

**MainePERS Board of Trustees
Finance and Audit Committee Meeting
April 11, 2024
139 Capitol Street, Augusta**

AGENDA

8:00 a.m.	CALL TO ORDER		Shirrin Blaisdell
8:00 – 8:05 a.m.	1. <u>MINUTES APPROVAL 2/8/2024 Meeting</u>	ACTION	Shirrin Blaisdell
8:05 – 8:15 a.m.	2. <u>INTERNAL AUDIT PRESENTATION</u>		CLA
	a. Facilities Maintenance and Controls		
8:15 – 8:20 a.m.	3. <u>ADMINISTRATION MEMORANDUM</u>		Sherry Vandrell
	a. Employer Reporting Update		
	b. Report on Internal Audit		
8:20 – 8:30 a.m.	4. <u>REPORT ON FINANCIAL OPERATIONS</u>		Dr. Rebecca M. Wyke Sherry Vandrell
	a. 02/28/2024 Administration Operations Expense Report		
	b. 02/28/2024 Investment Operations Expense Report		
8:30 – 8:50 a.m.	5. <u>FY25 DRAFT BUDGET</u>		Dr. Rebecca M. Wyke Sherry Vandrell
	a. FY25 Draft Administration Operations Budget		
	b. FY25 Draft Investment Operations Budget		
8:50 a.m.	<u>ADJOURNMENT</u>		Shirrin Blaisdell

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

M i n u t e s

Board of Trustees
Meeting of the Finance and Audit Committee
February 8, 2024

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

The meeting of the Finance and Audit Committee was held at 8:00 a.m. at the office of the Maine Public Employees Retirement System, 139 Capitol Street, Augusta, Maine. Shirrin Blaisdell, Finance and Audit Committee Chair, presided. Committee member Dick Metivier, Vice Chair; and Brian Noyes also participated. Dick Metivier participated through video remote access due to temporary absence from the State of Maine. Joining the Trustees were Dr. Rebecca M. Wyke, Chief Executive Officer; and Sherry Vandrell, Chief Financial Officer.

Shirrin Blaisdell declared a quorum for the Finance and Audit Committee meeting. Shirrin called for nominations for committee chair and vice chair.

SELECTION OF COMMITTEE CHAIR AND VICE CHAIR

- **Action.** Dick Metivier made the motion, seconded by Brian Noyes, to select Shirrin Blaisdell as chair of the Finance and Audit Committee. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).
- **Action.** Brian Noyes made the motion, seconded by Shirrin Blaisdell, to select Dick Metivier as vice chair of the Finance and Audit Committee. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

MINUTES

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

- **Action:** Dick Metivier made the motion, seconded by Brian Noyes, to accept the minutes from the November 9, 2023 meeting. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

INTERNAL AUDIT PRESENTATION

Cash Receipts and Disbursements

Shirrin Blaisdell introduced Matt Rever and Jim Kreiser of CliftonLarsenAllen to the Committee members. Matt and Jim provided a presentation of the recently-concluded internal audit engagement to perform the procedures for the cash receipt and disbursement assessment. Matt and Jim thanked Sherry Vandrell, Jennifer Lidback and their teams for the great working relationship and assistance during this audit. They answered questions from the Trustees.

ADMINISTRATION

Employer Reporting Update

Sherry Vandrell provided an update on the employer reporting status. Sherry shared that 97% of employers reported on time for December. Payroll office turnover at employer locations is a big contributing factor impacting timely and accurate filings. Sherry stated employer account reconciliations and staff training assessments continue to be an ongoing focus of work. Sherry answered questions from the Trustees.

Pension and OPEB Supplemental Report Status

Sherry reported the pension and OPEB reports have been finalized and posted to the website.

Report on Internal Audit

Sherry shared that CLA completed the facilities management and controls work and has shared their draft comments for review. The next area for review, also assigned to CLA, will be member estimates and statements of account which is expected to begin in February.

REPORT ON FINANCIAL OPERATIONS

Sherry reviewed the Administrative and the Investment Operations Reports for the six months ended December 31, 2023. Sherry discussed and answered questions from the Committee on various portions of the expense reports. Sherry discussed the small projected deficit in the Administrative budget that is the result of more successful hiring and retention as compared to last year.

- Action. Brian Noyes made the motion, seconded by Dick Metivier, to authorize the Chief Financial Officer to transfer \$232,000 from the FY24 investment operations budget to the FY24 administrative operations budget resulting in a revised FY24 investment operations budget of \$6,437,040 and revised FY24 administrative operations budget of \$19,402,306. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

OPEGA REQUIRED REPORTING TO THE BOARD

Sherry provided the Trustees with the travel expense report for the quarter ended December 31, 2023. She also provided them with the procurement report for the six months ended December 31, 2023.

ADJOURNMENT

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

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The meeting adjourned at 8:45 a.m.

The next meeting of the Finance and Audit Committee is expected to be held April 11, 2024 at 8:00 a.m.

April 11, 2024
Date Approved by the Committee

Dr. Rebecca M. Wyke, Chief Executive Officer

Date Signed

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: INTERNAL AUDIT REPORT ON FACILITIES MAINTENANCE AND CONTROLS
DATE: APRIL 1, 2024

POLICY REFERENCE

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

INTERNAL AUDIT REPORT ON FACILITIES MAINTENANCE AND CONTROLS

CliftonLarsonAllen completed the internal audit on facilities maintenance and controls in January of 2023. A copy of their report is included in your packet. Matthew Rever and James Kreiser will attend the April 11th Finance and Audit Committee meeting to review the report with you and to answer any questions you may have.

RECOMMENDATION

No action is required by the Committee at this time.

**Maine Public Employees Retirement System (MainePERS)
Facility and Maintenance Planning Internal Audit**

January 31, 2024





CliftonLarsonAllen LLP
CLAconnect.com

Maine Public Employees Retirement System
Augusta, ME

We have concluded our internal audit of the facility and maintenance planning as described in our statement of work dated June 21, 2023. These procedures, which were agreed to by Maine Public Employees Retirement System (MainePERS) were applied solely to assist in evaluating the facility and maintenance controls and related requirements at MainePERS. The management of MainePERS is responsible for the operations and the internal controls related to facility and maintenance. This engagement was conducted in accordance with Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants. The sufficiency of the procedures, including the scope of and timing of the procedures, is solely the responsibility of the Board of Trustees and management of MainePERS. Consequently, we make no representations regarding the sufficiency of the procedures described in the attached document either for the purpose for which this report has been requested or for any other purpose.

We have included findings and recommendations resulting from the consulting engagement for consideration of MainePERS. Our procedures covered the period from July 1, 2023 through December, 31 2023.

Our engagement to perform these procedures was conducted as a consulting services engagement. We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the operations or internal controls of MainePERS. Accordingly, we do not express such an opinion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees, Finance and Audit Committee, and management of MainePERS and should not be used by others; however, a copy may be provided to regulatory authorities.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts

January 31, 2024

Scope:

In coordination with MainePERS, there were key items identified related to the physical facility security and facility maintenance planning based on areas of assessed risk. Specifically, the following scope items were noted for assessment, including:

- Physical Security Policies – Perform testing procedures to verify that policies and procedures related to physical security have been reviewed approved by an authorized individual to reflect current security standards.
- Physical Facility Access – Perform testing procedures to verify that provisioning and deprovisioning physical access to facilities are in place and operating effectively.
- Physical Controls – Perform testing procedures to assess the security controls in place for securing and monitoring restricted areas of the facility.
- Physical Incident Response – Perform testing procedures to verify that incident response policies are in place around physical security and was tested periodically.
- Facility Maintenance Policies – Perform testing procedures to verify that policies and procedures related to facility maintenance have been reviewed approved by an authorized individual to reflect current maintenance standards.
- Maintenance Inspections – Perform testing procedures to assess the monitoring procedures for facility equipment to determine that inspections are performed on a routine basis. Key equipment includes fire detection and suppression, plumbing for sprinkler systems, HVAC systems, UPS and backup generators, electrical systems, and IT equipment.
- Maintenance contractors – – Perform testing procedures to assess the third-party contracts to determine that contracted work is provided in accordance with the applicable contracts.

Objectives:

The objective of the internal audit of facilities maintenance and planning was to evaluate the adequacy of internal controls to provide reasonable assurance that unplanned issues are resolved timely, preventative maintenance and long-term projects are appropriately determined and prioritized, required inspections and drills are conducted as required, and that contracted work is provided in accordance with the applicable contracts.

Definition of Risk Classification Assigned to Findings and Recommendations:

CLA, with the aid of personnel from the MainePERS, obtained and reviewed documentation surrounding the management and operations around the facility and maintenance. This document serves as the observations and recommendations CLA noted over the course of the engagement, for management's discussion and review before finalization. Below are risk definitions assigned to each of CLA's observations, which begin on page 5.

Based on the review of the content of each observation, one of the following definitions of risk is assigned to facilitate comparison between observations.

Risk	Definition
High	<p>High priority issue, which requires immediate management attention. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:</p> <ul style="list-style-type: none"> • Substantial losses, possibly in conjunction with other weaknesses in the control framework, systems/applications, or the organizational entity or process being audited. • Serious violation of corporate strategies, policies, or values. • Serious reputation damage, such as negative publicity. • Significant adverse regulatory impact, such as loss of operating license or material fines.
Moderate	<p>Timely management attention is warranted. This is an internal control or risk management issue that could lead to:</p> <ul style="list-style-type: none"> • Financial losses. • Loss of effective or efficient control within the organizational entity, systems/applications, or process being audited. • Reputation damage. • Adverse regulatory impact, such as report comments or material fines.
Low	<p>Low priority issue that requires routine management attention. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity, systems/applications, or process being audited. Risks of loss are immaterial or limited.</p>

Observation #	Description of Observation (Potential Deficiency)	Risk	Description of Recommendation	Management Responses
1	Upon inquiry with MainePERS management and review of the implemented incident response plan, there has not been a recent test or table top exercise of the incident response plan for an incident related to a physical security breach.	High	We recommend that MainePERS should integrate a physical security component to their next table top exercise or incident response plan test.	Management agrees with this recommendation and recently completed an armed aggressor table top exercise for the Safety Marshal team. Lessons learned from this exercise are being evaluated and procedures updated ahead of conducting a site-wide exercise in 2024. MainePERS partners with an external vendor for physical security consultation.
2	Upon observation of MainePERS facility it was noted that the equipment in the MainePERS facilities were not connected to a back-up power generator.	Moderate	We recommend that MainePERS assess the risk of having no back-up generator and consider installing a generator to support key systems and operations in the event of a long term power outage.	Management agrees with this recommendation and is currently exploring options for installing a full solution generator for the facility.
3	The IT hardware inventory listing included a number of servers that are no longer supported by vendors and reach their end of life (including Windows 2012 PROD and Windows 2012 DR). When an operating system reaches "end-of-life", it is likely that the vendor no longer is supporting the software for protection against newly developed vulnerabilities.	Moderate	We recommend that all operating systems and servers be updated and patched to the latest version that is supported by the vendor to address security vulnerabilities.	Management agrees with this recommendation. At this time, four remaining 2012 R2 servers are scheduled to be decommissioned or upgraded by 2/15/2024.
4	Several key policies, procedures, and manuals related to physical security (System Vehicle Use, AED Units First-Aid and Trauma Kits, Rental Vehicle from Central Fleet, MainePERS Physical Security Program, Safety Configurations in the Workplace, & Vendor Management Facilities, and the Safety Marshal Manual) did not have evidence of review within the last year.	Low	We recommend that either a version control log should be incorporated in all internal department policies and practices to track review/revision dates and approval, or a reference clause should be included in the policy and practice documents to refer to the department policy and practice review log for evidence of revision dates, approval dates, and approvers.	Management agrees with this recommendation and is exploring options for updating the policy and practice approval process to include these elements. MainePERS does keep a log of all policies and practices and their most recent review dates separate from the policy documents and a copy of that has been provided to CLA as part of this response.

	A separate log maintained for tracking the review, revision, and approval dates/individuals for documents is in place; however, this log was not provided.			
5	Physical sign in sheets for visitors were inconsistently filled out for key parameters (including sign-in & out times and MainePERS staff contacts). The electronic sign in sheets maintained by the receptionist did not include a "MainePERS Staff Contact" as a parameter to be included.	Low	We recommend that MainePERS enhance their procedures to enforce that all applicable information be filled out on the visitor sign in sheets and that the physical sheets and electronic sheets be updated to have the same parameters.	Management agrees with this recommendation and will review our current procedures to make the appropriate improvements.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: REPORT ON FINANCIAL ADMINISTRATION
DATE: APRIL 1, 2024

POLICY REFERENCE

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

EMPLOYER REPORTING STATUS UPDATES

Ninety-five percent of our participating employers reported on time for the month of February. This is slightly below the ninety-seven percent we had attained in recent months. Staff continue to remind employers of the importance of reporting and contributing timely and accurately. We are also beginning to see some progress in the efforts of our largest school district to get their payroll processing and reporting back on track. Another milestone was achieved in March with initial reports back from BerryDunn, who is assisting the employer with data reconciliation work. We anticipate being able to begin making data corrections for this employer in the next several weeks for the July through December 2022 time period.

Employer account reconciliations continue to be an ongoing focus of our work, with 78% of all employer accounts fully reconciled through January payrolls as of today, up from 76% through December as of your last report. Staff are working to reconcile February data now as well as to continue reconciling older data for the remaining 22% of accounts.

Last quarter I reported that second assessments for staff in the Employer Reporting Job Series had been completed. This second assessment resulted in the promotions of four account associates to the next level in the account associate job series. This move allows us to more evenly spread our more complex accounts across more experienced staff, which is currently under way.

REPORT ON INTERNAL AUDIT

CliftonLarsonAllen (CLA) has begun the work on the member estimates and statements of account audit. This audit touches a number of our business units including member services, disability, and our information technology staff who support the statement generation process. Staff are working quickly to respond to requests for documents and other information and we anticipate the work will be complete before the end of June.

RECOMMENDATION

No action is required by the Committee at this time.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY24 – FEBRUARY 2024 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: APRIL 2, 2024

Reports of operating expenses for both administration and investment operations for the eight months ended February 29, 2024 are included in your packet materials. The reports summarize, by expense category, the approved budgeted amounts for the current fiscal year and the actual year-to-date expenses for the year. These numbers reflect the one-time budget adjustment approved by the Board in March.

POLICY REFERENCE

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

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

REVIEW OF FY24 OPERATING EXPENSES THROUGH FEBRUARY 29TH

Following is information about significant budget variances that occurred during the first eight months of the year:

Administration

(1) **Personnel Services** (Over budget .7% or \$84,168) – Personnel services costs include salaries and wages, along with associated benefits. As reported the last two quarters, our ability to hire and retain personnel is much improved over last fall and winter, contributing to lower than projected savings due to attrition. Costs related to collective bargaining were also somewhat higher than what was in the original budget by approximately \$60,000 and we continue to encourage voluntary overtime for staff who would like to take advantage of it to work on projects and backlogged areas of work. The budget adjustment approved by the Board in March will allow us to reduce the overall shortfall in personnel services and that shortfall will be covered by a surplus in other operating expenses with an expectation that we will come within budget overall for the year.

(2) **Other Professional Services** (Under budget 21.3% or \$144,599) – The professional services contract we entered into to support the development of a new pension administration system, or PAS, was higher than what was originally in the budget by close to \$100,000 and we were expecting to run over budget in this area as a result. A closer review of the milestone timeline has shifted some of this cost to FY25, reducing the expected shortfall for this contract considerably. The organizational values steering committee decided not to pursue engaging a consultant for the foreseeable future, freeing up the funds budgeted for this work, and an accounting correction to expense the costs associated with independent medical exams (IMES) in the disability program to medical review provider expenses left an additional \$80,000 in the original budget line item for professional services. Total expenses for IMES year to date equal \$30,425 and those expenses appear in the “medical consultation services” line of the report.

(3) **Printing and Publications and Postage** (Over budget by 26.7% or \$139,394) – Costs for printing and publications and postage are directly related and are being driven by our efforts to communicate with members on a larger scale. We have conducted two mailings related to the member portal as well as mailings to members related to ad hoc cost of living adjustment payments that were not budgeted. These additional outreach efforts to alert members of the nature of the payments significantly reduced the volume of phone inquiries staff were required to handle, offsetting these costs in other ways.

(4) **Telephone** (Over budget 11.4% or \$16,848) – In order to resolve an issue with replication between our Augusta and Brunswick sites, internet speed was increased. The incremental costs associated with that upgrade is driving this budget overage.

Investment Operations

(1) **Personnel Services** (Under budget by 2.4% or \$60,806) – Personnel services taken together are under budget in the investments group due to one vacant position in the personnel complement. The budget adjustment approved by the Board in March reduced the amount of this expected surplus by \$232,000. Recruitment is ongoing for this position and we anticipate the position being filled by the end of the fiscal year.

(2) **Legal Services** (Under budget by 39.3% or \$447,901) – Legal services related to investments are down as compared to budget. This is due to a lower level of private market investment activity to date.

(3) **Other Professional Services** (Over budget 63.7% or \$68,235) – A professional recruitment firm was hired to assist with the recruitment of the Deputy Chief Investment Officer. This service was not contemplated at the time the budget was compiled, resulting in a projected deficit in this line item.

(4) **Telephone** (Over budget 16.5% or \$6,925) – In order to resolve an issue with replication between our Augusta and Brunswick sites, internet speed was increased. The incremental costs associated with that upgrade is driving this budget overage.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System
FY24 Administrative Expenses YTD
And Year End Projection

	FY 24 Budgeted	FY 24 Actual Thru 02/29/24	FY 24 Projected Remaining	FY 24 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 8,684,202	\$ 5,579,528	\$ 3,099,752	\$ 8,679,280	\$ 4,922
Overtime Wages	-	110,025	-	110,025	(110,025)
Total Salaries & Wages	<u>8,684,202</u>	<u>5,689,553</u>	<u>3,099,752</u>	<u>8,789,305</u>	<u>(105,103)</u>
Benefits					
Health Insurance	1,922,264	1,193,901	716,764	1,910,665	11,599
MainePERS Retirement Contributions	1,112,911	716,073	389,188	1,105,261	7,650
Retiree Health Insurance Reserve	9,143	6,184	3,096	9,280	(137)
Other Insurance and Benefits	28,000	5,984	20,193	26,177	1,823
Total Benefits	<u>3,072,318</u>	<u>1,922,142</u>	<u>1,129,241</u>	<u>3,051,383</u>	<u>20,935</u>
Total Personnel Services	<u><u>11,756,520</u></u>	<u><u>7,611,695</u></u>	<u><u>4,228,993</u></u>	<u><u>11,840,688</u></u>	<u><u>(84,168)</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	3,017,266	1,749,896	1,136,021	2,885,917	131,349
Medical Consultation Services	244,500	107,023	131,433	238,456	6,044
Training and Tuition	89,760	36,929	52,831	89,760	-
Travel	61,505	9,497	52,008	61,505	-
Depreciation	578,836	364,181	192,081	556,262	22,574
Professional Services					
Actuarial Services	423,720	184,799	201,792	386,591	37,129
Audit Services	120,500	103,193	23,000	126,193	(5,693)
Legal Services	197,000	68,588	94,780	163,368	33,632
Hearing Officers Services	35,500	42,302	26,500	68,802	(33,302)
Other Professional Services	678,178	235,164	298,415	533,579	144,599
Total Professional Services	<u>1,454,898</u>	<u>634,046</u>	<u>644,487</u>	<u>1,278,533</u>	<u>176,365</u>
Other Operating Expenses					
Buildings and Operations	579,227	373,874	142,778	516,652	62,575
Capital Lease Expense	552,714	360,134	180,748	540,882	11,832
Insurance	109,807	87,981	22,732	110,713	(906)
Printing and Publications	205,766	234,476	41,788	276,264	(70,498)
Postage	359,100	340,114	87,882	427,996	(68,896)
Telephone	147,978	103,257	61,569	164,826	(16,848)
Other	244,430	137,742	99,089	236,831	7,599
Total Other Operating Expenses	<u>2,199,022</u>	<u>1,637,578</u>	<u>636,586</u>	<u>2,274,164</u>	<u>(75,142)</u>
Total Operating Expenses	<u><u>7,645,787</u></u>	<u><u>4,539,150</u></u>	<u><u>2,845,447</u></u>	<u><u>7,384,597</u></u>	<u><u>261,190</u></u>
Total Administrative Expenses	<u><u>\$ 19,402,307</u></u>	<u><u>\$ 12,150,845</u></u>	<u><u>\$ 7,074,440</u></u>	<u><u>\$ 19,225,285</u></u>	<u><u>\$ 177,022</u></u>

Maine Public Employees Retirement System
FY24 Investment Operations Expenses YTD
And Year End Projection

	FY 24 Budgeted	FY 24 Actual Thru 02/29/24	FY 24 Projected Remaining	FY 24 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 1,922,516	\$ 1,226,703	\$ 674,133	\$ 1,900,836	\$ 21,680
Overtime Wages	-	-	-	-	-
Total Salaries & Wages	<u>1,922,516</u>	<u>1,226,703</u>	<u>674,133</u>	<u>1,900,836</u>	<u>21,680</u>
Benefits					
Health Insurance	284,765	151,021	98,404	249,425	35,340
MainePERS Retirement Contributions	314,760	197,678	113,301	310,980	3,780
Retiree Health Insurance Reserve	2,286	1,520	760	2,280	6
Other Insurance and Benefits	-	448	(448)	-	-
Total Benefits	<u>601,811</u>	<u>350,667</u>	<u>212,017</u>	<u>562,685</u>	<u>39,126</u>
Total Personnel Services	<u><u>2,524,327</u></u>	<u><u>1,577,371</u></u>	<u><u>886,150</u></u>	<u><u>2,463,521</u></u>	<u><u>60,806</u></u> (1)
Operating Expenses					
Computer Equipment, Supplies and Supports	167,870	72,274	94,097	166,371	1,499
Medical Consultation Services	-	-	-	-	-
Training and Tuition	26,200	14,235	11,965	26,200	0
Travel	78,300	23,970	54,330	78,300	-
Depreciation	1,920	4,412	1,424	5,835	(3,915)
Professional Services					
Actuarial Services	-	-	-	-	-
Audit Services	65,500	70,870	-	70,870	(5,370)
Legal Services	1,140,000	217,099	475,000	692,099	447,901 (2)
Investment Consulting	1,215,000	810,000	405,000	1,215,000	-
Proxy Voting Services	24,037	16,025	8,012	24,037	-
Custody Services	720,000	480,000	240,000	720,000	-
Other Professional Services	107,000	41,890	133,345	175,235	(68,235) (3)
Total Professional Services	<u>3,271,537</u>	<u>1,635,884</u>	<u>1,261,357</u>	<u>2,897,241</u>	<u>374,296</u>
Other Operating Expenses					
Buildings and Operations	132,110	84,778	47,351	132,129	(19)
Capital Lease Expense	150,782	108,789	50,261	159,050	(8,268)
Insurance	9,205	340	8,626	8,966	239
Printing and Publications	-	21	-	21	(21)
Postage	540	174	180	354	186
Telephone	42,210	37,585	11,577	49,162	(6,952) (4)
Other	32,038	21,651	11,992	33,643	(1,605)
Total Other Operating Expenses	<u>366,885</u>	<u>253,338</u>	<u>129,987</u>	<u>383,325</u>	<u>(16,439)</u>
Total Operating Expenses	<u><u>3,912,712</u></u>	<u><u>2,004,112</u></u>	<u><u>1,553,159</u></u>	<u><u>3,557,271</u></u>	<u><u>355,441</u></u>
Total Investment Operations Expenses	<u><u>\$ 6,437,039</u></u>	<u><u>\$ 3,581,483</u></u>	<u><u>\$ 2,439,310</u></u>	<u><u>\$ 6,020,793</u></u>	<u><u>\$ 416,247</u></u>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY25 PROPOSED OPERATING BUDGET – ADMINISTRATION AND INVESTMENT OPERATIONS
DATE: APRIL 2, 2024

I have included draft administrative and investment operations budgets for the fiscal year ending June 30, 2025 for your review and consideration. These draft budgets were developed over the course of the last several months in collaboration with the senior management team and staff.

POLICY REFERENCE

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

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

ADMINISTRATIVE OPERATIONS BUDGET

The administrative operations budget as proposed is a 13.4%, or \$2,591,900 increase over the budget approved for FY24 and a 14.4% increase over expected expenses for this year, however the FY 24 expected expenses do not include anticipated overtime for the remainder of the current fiscal year. Personnel services are proposed to increase by 23.3%, or \$2,740,351. The majority of this increase, \$2,140,000, is to support the continued efforts to address backlogs and to prepare for and support the new pension administration system (PAS) project. These costs will be presented to board members in more detail at the April meeting.

The remaining increase of \$451,900 includes projected increases in health and dental premium costs (6.4% and 2.2%), a general cost of living increase, step increases for bargaining unit staff, and performance pay for confidential staff, as well as the impact of FY24 mid-year compensation adjustments. The budget also includes a new cost related to the Family Medical Leave law that takes effect January 1, 2025 and requires employers to contribute 1% of payroll

in the first year to a state-wide fund to support Maine employees who otherwise might not have access to paid family medical leave.

The administrative operating expenses other than personnel are expected to decrease this coming year by 1.9%, or \$148,451. Adjustments to ongoing costs include reductions for IT supports, actuarial services, depreciation, and buildings and operations. Actuarial services in FY24 included the cost for a life insurance premium study that is nearing completion. Depreciation is reduced as capital projects become fully depreciated throughout FY24 and FY25 with fewer new capital projects to take their place. Buildings and operations are impacted as the costs for electricity are expected to be lower based on a newly negotiated price with a new supplier, offset by modest increases in cleaning and other building related costs.

Expenses that are increasing include audit services, legal services, and hearings officer services. Audit services includes the anticipated cost of four internal audits this fiscal year Last year also included four audits, however one was charged directly to the investment budget. Legal services includes the cost of collective bargaining in FY25 and hearing officer services are being adjusted to reflect current experience. In addition to these services, postage is increasing to reflect actual and planned activity and telephone expenses are increasing to account for expanded internet capacity added in FY24 to support improved connectivity and performance across the network.

INVESTMENT OPERATIONS BUDGET

The investment operations budget reflects a 7.7% increase over last year. Personnel services are expected to increase by \$421,866, or 16.7%. Of that amount, \$232,000 is directly related to the one-time adjustment made to the FY24 budget, transferring surplus funds out of the personnel budget for investments to the general administrative budget. This remaining increase of \$189,866 includes \$112,000 to add one new position to the investment team in anticipation of future needs. The position is budgeted for half the year to allow the Chief Investment Officer to assess the team's need once a new Deputy Chief Investment Officer is hired.

The budget also includes projected increases in health and dental premium costs (6.4% and 2.2%), a general cost of living increase, performance pay, and the impact of FY24 mid-year compensation adjustments.

Operating expenses are expected to increase 1.8%, or \$70,909. The primary driver for this increase is an anticipated increase in costs for custodial services and professional investment consulting services.

RECOMMENDATION

No action is required by the Committee at this time.

**Maine Public Employees Retirement System
Proposed Administrative Expenses Budget
For the Fiscal Year Ended June 30, 2025**

	FY 24 Budgeted	FY24 Expected	FY 25 Budgeted	FY 25 Budget vs. FY24 Expected	FY 25 Budget vs. FY 24 Budget	FY 25 Budget vs. FY 24 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 8,684,202	\$ 8,679,280	\$ 10,651,839	\$ 1,972,559	\$ 1,967,637	22.7%
Overtime Wages	-	110,025	-	(110,025)	-	
Total Salaries & Wages	8,684,202	8,789,305	10,651,839	1,862,534	1,967,637	22.7%
Benefits						
Health Insurance	\$ 1,922,264	1,910,665	\$ 2,500,137	589,472	577,873	30.1%
MainePERS Retirement Contributions	1,112,911	1,105,261	1,307,416	202,155	194,505	17.5%
Retiree Health Insurance Reserve	9,143	9,280	9,480	200	337	3.7%
Other Insurance and Benefits	28,000	26,177	28,000	1,823	-	0.0%
Total Benefits	3,072,318	3,051,383	3,845,032	793,649	772,714	25.2%
Total Personnel Services	11,756,520	11,840,688	14,496,871	2,656,183	2,740,351	23.3%
Operating Expenses						
Computer Equipment, Supplies and Supports	3,013,431	2,885,917	2,844,935	(40,982)	(168,496)	-5.6%
Medical Consultation Services	244,500	238,456	244,500	6,044	-	0.0%
Training, Continuing Education and Tuition	89,760	89,760	122,764	33,004	33,004	36.8%
Travel	61,505	61,505	57,435	(4,070)	(4,070)	-6.6%
Depreciation	578,836	556,262	450,963	(105,299)	(127,873)	-22.1%
Professional Services						
Actuarial Services	423,720	386,591	397,140	10,549	(26,580)	-6.3%
Audit Services	120,500	126,193	142,000	15,807	21,500	17.8%
Legal Services	197,000	163,368	211,500	48,132	14,500	7.4%
Hearing Officers Services	35,500	68,802	50,500	(18,302)	15,000	42.3%
Miscellaneous Professional Services	678,178	533,579	839,053	305,474	160,875	23.7%
Total Professional Services	1,454,898	1,278,533	1,640,193	361,660	185,295	12.7%
Other Operating Expenses						
Buildings and Operations	579,227	516,652	496,127	(20,525)	(83,100)	-14.3%
Capital Lease Expense	552,714	540,882	549,397	8,515	(3,317)	-0.6%
Insurance	109,807	110,713	109,100	(1,613)	(707)	-0.6%
Printing and Publications	205,766	276,264	198,121	(78,143)	(7,645)	-3.7%
Postage	359,100	427,996	370,705	(57,291)	11,605	3.2%
Telephone	147,978	164,826	166,992	2,166	19,014	12.8%
Other	248,265	236,831	246,103	9,272	(2,162)	-0.9%
Total Other Operating Expenses	2,202,856	2,274,164	2,136,545	(137,619)	(66,312)	-3.0%
Total Operating Expenses	7,645,786	7,384,597	7,497,335	112,738	(148,451)	-1.9%
Total Administrative Expenses	\$ 19,402,306	\$ 19,225,285	\$ 21,994,206	\$ 2,768,921	\$ 2,591,900	13.4%

Maine Public Employees Retirement System
Proposed Investment Operations Expenses Budget
For the Fiscal Year Ended June 30, 2025

	FY 24 Budgeted	FY24 Expected	FY 25 Budgeted	FY 25 Budget vs. FY24 Expected	FY 25 Budget vs. FY 24 Budget	FY 25 Budget vs. FY 24 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 1,922,516	\$ 1,900,836	\$ 2,258,055	\$ 357,219	\$ 335,539	17.5%
Overtime Wages	-	-	-	-	-	
Total Salaries & Wages	1,922,516	1,900,836	2,258,055	357,219	335,539	17.5%
Benefits						
Health Insurance	284,765	249,425	317,028	67,603	32,263	11.3%
MainePERS Retirement Contributions	314,760	310,980	368,740	57,760	53,980	17.1%
Retiree Health Insurance Reserve	2,286	2,280	2,370	90	84	3.7%
Total Benefits	601,811	562,685	688,138	125,453	86,327	14.3%
Total Personnel Services	2,524,327	2,463,521	2,946,193	482,672	421,866	16.7%
	-	-	-			
Operating Expenses						
Computer Equipment, Supplies and Supports	167,870	166,371	158,781	(7,590)	(9,089)	-5.4%
Training, Continuing Education and Tuition	26,200	26,200	29,500	3,300	3,300	12.6%
Travel	78,300	78,300	79,300	1,000	1,000	1.3%
Depreciation	1,920	5,835	4,271	(1,564)	2,351	122.4%
Professional Services						
Audit Services	65,500	70,870	57,000	(13,870)	(8,500)	-13.0%
Legal Services	1,140,000	692,099	1,140,000	447,901	-	0.0%
Investment Consulting	1,215,000	1,215,000	1,245,000	30,000	30,000	2.5%
Proxy Voting Services	24,037	24,037	24,037	-	-	0.0%
Custody Services	720,000	720,000	750,000	30,000	30,000	4.2%
Other Professional Services	107,000	175,235	118,500	(56,735)	11,500	10.7%
Total Professional Services	3,271,537	2,897,241	3,334,537	437,296	63,000	1.9%
Other Operating Expenses						
Buildings and Operations	132,110	132,129	136,196	4,067	4,086	3.1%
Capital Lease Expense	150,782	159,050	151,679	(7,371)	897	0.6%
Insurance	9,205	8,966	8,683	(283)	(522)	-5.7%
Postage	540	354	540	186	-	0.0%
Telephone	42,210	49,162	49,608	446	7,398	17.5%
Other	32,038	33,664	30,526	(3,138)	(1,512)	-4.7%
Total Other Operating Expenses	366,885	383,325	377,232	(6,093)	10,347	2.8%
Transfers to Reserves - MePERS	-	-	-	-	-	
Total Operating Expenses	3,912,713	3,557,272	3,983,621	426,349	70,909	1.8%
Total Investment Operations Expenses	\$ 6,437,040	\$ 6,020,793	\$ 6,929,814	\$ 909,021	\$ 492,775	7.7%