their roles. We are proposing to do this work later in FY24 to allow training to continue and allow staff to catch up with some of the work.

We have conducted a review of the proposed schedule of audits provided by Wipfli at the conclusion of the risk assessment work in detail and have developed a revised proposed schedule which is included in your packet. The revised schedule still allows for four audits, one per quarter, but has been adjusted to do the following:

1. Move the audit of employee timekeeping and accruals from FY25 to FY24 Q1 and have it conducted at the same time as employee payroll processes and controls;
2. Move the audit of facilities processes and policies up to Q2 in order to have the work completed before a key staff person in this area retires; and
3. Replace the proposed audit of Information Security and Technology with the audit of employer reporting processes and controls in Q3. We recently completed an

independent audit of this area as part of our regular review of IT processes and policies so this work would be redundant at this time.

The fourth quarter audit is still expected to be an audit covering member services and was not changed.

RECOMMENDATION

No action is required by the Committee at this time.



Proposed FY2024 Audit Plan Based on FY2023 Risk Assessment_ Revised 4/27/2023

Accounting and Finance	Risk Classification	Quarter	Comments and Recommendations
Benefits Payroll Processing	High	Q1	
Cash Receipts	Moderate	Q1	
Accounts Payable	Moderate	Q1	
Purchasing	Moderate	Q1	
MainePERS Staff Payroll	Moderate	Q1	
Employee Timekeeping and Leave	High	Q1	Was slated for FY25 but pulled it forward to combine with employee payroll
Facilities	Risk Classification	Quarter	Comments and Recommendations
Security	Moderate	Q2	Potentially a higher risk to due to recent changes in physical security protocols.
Maintenance	Moderate	Q2	Was slated for FY25-27 but pulled it forward to do before Rebecca and Lew leave
Plannng	Moderate	Q2	Was slated for FY25-27 but pulled it forward to do before Rebecca and Lew leave
Employer Reporting	Risk Classification	Quarter	Comments and Recommendations
Membership Application Processing	High	Q3	Was slated for Q4 FY23 but needs to be delayed so we can get our feet under us
ESS Portal - Employer Information Input	High	Q3	Was slated for Q4 FY23 but needs to be delayed so we can get our feet under us
Employer Training	Moderate	Q3	Was slated for Q4 FY23 but needs to be delayed so we can get our feet under us
Employer Account Reconciliation	Moderate	Q3	Was slated for Q4 FY23 but needs to be delayed so we can get our feet under us
Payroll Reporting Adjustments	High	Q3	Was slated for Q4 FY23 but needs to be delayed so we can get our feet under us
Member Services	Risk Classification	Quarter	Comments and Recommendations
Benefit Calculations	High	Q4	Will select 3-5 areas to reduces the scope and burden
Refund Processing	High	Q4	Will select 3-5 areas to reduces the scope and burden
Service Credit Calculations	High	Q4	Will select 3-5 areas to reduces the scope and burden
Service Credit Purchase Calculations	High	Q4	Will select 3-5 areas to reduces the scope and burden
Benefit Adjustments	High	Q4	Will select 3-5 areas to reduces the scope and burden
Member Account Maintenance	High	Q4	Will select 3-5 areas to reduces the scope and burden
Retirement Application Process	High	Q4	Will select 3-5 areas to reduces the scope and burden
Member Statements	High	Q4	Will select 3-5 areas to reduces the scope and burden
Member Estimates	High	Q4	Will select 3-5 areas to reduces the scope and burden
Eligibility - (are people supposed to be in the plan - fact component)	High	Q4	Will select 3-5 areas to reduces the scope and burden
Earnable Compensation - (is the payment allowed to be paid into the plan)	High	Q4	Will select 3-5 areas to reduces the scope and burden

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: EXTERNAL AUDIT UPDATES
DATE: MAY 3, 2023

POLICY REFERENCE

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

FY23 INTERIM FINANCIAL STATEMENT AUDIT SCHEDULE

The audit planning and interim work for the FY23 financial statement audit is scheduled for the weeks of May 22, 2023 and July 17, 2023.

Mark and Leah are tentatively scheduled to participate in the August 10th meeting to review their audit plan with you and to answer any questions you may have. The remaining audit work, including work related to the supplemental audits, has not been scheduled yet but is expected to begin in September.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY23 – MARCH 2023 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: MAY 3, 2023

Reports of operating expenses for both administration and investment operations for the nine months ended March 31, 2023 are attached for your review. The reports summarize, by expense category, the approved budgeted amounts for the current fiscal year and actual year-to-date expense through March 31, 2023.

POLICY REFERENCE

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

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

REVIEW OF FY23 OPERATING EXPENSES

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

Administration

(1) **Personnel Services** (Under budget 5.42% or \$544,341) – Personnel services costs include salaries and wages, along with associated benefits. There are several factors impacting this projected surplus. First, the projections are indicating an anticipated surplus in salaries and wages due to vacancies. We continue to carry a high number of vacant positions in the roster even though we've been recruiting consistently. At present, we have 11 vacant positions in the personnel roster. A second retention payment to eligible staff is expected to be made in June and the projected cost of that is included in the projected numbers at March 31st.

Second, health insurance is expected to be under budget, in part because of vacant positions, but also because we experienced one additional month of a "premium holiday", resulting in additional savings. The budget anticipated three months of a premium holiday for health insurance and we actually had four. We are anticipating a surplus in retirement contributions as well associated with vacancies. The surplus projected is not proportionate with

the surplus in salaries and wages because of a \$49,000 cost for porting service for two confidential employees that was not anticipated in the budget. This \$49,000 is included in the total expected numbers for FY23.

(2) **Computer Equipment, Supplies and Support** (Under budget 1.54% or \$42,254) – The current projected surplus in computer equipment, supplies and support is a combination of a number of items. We recently discontinued the contract with Nexum, a provider of multi-factor authentication services for the Employer Portal and replaced it with a much less expensive MFA application, resulting in a savings of close to \$24,000. In addition, the decision was made to not pursue data loss prevention services in FY23, saving a projected \$50,000. We had budgeted for Member Self Service testing and remediation work in FY23 for a total of \$40,000. This work was completed for a cost of \$20,000, creating an additional savings of \$20,000. Offsetting this surplus is the purchase of additional monitors and docking stations to allow our hybrid workforce to have two full size monitors at their home, replicating the equipment available to them in the office. There are a number of other smaller line items that are either slightly higher or lower than budgeted, but they generally offset each other in the net difference.

(3) **Medical Consultation Services** (Over budget 4.85% or \$11,869) – The monthly consultation services provided by the University of Massachusetts were trending higher than budgeted for the first several months of the year and projections had been updated to reflect that. Since then, the costs have been steadily increasing as more records are being reviewed.

(4) **Buildings and Operations** (Over budget 24.27% or \$99,926) – The current projected deficit in this line is comprised primarily of three items. Electricity costs are the primary driver; costs for electricity had stabilized in the first quarter but at a higher rate than what we had anticipated during the budget process. Costs then began climbing again significantly in the second quarter and have stayed at these higher levels since. Utilization of electricity has maintained fairly steady but the price for power and delivery have soared. The second factor is cleaning services. The cost of labor and supplies forced a renegotiation of our cleaning service contract, increasing that cost for the remainder of the year. Finally, actual property taxes for the Augusta building came in slightly higher than budgeted.

(5) **Insurance** (Over budget by 28.31% or \$26,901) – This increase in cost is directly related to Cyber insurance. The policy renewal for the 2022-2023 year was higher than anticipated in the FY23 budget.

(6) **Printing and Publications** (Over budget by 28.31% or \$33,805) – We have produced several mailings in order to carry out satisfaction surveys and to communicate with retirees regarding Cost of Living Adjustments that were not anticipated in the budget. We are covering the costs related to these initiatives with savings in the professional services line item and will continue to monitor as we identify the need to do additional communications that might not otherwise be accounted for in the original budget.

(7) **Postage** (Over budget by 16.40% or \$41,924) – Postage is projected to be over budget for the year and this is directly related to the additional mailings discussed in item number 5 above.

(8) **Other Expenses** (Under budget by 4.46% or \$9,782) – Other expenses include miscellaneous expenses that are not categorized in other areas. When the budget was constructed last spring, we were still using specialized services to provide for a COVID testing program and the budget included a line item to continue that into FY23. As the situation has evolved, we have discontinued that testing and have removed the budgeted expenses from the projected expenses. These dollars have been used to offset some of the deficits in other line items.

Investment Operations

(1) **Personnel Services** (Under budget by 9.06% or \$245,119) – Personnel services taken together are under budget in the investments group due to one vacant position in the personnel complement. The investment budget also benefited from the additional month of health insurance premium holiday, but the impact is smaller due to the smaller staff size.

(2) **Legal Services** (Under budget by 24.36% or \$248,110) – Legal services related to investments were down as compared to budget. This is due, in part, to a smaller number of investment documents under review during the first half of this year.

(3) **Investment Consulting** (Over budget by 7.67% or \$85,940) – Investment consulting services is projected to be over budget due to the changes made in consulting services for alternative asset classes. The increased costs to retain Albourne to provide services for Infrastructure, Natural Resources and Real Estate were partially offset by terminating services with ORG, and modifying the services provided by Cliffwater.

(4) **Other Professional Services** (Under budget by 61.67% or \$124,884) – This category included the costs for the divestment study and support. The original budget included \$200,000 for this work and the actual costs came in much lower at \$76,000.

RECOMMENDATION

No action is required by the Committee at this time.

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

	FY 23 Budgeted	FY 23 Actual Thru 03/31/23	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)	
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 7,596,417	\$ 5,129,100	\$ 2,117,110	\$ 7,246,210	\$ 350,207	
Overtime Wages	-	68,308	-	68,308	(68,308)	
Total Salaries & Wages	<u>7,596,417</u>	<u>5,197,408</u>	<u>2,117,110</u>	<u>7,314,518</u>	<u>281,899</u>	
Benefits						
Health Insurance	1,424,464	695,062	503,126	1,198,188	226,276	
MainePERS Retirement Contributions	987,280	659,031	312,023	971,054	16,226	
Retiree Health Insurance Reserve	8,868	6,651	2,217	8,868	-	
Other Insurance and Benefits	28,000	6,704	1,356	8,060	19,940	
Total Benefits	<u>2,448,612</u>	<u>1,367,448</u>	<u>818,722</u>	<u>2,186,170</u>	<u>262,442</u>	
Total Personnel Services	<u><u>10,045,029</u></u>	<u><u>6,564,856</u></u>	<u><u>2,935,832</u></u>	<u><u>9,500,688</u></u>	<u><u>544,341</u></u>	(1)
Operating Expenses						
Computer Equipment, Supplies and Supports	2,936,084	1,939,325	951,505	2,890,830	45,254	(2)
Medical Consultation Services	244,500	161,884	94,485	256,369	(11,869)	(3)
Training and Tuition	84,560	28,112	57,550	85,662	(1,102)	
Travel	62,005	11,664	40,296	51,960	10,045	
Depreciation	927,876	607,646	190,995	798,641	129,235	
Professional Services						
Actuarial Services	378,000	227,046	121,415	348,461	29,539	
Audit Services	99,000	104,337	10,000	114,337	(15,337)	
Legal Services	192,000	133,310	55,474	188,784	3,216	
Hearing Officers Services	35,500	19,750	7,250	27,000	8,500	
Other Professional Services	935,873	282,040	458,407	740,447	195,426	
Total Professional Services	<u>1,640,373</u>	<u>766,483</u>	<u>652,546</u>	<u>1,419,029</u>	<u>221,344</u>	
Other Operating Expenses						
Buildings and Operations	411,764	407,067	104,623	511,690	(99,926)	(4)
Capital Lease Expense	545,859	408,308	137,450	545,758	101	
Insurance	95,007	94,616	27,292	121,908	(26,901)	(5)
Printing and Publications	140,658	124,185	50,278	174,463	(33,805)	(6)
Postage	255,700	243,954	53,670	297,624	(41,924)	(7)
Telephone	146,916	105,394	39,900	145,294	1,622	
Other	219,199	135,916	73,499	209,417	9,782	(8)
Total Other Operating Expenses	<u>1,815,103</u>	<u>1,519,440</u>	<u>486,712</u>	<u>2,006,154</u>	<u>(191,051)</u>	
Total Operating Expenses	<u><u>7,710,501</u></u>	<u><u>5,034,554</u></u>	<u><u>2,474,089</u></u>	<u><u>7,508,645</u></u>	<u><u>201,856</u></u>	
Total Administrative Expenses	<u><u>\$ 17,755,530</u></u>	<u><u>\$ 11,599,410</u></u>	<u><u>\$ 5,409,921</u></u>	<u><u>\$ 17,009,333</u></u>	<u><u>\$ 746,197</u></u>	

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

	FY 23 Budgeted	FY 23 Actual Thru 03/31/23	FY 23 Projected Remaining	FY 23 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 2,142,873	\$ 1,414,663	\$ 538,003	\$ 1,952,666	\$ 190,207
Overtime Wages	-	-	-	-	-
Total Salaries & Wages	<u>2,142,873</u>	<u>1,414,663</u>	<u>538,003</u>	<u>1,952,666</u>	<u>190,207</u>
Benefits					
Health Insurance	213,691	114,356	75,448	189,804	23,887
MainePERS Retirement Contributions	347,463	227,703	88,735	316,438	31,025
Other Insurance and Benefits	-	-	-	-	-
Total Benefits	<u>561,154</u>	<u>342,059</u>	<u>164,183</u>	<u>506,242</u>	<u>54,912</u>
Total Personnel Services	<u><u>2,704,027</u></u>	<u><u>1,756,722</u></u>	<u><u>702,186</u></u>	<u><u>2,458,908</u></u>	<u><u>245,119</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	134,491	82,342	56,055	138,397	(3,906)
Medical Consultation Services	-	-	-	-	-
Training and Tuition	6,500	11,635	851	12,486	(5,986)
Travel	63,000	28,524	31,373	59,897	3,103
Depreciation	3,840	2,880	960	3,840	-
Professional Services					
Actuarial Services	-	-	-	-	-
Audit Services	54,000	50,750	10,000	60,750	(6,750)
Legal Services	1,018,500	515,765	254,625	770,390	248,110 (2)
Investment Consulting	1,120,000	902,190	303,750	1,205,940	(85,940) (3)
Proxy Voting Services	24,037	18,028	6,009	24,037	-
Custody Services	675,000	506,250	168,750	675,000	-
Other Professional Services	<u>202,500</u>	<u>77,616</u>	<u>-</u>	<u>77,616</u>	<u>124,884</u> (4)
Total Professional Services	3,094,037	2,070,599	743,134	2,813,732	280,305
Other Operating Expenses					
Buildings and Operations	127,668	97,580	34,099	131,679	(4,011)
Capital Lease Expense	150,782	113,093	37,697	150,790	(8)
Insurance	340	337	-	337	3
Postage	540	252	305	556	(16)
Telephone	42,300	30,931	10,727	41,658	642
Other	<u>44,462</u>	<u>20,877</u>	<u>19,094</u>	<u>39,970</u>	<u>4,491</u>
Total Other Operating Expenses	366,092	263,110	102,060	365,170	921
Total Operating Expenses	<u><u>3,667,960</u></u>	<u><u>2,459,089</u></u>	<u><u>934,433</u></u>	<u><u>3,393,523</u></u>	<u><u>274,437</u></u>
Total Investment Operations Expenses	<u><u>\$ 6,371,987</u></u>	<u><u>\$ 4,215,811</u></u>	<u><u>\$ 1,636,619</u></u>	<u><u>\$ 5,852,430</u></u>	<u><u>\$ 519,556</u></u>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY24 PROPOSED OPERATING BUDGET – ADMINISTRATION AND INVESTMENT OPERATIONS
DATE: MAY 3, 2023

I have included draft administrative and investment operations budgets for the fiscal year ending June 30, 2024 for your review and consideration. These draft budgets were developed over the course of the last several months in collaboration with the senior management team and staff and have been updated since they were last presented to you in April to reflect expected changes in costs discussed in April as well as other minor updates.

POLICY REFERENCE

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

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

ADMINISTRATIVE OPERATIONS BUDGET

The revised administrative operations budget as proposed is an 8%, or \$1,414,776 increase over the budget approved for FY23 and a 12.7% increase over expected expenses for this year. Personnel services are proposed to increase by 14.7%, or \$1,479,491. This reflects changes discussed during the meeting of the Board of Trustees in April, in addition to those reflected in the finance and audit committee memo. Additional details will be provided at your meeting in May.

The administrative operating expenses other than personnel are expected to decrease this coming year by 1%, or \$64,715. This is a slightly smaller decrease than what was presented in April as minor adjustment were made for some updated estimates received after we sent the budget out. As reported in April, adjustments to ongoing costs include increases for IT equipment, actuarial services, audit and legal expenses that are offset by savings in depreciation and other miscellaneous professional services. The increase in actuarial services is attributable to the need to perform the next Group Life Insurance premium study this fiscal year. The increase in audit services reflects the projected costs for four internal audit engagements in the coming year.

Together these changes represent a decrease in the budget of \$421,715. However, this decrease in ongoing costs is offset by new spending including costs associated with rolling out the new member portal of \$107,000 and consulting services required to support the Line of Business replacement project of \$250,000.

INVESTMENT OPERATIONS BUDGET

There was very little change in the investment operations budget since you saw it in April. The proposed budget reflects a 4.7% increase over last year's budget overall. Personnel services are expected to increase by \$52,300, or 1.9%. This is slightly higher than the increase proposed in April and that is due to changes in health insurance premium projections similar to those impacting the administration budget. As reported in April, this increase takes into account several factors, including the elimination of the one remaining vacancy in the budget, offset by anticipated increases related to the elimination of the health insurance premium holiday, the increased costs associated with a recent internal promotion, and a full year of confidential staff market and performance related adjustments. The increase also includes a salary pool for confidential staff performance adjustments in FY24.

There is no change in the proposed budget for operating expenses which are expected to increase 6.7%, or \$244,752. Legal expenses are expected to be higher than actual legal expenses in FY23. This is due to the number of investment proposals requiring outside counsel review. Audit services are also expected to increase in the investment operations budget and this is directly related to a planned internal audit engagement covering investment operations and controls.

RECOMMENDATION

Accept the FY24 Recommended Operating Budget in the amount of \$19,170,306 and the Recommended Investment Operations Budget in the amount of \$6,669,040 as presented and recommend approval to the full Board at its May 11, 2023 meeting.

**Maine Public Employees Retirement System
Proposed Administrative Expenses Budget
For the Fiscal Year Ended June 30, 2024**

	FY 23 Budgeted	FY23 Expected	FY 24 Budgeted	FY 24 Budget vs. FY23 Expected	FY 24 Budget vs. FY 23 Budget	FY 24 Budget vs. FY 23 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 7,596,417	\$ 7,246,210	\$ 8,444,202	\$ 1,197,992	\$ 847,785	11.2%
Overtime Wages	-	68,308	-	(68,308)	-	
Total Salaries & Wages	7,596,417	7,314,518	8,444,202	1,129,684	847,785	11.2%
Benefits						
Health Insurance	\$ 1,424,464	1,198,188	\$ 1,962,889	764,701	538,425	37.8%
MainePERS Retirement Contributions	987,280	971,054	1,080,286	109,232	93,006	9.4%
Retiree Health Insurance Reserve	8,868	8,868	9,143	275	275	3.1%
Other Insurance and Benefits	28,000	8,060	28,000	19,940	-	0.0%
Total Benefits	2,448,612	2,186,170	3,080,318	894,148	631,706	25.8%
Total Personnel Services	10,045,029	9,500,688	11,524,520	2,023,832	1,479,491	14.7%
Operating Expenses						
Computer Equipment, Supplies and Supports	2,932,249	2,890,830	3,017,266	126,436	85,017	2.9%
Medical Consultation Services	244,500	256,369	244,500	(11,869)	-	0.0%
Training, Continuing Education and Tuition	84,560	85,662	89,760	4,098	5,200	6.1%
Travel	62,005	51,960	61,505	9,545	(500)	-0.8%
Depreciation	927,876	798,641	578,836	(219,805)	(349,041)	-37.6%
Professional Services						
Actuarial Services	378,000	348,461	423,720	75,259	45,720	12.1%
Audit Services	99,000	114,337	120,500	6,163	21,500	21.7%
Legal Services	192,000	188,784	197,000	8,216	5,000	2.6%
Hearing Officers Services	35,500	27,000	35,500	8,500	-	0.0%
Miscellaneous Professional Services	935,873	740,447	678,178	(62,269)	(257,695)	-27.5%
Total Professional Services	1,640,373	1,419,029	1,454,898	35,869	(185,475)	-11.3%
Other Operating Expenses						
Buildings and Operations	411,764	511,690	579,227	67,537	167,463	40.7%
Capital Lease Expense	545,859	545,758	552,714	6,956	6,854	1.3%
Insurance	95,007	121,908	109,807	(12,101)	14,800	15.6%
Printing and Publications	140,658	174,463	205,766	31,303	65,108	46.3%
Postage	255,700	297,624	359,100	61,476	103,400	40.4%
Telephone	146,916	145,294	147,978	2,684	1,062	0.7%
Other	223,033	209,417	244,430	35,013	21,397	9.6%
Total Other Operating Expenses	1,818,938	2,006,154	2,199,021	192,867	380,084	20.9%
Total Operating Expenses	7,710,501	7,508,645	7,645,786	137,141	(64,715)	-0.8%
Total Administrative Expenses	\$ 17,755,530	\$ 17,009,333	\$ 19,170,306	\$ 2,160,973	\$ 1,414,776	8.0%

Maine Public Employees Retirement System
Proposed Investment Operations Expenses Budget
For the Fiscal Year Ended June 30, 2024

	FY 23 Budgeted	FY23 Expected	FY 24 Budgeted	FY 24 Budget vs. FY23 Expected	FY 24 Budget vs. FY 23 Budget	FY 24 Budget vs. FY 23 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 2,142,873	\$ 1,952,666	\$ 2,118,198	\$ 165,533	\$ (24,674)	-1.2%
Overtime Wages	-	-	-	-	-	
Total Salaries & Wages	2,142,873	1,952,666	2,118,198	165,533	(24,674)	-1.2%
Benefits						
Health Insurance	\$ 213,691	189,804	\$ 287,524	97,719	73,833	34.6%
MainePERS Retirement Contributions	347,463	316,438	348,319	31,882	856	0.2%
Retiree Health Insurance Reserve	-	-	2,286	2,286	2,286	
Total Benefits	561,154	506,242	638,129	131,887	76,975	13.7%
Total Personnel Services	2,704,027	2,458,908	2,756,327	297,419	52,300	1.9%
Operating Expenses						
Computer Equipment, Supplies and Supports	134,491	138,397	167,870	29,473	33,379	24.8%
Training, Continuing Education and Tuition	6,500	12,486	26,200	13,714	19,700	303.1%
Travel	63,000	59,897	78,300	18,403	15,300	24.3%
Depreciation	3,840	3,840	1,920	(1,920)	(1,920)	-50.0%
Professional Services						
Audit Services	54,000	60,750	65,500	4,750	11,500	21.3%
Legal Services	1,018,500	770,390	1,140,000	369,610	121,500	11.9%
Investment Consulting	1,120,000	1,205,940	1,215,000	9,060	95,000	8.5%
Proxy Voting Services	24,037	24,037	24,037	-	-	0.0%
Custody Services	675,000	675,000	720,000	45,000	45,000	6.7%
Other Professional Services	202,500	77,616	107,000	29,384	(95,500)	-47.2%
Total Professional Services	3,094,037	2,813,733	3,271,537	457,804	177,500	5.7%
Other Operating Expenses						
Buildings and Operations	127,668	131,679	132,110	431	4,442	3.5%
Capital Lease Expense	150,782	150,790	150,782	(8)	-	0.0%
Insurance	340	337	9,205	8,868	8,865	2607.4%
Postage	540	556	540	(16)	-	0.0%
Telephone	42,300	41,658	42,210	552	(90)	-0.2%
Other	44,462	39,970	32,038	(7,932)	(12,424)	-27.9%
Total Other Operating Expenses	366,092	365,170	366,885	1,716	793	0.2%
Transfers to Reserves - MePERS	-	-	-	-	-	
Total Operating Expenses	3,667,960	3,393,523	3,912,713	519,190	244,752	6.7%
Total Investment Operations Expenses	\$ 6,371,987	\$ 5,852,430	\$ 6,669,040	\$ 816,609	\$ 297,053	4.7%

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY23 – 3RD QUARTER REPORTS – TRAVEL AND PROCUREMENT
DATE: MAY 3, 2023

POLICY REFERENCE

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

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

TRAVEL EXPENSE REPORT

The report of travel expenses for the quarter ended March 31, 2023 is attached for your review. This report is provided in accordance with the System Policy 3.2 – Travel which is in compliance with the State of Maine’s Office of Program Evaluation and Government Accountability (OPEGA) requirements.

PROCUREMENT REPORT

The report of procurement activity for the six months ended June 30, will be provided at your August 10, 2023 meeting. This report is provided in accordance with the System Policy 3.1 – Procurement, which is in compliance with OPEGA requirements.

RECOMMENDATION

No action is required by the Committee at this time.

**Maine Public Employees Retirement System
Travel Report to the Board of Trustees
For the Period of January 1, 2023 through March 31, 2023**

Traveler	In/Out of State	Dept.	Dates of Travel			Destination	Purpose of Travel	M&IE	Lodging	Transportation	Other	Reimbursed Expenses	Total Expenses
			Start	Thru	End								
Bennett, James	O	Investments	February 14, 2023	Thru	February 16, 2023	San Francisco, CA Santa Clara, CA	Albourne, Capricorn Investment Group and Farallon Capital Meetings	-	-	232.26	-	-	232.26
Keller, Seth	O	Investments	January 29, 2023	Thru	February 1, 2023	Miami, FL	Managed Funds Association Conference	106.00	1,347.48	402.57	-	-	1,856.05
McGuire, Zachary	O	Investments	February 27, 2023	Thru	March 1, 2023	New York, NY	Public Pension Plan Education Events Stonepeak, KKR, Redwood, King Street, Long Ridge Equity and Goldentree Meetings	30.00	479.86	693.65	-	-	1,203.51
Pieter, Mitchell	O	Investments	March 27, 2023	Thru	March 27, 2023	Cambridge, MA	BVCA's European Private Capital Conference	23.00	-	186.17	-	-	209.17
Porter, Douglas	O	Investments	March 8, 2023	Thru	March 10, 2023	West Palm Beach, FL	Comvest Credit Partners VI LPAC	96.00	642.00	506.55	-	(642.00)	602.55
Porter, Douglas	O	Investments	March 27, 2023	Thru	March 28, 2023	Miami, FL	Deerpath Capital VI LPAC Meeting	74.00	468.54	628.56	-	-	1,171.10
Proom, William	O	Investments	February 27, 2023	Thru	February 27, 2023	New York, NY	KKR Infrastructure Seminar	59.25	-	549.75	-	-	609.00
Staff	I	Various	January 1, 2023	Thru	March 31, 2023	-	Misc. Local Travel	-	303.02	261.53	1,150.00	-	1,714.55
Trustees	I	Trustees	January 1, 2023	Thru	March 31, 2023	-	Board Meetings	-	-	305.30	-	-	305.30
TOTAL EXPENSES								388.25	3,240.90	3,766.34	1,150.00	(642.00)	7,903.49

*Lodging Paid by Fund