

## **Governance Manual**

MainePERS Board of Trustees

Maine Public Employees Retirement System

## **Board of Trustees**

# Governance Manual

Updated March 14, 2024

# Governance Manual

MainePERS Board of Trustees

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### MainePERS Board of Trustees Charter

Adopted: March 9, 2023

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Every Trustee is a fiduciary for the System's members and beneficiaries. As such, Trustees are expected to participate fully in all Board business and in their assigned roles on the Board. Trustees are expected to maintain current knowledge on issues facing the system. Trustees must be able to devote the time necessary to fulfill the commitments of good stewardship, fiduciary duty, and others delineated by Maine law. (*Board Policy 1.4*) Accordingly, the Board of Trustees has adopted this charter which sets out the Board's principles, duties, and oversight responsibilities for the governance of MainePERS and its programs.

#### Board Principles

The Board will govern with an emphasis on outward and future vision, strategic leadership, encouraging diverse viewpoints and collective decision-making. The Board will maintain a clear distinction between Board and management roles.

In order to govern under these principles, the Board commits to:

- Promoting group responsibility while using the individual experience of members to enhance the proficiency of the Board as a body;
- Directing, controlling and inspiring the organization through broad written governance policies focused on long-term outcomes that reflect the Board's values and perspectives;
- Governing itself with excellence, allowing no individual Trustee to hinder or be an excuse for not making collective decisions or fulfilling its commitments;
- Continuing Board development including orientation of new Trustees in the Board's governance process and periodic Board discussion of governance improvements; and
- Monitoring and discussing the Board's process and performance through annual self-evaluations. (*Board Policy 1.1*)

#### Board Duties

The Trustees of the System, both collectively as the Board and individually, have a fiduciary duty imposed by the Constitution of Maine, statutes, and common law. The members of the Board of Trustees are trustees of the funds of the System and have a fiduciary obligation to administer the System and the funds under the System's control solely in the best interests of the members as beneficiaries of pension and related benefits.

It is the obligation of every Trustee to conduct themselves in a manner that promotes public confidence in the integrity, impartiality, professionalism and ethical behavior of the system in its relations with retirees, beneficiaries, members, employers, the public, staff and outside providers of goods and services.

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## MainePERS Board of Trustees

Nothing shall excuse any Trustee from any other restrictions or requirements of State or federal law concerning conflicts of interest and fiduciary duties. (*Board Policies 1.2, 1.3*)

The duties of the Board include, but are not limited to:

1. Setting policy for the Chief Executive Officer (CEO) to implement;
2. Monitoring compliance with applicable law, regulations, rules and policies;
3. Adopting, monitoring and periodically updating a strategic plan and key performance and risk measures;
4. Considering recommendations from staff and Board consultants before making decisions;
5. Adopting an annual budget to support operations and monitoring expenses;
6. Adopting rules governing the administration of benefits;
7. Submitting reports and making recommendations to the Legislature regarding the plan's fiscal health and changes to the law; and
8. Reviewing and discussing major issues impacting MainePERS.

## Board Oversight Responsibilities

The Board's oversight responsibilities are outlined as follows:

1. Governance. The Board shall:
  - a. Elect Board officers annually (*Board Policy 1.5*)
  - b. Adopt a Board calendar and work plan annually
  - c. Review the strategic plan annually and update periodically
  - d. Monitor key performance and risk measures annually
  - e. Participate in a Board self-assessment annually (*Board Policy 1.7*)
  - f. Review the Board education plan annually (*Board Policy 1.8*)
  - g. Review Board policies on a three-year cycle and update as needed
  - h. Delegate responsibilities to the CEO, as appropriate (*Board Policy 4.1*)
2. Finance and Audit. The Board shall:
  - a. Approve the administration and investment operating budgets annually (*Board Policy 1.6*)
  - b. Adopt an internal audit plan and update periodically (*Board Policy 1.6*)
  - c. Accept the audited financial statements of the Plan annually (*Board Policy 1.6*)
  - d. Review the Board's independent financial auditor every five years and competitively bid as needed (*Board Policies 1.6, 4.4*)
  - e. Monitor the administration and investment operating budgets quarterly through the Finance and Audit Committee (*Board Policy 1.6*)
  - f. Monitor internal audit activity quarterly through the Finance and Audit Committee (*Board Policy 1.6*)
3. Investments. The Board shall:
  - a. Review investment performance monthly (*Board Policy 2.1*)
  - b. Participate in investment education quarterly (*Board Policy 1.8*)
  - c. Review rebalancing activity quarterly (*Board Policy 2.1*)

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- d. Review proxy voting reports semi-annually (*Board Policy 2.7*)
  - e. Review capital market expectations and existing asset class allocations annually (*Board Policy 2.1*)
  - f. Review the investment policy statement annually
  - g. Review the ESG report and policy annually (*Board Policy 2.6; PL2021, c. 231*)
  - h. Conduct an asset/liability study every five years and adjust asset allocation as needed
  - i. Review the Board's custodian, proxy advisor, and consultants every five years and competitively bid as needed (*Board Policies 2.1, 4.4*)
  - j. Consider recommendations of investment staff and consultants on investment manager selection and MaineSTART plan investment options (*Board Policies 2.1, 2.1-C*)
4. Funding and Actuarial. The Board shall:
- a. Participate in actuarial practices education annually (*Board Policy 1.8*)
  - b. Review actuarial economic assumptions annually (*Board Policy 2.2*)
  - c. Conduct an actuarial valuation of each plan annually (*Board Policy 2.2*)
  - d. Set contribution rates for the state-sponsored plans biennially (*Board Policy 2.2*)
  - e. Conduct a Group Life Insurance Premium Study every four years and set premiums for all participant groups (*Board Policy 2.1-A*)
  - f. Conduct an actuarial experience study every five years (*Board Policy 2.2*)
  - g. Conduct an actuarial audit every five years (*Board Policy 2.2*)
  - h. Review the Board's actuary every five years and competitively bid as needed (*Board Policies 2.2, 4.4*)
5. Operations. The Board shall:
- a. Participate in education about the System's lines of business (*Board Policy 1.8*)
  - b. Consider appeals of administrative determinations as needed (*Board Policy 2.4*)
  - c. Monitor member services data monthly
  - d. Review the enterprise-wide risk assessment annually
  - e. Approve cost-of-living-adjustments for retired members and beneficiaries annually (*5 M.R.S. §§ 17806 & 18407*)
  - f. Monitor cybersecurity and business continuity preparedness
6. Personnel. The Board shall:
- a. Appoint the CEO
  - b. Review the performance and set the compensation of the CEO annually (*Board Policy 4.3*)
  - c. Ensure there is an appropriate succession plan for the CEO and other key positions
  - d. Approve collective bargaining agreements
7. Legal Matters. The Board shall:
- a. Ensure compliance with applicable laws and regulations
  - b. Adopt agency rules when required or otherwise appropriate (*Board Policy 2.3*)
  - c. Review outstanding litigation monthly
  - d. Comply with open meeting requirements (*Board Policies 1.10, 5.6*)

## Board Governance

### 1.1 – Governance Principles and Commitment

Date Adopted: December 13, 2012

Date Amended: October 8, 2015; November 18, 2021

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#### Policy

The Board will govern with an emphasis on outward and future vision, strategic leadership, encouraging diverse viewpoints and collective decision-making. The Board will maintain a clear distinction between Board and management roles.

In order to govern under these principles, the Board commits to:

- Promoting group responsibility while using the individual experience of members to enhance the proficiency of the Board as a body;
- Directing, controlling and inspiring the organization through broad written governance policies focused on long-term outcomes that reflect the Board's values and perspectives;
- Governing itself with excellence, allowing no individual Trustee to hinder or be an excuse for not making collective decisions or fulfilling its commitments;
- Continuing Board development including orientation of new Trustees in the Board's governance process and periodic Board discussion of governance improvements; and
- Monitoring and discussing the Board's process and performance through annual self-evaluations.

### Board Governance

#### 1.2 – Trustee Fiduciary Responsibility

Date Adopted: October 11, 2012

Date Amended: December 13, 2012; June 13, 2013; October 13, 2016

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#### Policy

The Trustees of the System, both collectively as the Board of Trustees and individually, have a fiduciary duty imposed by the Constitution of Maine, Maine State statutes, and common law. The members of the Board of Trustees are trustees of the funds of the System and have a fiduciary obligation to administer the System and the funds under the System's control solely in the interest of the members as beneficiaries of pension and related benefits.

It is the obligation of every Trustee to conduct herself or himself in a manner that promotes public confidence in the integrity, impartiality, professionalism and ethical behavior of the System in its relations with retirees, beneficiaries, members, employers, the public, staff and outside providers of goods and services.

Nothing in this policy shall excuse any Trustee from any other restrictions or requirements of State or federal law concerning conflicts of interest and fiduciary duties.

#### Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, *et seq.* (Maine Uniform Trust Code); 18-B M.R.S. § 901, *et seq.* (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

#### Statement of Fiduciary Standards

All MainePERS Trustees shall adhere to this list of fiduciary standards:

- A fiduciary relationship is one founded on trust or confidence under circumstances where one person relies upon the integrity and fidelity of another;



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- A Trustee of the System has a fiduciary duty to act in the best interests of the members as beneficiaries of the pension plans and related benefits administered by the System;
- As a fiduciary, a Trustee must discharge duties with respect to the trust for the exclusive benefit of the member or participant and beneficiaries of the trust;
- A Trustee has the duty of undivided loyalty to the members and beneficiaries;
- A Trustee must administer the trust solely for the benefit of the members, participants and beneficiaries. Trustee self-dealing is illegal under the laws of the State of Maine;
- A Trustee cannot take advantage of the trust position for personal gain;
- Scrupulous good faith, complete fairness, the highest standard of honesty and candor are always required of a Trustee; and
- A Trustee is not expected or required to be an expert in all matters under the Trustee's ultimate control. If a fiduciary lacks the expertise in a certain area, then the fiduciary must delegate responsibilities to an expert which has been prudently hired and responsibly monitored and evaluated. Trustees are entitled, and in some instances obligated, to rely upon such experts.

## Board Governance

### 1.3 – Standards of Conduct

Date Adopted: January 14, 1999

Date Amended: September 14, 2006; June 13, 2013; March 13, 2015; October 13, 2016; November 14, 2019; November 10, 2022

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#### Policy

Trustees shall conduct themselves in a manner that promotes public confidence in the integrity, impartiality, professionalism and ethical behavior of the System in its relations with retirees, beneficiaries, members, employers, the public, staff and outside providers of goods and services. Conflict of interest guidelines and candid disclosure protect the System and Trustees when transactions or arrangements are contemplated that might benefit, or appear to benefit the private interest of anyone covered by this policy. These guidelines are intended to supplement but not replace any applicable state and federal laws governing conflict of interest or professional association codes of conduct (e.g., CFA Code of Ethics) applicable to System business. To the extent there are differences between these standards and state and federal law, the more restrictive guidelines shall apply.

#### Statutory/Legal Provisions

- [Me. Const. art. IX, § 18](#) (“All of the assets, and income therefrom, of the [Maine Public Employees Retirement System] ... shall be held, invested or disbursed as in trust for the exclusive purpose of providing for [retirement and related] benefits and shall not be encumbered for, or diverted to, any other purpose.”)
- [5 M.R.S. §§ 17102](#) and [17103](#); [18-B M.R.S. § 801](#), *et seq.* (Maine Uniform Trust Code); [18-B M.R.S. § 901](#), *et seq.* (Maine Uniform Prudent Investor Act).
- [5 M.R.S. § 17153\(4\)](#).
- [Restatement \(Third\) of Trusts § 78\(1\)](#) (2007) (the “sole interest rule”).

#### Standards of Conduct

Trustees shall conduct all System business in a fair and reasonable manner for the sole benefit of the members, participants and beneficiaries and consistent with all other governance policies. In addition, Trustees shall avoid any activity which may result in, be interpreted as, or give the appearance of, a conflict of interest, including but not limited to:

#### *Engaging in Related Transactions*

Trustees shall not:

- Participate in securities privately offered for sale by an issuer in whose securities the System has or is considering obtaining an interest until such securities are available to the general public;
- Engage in financial and business dealings for personal gain while serving as a Trustee with any vendor with whom the System does business or who is exploring engagement by the System. The System shall maintain procurement terms that restrict vendors from engaging in financial or business dealings with a Trustee (or a former Trustee within two years after

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### MainePERS Board of Trustees

leaving the Board) if the Trustee had participated in or influenced a decision to award a contract to the vendor;

- Engage in personal investments or business transactions, including investments in otherwise permissible investments, that result from specific knowledge acquired in conducting System business unless the same information could be gained through independent channels available to the general public;
- Become an endorser, surety or obligor for money loaned to or borrowed from the System except when duly authorized and acting on behalf of the System in said capacity.

### ***Accepting Contributions, Gifts, and Honorariums***

Trustees shall not:

- Solicit or accept political contributions from current or prospective individuals, groups or organizations that provide professional services or profit directly or indirectly from the System.
- Solicit or accept, directly or indirectly, anything of economic value as a gift, gratuity or favor from sources associated with the System such as consultants, advisors, service providers, vendors or prospective vendors of the System if that gift, gratuity or favor would 1) influence a vote, action or judgment; or 2) be considered as part of a reward for action or inaction. A gift is any gratuity, discount, entertainment, hospitality, loan, forgiven debt, or other tangible or intangible item having monetary value greater than \$50. A gift includes, but is not limited to 1) cash 2) food and beverages and 3) honoraria and travel expenses for engagements for the purpose of influence. A gift does not include food or beverages provided in connection with a business meeting, educational seminar, conference or convention, nor personal gifts from family or friends that are clearly not intended to influence Trustee decisions.
  - Accept a speaking engagement, attend a partnership meeting, speak on behalf of the Board, or attend a conference without prior approval of the Board Chair.
  - Accept honorariums, hosted meals, or reimbursement of or payment for travel expenses unless the source of the honorarium, hosted meals, or reimbursement of or payment for travel does not seek to provide, or continue to provide, goods or services to MainePERS.

### ***Inappropriate Use of Position***

Trustees shall not:

- Use confidential information for purposes other than Board or System purposes;
- Disclose confidential information except as required by law, including the Freedom of Access law, as determined by Board and System counsel;
- Divulge System, proprietary, or investment information in advance of the scheduled date for issuance of that information;
- Represent or imply that they are speaking or acting on behalf of the Board or System without specific Board approval;
- Use their position to attempt to obtain private gain or advantage for themselves or other persons;
- Use their position to obtain gain or influence for a person or entity seeking to do business with the System.

### **Conflict of Interest Resolution**

Trustees shall seek information and advice from the Board Chair or Chief Executive Officer before entering into any activity or transaction that may create an actual or appearance of a conflict of interest. If any Trustee or staff member has reasonable cause to believe an actual or possible conflict of interest has not been disclosed, he or she shall contact the Board Chair or Chief Executive Officer.

The Chief Executive Officer, or, in the Chief Executive Officer's absence, the Chief Operating Officer and General Counsel, shall review each reported conflict or potential conflict unless such conflicts involve one of them. In such cases the matter shall be referred to the Board Chair for review. The Chief Executive Officer or Chief Operating Officer and General Counsel shall either provide guidance to the individual with the actual, potential, or appearance of a conflict of interest or refer the matter to the Board Chair for review and guidance. If the individual does not agree with the guidance, the matter will be referred to the Board of Trustees for resolution.

### **Reporting Requirements**

Trustees shall report annually on activities or absence of activities that create an actual, potential or appearance of a conflict of interest, including:

- Submitting a signed statement to the Chief Operating Officer and General Counsel by December 31 of each year verifying that the Trustee has received a copy of this policy and has read and understands it. The Trustee's signature shall confirm that the Trustee agrees to comply with the policy, acknowledging that the System is a quasi-government entity in the State of Maine subject to both laws and public expectations of transparency. Trustees shall list any gifts and contributions requiring disclosure; and
- Submitting a statement to the Chief Operating Officer and General Counsel by December 31 of each year that lists all personal financial interests in which the System also holds an interest, excluding Permissible Investments. Permissible Investments are any mutual fund; exchange traded fund (ETF) or similar type fund; deposit account, certificate of deposit, or money market fund maintained with a bank, broker, or other financial institution; any publicly-traded security whose issuer has a market capitalization greater than \$2 billion; or any interest in real estate (including a real estate mortgage ), hedge funds or private partnerships unless such interest involves a transaction with a party who has a contractual, investment, or other financial relationship with the System or a Trustees.

The Chief Operating Officer and General Counsel shall report conflicts to the Board Chair and to the Chief Executive Officer upon receipt.

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MainePERS Board of Trustees

Board Governance

## Policy 1.3 – Attachment 1 – Conflict of Interest Statements

Date Adopted: June 13, 2013

Date Amended: October 13, 2016

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### MainePERS Conflict of Interest Statement

I have received a copy of, have read, and understand Board Policy 1.3 – Standards of Conduct. I acknowledge that the System is a quasi-government entity in the State of Maine subject to both laws and public expectations of transparency. I agree to comply with all parts of the policy and the policy as a whole. I have not solicited or received gifts in excess of the stated limits nor solicited or accepted political contributions which would violate this policy. I have listed below all gifts and contributions received and personal financial interests that would constitute the appearance of or an actual conflict of interest excluding Permissible Investments as defined in the above-referenced Board policy.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

Investment, Gift, or Contribution	Date	Explanation

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### Board Governance

#### 1.4 – Trustee Responsibilities and Position Description

Date Adopted: October 11, 2012

Date Amended: October 8, 2015; November 18, 2021

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#### Policy

Every Trustee is a fiduciary for the System’s members and beneficiaries. As such, Trustees are expected to participate fully in all Board business and in their assigned roles on the Board. Trustees are expected to maintain current knowledge on issues facing the System. Trustees must be able to devote the time necessary to fulfill the commitments of good stewardship, fiduciary duty, and others delineated by Maine law. (See Attachment 1).

#### Statutory/Legal Provisions

- [Me. Const. art. IX, § 18.](#)
- [5 M.R.S. §§ 17102](#) and [17103](#); [18-B M.R.S. §§ 802-807](#) (part of the Maine Uniform Trust Code); [18-B M.R.S. ch. 9](#) (Maine Uniform Prudent Investor Act).

### Board Governance

#### Policy 1.4 – Attachment 1 – MainePERS Trustee Position Description

Date Adopted: October 11, 2012

Date Amended: October 8, 2015

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Each Board member has the responsibility to:

- Be informed about the System’s mission and policies;
- Attend Board meetings and meetings of committees on which the member serves;
- Review the agenda and supporting materials prior to Board and Committee meetings;
- Serve on Committees and offer to take on special assignments;
- Follow Board Governance Policies;
- At all times meet high ethical standards to avoid even the appearance of impropriety;
- Work constructively with other Trustees to set the System’s strategic direction and oversee its activities;
- Interact appropriately with system staff, outside service providers, employers, members, retirees, beneficiaries, and others;
- Discharge his or her duties solely in the interest of System members and beneficiaries and for their collective exclusive benefit;
- Devote sufficient time to fulfill all Trustee responsibilities;
- Respect open meetings laws by not participating in meetings with fellow Trustees that would violate the law;
- Acquire and maintain sufficient knowledge to effectively make decisions and evaluate those to whom duties have been delegated, primarily through in-house training and education, reading industry publications, and attending educational conferences related to system business;
- Promptly report any ethical concerns to the Board Chair, Vice-Chair, the Board’s legal counsel or Executive Director;
- Use reasonable care to prevent any other Trustee from committing a breach of fiduciary duty;
- Assure that the Board’s fiduciary duties are fulfilled; and
- Maintain the confidentiality of member records and certain investment activity pursuant to law and system policy.

### Board Governance

#### 1.5 – MainePERS Board Officer Elections and Position Descriptions

Date Adopted: September 13, 2012

Date Amended: November 13, 2014; October 13, 2016

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#### Policy

The Board of Trustees (Board) shall annually elect a Chair from the Trustees to serve as the primary representative of the Board in all Board matters. The Board shall also elect a Vice-Chair from the Trustees to fulfill the Chair's responsibilities in the absence of or through delegation by the Chair. The Chair and Vice Chair are the Board Officers and fulfill the duties contained in the Board Officer descriptions adopted by the Board of Trustees (See Attachment 1 and Attachment 2).

#### Statutory/Legal Provisions

- [5 M.R.S. §§ 17102](#) and [17103](#).

#### Election Process

The Board of Trustees will annually elect the Chair using the following process:

- Trustees nominate candidates for Chair at the November Board of Trustees meeting. Trustees may nominate themselves or other Trustees;
- The Board Secretary will place nominated candidate names for Chair on a paper ballot and provide one ballot to each Trustee who is physically present at the meeting;
- Those Trustees each vote for one candidate and return their ballot to the Board Secretary;
- A candidate must receive at least five votes to be elected Chair; and
- The Board Secretary counts the ballots and announces the name of the candidate receiving at least five votes. If no one has five votes, the Board Secretary announces the names of the two candidates with the highest number of votes (or more than two candidates if required by a tie), prepares a new ballot with the names of those candidates, and the process is repeated until one candidate receives at least five votes.
- The Board Chair may dispense with the above secret ballot process and conduct a voice vote if there is only one nomination.

After the Chair has been elected, the Board of Trustees will annually elect the Vice-Chair using the same process.



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### **Seating Board Officers**

The Chair and Vice-Chair begin their one year terms in the month immediately following their election. If the Chair leaves the Board before the end of the Chair's term, the Vice-Chair assumes the position of Chair *pro tem* and mid-term elections for both the Chair and Vice-Chair are held using the election process above for the remainder of the term. If the Vice-Chair leaves the Board before the end of the Vice-Chair's term, the election process is used to fill the position until the next annual election.

### Board Governance

#### Policy 1.5 – Attachment 1 - Board Chair Position Description

Date Adopted: September 13, 2012

Date Amended: November 13, 2014; October 13, 2016; November 10, 2022

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The Maine PERS Board Chair holds a position of leadership and must be able to devote the necessary time to fulfill the commitment. The purpose of the Board Chair Position Description is:

- To detail the functions of the Board Chair;
- To express the Trustees' expectations and codify the authority they are voluntarily giving to the Board Chair; and
- To outline the expertise and time commitment required so that Trustees that are interested in being Board Chair will understand the expectations of the position.

The Board Chair serves for a term of one-year. In addition to the regular duties and responsibilities inherent in the position of a Trustee, the Board Chair is responsible for:

- Meeting with the Chief Executive Officer to review the meeting agendas and written materials to ensure the proper flow of information to Trustees;
- Presiding over Board meetings to ensure that they are orderly and bringing discussion items to closure with clear direction to staff for follow-on actions;
- Appointing Trustees (or others) to committees;
- Maintaining sensitivity to and providing appropriate amounts of time for differing views without letting one view dominate to the detriment of others;
- Using appropriate process such as a simplified Robert's Rules of Order to ensure the fair participation of all Trustees in Board meeting discussions or when making decisions;
- Making sure the Board has the appropriate amount of time to effectively study and review the business under consideration;
- Presiding over appeals presented to the Board, in consultation with Board counsel;
- Maintaining knowledge of open meeting and open record laws, and encouraging Trustee and staff compliance with these laws;
- Addressing ethical issues that have been brought up by the Board, staff, Board counsel, or others in accordance with the MainePERS Standard of Conduct Policy;
- Communicating with the Vice-Chair to ensure consistency in the Board's governance;
- Assisting Trustees in fulfilling their responsibilities;
- Acting as the primary liaison between the Board and the Chief Executive Officer;
- Facilitating the Board's evaluation of the Chief Executive Officer and, in concert with the Vice-Chair, presenting the evaluation results to the Chief Executive Officer; and
- Carrying out other duties reasonably related to MainePERS as requested by the Board or the Chief Executive Officer, depending on needs and circumstances.

### Board Governance

#### Policy 1.5 – Attachment 1 - Board Vice-Chair Position Description

Date Adopted: September 13, 2012

Date Amended: November 13, 2014; October 13, 2016; November 10, 2022

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The Maine PERS Board Vice-Chair, like the Chair, holds a position of leadership and must be able to devote the necessary time to fulfill the commitment. The purpose of the Board Vice-Chair Position Description is:

- To detail the functions of the Board Vice-Chair;
- To express the Trustees' expectations and codify the authority they are voluntarily giving to the Board Vice-Chair; and
- To outline the expertise and time commitment required so that Trustees that are interested in being Board Vice-Chair will understand the expectations of the position.

The Board Vice-Chair serves for a term of one-year. In addition to the regular duties and responsibilities inherent in the position of a Trustee, the Board Vice-Chair is responsible for:

- Educating herself or himself about the major activities of MainePERS so that she or he is able to take the place of the Chair if necessary;
- Serving as the Chair of the Board if the person elected to that position has resigned or cannot serve in that capacity;
- Performing all the duties listed in the Chair's position description if called upon to do so;
- Collaborating with the Chair and with the Chief Executive Officer on a regular basis regarding the meeting agendas and MainePERS issues;
- Teaming with the Chair to convey performance evaluation results to the Chief Executive Officer on an annual basis;
- Attending additional meetings to prepare for the responsibilities of being the Board Vice-Chair; and
- Performing any other duties reasonably related to the office of Vice-Chair of MainePERS if requested by the Board or Chair.

### Board Governance

#### 1.6 – Finance and Audit Committee of the Board

Date Adopted: October 9, 2003

Date Amended: December 13, 2012; March 13, 2014; October 13, 2016; May 9, 2019; November 18, 2021; November 9, 2023

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#### Policy

The Finance and Audit Committee (Committee) is a standing committee of the Board of Trustees with duties and responsibilities as set forth in this policy. The Committee is responsible for overseeing the integrity of the System’s budgeting, financial accounting and reporting, audits, internal controls, and risk management. It coordinates communication to and within the Board of Trustees, the System’s external auditors, the System’s internal auditors and System management. The Committee recommends actions to the Board of Trustees, but has no independent authority to make final decisions.

#### Statutory/Legal Provisions

- [5 M.R.S. §§ 17103](#), [17104](#) and [17109](#).

#### Membership, Expertise and Meetings of the Finance and Audit Committee

##### *Membership*

The Committee consists of at least three members of the Board of Trustees, at least one of whom must be qualified through training or experience in the field of investments, accounting, banking or insurance, or as actuaries. Committee members will be appointed or removed by the Board Chair with the concurrence of the number of Board members required by law for Board action. The Board Chair may appoint him/herself as a Committee member, but may not serve as Chair of the Committee. Appointments are for two years and may be renewed without limit. Vacancies within a term shall be filled in the same manner. The Committee shall select the Chair and Vice Chair in February of each year.

##### *Expertise*

The members of the Committee, individually or as a group, must, in the Board’s determination, possess sufficient financial knowledge and experience to understand the nature of the work performed by the System’s external and internal auditors and the reports prepared by them. If the Committee does not have the necessary knowledge and expertise, the Board must provide the Committee with, or authorize the Committee to obtain, an external advisor from a source independent of both System staff and the System’s external auditors.

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### ***Meetings***

The Committee shall meet quarterly or as circumstances require, but at least twice in each fiscal year.

## **Responsibilities of the Finance and Audit Committee**

### ***General Responsibilities***

The Committee is responsible for oversight of the System's budgeting, financial reporting, external audits, and internal audit functions (which may be outsourced), including periodic reviews of external and internal audit work plans and reports. The Committee also oversees the System's risk management. The Committee is responsible to inform the Board as needed on matters that it oversees, but at least twice in each fiscal year.

### ***Annual Budget***

The Committee is responsible to:

- Review the annual budget prior to the beginning of the fiscal year;
- Make any adjustments deemed necessary by the Committee; and
- Recommend approval of the annual budget to the Board.

### ***Annual Audit***

The Committee is responsible to:

- Review the audit plan, in advance of the audit;
- Review proposed adjustments to the financial statements;
- Assess the financial statements as a whole;
- Review with the Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer, with or without the presence of the external auditor, the result of the auditor's annual audit and plans to address any comments therein; and
- Report to the Board on the financial statements and audit shortly after the completion of the audit.

### ***Internal Controls***

The Committee is responsible to assure, by reports from and/or discussions with management and/or the internal auditor and/or the external auditor that:

- the System's internal controls, including without limitation fraud controls, and procedures for its operations are adequate and effective;
- the System's internal controls and procedures are evaluated with appropriate frequency to assure that they continue to be adequate and effective;

## **Governance Manual**

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- significant defects in or failures of the System's internal controls, including without limitation any instance of fraud or misuse of System data or information, are reported to the Committee in a timely manner and that corrective actions are undertaken and completed in a timely manner; and
- where such reports are from and/or discussions with management, the internal and/or external auditor, as the Committee deems appropriate, is aware of them and either does not have a view different from management's or that any different view is made known to the Committee.

### ***Information, Concerns and Complaints***

The Committee is responsible to oversee the establishment of procedures by which information, concerns and complaints regarding accounting, internal controls, and auditing matters are received, evaluated, and responded to by management and/or the Committee itself. Where the procedure calls for or permits the submission of such information, concerns and complaints to management, it must also require management to report to the Committee at appropriate intervals on such submissions and their handling.

The Committee is responsible to establish a procedure for the confidential and/or anonymous submission by MainePERS employees to the Committee itself of concerns regarding accounting, internal controls or auditing matters and for response by the Committee.

### ***Risk Management***

The Committee provides oversight to the System's management of risk. Management shall report at least annually to the Committee on the significant risks facing the System and the steps taken to address those risks. The Committee shall obtain reasonable assurance that management has identified, analyzed, and established a framework for addressing the key risks the System faces.

## **External Auditor**

### ***Engagement, Evaluation, Compensation, and Termination***

The Committee shall oversee the process by which the external auditor is hired, evaluated, and terminated as well as the terms of the contract of engagement. The Committee shall ensure that the external auditor is engaged through an open bid process with a written contract for a term not to exceed five years. The contract may be extended up to a total period of time under contract of ten years. The Committee shall evaluate the external auditor performance at the annual exit conference and formally at every contract extension. The Committee shall recommend the engagement, compensation and termination of the external auditor to the Board.

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### ***Auditor Rotation and Future Employment at System***

The Committee shall ensure, in the case of the continuing engagement of an external audit firm that either the lead or the concurring audit partner is rotated at least every five years and that, once rotated, no lead or concurring partner serves again on the System's audit for three years. When the Committee finds that the five-year requirement is impracticable and that waiving it will not compromise the audit function or the System, the Committee may waive the requirement. A waiver may be for a one-year period only, though a waiver may be renewed. No partner shall serve on the System's audit for more than eight consecutive years.

An employee of the external auditor who served on the MainePERS audit team may not become an employee of the System within one year of the annual audit unless the Committee has reviewed the request to determine that no conflicts exist and recommends to the Board that the employment be approved.

### ***Meetings and Communication with Auditor***

The Committee shall meet with the external auditor for formal audit entrance and exit conferences, and whenever the Committee decides that a meeting is indicated. The Committee may include System management in all or part of any meeting with the auditors, but must meet with the auditor without management during at least one meeting in each fiscal year. The Committee shall direct the auditor to report any critical accounting or reporting issue or issue with management in a timely manner. The Committee is responsible to meet with the auditor whenever the auditor requests such a meeting. The Committee shall provide the external auditor with contact information that enables the external auditor to contact the Committee directly.

### ***Non-audit Services***

An external auditor who performs an annual audit of the System's financial condition may not provide any non-audit services to the System in the fiscal year that a given financial audit covers or during the period in which the annual financial audit is being performed, unless the Committee recommends to the Board that the provision of such services be approved.

## **Internal Auditor**

### ***Staffing the Internal Audit Function***

The internal audit function may be staffed by one or more System employees or by one or more independent audit firms. If the Chief Executive Officer determines that one or more independent audit firms should be engaged for this function, those firms will be selected using the System's competitive bid process.

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### ***Regular Reports***

The Internal Auditor shall provide an annual work plan to the Committee and quarterly reports of progress thereon and as to other matters of which the internal auditor believes the Committee should be aware. In the case of outsourced internal audit functions, the Chief Executive Officer shall provide the annual work plan and quarterly reports of progress. The Chief Executive Officer may delegate this responsibility to the Chief Operating Officer or the Chief Financial Officer

### ***Auditor Access to the Finance and Audit Committee***

The Internal Auditor shall provide reports directly to the Committee. In the case of an outsourced internal audit function, these reports will be provided by the Chief Executive Officer or, if designated, the Chief Operating Officer or Chief Financial Officer. The Internal Auditor shall also have direct access to the Committee when the Internal Auditor deems it necessary.

### ***Particular Projects and Reports***

The Committee may direct an internal audit examination and/or report to the Committee itself and/or to management on any System matter that the Committee believes to require such examination and/or report.



## **Governance Manual**

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### **Board Governance**

#### **1.7 – Board Self Evaluation**

Date Adopted: October 9, 2003

Date Amended: December 13, 2012, October 8, 2015; October 13, 2016; November 18, 2021

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#### **Policy**

Trustees shall continuously work to maintain excellence in governance by reviewing their own and the Board's performance on an annual basis.

#### **Individual Trustee Self-Assessment**

Trustees shall annually engage in a self-assessment, which may be facilitated by a governance consultant. The purpose of the individual Trustee self-assessment is to encourage introspection and heighten awareness of the important responsibilities of being a trustee. See Attachment 1 for an example.

#### **Overall Board Evaluation**

Trustees shall annually complete an overall board evaluation, which may be facilitated by a governance consultant. Regular board evaluations enable the Board as a whole to evaluate its performance with candor, objectivity, and a broad perspective. The evaluation process should be designed to enable Trustees to reinforce strong performance while simultaneously identifying any areas for improvement. See Attachments 2 and 3 for examples of evaluation criteria and a Board self-evaluation cycle.

The governance consultant will:

1. Have all Trustees participate in a survey or process deemed to be appropriate by the Board at the time of the evaluation.
2. Hold a facilitated executive session with the entire Board to discuss the results.
3. Identify any actions needed to reinforce strengths or to create any agreed upon governance changes.
4. Assist with changes to existing policies or the establishment of new policies to codify the governance changes.

## Governance Manual

MainePERS Board of Trustees

### Board Governance

#### 1.7 – Attachment 1 – Individual Trustee Self-Assessment

Date Adopted: October 9, 2003

Date Amended: December 13, 2012; October 8, 2015; November 18, 2021

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The following represent elements of good trusteeship for a public retirement board member:

1. I attend the Board and committee meetings I am expected to attend and I arrive on time and stay until meetings conclude.
2. I contribute to the discussion in a meaningful and helpful way, listening to the voices of others and making my points concisely without dominating the conversation and giving equal time to the voices of others.
3. I fully understand my fiduciary duties and act for the benefit of all members, not merely for or in response to pressure from a particular constituency or the appointing authority.
4. I make an effort to be educated on the aspects of the retirement system that I do not understand.
5. I am adequately well-versed on benefits and investments.
6. I avoid conflicts of interest and ask questions of the Board Chair or Chief Executive Officer if I am unsure if a conflict exists.
7. I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.
8. I work with the other Board members as a team.
9. I understand that certain work requests of staff and outside consultants need to be agreed to by the Board and I act accordingly.
10. I work with the Chief Executive Officer in a way that creates an atmosphere of trust and cooperation.
11. I understand the Chief Executive Officer works for the entire Board and not for individual trustees.
12. I communicate governance and ethical problems to the Board Chair and Chief Executive Officer.

### Board Governance

#### 1.7 – Attachment 2 – Evaluation Criteria

Date Adopted: October 9, 2003

Date Amended: December 13, 2012; October 8, 2015; November 18, 2021

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The following represent good elements of trusteeship for public retirement boards:

1. The Board knows and understands the system's mission and reflects this understanding when addressing key issues throughout the year.
2. The Board has achieved what it set out to accomplish the past year.
3. The Board stays abreast of issues and trends affecting the system, using this information to assess and guide the organization over the long term.
4. The Board understands its statutory authority and is free from political interference.
5. The Board ensures that new Board members receive a prompt, thorough orientation.
6. Board meetings are conducted in a manner that ensures open communication, meaningful participation, sound resolution of issues, and sound decision making.
7. The Board meeting agendas are well-balanced, allowing appropriate time for the most critical issues.
8. The Board and committee meetings are of reasonable length.
9. The committees and special project groups report back to the Board as they should and do not exceed their authority.
10. The Board is well-educated on benefits and investments issues.
11. The Board recognizes its policy-making role and reconsiders and revises policies as necessary.
12. The Board comprehends and respects the difference between its policy-making role and the Chief Executive Officer's management role.
13. The Board comprehends and respects the difference between its oversight role and the Chief Investment Officer's investment management role.
14. The Board receives timely, accurate, and useful information upon which to make decisions.
15. The Board is consistent about being prepared for meetings and staying engaged.
16. The Board as a whole evaluates (and Board members as individuals evaluate) their performance on an annual basis.

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17. The Board periodically monitors investment performance and measures it against appropriate benchmarks.
18. The Board reviews and adopts a reasonable operating budget that is followed and monitored throughout the year.
19. Board goals, expectations, and concerns are promptly, candidly and effectively communicated to the Board Chair and Chief Executive Officer.
20. The Board anticipates issues and does not often find itself reacting to “crisis” situations.
21. The Board conducts a comprehensive evaluation of the Chief Executive Officer annually.
22. The Board speaks in “one voice” when directing or delegating to staff.
23. The Board brings discussions to a conclusion with clear direction to staff.
24. The Board is collegial and polite during meetings.

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### Board Governance

#### 1.7 – Attachment 3 – Evaluation Cycle

Date Adopted: October 13, 2016

Date Amended: *New*

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The following four-year cycle supplements traditional self-evaluation with a broader exploration of Board values and informal discussion of relevant topics:

- Year 1: Board values exercise
- Year 2: Traditional self-evaluation questionnaire/exercise
- Year 3: Informal self-evaluation discussion focused on key topics identified through Board input
- Year 4: Traditional self-evaluation questionnaire/exercise

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### Board Governance

#### 1.8 – Trustee Education

Date Adopted: August 10, 2007

Date Amended: April 24, 2008; December 13, 2012; October 8, 2015; October 11, 2018; November 18, 2021

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#### Policy

Trustees shall invest the time necessary to maintain current knowledge and skills in areas over which they have governance, fiduciary, and oversight responsibility. Trustees shall not place the interests of the System, members, or stakeholders at risk by not investing the time necessary to effectively govern. The System shall invest the resources necessary for Trustees to retain current knowledge and skills necessary to maintain excellence in governance and oversight. The cost of obtaining necessary training shall be considered secondary to the greater cost to the System, members and stakeholders of not obtaining the necessary training.

#### Statutory/Legal Provisions

- [5 M.R.S. § 17102.](#)

#### Trustee Education Requirements

Maine State law requires that all appointed Trustees “must have a working knowledge of retirement policy and legal issues and a general understanding of banking, finance and investment practices.”

Trustee education shall focus on the knowledge necessary to make effective decisions and evaluate those to whom System duties have been delegated. MainePERS will assist Trustees in developing competence in the understanding of Trustee roles and responsibilities, professional governance, and the work of and issues facing the System.

Trustees shall develop and maintain skills and competence through:

- Mandatory in-house and optional external new Trustee orientation;
- In-house periodic refresher training on:
  - Fiduciary responsibilities
  - Good governance practices
  - Actuarial practices
  - Investment practices
  - The System’s lines of business
- In-house quarterly investment seminars on relevant issues;
- Educational seminars for public fund trustees;
- Professional association conferences or seminars for public fund trustees; and
- Self-study through professional publications and books.

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### **Obtaining Trustee Education**

A strong effort shall be made to provide comprehensive in-house training and access to publications that can enable Trustees to remain competent without travel to external events where Trustee travel is impractical or impossible.

The Chief Executive Officer shall maintain a record of training and education required for all Trustees and attended by each Trustee. Any Trustee may work with the Chief Executive Officer to create an individual training and education plan that will fulfill the requirements in this policy.

Trustees are expected to use judgment in the frequency or type of external education or training events attended, and must obtain the approval of the Board Chair when exceeding attendance at three external events per year. The approval of the Board Chair must also be obtained when attending events outside of the list of recognized educational events maintained by the System.

The costs of events or materials shall be paid by the System. The cost of travel shall be reimbursed under the Board's travel expense policy.

### Board Governance

#### 1.9 – Travel

Date Adopted: January 14, 1999

Date Amended: December 13, 2012, October 8, 2015

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#### Policy

The reasonable or necessary expenses of travel, lodging, meals and incidentals for Trustees traveling on behalf of the Retirement System shall be paid by the Retirement System in accordance with the System's reimbursement policy. This provision applies to all travel related to any approved meeting, educational seminar, conference or convention attended by any Trustee. If family or friends accompany a Trustee, only the costs that would be incurred if the Trustee traveled without family and friends shall be reimbursed.

If, in the opinion of the Board Chair, the interests of the Retirement System are served by accepting payment of travel and related expenses from a source other than the Retirement System to attend or participate in any business meeting, educational seminar, conference or convention, the Board Chair may authorize acceptance of the payment of such expenses. Acceptance of such payment is permitted only if it is in compliance with Policy 1.3 – Standards of Conduct.



## Governance Manual

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### Board Governance

#### 1.10 – Board Meetings

Date Adopted: October 8, 2015

Date Amended: October 11, 2018; November 12, 2020; August 12, 2021 (after notice and hearing); August 11, 2022 (after notice and hearing); October 12, 2023 (after notice and hearing)

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#### Policy

The MainePERS Board of Trustees typically meets at least once a month. Board meetings are scheduled and held on the second Thursday of each month unless rescheduled to another date in that month due to holidays, weather or other conflicts. Additional Board meetings may be scheduled as needed.

Board meetings shall be managed by the Chair or the Chair's designee and through the use of agenda and Board materials provided to Trustees prior to each Board meeting.

This policy also applies to meetings of Board committees.

#### Statutory/Legal Provisions

[1 M.R.S. § 400 et seq.](#)

[5 M.R.S. § 17103](#)

#### Meeting Notice

MainePERS Board of Trustee meetings shall comply with open public meeting laws. Notice shall be given in advance of each meeting in compliance with Maine law.

#### Agenda

Board meeting agendas shall be set to enable Trustees to meet their legal, fiduciary, and oversight responsibilities. The agenda for each meeting shall be published to the Board meeting distribution list maintained by the Executive Department. Requests by an organization or member of the public to place an item on a Board meeting agenda must be made to the Chief Executive Officer at least two weeks prior to the meeting date and must clearly state the action requested. There is no right to have an item placed on the agenda, and items will be placed on the agenda only if determined by the Chief Executive Officer to be appropriate for the Trustees to address in meeting their responsibilities.

Copies of the agenda shall be available for guests and visitors outside the door of the boardroom.

### Board Meeting Materials

Board meeting materials shall be prepared with the purpose of efficiently assisting Trustees in meeting their legal, fiduciary and oversight responsibilities. The Chief Executive Officer shall ensure that Board meeting materials provide Trustees with a comprehensive understanding of issues and decisions before them in a clear and concise format. Unnecessary or extraneous information shall not be distributed as it detracts from Trustee time available to focus on important matters. All decisions before the Board shall be presented with a range of available options accompanied by a staff recommendation of which option best serves the System and its related parties and why.

Trustees shall read the materials provided and come prepared to all meetings.

### Guests and Visitors

Guests and visitors include MainePERS consultants and vendors, parties to an appeal process and their representatives, legislators, and members of the public, including MainePERS members, retirees, and employers. Vendors and consultants with pre-issued access badges may sign-in and enter the building upon arrival and are not subject to the following escort requirements. All other visitors must be escorted to the Board room either at the designated time on the agenda or at the beginning of the morning or afternoon session, as applicable, in accordance with MainePERS security policies and practices.

The Chair shall call on guests and visitors who are not known to the Board to introduce themselves and identify whom they represent, if applicable.

Guests and visitors must be escorted to and stay in the designated waiting area when Trustees are in executive session in accordance with MainePERS security policies and practices. Guests and visitors leaving the meeting must be escorted to the reception area.

### Public Comment

The MainePERS Board of Trustees delegates the receipt, evaluation and response to public comment to the Chief Executive Officer. The MainePERS Board of Trustees receives public comment through the Chief Executive Officer in written form only and only if relevant to business currently before the Board. Public comment should be provided to the Chief Executive Officer at least one week prior to the Board meeting.

Unsolicited written information or verbal statements received on the day of the meeting are considered untimely for consideration in any of that day's discussions or decisions. Members of the public wishing to provide information to the Board can do so in writing through the Chief Executive Officer for possible consideration at a future date.

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The Chair shall acknowledge the receipt of written public comment at the beginning of the meeting and, if necessary, inform guests and visitors that public comment must be received in writing through the Chief Executive Officer prior to the meeting to allow Trustees time to consider the material. The Chair will re-state that Trustees do not use written materials or verbal comments received on the day of the Board meeting in that day's discussions or decisions. The Chair shall ask guests to respect this policy. Disruptive guests shall be asked to leave the meeting.

Trustees and staff shall respect this policy by directing additional or new written or verbal public comment offered at Board meetings to the Chief Executive Officer. This will enable the Board to make decisions based on a common universe of information and speak with one voice.

The Chief Executive Officer shall work with stakeholders providing information to individual Trustees or the Board as a whole to understand their concerns. If the concerns are relevant to the business of the Board, the Chief Executive Officer will work first to resolve these concerns to the satisfaction of the stakeholder(s) and subsequently notify the Board of the concerns and the resolution. If the concerns are not resolved before a related scheduled Board action, the Chief Executive Officer shall forward the concerns to Trustees before the start of the meeting in which Board action is considered. The Chief Executive Officer shall also keep the Board informed of stakeholder concerns that are not addressed to the Board but, in the Chief Executive Officer's judgement, are relevant to the Board's legal, fiduciary, and oversight responsibilities.

The above provisions on receipt of public comment do not apply to rulemaking proceedings. Rulemaking is addressed in Board Governance Policy 2.3.

### **Remote Participation in Board Meetings**

Board members are expected to attend and participate in Board meetings in person when feasible. However, under circumstances when being physically present is not feasible, the Board Chair or presiding officer may permit one or more Board members to participate remotely using audio or videoconferencing.

If one or more Board members participate in a Board meeting by remote means, members of the public must also be permitted to attend remotely and the meeting must be conducted in accordance with 1 M.R.S. § 403-B.

**BOARD RESPONSIBILITIES – INVESTMENTS AND ADMINISTRATION**

# Board Responsibilities – Investment Policy for Defined Benefit Plans

## 2.1 – Investment Policy Statement

Date Adopted: June 9, 2016

Date Amended: November 10, 2016; May 11, 2017; June 8, 2017; September 14, 2017; December 14, 2017; November 12, 2020; January 14, 2021; May 12, 2022; February 9, 2023; March 14, 2024

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### Policy

The Board of Trustees of the Maine Public Employees Retirement System is authorized and responsible for administering defined benefit retirement programs at the State and local levels. The Board carries out this responsibility by adopting investment objectives and establishing an investment program through which the policy is implemented. In the case of conflicts, this policy statement supersedes previous policies and actions by the Board.

This policy covers the investment management of the assets of the following defined benefit programs administered by the Board:

- Legislative Retirement Program;
- Judicial Retirement Program;
- State Employee and Teacher Retirement Program, which includes State employees and public school members; and
- Participating Local District Retirement Program, which includes retirement plans of withdrawn participating local districts and the Consolidated Plan for Participating Local Districts.

Collectively, the assets of these programs are referred to as the DB Plan Assets. Statutes allow for the pooling of the DB Plan Assets for the purpose of investment. Pooling provides significant efficiencies. Because the relevant characteristics of the DB plans are sufficiently similar, all the DB Plan Assets are pooled for investment.

### Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 1957-1958 (divestment statutes)
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, et seq. (Maine Uniform Trust Code); 18-B M.R.S. § 901, et seq. (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- Restatement (Third) of Trusts formally permits, and in some cases requires, the delegation of investment decisions from trustees to internal staff or external agents with the necessary skills and knowledge.

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- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

## Resources

The Board of Trustees implements this investment policy in coordination with:

- in-house investment professionals (the “Investment Team”), with experience, authority and responsibility to implement the investment policy and administer investment operations;
- consultants, with appropriate expertise, to assist the Board and the Investment Team;
- investment managers, selected individually and collectively to reflect and implement the investment policy, having full discretion within policy and contractual limits to manage assets allocated to them;
- custodians qualified to carry out recordkeeping, reporting, measurement and custodial functions; and
- other advisors that the Board deems appropriate and necessary

The Investment Team shall oversee the processes by which Custodians, Consultants, and other Advisors are hired, evaluated, and terminated, and shall work with the General Counsel on the terms of contracts of engagement.

At least every five years, the Investment Team will evaluate the performance and contract terms of all such service providers and make a recommendation to the Board as to whether or not a search process for new providers and/or renegotiation of terms be initiated.

## Investment Objectives

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.

### **Strategic Asset Allocation and Rebalancing**

The Investment Team and Board consultants shall annually review long-term capital market expectations and existing asset class allocations with Trustees. The Board shall review, and when strategically appropriate, approve recommended changes to the existing strategic asset classes, target weights, and ranges for implementation by the Investment Team. (See Appendix 1)

The specified policy weight ranges define minimum and maximum acceptable weights for each asset class. (See Appendix 2) The Investment Team shall maintain asset class weights within target ranges, subject to considerations such as transactions costs and the unique characteristics of private market investments, by reallocating capital within existing strategies and investments. The Investment Team will provide Trustees with reports showing the fund's current asset allocation at least monthly, and report on rebalancing activity quarterly.

### **Portfolio Risk Management**

The primary method of controlling risk shall be the selection of the strategic asset allocation and asset class target weights within the allocation. (See Appendix 1) Combined with long term capital market expectations, these policy weights define a portfolio with a specific level of risk.

The Chief Investment Officer shall develop a risk strategy for managing assets within the Board approved strategic asset allocation. The risk strategy will specify practices and procedures for the measurement and management of portfolio risk, including the provision of a portfolio risk report to the Board at least quarterly. (See Appendix 3)

Nothing in the risk strategy shall override the Asset Classes, Policy Weights and Ranges described in Appendix 1.

### **Performance Objectives and Benchmarks**

The Board acknowledges that benchmarks provide insight into fund and asset class performance, but are not necessarily guides for changing asset allocations or fund managers. The rate of return earned by fund assets will be measured against a policy benchmark comprised of the asset class benchmarks. (See Appendix 4) Returns earned by individual managers will be compared with a benchmark index appropriate to each manager's investment approach.

For performance evaluation purposes, all rates of return will be measured net of the deduction of investment management fees.

During a period of transition from one asset allocation to another, certain transitional allocations to appropriate benchmarks are permitted.

### Investment Implementation

The Investment Team shall implement the investment policy, subject to Board guidelines:

- Exposure to publicly traded equity securities is expected to be obtained passively and with weightings substantially similar to those of the benchmarks specified in Appendix 4. Any exceptions must be approved by the Board.
- Investments within each Asset Class should be consistent with the Asset Class definitions provided in Appendix 1.

### Environmental, Social, and Governance; Engagement

In performing due diligence and monitoring activities, the Board and the Investment Team shall comply with Board Policy 2.6, Environmental, Social and Governance Policy; and Board Policy 2.7, Engagement.

### Investment Manager Selection and Allocation Process

MainePERS invests through external investment managers, who are charged to act as fiduciaries, and allocates fund assets among them in accordance with the strategic asset allocation. The Investment Team identifies, performs due diligence on, and recommends investment managers and allocations to the Board. The Investment Team also monitors performance and recommends retention and termination decisions to the Board. The Board retains final authority for manager selection, retention and termination decisions.

Managers are selected and retained on the basis of an evaluation that establishes sufficient confidence that the manager will improve the return and risk of the investment program. If and when the Investment Team and/or consultant(s) identify an investment manager that they believe will improve the investment program, the Investment Team will make a recommendation to the Board of Trustees that the manager be hired. This recommendation will be accompanied by an opinion by the investment consultant on this recommendation. The Board retains the final authority to accept or reject such recommendations.

The Investment Team will prepare and present to the Board of Trustees selection criteria they deem pertinent for each manager search and recommendation to hire. The Investment Team will provide the Board with all the necessary information and analysis to enable an informed decision. The Board may choose to interview the recommended manager or they may rely on the Investment Team to conduct interviews.

### Derivatives

In general, the use of derivatives is permitted provided that the purpose of the derivative is to achieve an investment objective at lower cost and/or risk than would be the case with direct investments in the underlying securities. The System may also invest in strategies which use derivatives to obtain leverage. In all such cases, the use of derivatives must be disclosed to the



Board prior to the Board's approval, and the strategy must be structured so as to limit System liability to the amount committed to the strategy.

### **Leverage**

The System may invest in strategies in which managers have discretion to use leverage. The use of leverage in any strategy must be disclosed to the Board prior to the Board's approval, and the strategy must be structured so as to limit System liability to the amount committed to the strategy.

### **Fossil Fuel and Private Prison Investments**

The System may invest in strategies providing managers with broad discretion in the selection of investments. The potential for fossil fuel or for-profit prison investment must be disclosed to the Board prior to the Board's approval of a strategy. For those strategies likely to invest in stocks, securities or other obligations of fossil fuel or for-profit prison assets, disclosures will include a description of the expected role of such investments in the proposed strategy and discussion of the process leading to the selection of the strategy.

On an annual basis, the Board will be provided with a report summarizing the System's fossil fuel and for-profit prison investments. This report will include a discussion of the actual and expected changes in these exposures, and analysis of these exposures within the context of the divestment statutes, 5 M.R.S. §§ 1957 and 1958.

### **Hedging**

The Board has reviewed the benefits and risks associated with foreign currency exposures. As a general rule the Board has chosen not to hedge currency at the portfolio level. Unless otherwise directed asset managers will have discretion to hedge investments under their management as they deem most beneficial to their mandate.

### **Co-Investments and Continuation Vehicles**

The System may co-invest alongside private market funds in which the System is a current investor and may invest in continuation vehicles within the guidelines set forth in Appendix 5 without further Board approval. A continuation vehicle is a fund established by the general partner of an existing private market fund that is in the later stages of its life to receive one or more portfolio companies from the existing fund to provide the opportunity for limited partners to remain invested in the companies.

### Transaction Costs and Brokerage

The Board of Trustees expects investment managers, in their capacity as fiduciaries, to manage transaction costs in the best interests of the System as an investor. To enable the managers to fulfill this fiduciary duty, it is the Board's policy not to be party to directed brokerage programs.

### Securities Lending

The System may participate in a securities lending program either directly through its separately managed portfolios or indirectly through its investments in pooled vehicles. In each case, the securities lending program must focus on low risk, as opposed to maximization of returns. All DB Plan Assets are available for securities lending.

### Monitoring

The Board relies on the Investment Team and the investment consultant(s) to continuously monitor the investment program and to report to the Board as outlined below.

- the Investment Team and investment consultant(s) provide comprehensive periodic reports on the entire investment program, including asset allocation, performance of each component relative to benchmarks, attribution analysis, and commentary.
- the Investment Team and investment consultant(s) monitor changes and developments at investment managers and at custodian(s) on an ongoing basis and report significant changes or events with recommended actions as needed.

### Emergency Measures

Immediate action may be taken beyond the bounds of this policy under extraordinary circumstances and in order to preserve the best interests of the plans' participants by unanimous decision of the following:

- The Chair, or in the Chair's absence, Vice Chair of the Board
- The Chief Executive Officer, or in the Chief Executive Officer's absence, the Chief Operating Officer and General Counsel
- The Chief Investment Officer, or in the Chief Investment Officer's absence, Deputy Chief Investment Officer, or in the absence of both of them, the general investment consultant

Any such action must be reported to the Board of Trustees at the earliest opportunity.

## Governance Manual

MainePERS Board of Trustees

Board Responsibilities – Investment Policy

### Appendix 1: Asset Classes, Policy Weights and Ranges

Date Adopted: June 9, 2016

Date Amended: June 8, 2017; September 14, 2017; January 14, 2021; May 12, 2022

The System's assets are invested across nine Asset Classes that play four distinct Roles in the overall Fund. The Trustees define these Roles and Asset Classes and set target policy weights and ranges below.

	Weights		
	Minimum	Policy	Maximum
<b>GROWTH</b>	35%	42.5%	55%
Public Equity	20%	30%	40%
Private Equity	5%	12.5%	20%
<b>RISK DIVERSIFIERS</b>	0%	7.5%	12.5%
<b>HARD ASSETS</b>	15%	25%	35%
Real Estate	5%	10%	15%
Infrastructure	5%	10%	15%
Natural Resources	0%	5%	10%
<b>CREDIT</b>	5%	15%	20%
Traditional Credit	0%	5%	10%
Alternative Credit	0%	10%	15%
<b>MONETARY HEDGE</b>	5%	10%	15%
US Government Securities	5%	10%	15%
Cash	0%	0%	10%

#### Asset Class Definitions

The below Asset Class definitions are simplified and are intended to convey the general characteristics of investments held within each class. Some investment strategies involve assets and securities that span multiple asset classes.

##### Public Equity

Investments in publicly-traded shares of companies. May include different classes of common stock, shares of REITs, and MLPs.

##### Private Equity

Investments in non-publicly traded shares of companies. Investments are typically made via private limited partnerships, and may include both equity and debt securities.

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### Risk Diversifiers

Investments typically made through private funds that generally invest in listed assets such as stocks, bonds, and commodities, via strategies that are expected to have little correlation with declining or rising stock markets.

### Real Estate

Investments providing direct exposure Real Estate, including investments through private funds.

### Infrastructure

Investments typically made through private funds that generally invest in assets that meet most or all of the following criteria: provide essential public services, possess monopoly-like characteristics, provide long term contracted cash flows, and bear limited volumetric and price risk.

### Natural Resources

Investments in private funds that generally invest in businesses focused on natural resources such as timberland, agriculture, and mining. Private energy investments will generally be included in Private Equity, rather than Natural Resources.

### Traditional Credit

Investments in investment-grade debt instruments that are not issued by the U.S. Government. Such debt may or may not be registered for sale to the general public.

### Alternative Credit

Investments in debt instruments issued by non-investment grade and unrated entities. This may include, but is not limited to high yield debt, bank loans, structured debt, and asset-backed debt. Alternative credit investments are expected to pay or accrue periodic interest and to return principal at maturity. Distressed debt and other debt or yield-oriented securities that include equity-like exposures are considered Private Equity, not Alternative Credit.

### Monetary Hedges

Investments in debt instruments issued by the U.S. Government, including nominal Treasury securities and Treasury Inflation Protected Securities (TIPS), held in approximately equal proportions.

### Roles in the Overall Fund

Each of the above asset classes fills a specific Role in the overall portfolio. These Roles are defined below.

#### Growth Assets

Growth Assets are intended to reduce the system's funding needs in the long term by appreciating in value. Growth Assets possess inherently higher expected returns than other asset classes. Growth Assets also have higher expected volatility than other asset classes, and are expected to increase funding volatility in the short run.

#### Risk Diversifiers

Risk Diversifiers are investments that primarily derive their return from alpha (or active manager skill) as opposed to market directionality. Risk Diversifiers are expected to provide significant risk diversification benefits away from Growth Assets.

#### Hard Assets

Investments in the Hard Assets category provide exposure to long-lived "real" assets, such as real estate, timber, agricultural, and infrastructure assets. Expected return levels of Hard Assets are lower than those of Growth Assets, and a substantial portion of such returns is expected to come from ongoing cash flows. Hard Assets are expected to provide inflation protection, to have low correlation with Growth Assets, and to provide diversification benefits.

#### Credit Assets

Credit investments provide capital to end-users via loans and the purchase of debt securities. Such investments provide for contractual returns (interest) and repayment of principal. Credit investments possess lower risk and expected returns than equity investments, but have higher risk and expected returns than monetary hedges. Credit investments are expected to provide diversification away from Growth Assets.

#### Monetary Hedges

The role of Monetary Hedges in the portfolio is to provide liquidity and a safe harbor in times of turbulence. These investments are cash and obligations of the U.S. Government, and are considered to be free of default risk.

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### **Board Responsibilities – Investment Policy**

#### **Appendix 2: Rebalancing**

Date Adopted: June 9, 2016

Date Amended: May 12, 2022; July 14, 2022

The Board has set target weights for each Asset Class and Role in Portfolio category in Appendix 1, and delegates the management of asset class allocation to the Investment Team. The Investment Team is expected to maintain asset class weights near target, subject to considerations such as transactions costs and the unique funding and liquidity characteristics of private market investments.

To this end, the Team is permitted to reallocate capital within existing strategies and investments for rebalancing purposes. The Investment Team is expected to consider both Role in Portfolio and Asset Class policy weights when rebalancing. The Team will provide Trustees with reports showing the Fund's current asset allocation at least monthly, and report on rebalancing activity at least quarterly.

In the specific case of the System's Risk Diversifier allocation, the Investment Team is permitted to rebalance across existing managers and strategies, consistent with the goal of maintaining diversification within the allocation. Rebalancing activity will be reported to Trustees at least quarterly.

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### Board Responsibilities – Investment Policy

#### Appendix 3: Risk Strategy

Date Adopted: June 9, 2016

Date Amended: New

While this Risk Strategy is in development the Chief Investment Officer shall rely on the Strategic Asset Allocation and Rebalancing provisions of this policy to manage the Fund's risk.

The Investment Team and the Board believe that this approach will deliver an appropriate expected return with commensurate risk over a long term horizon. However they also recognize that the portfolio's realized risk will vary over time which may result in periods during which the fund bears substantially higher risk than the System initially targeted.

In an effort to achieve more stable (less volatile) returns, the Investment Team will seek to develop management tools and practices that they believe will be better able to keep the fund's risk in an acceptable range.

This Risk Strategy shall be updated from time to time by the Trustees to reflect recommendations developed by the Chief Investment Officer.

Nothing in the Risk Strategy shall override the Asset Classes, Policy Weights and Ranges described in Appendix 1.

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### Board Responsibilities – Investment Policy

#### Appendix 4: Policy Benchmarks

Date Adopted: June 9, 2016

Date Amended: June 8, 2017, January 14, 2021, May 12, 2022

<b>Asset</b>	<b>Benchmark</b>	<b>Weight</b>
Total Public Equity	Russell 3000 & MSCI ACWI ex-USA, based on ACWI weights	30%
Private Equity	Russell 3000 + 3%	12.5%
Diversifiers	0.3 Beta MSCI ACWI	7.5%
Real Estate	NCREIF Property (lagged one quarter)	10%
Infrastructure	CA Infrastructure Median	10%
Natural Resources	CA Natural Resources Median	5%
Traditional Credit	Barclays US Aggregate, ex Treasury	5%
Alternative Credit	50% BAML US HY II + 50% S&P/LSTA US Leveraged Loan Index	10%
U.S. Government Securities	50% Bloomberg Barclays U.S. Government Bond Market Index + 50% Bloomberg U.S. TIPS Index	10%



**Board Responsibilities – Investment Policy**

**Appendix 5: Co-Investments and Continuation Vehicles**

Date Adopted: May 12, 2022

Date Amended: March 14, 2024

Co-investments and investments in continuation vehicles are permitted within private market asset classes, subject to the below guidelines.

<b>Target Allocation</b>	7.5% of total Fund. This target is a subset of the total 47.5% allocation to private market asset classes, and is not in addition to that allocation. The 7.5% target includes investments in both co-investments and continuation vehicles.
<b>Asset Classes</b>	Co-investments and investments in continuation vehicles may be made in each of the private market asset classes.
<b>Discretion</b>	Investment Team has discretion to make co-investments and investments in continuation vehicles, in consultation with the asset class consultant.
<b>Signatories</b>	The Chief Executive Officer, Chief Investment Officer, and General Counsel are authorized as signatories to execute documents in connection with co-investments and investments in continuation vehicles.
<b>Permissible Partners</b>	Unless otherwise authorized, co-investments will only be made alongside Funds in which the System is a current investor.  Unless otherwise authorized, investments in continuation vehicles will only be made in cases where the vehicle is being formed to continue ownership of assets being acquired from a fund in which the System is a current investor.
<b>Size Limits</b>	Unless otherwise authorized, maximum of \$25m invested into any single co-investment or continuation vehicle.  Unless otherwise authorized, maximum of \$200m aggregate continuation vehicle investment and co-investment in a single asset class with any single General Partner.

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	The Investment Team will provide additional reporting to Trustees for those General Partners with more than \$100m of aggregate continuation vehicle investment and co-investment in any single asset class.
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# Board Responsibilities – Investment Policy for Group Life Insurance

## 2.1-A – GLI Investment Policy Statement

Date Adopted: October 12, 2017

Date Amended: November 12, 2020, October 12, 2023

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### Policy

The Board of Trustees of the Maine Public Employees Retirement System is authorized and responsible for administering group life insurance (“GLI”) benefits for MainePERS members and for prudently investing GLI premiums until needed to pay benefits. The Board carries out its investment responsibility by adopting investment objectives and strategic asset allocations and delegating implementation to the investment staff (the “Investment Team”).

### Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, et seq. (Maine Uniform Trust Code); 18-B M.R.S. § 901, et seq. (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- Restatement (Third) of Trusts formally permits, and in some cases requires, the delegation of investment decisions from trustees to internal staff or external agents with the necessary skills and knowledge.
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, et seq., provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

### Investment Objectives

MainePERS’ GLI investment goals are the preservation and growth of principal in accordance with long-term investment assumptions established from time to time by the Board for the defined benefits plans of the System, as considered appropriate by the Trustees. An additional consideration for the GLI investments is to maintain sufficient liquidity to pay benefits when due under existing GLI plan provisions and to provide flexibility should plan provisions change.

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The Board recognizes and accepts that these investment goals are in opposition, and that a trade-off exists between expected risk and return. The Board seeks to achieve these goals by constructing a diversified portfolio containing a moderate-to-high level of investment risk.

### **Strategic Asset Allocation and Rebalancing**

The strategic asset allocation and asset class target weights set forth in Appendix 1 are established, in consultation with investment and actuarial consultants, for the GLI investments. The Investment Team shall maintain asset class weights within target ranges. The Investment Team will provide Trustees with reports showing current asset allocations at least quarterly. The Investment Team and Board consultants shall annually review the GLI investments and asset allocations with Trustees. The Board shall review, and when strategically appropriate, approve recommended changes for implementation by the Investment Team.

### **Performance Objectives and Benchmarks**

The Board acknowledges that benchmarks provide insight into fund and asset class performance but are not necessarily guides for changing asset allocations or fund managers. The rate of return earned by fund assets will be measured against a policy benchmark comprised of the asset class benchmarks. (See Appendix 2) Returns earned by individual managers will be compared with a benchmark index appropriate to each manager's investment approach.

For performance evaluation purposes, all rates of return will be measured net of the deduction of investment management fees.

During a period of transition from one asset allocation to another, certain transitional allocations to appropriate benchmarks are permitted.

### **Investment Implementation**

The Investment Team shall implement the GLI investment policy, subject to Board guidelines:

- Exposure to publicly traded equity securities is expected to be obtained passively and with weightings substantially similar to those of the benchmarks specified in Appendix 2. Any exceptions must be approved by the Board.
- Investments within each asset class should be consistent with the asset class definitions appended to Board Policy 2.1.

### **Environmental, Social, and Governance; Engagement**

In performing due diligence and monitoring activities, the Board and the Investment Team shall comply with Board Policy 2.6, Environmental, Social and Governance Policy; and Board Policy 2.7, Engagement.

### **Investment Manager Selection and Allocation Process**

MainePERS invests through external investment managers, who are charged to act as fiduciaries, and allocates fund assets among them in accordance with the strategic asset allocation. The Investment Team identifies, performs due diligence on, and recommends investment managers and allocations to the Board. The Investment Team also monitors performance and recommends retention and termination decisions to the Board. The Board retains final authority for manager selection, retention and termination decisions.

Managers are selected and retained on the basis of an evaluation that establishes sufficient confidence that the manager will improve the return and risk of the investment program. If and when the Investment Team and/or consultant(s) identify an investment manager that they believe will improve the investment program, the Investment Team will make a recommendation to the Board of Trustees that the manager be hired. This recommendation will be accompanied by an opinion by the investment consultant on this recommendation. The Board retains the final authority to accept or reject such recommendations.

The Investment Team will prepare and present to the Board of Trustees selection criteria they deem pertinent for each manager search and recommendation to hire. The Investment Team will provide the Board with all the necessary information and analysis to enable an informed decision. The Board may choose to interview the recommended manager or they may rely on the Investment Team to conduct interviews.

### **Derivatives/Leverage**

In general, the use of derivatives is permitted provided that the purpose of the derivative is to achieve an investment objective at lower cost and/or risk than would be the case with direct investments in the underlying securities. Derivatives are not to be used as a means of obtaining leverage. The use of leverage in any strategy must be disclosed to the Board prior to the Board's approval.

The Board has reviewed the benefits and risks associated with foreign currency exposures. As a general rule the Board has chosen not to hedge currency at the portfolio level. Unless otherwise directed asset managers will have discretion to hedge investments under their management as they deem most beneficial to their mandate.

### **Transaction Costs and Brokerage**

The Board of Trustees expects investment managers, in their capacity as fiduciaries, to manage transaction costs in the best interests of the System as an investor. To enable the managers to fulfill this fiduciary duty, it is the Board's policy not to be party to directed brokerage programs.

### Emergency Measures

Immediate action may be taken beyond the bounds of this policy under extraordinary circumstances and in order to preserve the best interests of the plans' participants by unanimous decision of the following:

- The Chair, or in the Chair's absence, Vice Chair of the Board
- The Executive Director, or in the Executive Director's absence, the General Counsel
- The Chief Investment Officer, or in the Chief Investment Officer's absence, Deputy Chief Investment Officer, or in the absence of both of them, the general investment consultant

Any such action must be reported to the Board of Trustees at the earliest opportunity.

**Board Responsibilities – Investment Policy for Group life Insurance**  
**Appendix 1: Asset Classes, Policy Weights and Ranges**

Date Adopted: October 12, 2017

Date Amended: October 12, 2023

The System’s Group Life Insurance assets are invested across four asset classes that play distinct roles. The asset classes and target policy weights and ranges are set forth below.

Weights			
	Minimum	Policy	Maximum
Public Equity	60%	70%	80%
Traditional Credit	10%	15%	20%
US Government Securities	10%	15%	20%
Cash	0%	0%	10%

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### Board Responsibilities – Investment Policy for Group life Insurance

#### Appendix 2: Policy Benchmarks

Date Adopted: October 12, 2017

Date Amended: October 12, 2023

<b>Asset</b>	<b>Benchmark</b>	<b>Weight</b>
Total Public Equity	Russell 3000 & MSCI ACWI ex-USA, based on ACWI weights	70%
Traditional Credit	Barclays US Aggregate, ex Treasury	15%
U.S. Government Securities	50% Bloomberg Barclays U.S. Government Bond Market Index + 50% Bloomberg U.S. TIPS Index	15%



# Board Responsibilities – Investment Policy for Retiree Health Insurance Post-Employment Benefits Investment Trust

## 2.1-B – RHIT Investment Policy Statement

Date Adopted: July 12, 2018

Date Amended: November 18, 2021; October 12, 2023

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### Policy

The members of the Board of Trustees, as trustees of the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund (“RHIT” or “Investment Trust Fund”), are authorized and responsible for investing and managing the assets of the Investment Trust Fund in accordance with statutory requirements and the Investment Trust Fund Agreement dated January 10, 2008. The Board carries out its investment responsibility by adopting investment objectives and strategic asset allocations and delegating implementation to the investment staff (the “Investment Team”).

### Statutory/Legal Provisions

- 5 M.R.S. §§ 17431 - 17439; 18-B M.R.S. § 801, et seq. (Maine Uniform Trust Code); 18-B M.R.S. § 901, et seq. (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- 5 M.R.S. § 286-B.
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- Restatement (Third) of Trusts formally permits, and in some cases requires, the delegation of investment decisions from trustees to internal staff or external agents with the necessary skills and knowledge.
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, et seq., provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

### Background

The RHIT is established in statute to hold and invest funds for the benefit of the Irrevocable Trust Funds for Other Post-Employment Benefits (“Benefit Trusts”), which are separate trusts

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established to meet the State's unfunded liability obligations for retiree health benefits. The statute names the Board members as the trustees of the Investment Trust Fund.

The Benefit Trusts provide funding for the Investment Trust Fund pursuant to the Benefit Trusts' funding plans. These funding plans include payment of the unfunded liability as of June 30, 2007, by June 30, 2037. The funding plans are based on an expected rate of return of 6.5%. No disbursement of funds is expected from the Investment Trust Fund before the year 2027. The Investment Trust Fund may be required to make disbursements subsequent to 2027, and requests for disbursement may be received at any time.

### **Investment Objectives**

The assets of the Investment Trust Fund are to be invested with a long-term time horizon in accordance with the Maine Uniform Trust Code and the Maine Uniform Prudent Investor Act.

The primary goals of Investment Trust Fund are the preservation and growth of principal in accordance with long-term investment assumptions established from time to time by the Board for the defined benefits plans of the System, as considered appropriate by the Trustees.

The Board recognizes and accepts that these goals are in opposition, and that a trade-off exists between expected risk and return. The Board seeks to achieve these goals by constructing a diversified portfolio containing a moderate-to-high level of investment risk.

### **Strategic Asset Allocation and Rebalancing**

The strategic asset allocation and asset class target weights set forth in Appendix 1 are established for the RHIT investments. The Investment Team shall maintain asset class weights within target ranges. The Investment Team will provide Trustees with reports showing current asset allocations at least quarterly. The Investment Team shall annually review the RHIT investments and asset allocations with Trustees. The Board shall review, and when strategically appropriate, approve recommended changes for implementation by the Investment Team.

### **Performance Objectives and Benchmarks**

The Board acknowledges that benchmarks provide insight into fund and asset class performance but are not necessarily guides for changing asset allocations or fund managers. The rate of return earned by fund assets will be measured against a policy benchmark comprised of the asset class benchmarks. (See Appendix 2) Returns earned by individual managers will be compared with a benchmark index appropriate to each manager's investment approach.

For performance evaluation purposes, all rates of return will be measured net of the deduction of investment management fees.

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During a period of transition from one asset allocation to another, certain transitional allocations to appropriate benchmarks are permitted.

### **Investment Implementation**

The Investment Team shall implement the RHIT investment policy, subject to Board guidelines:

- Exposure to publicly traded equity securities is expected to be obtained passively and with weightings substantially similar to those of the benchmarks specified in Appendix 2. Any exceptions must be approved by the Board.
- Investments within each asset class should be consistent with the asset class definitions appended to Board Policy 2.1.

### **Environmental, Social, and Governance; Engagement**

In performing due diligence and monitoring activities, the Board and the Investment Team shall comply with Board Policy 2.6, Environmental, Social and Governance Policy; and Board Policy 2.7, Engagement.

### **Investment Manager Selection and Allocation Process**

MainePERS invests through external investment managers, who are charged to act as fiduciaries, and allocates fund assets among them in accordance with the strategic asset allocation. The Investment Team identifies, performs due diligence on, and recommends investment managers and allocations to the Board. The Investment Team also monitors performance and recommends retention and termination decisions to the Board. The Board retains final authority for manager selection, retention and termination decisions.

Managers are selected and retained on the basis of an evaluation that establishes sufficient confidence that the manager will improve the return and risk of the investment program. If and when the Investment Team and/or consultant(s) identify an investment manager that they believe will improve the investment program, the Investment Team will make a recommendation to the Board of Trustees that the manager be hired. This recommendation will be accompanied by an opinion by the investment consultant on this recommendation. The Board retains the final authority to accept or reject such recommendations.

The Investment Team will prepare and present to the Board of Trustees selection criteria they deem pertinent for each manager search and recommendation to hire. The Investment Team will provide the Board with all the necessary information and analysis to enable an informed decision. The Board may choose to interview the recommended manager or they may rely on the Investment Team to conduct interviews.

### **Derivatives/Leverage**

In general, the use of derivatives is permitted provided that the purpose of the derivative is to achieve an investment objective at lower cost and/or risk than would be the case with direct investments in the underlying securities. Derivatives are not to be used as a means of obtaining leverage. The use of leverage in any strategy must be disclosed to the Board prior to the Board's approval.

The Board has reviewed the benefits and risks associated with foreign currency exposures. As a general rule the Board has chosen not to hedge currency at the portfolio level. Unless otherwise directed asset managers will have discretion to hedge investments under their management as they deem most beneficial to their mandate.

### **Transaction Costs and Brokerage**

The Board of Trustees expects investment managers, in their capacity as fiduciaries, to manage transaction costs in the best interests of the System as an investor. To enable the managers to fulfill this fiduciary duty, it is the Board's policy not to be party to directed brokerage programs.

### **Emergency Measures**

Immediate action may be taken beyond the bounds of this policy under extraordinary circumstances and in order to preserve the best interests of the plans' participants by unanimous decision of the following:

- The Chair, or in the Chair's absence, Vice Chair of the Board
- The Chief Executive Officer, or in the Chief Executive Officer's absence, the Chief Operating Officer
- The Chief Investment Officer, or in the Chief Investment Officer's absence, Deputy Chief Investment Officer, or in the absence of both of them, the general investment consultant.

Any such action must be reported to the Board of Trustees at the earliest opportunity.

**Board Responsibilities – Investment Policy for RHIT**  
**Appendix 1: Asset Classes, Policy Weights and Ranges**

Date Adopted: July 12, 2018

Date Amended: October 12, 2023

The RHIT assets are invested across four asset classes that play distinct roles. The asset classes and target policy weights and ranges are set forth below.

Weights			
	Minimum	Policy	Maximum
Public Equity	60%	70%	80%
Traditional Credit	10%	15%	20%
US Government Securities	10%	15%	20%
Cash	0%	0%	10%

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### Board Responsibilities – Investment Policy for RHIT

#### Appendix 2: Policy Benchmarks

Date Adopted: July 12, 2018

Date Amended: October 12, 2023

<b>Asset</b>	<b>Benchmark</b>	<b>Weight</b>
Total Public Equity	Russell 3000 & MSCI ACWI ex-USA, based on ACWI weights	70%
Traditional Credit	Barclays US Aggregate, ex Treasury	15%
U.S. Government Securities	50% Bloomberg Barclays U.S. Government Bond Market Index + 50% Bloomberg U.S. TIPS Index	15%

### Board Responsibilities – Investment Policy for DC Plans

#### 2.1-C – DC Plans Investment Policy Statement

Date Adopted: January 9, 2020

Date Amended: December 9, 2021

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#### Policy

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

#### Statutory/Legal Provisions

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

#### Background

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

#### Criteria for Selecting Investment Managers

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

### Criteria for Selecting Investment Options

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

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

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

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

### Default Investment Alternative

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

### Monitoring of Investments

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

### Terminating an Investment Option

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



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

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

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

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### Board Responsibilities – Investment Policy for DC Plans

#### Appendix 1: Fund Options and Benchmarks

Date Adopted: January 9, 2020

Date Amended: December 9, 2021

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

# Board Responsibilities – Investment Policy for MainePERS Other Post-Employment Benefits Trust

## 2.1-D – OPEB Trust Investment Policy Statement

Date Adopted: November 9, 2023

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### Policy

The members of the Board of Trustees, as trustees of the MainePERS Other Post-Employment Benefits Trust (“OPEB Trust” or “Investment Trust”), are authorized and responsible for investing and managing the assets of the Investment Trust in accordance with legal requirements and the Maine Public Employees Retirement System Other Post-Employment Benefits Trust Agreement dated April 8, 2010 (the “Trust Agreement”). The Board carries out its investment responsibility by adopting investment objectives and strategic asset allocations and delegating implementation to the investment staff (the “Investment Team”).

### Statutory/Legal Provisions

- 5 M.R.S. §§ 17431 - 17439; 18-B M.R.S. § 801, et seq. (Maine Uniform Trust Code); 18-B M.R.S. § 901, et seq. (Maine Uniform Prudent Investor Act).
- 5 M.R.S. § 17153.
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- Restatement (Third) of Trusts formally permits, and in some cases requires, the delegation of investment decisions from trustees to internal staff or external agents with the necessary skills and knowledge.
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

### Background

The OPEB Trust is established by Trust Agreement to hold and invest funds for the exclusive purpose of providing funds to pay OPEB for certain MainePERS retired employees and their beneficiaries. The Trust Agreement names the Board members as the trustees of the OPEB Trust (“Trustees”).

### Investment Objectives

The assets of the OPEB Trust are to be invested with a long-term time horizon in accordance with the Maine Uniform Trust Code and the Maine Uniform Prudent Investor Act.

The primary goals of OPEB Trust are the preservation and growth of principal in accordance with long-term investment assumptions established from time to time by the Board for the defined benefits plans of the System, as considered appropriate by the Trustees.

The Board recognizes and accepts that these goals are in opposition, and that a trade-off exists between expected risk and return. The Board seeks to achieve these goals by constructing a diversified portfolio containing a moderate-to-high level of investment risk.

### Strategic Asset Allocation and Rebalancing

The strategic asset allocation and asset class target weights set forth in Appendix 1 are established for the OPEB Trust investments. The Investment Team shall maintain asset class weights within target ranges. The Investment Team will provide Trustees with reports showing current asset allocations at least quarterly. The Investment Team shall annually review the investments and asset allocations with Trustees. The Board shall review, and when strategically appropriate, approve recommended changes for implementation by the Investment Team.

### Performance Objectives and Benchmarks

The Board acknowledges that benchmarks provide insight into fund and asset class performance but are not necessarily guides for changing asset allocations or fund managers. The rate of return earned by fund assets will be measured against a policy benchmark comprised of the asset class benchmarks. (See Appendix 2). Returns earned by individual managers will be compared with a benchmark index appropriate to each manager's investment approach.

For performance evaluation purposes, all rates of return will be measured net of the deduction of investment management fees.

During a period of transition from one asset allocation to another, certain transitional allocations to appropriate benchmarks are permitted.

### Investment Implementation

The Investment Team shall implement the OPEB Trust Investment Policy, subject to Board guidelines:

## Governance Manual

MainePERS Board of Trustees

- Exposure to publicly traded equity securities is expected to be obtained passively and with weightings substantially similar to those of the benchmarks specified in Appendix 2. Any exceptions must be approved by the Board.
- Investments within each asset class should be consistent with the asset class definitions appended to Board Policy 2.1.

### **Environmental, Social, and Governance; Engagement**

In performing due diligence and monitoring activities, the Board and the Investment Team shall comply with Board Policy 2.6, Environmental, Social and Governance Policy; and Board Policy 2.7, Engagement.

### **Investment Manager Selection and Allocation Process**

MainePERS invests through external investment managers, who are charged to act as fiduciaries, and allocates fund assets among them in accordance with the strategic asset allocation. The Investment Team identifies, performs due diligence on, and recommends investment managers and allocations to the Board. The Investment Team also monitors performance and recommends retention and termination decisions to the Board. The Board retains final authority for manager selection, retention and termination decisions.

Managers are selected and retained on the basis of an evaluation that establishes sufficient confidence that the manager will improve the return and risk of the investment program. If and when the Investment Team and/or consultant(s) identify an investment manager that they believe will improve the investment program, the Investment Team will make a recommendation to the Board of Trustees that the manager be hired. This recommendation will be accompanied by an opinion by the investment consultant on this recommendation. The Board retains the final authority to accept or reject such recommendations.

The Investment Team will prepare and present to the Board of Trustees selection criteria they deem pertinent for each manager search and recommendation to hire. The Investment Team will provide the Board with all the necessary information and analysis to enable an informed decision. The Board may choose to interview the recommended manager or they may rely on the Investment Team to conduct interviews.

### **Derivatives/Leverage**

In general, the use of derivatives is permitted provided that the purpose of the derivative is to achieve an investment objective at lower cost and/or risk than would be the case with direct investments in the underlying securities. Derivatives are not to be used as a means of obtaining leverage. The use of leverage in any strategy must be disclosed to the Board prior to the Board's approval.

The Board has reviewed the benefits and risks associated with foreign currency exposures. As a general rule the Board has chosen not to hedge currency at the portfolio level. Unless

## **Governance Manual**

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otherwise directed asset managers will have discretion to hedge investments under their management as they deem most beneficial to their mandate.

### **Transaction Costs and Brokerage**

The Board of Trustees expects investment managers, in their capacity as fiduciaries, to manage transaction costs in the best interests of the System as an investor. To enable the managers to fulfill this fiduciary duty, it is the Board's policy not to be party to directed brokerage programs.

### **Emergency Measures**

Immediate action may be taken beyond the bounds of this policy under extraordinary circumstances and in order to preserve the best interests of the plans' participants by unanimous decision of the following:

- The Chair, or in the Chair's absence, Vice Chair of the Board
- The Chief Executive Officer, or in the Chief Executive Officer's absence, the Chief Operating Officer
- The Chief Investment Officer, or in the Chief Investment Officer's absence, Deputy Chief Investment Officer, or in the absence of both of them, the general investment consultant.

Any such action must be reported to the Board of Trustees at the earliest opportunity.

**Board Responsibilities – Investment Policy for MainePERS OPEB Trust**  
**Appendix 1: Asset Classes, Policy Weights and Ranges**

Date Adopted: November 9, 2023

The OPEB Trust assets are invested across four asset classes that play distinct roles. The asset classes and target policy weights and ranges are set forth below.

Weights			
	Minimum	Policy	Maximum
Public Equity	60%	70%	80%
Traditional Credit	10%	15%	20%
US Government Securities	10%	15%	20%
Cash	0%	0%	10%

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### Board Responsibilities – Investment Policy for MainePERS OPEB Trust

#### Appendix 2: Policy Benchmarks

Date Adopted: November 9, 2023

<b>Asset</b>	<b>Benchmark</b>	<b>Weight</b>
Total Public Equity	Russell 3000 & MSCI ACWI ex-USA, based on ACWI weights	70%
Traditional Credit	Barclays US Aggregate, ex Treasury	15%
U.S. Government Securities	50% Bloomberg Barclays U.S. Government Bond Market Index + 50% Bloomberg U.S. TIPS Index	15%



### Board Responsibilities – Investments and Administration

#### 2.2 – Actuarial Soundness and Funding

Date Adopted: November 13, 2014

Date Amended: July 14, 2016; July 12, 2018; October 11, 2018; February 11, 2021; December 9, 2021.

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#### Policy

The Board of Trustees will make determinations regarding funding of defined benefit plans in accordance with the Constitution and laws of the State of Maine, based on the advice of professional actuaries and staff, and guided by the following principles:

- Long-term costs of statutory benefits must be funded;
- Contribution rates should be stable;
- Liabilities accrued today should not be imposed on future generations;
- Funding should be based on sound actuarial assumptions and methodologies; and
- Reasonable steps should be taken to manage funding risks.

#### Statutory/Legal Provisions

- Me. Const. art. IX, §§ 18-A and 18-B.
- 5 M.R.S. §§ 755, 803, 804, 1255, 1303, 1304, 17103, 17107, 17151, 17153, 17154, 17155, 17158, 17160, 17253, 17254, 17701, 17701-A, 17701-B, 17708, 17708-A, 17708-B, 17709, 17709-A, 17709-B, 17710, 17710-A, 17710-B, 17711, 17711-A, 17711-B, 17712, 17712-A, 17712-B, 18301, 18302, 18309, 18310, 18801.
- 94-411 C.M.R. ch. 803 (MainePERS Rule Chapter 803).

#### Actuarial Consultant

Professional actuaries are experts in valuing program liabilities, advising on the funding of those liabilities, and assessing risks associated with those liabilities. The Board shall engage professional actuarial consultants to work with professional staff to assist the Board and to provide comprehensive reporting and recommendations as follows:

- Annual valuations for each program;
- Employer rate recommendations as required by each program's funding schedule;
- Experience studies every five years or more frequently as needed; and
- Special reports or assistance in preparing reports as requested by the System on behalf of the Board or the Legislature.

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The Board shall instruct the actuarial consultants to provide independent information and advice free from self-interested influence by any party. Actuarial consultants shall be directed to report any improper request to the Board Chair or Chief Executive Officer.

The Board shall engage an independent actuarial audit of the retained actuarial consultant every five years or as required by circumstances. The Board and staff shall conduct a review of the retained actuarial consultant at least every five years in conjunction with the completion of the audit. Based on this review, the Board shall determine whether to engage in a new competitive process to retain an actuarial consultant or to continue to retain the existing consultant without a new competitive process.

### **Funding Target**

The target for each defined benefit plan is to be at least 100% funded, which means that the actuarial value of assets is at or above the actuarial accrued liability. These targets shall be considered met at those times when existing unfunded actuarial liabilities and any new unfunded liabilities resulting from experience losses are retired using actuarially sound amortization periods for the State Employee and Teacher Retirement Program in compliance with the State Constitution and using actuarially sound amortization periods in the Legislative Retirement Program, Judicial Retirement Program and Participating Local District (PLD) Consolidated Retirement Plan. The targets will be reset in an actuarially sound manner after reaching 100% to protect plan funding and maintain stabilized contribution rates.

### **Funding Methodology**

Based on the advice of the actuarial consultant, the Board has determined that MainePERS shall use the funding methodology outlined below. The methodology consists of three elements: (1) an actuarial cost method; (2) an asset-smoothing method; and (3) an amortization method. Each of these shall be revisited periodically by the Board to ensure continued soundness.

#### ***Actuarial Cost Method***

MainePERS uses the Individual Entry Age Normal method to calculate actuarial liabilities. Under this method, an individual's projected benefits at retirement are calculated based on actuarial assumptions and then allocated over the individual's career at a level percent of payroll.

#### ***Asset-Smoothing Method***

To reduce volatility, MainePERS uses a three-year smoothing method in calculating the actuarial value of assets. This method involves calculating an expected value of the fund based on the beginning of the year actuarial value of assets adjusted for cash flows multiplied by the

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actuarial assumption for the discount rate. This expected value is then compared to the actual market value of the assets, and one-third of the difference is added to the expected value to arrive at the final actuarial value of assets.

### ***Amortization Method***

MainePERS amortizes unfunded accrued liabilities on a level-percent-of-pay basis. The length and type of the amortization period will vary depending upon the applicable laws governing each program and the source of the unfunded accrued liability.

For the State Employee and Teacher Program, the maximum amortization periods are established in the Maine Constitution. The State Employee and Teacher Program's unfunded accrued liability existing on June 30, 1996 is amortized over a closed period ending June 30, 2028. Unfunded accrued liabilities arising from annual experience gains or losses are required to be amortized over 20-year periods. Finally, any plan changes that increase the plan's liabilities must be amortized over a one-year period.

For the Legislative and Judicial Programs, unfunded accrued liabilities are amortized over an open 10-year period.

For the PLD Consolidated Retirement Program, unfunded actuarial liabilities arising from annual gains or losses are amortized over 20-year periods. For individual un-pooled PLD plans, unfunded actuarial liabilities are amortized over periods that vary by PLD.

### **Actuarial Assumptions**

The actuarial consultant shall provide the Board with independent demographic data analysis and recommendations for updating demographic assumptions at least every five years.

The assumed rate of return is a blend of the projected average gain or loss on investments over 10 and 20 years based on the adopted asset allocation. It may be different than the discount rate, which is the rate at which liabilities are discounted. Discount rates may be different from plan to plan based on the specific provisions, funding levels, and risks of each plan, even though the assets are co-mingled for investment purposes. This is because there is not a single specific discount rate that can ever be considered as appropriate for every plan. Thus, different plans may select different discount rates, although they are expected to remain within a small range (+ or – 25 basis points) of each other.

The Board will examine economic assumptions at least annually. The discount rate on liabilities shall be compared to a guideline range of a combination of the 120-month average of the 10-year constant maturity treasury rate published by the Federal Reserve Bank of St. Louis plus 3% to 4.5%. If the current discount rate(s) fall outside of this range, the actuarial consultant, Chief Executive Officer, Chief Investment Officer, and Board's general investment consultant shall make a recommendation as to whether an adjustment is needed, taking into account a 10-

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20-, and 30-year economic outlook. If the Board is satisfied that all economic assumption recommendations were prepared using sound actuarial principles and economic theory, the Board shall adopt the actuarial consultant's recommended assumptions.

Based on the most recent experience review and the recommendations of the actuarial consultant, the Board has adopted the following actuarial assumptions:

### ***State Employee and Teacher Program, Judicial Program, and Legislative Program***

- Discount rate: 6.5%
- Inflation (included in the above assumption): 2.75%
- The other economic and demographic assumptions recommended by the actuarial consultant in the State Employee and Teacher Program experience study.

### ***PLD Plans***

- Discount rate: 6.5%
- Inflation (included in the above assumption): 2.75%
- The mortality assumptions recommended by the actuarial consultant in the State Employee and Teacher Program experience study, and the remaining economic and demographic assumptions recommended by the actuarial consultant in the PLD Consolidated Retirement Plan experience study.

## **Contribution Rate Setting**

Contribution rates are set based on recommendations from the actuarial consultant using the above principles, methodology and assumptions and in accordance with statutes and rules. Employer contribution rates are composed of the normal cost rate and, for each source of unfunded actuarial liability, an unfunded actuarial liability rate. Employee rates in the PLD Consolidated Retirement Plan may also have normal cost and unfunded actuarial liability components in accordance with Rule Chapter 803.

The actuarial consultant shall provide the Board with annual valuation reports for each program. The actuarial consultant also shall provide the Board with recommended contribution rates for the State Employee and Teacher, Legislative, and Judicial Programs to keep each program soundly funded. The Board will consider the information in the reports and ensure that this information was prepared independently, free from any self-interested influence, and using sound actuarial principles. If the Board is satisfied that this information was prepared

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independently, free from any undue influences, and using sound actuarial principles, the Board shall adopt the actuarial consultant's recommended rates.

The Board delegates to the Chief Executive Officer the setting of the contribution rates for the PLD Consolidated Retirement Plan in consultation with the PLD Advisory Committee and in accordance with Rule Chapter 803, this Policy, and the Plan valuation approved by the Board.

### Board Responsibilities – Investments and Administration

#### 2.3 – Rulemaking

Date Adopted: December 13, 2012

Date Amended: October 8, 2015; November 18, 2021

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#### Policy

The Board of Trustees shall promulgate agency rules when required by law, when required to clarify the intent of the law, and when appropriate to memorialize selected administrative decisions. Trustees shall rely on professional staff to inform and initiate the rule-making process when necessary and appropriate.

#### Statutory/Legal Provisions

- [5 M.R.S. § 17103\(4\)](#).
- [5 M.R.S. ch. 375](#) (Maine Administrative Procedure Act).

#### Rule Making Process

The System must follow the Maine Administrative Procedure Act rulemaking requirements and the “Guide to Rulemaking” published by the Office of the Secretary of State. Those requirements include:

- A determination by the System that the rule under consideration is within the rulemaking jurisdiction of the System;
- Notice of the proposed rule and public comment in accordance with the requirements set forth in 5 M.R.S. §§ 8052, 8053, 8053-A and 8054; and
- Filing of the adopted rule in accordance with the 5 M.R.S. § 8056.

### Board Responsibilities – Investments and Administration

#### 2.4 – Appeals

Date Adopted: December 13, 2012

Date Amended: October 8, 2015; November 18, 2021

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#### Policy

The Board of Trustees shall hear appeals of Chief Executive Officer decisions where a right to appeal exists, including decisions involving retirement, disability, death, and life insurance benefits, and make the final administrative decision on behalf of the System.

#### Statutory/Legal Provisions

- [5 M.R.S. § 17103.](#)
- [5 M.R.S. § 17106-A.](#)
- [5 M.R.S. § 17451.](#)
- [5 M.R.S. ch. 375](#) (Maine Administrative Procedure Act).
- [94-411 C.M.R. ch. 702](#) (MainePERS Rule Chapter 702).

#### Appeals Process

The Board must follow MainePERS Rule Chapter 702 in hearing and deciding appeals of the Chief Executive Officer. This rule sets forth in detail the process to be followed, the role of the Board and other participants, and the determinations the Board may make in deciding an appeal.

### Board Responsibilities – Investments and Administration

#### 2.6 – Environmental, Social and Governance Policy

Date Adopted: January 8, 2015

Date Amended: May 11, 2017; November 18, 2021

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#### Policy

The MainePERS Board of Trustees considers material environmental, social, and governance (ESG) risks and value creation opportunities critical for inclusion in its due diligence and ongoing monitoring of investments subject to its fiduciary duties, constitutional requirements and in accordance with laws and regulations. The MainePERS Board of Trustees directs the Chief Executive Officer and MainePERS Investment Team to incorporate ESG considerations into all investments considered or made by MainePERS following the adoption date of this policy, and to examine opportunities for ESG integration in existing investments.

MainePERS acknowledges that it will not always be feasible to ensure a particular investment's integration of ESG considerations, especially in cases where MainePERS is a minority owner and has limited ability to influence the organization. In these cases, the MainePERS Investment Team shall engage organizations with which it currently invests to strongly consider relevant ESG-related issues. In addition, MainePERS will consider its ability to influence ESG considerations when weighing prospective investments.

The MainePERS Board of Trustees shall annually review implementation of this policy and update or revise this policy as appropriate.

This policy shall also apply to investment consultants hired by MainePERS to provide guidance on investment due diligence matters.

#### Statutory/Legal Provisions

- Me. Const. art. IX § 18
- 5 M.R.S. §§ 1957, 17102 and 17103

#### Roles and Responsibilities

The Chief Executive Officer shall ensure that the MainePERS Investment Team integrates this policy into the investment due diligence process. The MainePERS Chief Investment Officer and Deputy Chief Investment Officer shall ensure that material ESG issues are continually reviewed, revised and integrated by the investment team in the due diligence process. A report describing the implementation of this policy, including recommendations for updates or revisions to this policy, will be provided to the Trustees at the December Board meeting each year. The report must also include commonly available environmental performance metrics on the environmental effects of MainePERS' investments.



### ESG Due Diligence

MainePERS believes that organizations that understand the benefit of and openly practice sound environmental, social and governance business practices create strong business models and investment opportunities. Consistent with its fiduciary duties, constitutional requirements and in accordance with laws and regulations, MainePERS shall:

1. Maintain awareness of new and existing key ESG considerations and their impact on investment valuation, and update the due diligence process used to identify material ESG issues accordingly.
2. Examine and understand each potential or existing investment's material ESG risk exposure and use this knowledge when evaluating potential investments and during the duration of investment ownership.
3. Be accessible to, and engage with, relevant stakeholders.
4. Encourage and support the adoption and implementation of sound environmental, social, and governance practices by companies and managers in which MainePERS invests.
5. Encourage governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest.
6. Encourage MainePERS investments, and MainePERS business partners to commit to aligning their operations and strategies with the United Nations Global Compact's principles regarding human rights, labor, environment, and anti-corruption.
7. Provide timely and transparent information accessible by stakeholders on the matters addressed in this policy.

### Board Responsibilities – Investments and Administration

#### 2.7 – Engagement

Date Adopted: February 11, 2016

Date Amended: October 11, 2018; November 18, 2021

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#### Policy

MainePERS is the fiduciary for funds it is assigned to manage. MainePERS shall be a good steward for the funds entrusted to it, managing and investing these funds as a “prudent investor” in accordance with the “exclusive benefit rule” and the laws and Constitution of the State of Maine. MainePERS shall also promote the long-term success of companies with which the System invests through engagement activities.

#### Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, *et seq.* (Maine Uniform Trust Code); 18-B M.R.S. § 901, *et seq.* (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

#### Engagement

Engagement is encouraging long-term success and growth of publicly traded companies with whom MainePERS invests through activities such as:

- Direct engagement
- Participating in or sponsoring shareholder litigation
- Proxy voting

#### *Direct Engagement*

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### MainePERS Board of Trustees

MainePERS will maintain a direct engagement effort consistent with the need for and resources available to encourage the publicly traded companies in its portfolio to achieve long term growth and success, balancing the long term focus of good stewardship with the short term challenges the company faces. Direct engagement opportunities may be based on continuous monitoring of its investments including investment analysis, trade publications, trade organizations, or coordination with other institutional investors.

Direct engagement includes written and oral communication to companies, including attending shareholder meetings and sponsoring shareholder resolutions in unusual circumstances.

### *Shareholder Litigation*

MainePERS will participate in shareholder litigation only to the extent that participation is likely to benefit MainePERS members as pension beneficiaries. MainePERS generally will not assume the role of lead plaintiff in a securities class action unless no other investor with interests similar to MainePERS and sufficient resources to support the litigation is willing to serve as lead plaintiff and the System otherwise will lose the benefit of the litigation to members.

### *Proxy Voting*

MainePERS will vote its proxies in the best interests of its members as pension beneficiaries. This will generally mean focusing on good stewardship by the companies with which MainePERS invests, including:

- Voting to optimize each company's value to shareholders, balancing the long-term focus of good stewardship with the short-term challenges the company faces. Good stewardship includes establishment of effective governance and management practices, responsibility to employee and customer welfare, and responsibility to the environment;
- When there is a conflict between long- and short-term interests, voting shall be in favor of proposals that maximize shareholder control consistent with effective business operations of the company;
- Refraining from voting to further the interests of any group other than the best interests of MainePERS members as pension beneficiaries.

The Chief Executive Officer and Chief Investment Officer shall implement this direction by engaging a proxy voting agent to vote shares of stock owned by MainePERS. The MainePERS investment team shall create, maintain, and update general guidance in the following areas that the proxy voting agent can use to map to proxy votes available to MainePERS:

- Management resolutions
  - Elections of officers
  - Ratification of auditors
  - Governance structure and shareholder rights
  - Compensation
- Shareholder proposals
  - Environment

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### MainePERS Board of Trustees

- Social matters
- Governance
- Compensation
- Mergers and proxy contests

The MainePERS Investment team shall work with the proxy voting agent to determine MainePERS' position on proxies not directly covered by the implementation guidance. The Investment team shall monitor the proxy voting agent's implementation of the MainePERS guidance and report semi-annually to the Board of Trustees. The Board may meet with the proxy voting agent from time to time to discuss MainePERS' votes.

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### **BOARD – GOVERNMENT COORDINATION**

## **Governance Manual**

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### **Board – Government Coordination**

#### **3.1 – Reporting**

Date Adopted: June 13, 2013

Date Amended: October 13, 2016; November 14, 2019; November 10, 2022

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#### **Policy**

The Board of Trustees directs the Chief Executive Officer to prepare and submit all reports required to be submitted to the Maine State Legislature, the Standing Committee with oversight jurisdiction for MainePERS, or other government agencies as required by legislation.

Copies of reports shall be made available to Trustees electronically, and in hard copy upon request by individual Trustees or the Board as a whole. See Attachment 1 for a list of recurring reports.

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MainePERS Board of Trustees

### Board – Government Coordination

#### 3.1 – Attachment 1 – Recurring Reports

Date Adopted: October 13, 2016

Date Amended: November 14, 2019; November 10, 2022

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Reports submitted on a recurring basis include, but are not limited to:

<b><u>Report</u></b>	<b><u>Statutory Reference</u></b>	<b><u>Date Due</u></b>
Quarterly Out-of-State Travel Report to the Legislature	5 M.R.S. § 44-A	Within 15 days after end of each quarter
Quarterly RHIPB Investment Trust Fund Reports to the Treasurer and Controller	5 M.R.S. § 17435	Within 30 days after end of each quarter
Annual Report on Review of the Environmental, Social and Governance Investment Policy	5 M.R.S. § 1957(5)	January 1
Annual Report to the Legislature (Fossil Fuel Divestment)	P.L. 2021, ch. 231, § 4	January 1 (through 2026)
Annual Report to the Legislature (Procurement)	5 M.R.S. § 12023	February 1
Annual Military Subsidy Report to the Legislature	5 M.R.S. § 17760(6)	February 15
Annual Report to the Legislature (Operations)	5 M.R.S. § 17103(11)	March 1
Annual RHIPB Investment Trust Fund Report to the State, Legislature, Treasurer, and Controller	5 M.R.S. § 17435	March 1
Annual Reports to the Secretary of State on the Board of Trustees and PLD Advisory Committee	5 M.R.S. § 12005-A	December 31
State Government Evaluation Act Report	3 M.R.S. § 956	November 1 every eight years (next 2029)

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### Board – Government Coordination

#### 3.2 – Legislation

Date Adopted: June 13, 2013

Date Amended: November 14, 2019; November 10, 2022

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#### Policy

The Board of Trustees may propose, oppose, support, or assist in drafting legislation that is in the best interest of the System.

#### System Legislation

The Board of Trustees delegates responsibility to the Chief Executive Officer to propose System legislation that:

- Is required to comply with state and federal laws;
- Creates consistency within state and federal law;
- Improves the administrative, actuarial, or investment efficiency of the System's state-sponsored retirement, disability, or group life insurance programs;
- Improves the administrative, actuarial, or investment efficiency of MaineStart or the Retiree Health Insurance Post-employment Benefits Investment Trust Fund; or
- Enables the Participating Local District (PLD) Advisory Board to recommend actions that maintain sound funding for the PLD Consolidated Plan.

The Chief Executive Officer shall keep the Board informed of any System-proposed legislation.

#### System Assisted Legislation

The Board of Trustees delegates responsibility to the Chief Executive Officer to assist the Legislature, Governor's Office, or units of state government in drafting retirement system legislation and associated fiscal notes.

Assistance in developing technically correct legislative language may be provided to stakeholders. Assistance may also be provided to stakeholders in developing high-level fiscal impacts of proposed legislation, but this assistance must be provided in a manner that does not incur excessive costs to the System.

The Chief Executive Officer shall keep the Board informed of any legislation developed with the System's assistance.

#### Restrictions

The Board of Trustees shall not propose, formally support, or formally oppose legislation that changes the plan design of state-sponsored retirement plans except as required by the Board's fiduciary duties or to ensure compliance with applicable federal law.



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### **BOARD – CHIEF EXECUTIVE OFFICER COORDINATION**

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### **Board – Chief Executive Officer Coordination**

#### **4.1 – Coordination of Control**

Date Adopted: June 13, 2013

Date Amended: November 10, 2022

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#### **Policy**

The Board of Trustees shall conduct System business through delegation to the Chief Executive Officer. The Chief Executive Officer shall implement decisions of the Board. Decisions or instructions of individual Trustees shall be implemented only when the Board has specifically approved them.

### Board – Chief Executive Officer Coordination

#### 4.2 – Chief Executive Officer Accountability

Date Adopted: June 13, 2013

Date Amended: November 14, 2019; November 10, 2022

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#### Policy

The Chief Executive Officer is the Board of Trustees' link to the organization's operations, achievement, and conduct. The Board shall:

- Hold the Chief Executive Officer accountable for organizational performance;
- Evaluate only the Chief Executive Officer; and
- Work through the Chief Executive Officer and not give instructions to persons who report directly or indirectly to the Chief Executive Officer.

#### Delegation

The Board of Trustees delegates authority to the Chief Executive Officer to implement Board policies, directives made during Board meetings, and System long-term strategic outcomes and goals. The Chief Executive Officer is authorized to establish administrative policies, make decisions, take actions, and establish practices to implement Board policies, directives, and strategic direction and will be evaluated on the results.

Accordingly, the Chief Executive Officer shall:

- Assist the Board in the development of governance policies;
- Assist the Board in their role in System strategic planning;
- Ensure Board policies are implemented by linking Board policies to agency rules, administrative policies and procedures;
- Apply reasonable interpretations of Board policy, law, rules and direction in day-to-day System administration;
- Develop Board meeting agendas to ensure Trustees can accomplish all required Board functions;
- Provide internal and key indicator reports that enable the Board to oversee and monitor organizational performance;
- Coordinate with and support external third-parties selected by the Board in providing independent reporting of organizational performance.

## **Governance Manual**

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### **Board – Chief Executive Officer Coordination**

#### **4.3 – Monitoring Chief Executive Officer Performance**

Date Adopted: June 13, 2013

Date Amended: February 9, 2023

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#### **Policy**

The Board of Trustees has a duty to carefully monitor the performance of the Chief Executive Officer in implementing the delegated authority.

#### **Annual Evaluation**

The Board Chair shall lead the Board in an annual performance evaluation of the Chief Executive Officer. The evaluation shall occur at the end of each successive twelve-month period following the date of hire.

The Board shall evaluate the Chief Executive Officer in the following categories:

- Leadership;
- Management;
- Communications;
- Policy matters; and
- Staff development.

In the first month following the completion of each year of service, the Chief Executive Officer shall provide the Board Chair with a self-assessment including accomplishments in each category of the evaluation form (Attachment 1), an assessment of the System's progress against the strategic plan, and a set of proposed goals for the coming year.

The Board Chair will provide Trustees with the Chief Executive Officer's self-evaluation and the evaluation form. Trustees shall provide the Board Chair with the completed evaluation form within two weeks of receiving the Chief Executive Officer's self-evaluation and the evaluation form. Numeric rankings are a method to provide relative feedback, not a numeric overall ranking. Written comments should be used to more fully document the numeric rankings.

The Board Chair shall compile individual Trustee evaluations for the Board to review collectively. The Board shall discuss and reach consensus on the overall evaluation. The Board Chair shall write the Board's performance evaluation based on this discussion. The Board's evaluation may be discussed with the Chief Executive Officer in executive session.

### Comprehensive Evaluation

In the second year of the Chief Executive Officer's service and every four years thereafter, the annual review will be replaced with a comprehensive evaluation according to the following guidelines:

1. A review committee will be established including the Chair and Vice Chair of the Board of Trustees. The review committee will develop a schedule for the comprehensive evaluation to be completed.
2. The review committee and the Chief Executive Officer will agree on the selection of an external reviewer to conduct the comprehensive evaluation and to report to the review committee.
3. The Chief Executive Officer shall provide the Board Chair with a self-assessment including accomplishments in each category of the evaluation form, an assessment of the System's progress against the strategic plan, and a set of proposed goals for the coming year. This shall be provided to the Board Chair in the first month following the anniversary of service as Chief Executive Officer.
4. The external reviewer will utilize the categories included in the evaluation form as the criteria for assessing the Chief Executive Officer's performance and will meet with the review committee to discuss the comprehensive evaluation process and the self-assessment, and to identify any other issues to be considered.
5. The external reviewer will meet with the Chief Executive Officer to discuss the comprehensive evaluation process and the self-assessment, and to identify any other issues to be considered.
6. The external reviewer will interview or survey all members of the Board of Trustees for the comprehensive evaluation.
7. The review committee and the Chief Executive Officer will each develop a list of other parties to be interviewed or surveyed by the external reviewer, including members of the executive and senior administrative staff. The external reviewer will select parties from these lists to be interviewed or surveyed, ensuring balanced representation from both lists.
8. The external reviewer will prepare a draft report and meet first with the review committee and then the Chief Executive Officer to discuss the findings.
9. The external reviewer will finalize the report and forward it to the review committee and the Chief Executive Officer. The review committee and the Chief Executive Officer will meet to discuss the report.
10. The review committee will forward the final report to the Board of Trustees.
11. The Board will meet in executive session to discuss the report with the Chief Executive Officer.

## Governance Manual

MainePERS Board of Trustees

### Board – Chief Executive Officer Coordination

#### 4.3 – Attachment 1 – Chief Executive Officer Evaluation Form

Date Adopted: June 13, 2013

Date Amended: February 9, 2023

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**Chief Executive Officer Name:**

**Evaluation Date:**

**Leadership Rating** \_\_\_\_\_

**5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable**

- \_\_\_\_\_ Inspires confidence, establishes credibility with Board, staff, members, retirees, and legislators
- \_\_\_\_\_ Maintains a “big picture” outlook and is aware of industry issues
- \_\_\_\_\_ Exhibits diligence in leading the organization
- \_\_\_\_\_ Thoroughly prepares issues for the Board to discuss
- \_\_\_\_\_ Forecasts trends, responds to change, and invites innovation
- \_\_\_\_\_ Solicits and acts upon ideas of others when appropriate
- \_\_\_\_\_ Provides direction and support to the Board regarding its statutory and fiduciary obligations
- \_\_\_\_\_ Projects a positive image as the Chief Executive Officer of MainePERS

**General Comments or Examples:**

## Governance Manual

MainePERS Board of Trustees

### Management Rating \_\_\_\_\_

**5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable**

- \_\_\_\_\_ Manages MainePERS' activities in accordance with relevant laws and Board policies
- \_\_\_\_\_ Develops reasonable budgets, communicates them to the Board, and operates within budgetary limits
- \_\_\_\_\_ Ensures the efficient and effective functioning of the System through delegation to the executive and senior administrative staff and outside service providers
- \_\_\_\_\_ Assesses and advises on adequate security for all official documents and technology systems
- \_\_\_\_\_ Exhibits skill in problem solving

**General Comments or Examples:**

### Communications Rating \_\_\_\_\_

**5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable**

- \_\_\_\_\_ Keeps the Board and staff informed, and effectively communicates with them
- \_\_\_\_\_ Organizes ideas and information logically
- \_\_\_\_\_ Speaks clearly and concisely, using understandable terminology
- \_\_\_\_\_ Effectively communicates with the Board
- \_\_\_\_\_ Effectively communicates with stakeholders, members and retirees when appropriate
- \_\_\_\_\_ Effectively communicates with government officials, legislators, service providers, the media, and the general public

**General Comments or Examples:**

## Governance Manual

MainePERS Board of Trustees

### Policy Matters Rating \_\_\_\_\_

**5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable**

- \_\_\_\_\_ Periodically reviews Board policies and rules, and makes recommendations to the Board for changes in Board policies and rules
- \_\_\_\_\_ Effectively interprets Board policies and concerns, and develops a consistent direction for the staff to follow
- \_\_\_\_\_ Initiates changes in day-to-day operations to conform to established Board policies
- \_\_\_\_\_ Acts creatively to evaluate and recommend new programs or policies

**General Comments or Examples:**

### Staff Development Rating \_\_\_\_\_

**5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable**

- \_\_\_\_\_ Creates an atmosphere that fosters teamwork, creativity, and participation
- \_\_\_\_\_ Sets clear standards of performance for the executive and senior administrative staff
- \_\_\_\_\_ Encourages professional development and appropriate training of staff
- \_\_\_\_\_ Addresses succession planning for key positions within the System

**General Comments or Examples:**



# Governance Manual

MainePERS Board of Trustees

## Rating Summary

5 – Outstanding, 4 – Above Average, 3 – Satisfactory, 2 – Needs Improvement, 1 – Unacceptable

<b>Categories</b>	<b>Rating</b>
<b>Leadership</b>	
<b>Management</b>	
<b>Communications</b>	
<b>Policy Matters</b>	
<b>Staff Development</b>	
<b>Average</b>	

Summary Comments:

### Board – Chief Executive Officer Coordination

#### 4.4 – Board / Consultants / Staff Relations

Date Adopted: June 13, 2013

Date Amended: October 13, 2016; November 14, 2019; November 10, 2022

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#### Policy

Trustees shall in part fulfill their fiduciary duty through reliance on trained and experienced professional consultants. The Chief Executive Officer shall ensure that only qualified Board consultants are presented to Trustees for their consideration.

#### Consultants to the Board

Board consultants shall be identified and selected through a combination of Trustee and staff actions and decisions. Staff shall thoroughly research the field of possible consultants for each need and set of criteria identified by the Board and provide the Board with a final list of candidates and the reasoning for selecting those candidates. Staff shall provide their reasoning and recommendation for which consultant to engage, and the Board shall interview the recommended consultant prior to a final Board decision.

At least every five years, staff will evaluate the performance of each consultant and make a recommendation to the Board as to whether or not a search process for a new consultant should be initiated.

Individual Trustees shall not directly contact consultants before or during their engagement without the prior knowledge of the Board Chair and Chief Executive Officer. Individual Trustees shall not give consultants direction unless this authority has been specifically delegated.

Individual Trustees shall interact with consultants consistent with the Board Standards of Conduct and all governance policies.

#### Staff/Consultant Relations

Consultants to the Board shall be engaged with the understanding that they report to the Board, but will work with staff in supporting Board needs. Consultants shall further be engaged with the understanding that while the majority of their work will involve working with staff in meeting Board needs, they are expected to provide independent opinions that may deviate from those of staff.

Staff shall respect the unique relationship consultants have with the Board, understanding that if issues arise between consultants and staff, consultants will first attempt to cooperatively resolve operating issues directly with staff. If issues cannot be resolved, consultants will work first with the Chief Executive Officer to resolve them, and if issues are still unresolved, report the issues directly to the Board Chair. Consultants shall also be engaged with the understanding that they are to report suspicion of or actual improper staff behavior to the Chief Executive Officer and/or Board Chair as appropriate. The Chief Executive Officer will report the contact to the Board Chair and communicate a plan of action to resolve the issue. Consultants shall be engaged

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with the understanding they are to report improper staff behavior as soon as possible directly to the Board Chair if the Chief Executive Officer is not resolving the issue.

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### **Board – Chief Executive Officer Coordination**

#### **4.5 – Board / Staff Relations**

Date Adopted: June 13, 2013

Date Amended: November 14, 2019; November 10, 2022; November 9, 2023

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#### **Policy**

Trustees shall in part fulfill their fiduciary duty through reliance on trained and experienced qualified professional staff. The Chief Executive Officer shall ensure that only trained and experienced qualified staff support Trustees in fulfilling their duty.

#### **Staff/Board Relations**

Staff shall prepare an appropriate level of information and education for Trustees to fulfill their fiduciary role and monitor System operations.

Staff shall work to provide relevant information to Trustees, including metrics that enable Trustees to effectively monitor the operating outcomes of Board policy. Staff shall also thoroughly research and prepare background material for all decisions required or collectively requested by Trustees. Trustees shall be provided with a set of options along with supporting reasoning for each requested decision, and the option recommended by staff along with supporting reasoning. Staff shall provide Trustees with an analysis of relevant risks in support of any major decision.

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### **Board – Chief Executive Officer Coordination**

#### **4.6 – Communication and Support to the Board**

Date Adopted: August 8, 2013

Date Amended: November 10, 2022

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#### **Policy**

The Chief Executive Officer shall support the Board so that all Trustees are informed in their work.

The Chief Executive Officer shall:

- Prepare and present information in concise, understandable formats that support Trustee monitoring or decision-making, avoiding unnecessarily complex or lengthy information;
- Provide Trustees with background information, education, options, and a staff recommendation and reasoning for Board decisions;
- Timely inform the Board of substantial losses, anticipated adverse media coverage, material external and internal changes, and on-going environmental or regulatory issues that impact System operations;
- Advise the Board if, in the Chief Executive Officer's opinion, the Board is not in compliance with its own policies;
- Report material staff non-compliance with Board policies that may adversely impact the System in a timely manner.

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**CHIEF EXECUTIVE OFFICER RESPONSIBILITIES**

## **Governance Manual**

MainePERS Board of Trustees

### **Chief Executive Officer Responsibilities**

#### **5.1 – Chief Executive Officer Scope of Responsibility**

Date Adopted: August 8, 2013

Date Amended: October 12, 2017; November 9, 2023

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#### **Policy**

The Chief Executive Officer shall carry out Board policy and achieve Board adopted outcomes. The Chief Executive Officer shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent or in violation of commonly accepted business or professional ethics.

### Chief Executive Officer Responsibilities

#### 5.2 – Service to Members, Retirees, Employers and Stakeholders

Date Adopted: August 8, 2013

Date Amended: October 12, 2017; November 9, 2023

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#### Policy

The System shall provide service by building trust through the delivery of timely and accurate information while maintaining respect for member, retiree, employer or stakeholder need for information and level of knowledge about the System and its business.

#### Statutory/Legal Provisions

- [1 M.R.S. § 402\(3\)](#), [5 M.R.S. § 17057](#).

#### Administration

The Chief Executive Officer shall manage the organization so that:

- MainePERS serves members, retirees, employers and stakeholders with accurate, timely and transparent information about the System's retirement plans, funding requirements, investment performance and national trends;
- Members, retirees, employers and stakeholders are treated respectfully at all times, whether in their presence or absence;
- Members, retirees, employers and stakeholders receive a clear understanding of services provided;
- Services are tailored to individual or group needs;
- Only information necessary to conduct System business is collected and maintained;
- Information technology and systems follow best practices in safeguarding member, retiree, and employer data;
- Member, retiree, employer and stakeholder concerns are addressed and resolved at the earliest point in the service delivery process;
- System operations are transparent; and
- Investment information is managed to meet transparency needs of stakeholders without jeopardizing MainePERS' competitive position.



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MainePERS Board of Trustees

### **Chief Executive Officer Responsibilities**

#### **5.3 – Service to Staff**

Date Adopted: August 8, 2013

Date Amended: October 12, 2017; November 9, 2023

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#### **Policy**

The Chief Executive Officer shall manage the organization by creating a safe, trusting, and resourceful work environment.

#### **Administration**

The Chief Executive Officer shall manage the organization so that:

- Staff has a common sense of purpose;
- Staff are provided appropriate direction for work;
- Personnel policies are maintained and disseminated to clarify work rules for employees;
- Non-public personnel information is safeguarded from disclosure;
- Staff are protected from unlawful discrimination or harassment;
- Conditions that are wrongful, unfair, undignified, disorganized, or unsafe do not exist;
- Suitable behavioral and skill-based competencies for each position or category of work are maintained, and a process to fill positions with qualified persons is in use.

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### Chief Executive Officer Responsibilities

#### 5.4 – Budgeting, Spending, and Reporting

Date Adopted: October 11, 2012

Date Amended: December 13, 2012, March 13, 2015; October 12, 2017; November 12, 2020; November 9, 2023

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#### Policy

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

#### Statutory/Legal Provisions

- [5 M.R.S. § 12021](#), *et seq.*
- [41 C.F.R. Chapters 300-304](#).
- [26 U.S.C. § 401\(a\)\(1\)](#) ["Exclusive benefit rule"].
- [5 M.R.S. §§ 17102, 17103, 17105](#).

#### Budgeting

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

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

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

#### Spending

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

Accordingly, the Chief Executive Officer shall manage spending to:

- Implement Board adopted actuarial, investment, and interest assumptions;
- Accurately calculate and timely pay all benefits due members in accordance with law;

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

## Reporting

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

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

- Presents quarterly financial reports to the Finance and Audit Committee. These reports shall include:
  - Actual financial performance against budget, with reasons for and substantiation of variations from budget;

## Governance Manual

### MainePERS Board of Trustees

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

# Chief Executive Officer Responsibilities

## 5.5 – Asset Protection

Date Adopted: August 8, 2013

Date Amended: November 13, 2014; November 9, 2023

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### Policy

The Chief Executive Officer shall protect System assets against unnecessary risk.

### Statutory/Legal Provisions

- [Me. Const. art. IX, § 18.](#)
- [5 M.R.S. §§ 17103, 17105.](#)
- [18-B M.R.S. § 801](#), *et seq.* (Maine Uniform Trust Code).

### Administration

The Chief Executive Officer shall:

- Maintain property and liability insurance coverage in appropriate amounts;
- Provide for suitable care and maintenance of all System real and personal property;
- Follow best practices to protect member, retiree, employer and investment information
- Adopt and utilize internal controls to safeguard trust and operating funds, including any controls recommended by the System's internal or external auditors; and
- Maintain and enforce policies to protect the System's assets from theft, loss or damage.

### Emergencies

In the event of an emergency, the Chief Executive Officer shall take any action that the Chief Executive Officer determines is necessary or appropriate to protect the assets of the System and to continue or restore business operations. Whether an emergency exists shall be determined by the Chief Executive Officer, who shall, as soon as practicable, inform the Chair of the Board of Trustees or, in the absence of the Chair, the Vice Chair of the Board of Trustees. The Chief Executive Officer shall establish a progression of authority so that executive leadership is provided in the event that the Chief Executive Officer is unable to act in an emergency. A senior staff member acting for the Chief Executive Officer pursuant to the progression of authority is vested with the rights, duties, obligations, and authority of the Chief Executive Officer.

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### **Chief Executive Officer Responsibilities**

#### **5.6 – Open Access to Government**

Date Adopted: August 8, 2013

Date Amended: November 14, 2013; October 12, 2017; November 9, 2023

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#### **Policy**

The Board of Trustees conforms to and supports all laws, policies and rules providing citizen access to government. Open access includes 1) maintaining records for public accessibility; and 2) conducting all Board business in open meetings except for matters appropriate for executive sessions of the Board.

#### **Statutory/Legal Provisions**

- 1 M.R.S. ch. 13 (Freedom of Access Act)
- 5 M.R.S. § 17057

#### **Implementation**

The Chief Executive Officer shall:

- Maintain all records of the Board of Trustees and the organization in a manner to comply with the Freedom of Access Act;
- Provide public notice for all Board of Trustee meetings;
- Prepare agendas with all Board of Trustee meeting deliberations and discussion in open meetings for which the public has been notified;
- Inform and train trustees in open public meeting laws and requirements; and
- Support the laws and the spirit of the laws in all Board of Trustee and staff interactions.

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MainePERS Board of Trustees

### **Chief Executive Officer Responsibilities**

#### **5.7 – Emergency Chief Executive Officer Succession**

Date Adopted: 8/8/13

Date Amended: 11/14/13; November 9, 2023

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#### **Policy**

The Chief Executive Officer may have no fewer than two other executives familiar with Board and Chief Executive Officer issues and processes in order to protect the Board from sudden loss of Chief Executive Officer services.

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MainePERS Board of Trustees

### **Chief Executive Officer Responsibilities**

#### **5.8 – Compensation and Benefits**

Date Adopted: August 8, 2013

Date Amended: October 12, 2017; November 9, 2023

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#### **Policy**

The Chief Executive Officer shall not cause or allow jeopardy to fiscal integrity or deviate materially from the market with respect to employment, compensation, and benefits to employees.

Accordingly, the Chief Executive Officer shall not:

- Change the Chief Executive Officer's own compensation and benefits;
- Promise or imply permanent or guaranteed employment.



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## Most Recent Policy Approval Date Index

SEC.	TITLE	BOARD ACTION/DATE
BOARD GOVERNANCE		
1.1	Governance Principles and Commitment	Amended 11/18/21 Amended 10/8/15 Adopted 12/13/12
1.2	Trustee Fiduciary Responsibility	Amended 10/13/16 Amended 6/13/13 Amended 12/13/12 Adopted 6/9/12
1.3	Standards of Conduct	Amended 11/10/22 Amended 11/14/19 Amended 10/13/16 Amended 3/13/15 Amended 6/13/13 Amended 9/14/06 Adopted 1/14/99
1.3 A1	Attachment 1 – Conflict of Interest Statements	Amended 10/13/16 Adopted 6/13/13
1.4	Trustee Responsibilities and Position Description	Amended 11/18/21 Amended 10/8/15 Adopted 10/11/12
1.4 A1	Attachment 1 – MainePERS Trustee Position Description	Amended 10/8/15 Adopted 10/11/12
1.5	MainePERS Board Officer Elections and Position Descriptions	Amended 10/13/16 Amended 11/13/14 Adopted 9/13/12
1.5 A1	Attachment 1 – Board Chair Position Description  Attachment 1 – Board Vice-Chair Position Description	Amended 11/10/22 Amended 10/13/16 Amended 11/13/14 Adopted 9/13/12
1.6	Finance and Audit Committee of the Board	Amended 11/9/23 Amended 11/18/21 Amended 5/9/19 Amended 10/13/16 Amended 3/13/15 Amended 12/13/12 Adopted 10/9/03
1.7	Board Self Evaluation	Amended 11/18/21 Amended 1/13/16 Amended 10/8/15 Amended 12/13/12 Adopted 10/9/03

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1.7 A1	Attachment 1 - Individual Trustee Self-Assessment	Amended 11/18/21 Amended 10/8/15 Amended 12/13/12 Adopted 10/9/03
1.7 A2	Attachment 2 – Evaluation Criteria	Amended 11/18/21 Amended 10/8/15 Amended 12/13/12 Adopted 10/9/03
1.7 A3	Attachment 3 – Evaluation Cycle	Adopted 10/13/16
1.8	Trustee Education	Amended 11/18/21 Amended 10/11/18 Amended 10/8/15 Amended 12/13/12 Amended 4/24/08 Adopted 8/10/07
1.9	Travel	Amended 10/8/15 Amended 12/13/12 Adopted 1/14/99
1.10	Board Meetings	Amended 10/12/23 Amended 8/11/22 Amended 8/12/21 Amended 11/12/20 Amended 10/11/18 Adopted 10/8/15
<b>BOARD RESPONSIBILITIES – INVESTMENTS AND ADMINISTRATION</b>		
2.1	Investments Policy Statement (Defined Benefit Plans)	Amended 3/14/24 Amended 2/9/23 Appendix 2 Amended 7/14/22 Amended 5/12/22 Appendix 1 Amended 1/14/21 Amended 11/12/20 Amended 12/14/17 Amended 9/14/17 Amended 6/8/17 Amended 5/11/17 Amended 11/10/16 Adopted 6/9/16
2.1A	Group Life Insurance Investment Policy Statement	Amended 10/12/23 Amended 11/12/20 Adopted 10/12/17
2.1 A1	Appendix 1 – Asset Classes, Policy Weights & Ranges	Adopted 10/12/23
2.1 A2	Appendix 2 – Policy Benchmarks	Adopted 10/12/23
2.1B	RHIT Investment Policy Statement	Amended 10/12/23 Amended 11/18/21 Adopted 7/12/18

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2.1C	DC Plans Investment Policy Statement	Amended 12/9/21 Adopted 1/9/20
2.1D	OPEB Trust Investment Policy Statement	Adopted 11/9/23
2.2	Actuarial Soundness & Funding	Amended 12/9/21 Amended 2/11/21 Amended 10/11/18 Amended 7/12/18 Amended 10/8/15 Adopted 12/13/12
2.3	Rulemaking	Amended 11/18/21 Amended 10/8/15 Adopted 12/13/12
2.4	Appeals	Amended 11/18/21 Amended 10/8/15 Adopted 12/13/12
2.5	Funding	Adopted 11/13/14 REPEALED 10/8/15
2.6	Environmental, Social & Governance	Amended 11/18/21 Adopted 1/8/15
2.7	Engagement	Amended 11/18/21 Amended 10/11/18 Adopted 2/11/16
<b>GOVERNMENT COORDINATION</b>		
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3.1 A1	Attachment – Recurring Reports	Amended 11/14/19 Adopted 10/13/16
3.2	Legislation	Amended 11/10/22 Amended 11/14/19 Adopted 6/13/13
<b>CHIEF EXECUTIVE OFFICER COORDINATION</b>		
4.1	Coordination of Control	Amended 11/10/22 Adopted 6/13/13
4.2	Chief Executive Officer Accountability	Amended 11/10/22 Amended 11/14/19 Adopted 6/13/13
4.3	Monitoring Chief Executive Officer Performance	Amended 2/9/23 Adopted 6/13/13
4.3 A1	Attachment 1 – Chief Executive Officer Evaluation Form	Amended 2/9/23 Adopted 6/13/13
4.4	Board / Consultants / Staff Relations	Amended 11/10/22 Amended 11/14/19 Amended 10/13/16 Adopted 6/13/13

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4.5	Board / Staff Relations	Amended 11/9/23 Amended 11/10/22 Amended 11/14/19 Adopted 6/13/13
<b>CHIEF EXECUTIVE OFFICER RESPONSIBILITIES</b>		
5.1	Chief Executive Officer Scope of Responsibility	Amended 11/9/23 Amended 10/12/17 Adopted 8/8/13
5.2	Service to Members, Retirees, Employers and Stakeholders	Amended 11/9/23 Amended 10/12/17 Adopted 8/8/13
5.3	Service to Staff	Amended 11/9/23 Amended 10/12/17 Adopted 8/8/13
5.4	Budgeting, Spending, and Reporting	Amended 11/9/23 Amended 11/12/20 Amended 10/12/17 Amended 3/13/15 Amended 12/13/12 Adopted 10/11/12
5.5	Asset Protection	Amended 11/9/23 Amended 11/13/14 Adopted 8/8/13
5.6	Open Access to Government	Amended 11/9/23 Amended 10/12/17 Amended 11/14/13 Adopted 8/8/13
5.7	Emergency Chief Executive Officer Succession	Amended 11/9/23 Amended 11/14/13 Adopted 8/8/13
5.8	Compensation and Benefits	Amended 11/9/23 Amended 10/12/17 Amended 11/14/13 Adopted 8/8/13