



MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

Finance and Audit Committee

Public Meeting Packet

May 8, 2025

MainePERS Board of Trustees
Finance and Audit Committee Meeting
May 8, 2025
139 Capitol Street, Augusta
AGENDA

8:00 a.m.		CALL TO ORDER		Shirrin Blaisdell
8:00 – 8:05 a.m.	1.	<u>MINUTES APPROVAL 4/10/2025 Meeting</u>	ACTION	Shirrin Blaisdell
8:05 – 8:20 a.m.	2.	<u>INTERNAL AUDIT PRESENTATION</u> a. MaineSTART Processing		Sarah Lutzke, Wipfli Sherry Vandrell
8:20 – 8:25 a.m.	3.	<u>ADMINISTRATION</u> a. Employer Reporting Update b. Report on Internal Audit c. FY25 Financial Statement Audit Schedule		Sherry Vandrell
8:25 – 8:35 a.m.	4.	<u>REPORT ON FINANCIAL OPERATIONS</u> a. 03/31/2025 Administration Operations Expense Report b. 03/31/2025 Investment Operations Expense Report		Dr. Rebecca M. Wyke Sherry Vandrell
8:35 – 8:50 a.m.	5.	<u>FY26 DRAFT BUDGET</u> a. FY26 Draft Administration Operations Budget b. FY26 Draft Investment Operations Budget	ACTION	Dr. Rebecca M. Wyke Sherry Vandrell
8:50 – 8:55 a.m.	6.	<u>OPEGA REQUIRED REPORTING TO THE BOARD</u> a. Travel Report b. Procurement Report – Next Report in August		Dr. Rebecca M. Wyke Sherry Vandrell
8:55 a.m.		ADJOURNMENT		Shirrin Blaisdell

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Meeting of the Finance and Audit Committee
April 10, 2025

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

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

Shirrin Blaisdell called the meeting to order at 8:00 a.m.

MINUTES

Shirrin called for acceptance of the minutes from the February 13, 2025 meeting of the Finance and Audit Committee.

- **Action:** Brian Noyes made the motion, seconded by Dick Metivier, to accept the minutes from the February 13, 2025 meeting. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

FY26 DRAFT BUDGET

Dr. Rebecca M. Wyke and Sherry Vandrell reviewed the proposed Administrative and the Investment Operations budgets for the fiscal year ending June 30, 2026 and answered questions from the Committee.

Dr. Wyke shared the proposed Administrative budget is an increase of 7.7% while the Investment budget remains flat for the new fiscal year. Sherry and Dr. Wyke discussed and answered questions from the Committee regarding the specific increases in some of the line items in both budgets.

REPORT ON FINANCIAL OPERATIONS

Sherry Vandrell reviewed the Administrative and the Investment Operations Reports for the eight months ended February 28, 2025. Sherry discussed and answered questions from the Committee on both the Administrative and Investment expense reports.

ADMINISTRATION

Employer Reporting Update

Sherry Vandrell stated that 94% of employers reported on time for the month of February. She shared great progress continues to be made with the Portland Public Schools. Sherry stated employer account reconciliations continue with 83.8% of accounts being fully reconciled through February.

Report on the Pension Administration System (PAS) Budget

Sherry Vandrell reported the PAS budget is on track.

Report on Internal Audit

Sherry Vandrell shared the current audit, MaineSTART accounting practices and controls is continuing. She stated the audit of our actuarial processes is completed and the draft report has been received, reviewed, and is pending finalization.

ADJOURNMENT

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

The meeting adjourned at 8:50 a.m.

The next meeting of the Finance and Audit Committee is expected to be held on May 8, 2025 at 8:00 a.m.

May 8, 2025
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 PRESENTATION
DATE: APRIL 25, 2025

POLICY REFERENCE

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

INTERNAL AUDIT PRESENTATION

Sarah Lutzke from the audit firm Wipfli will be attending the May meeting of the Finance and Audit Committee to present the audit report resulting from the review of our MaineSTART accounting practices and procedures. A copy of the audit report is included in your packet materials for your reference.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System

Augusta, Maine

Internal Audit: MaineSTART

February 20, 2025

Preliminary Report Issued: April 15, 2025

Final Report Issued: April 24, 2025

Prepared by Wipfli LLP

wipfli.com

The logo for Wipfli LLP, featuring the word "WIPFLI" in white, uppercase, sans-serif font, centered within a solid blue rectangular background.

February 20, 2025

Sherry Vandrell
Maine Public Employees Retirement System
139 Capitol Street
Augusta, ME 04330

Dear Ms. Vandrell:

In accordance with the terms of our engagement letter dated November 21, 2024, we have completed an internal audit for Maine Public Employees Retirement System (MainePERS). The scope of this review is outlined in Appendix A – Procedures Performed. This review was performed as of February 20, 2025, and includes our recommendations related to the internal control environment.

The scope of this review did not include procedures to form an opinion. As such, we do not express any form of assurance on the effectiveness of internal controls, the financial statements, or any other matter. In addition, our engagement was not designed to detect fraud.

During this engagement, we relied on the representations of MainePERS's management and staff. Misrepresentations by any participating individual or parties could lead to incorrect results.

This engagement was performed in accordance with the Statement on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants. This information is intended solely for the use of management and is not intended to be, and should not be, used by anyone other than these specified parties. Distribution of this information by these specified parties to other third parties does not constitute designation of those third parties as "users" or "specified parties" with respect to the matters addressed herein, nor does it permit those third parties to use or rely upon this information for any purpose.

We appreciate this opportunity to be of service to MainePERS and acknowledge the cooperation of project participants during the course of this project. Please contact us if you have any questions or need further assistance.

Sincerely,

A handwritten signature in dark ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Executive summary

Overall rating

For each of the components evaluated by Wipfli LLP (“Wipfli”), we applied an overall rating to provide additional information on the area under review. The overall rating definitions are as follows:

Strong

A strong system of controls is evident. Management has effective and efficient oversight and control monitoring of the areas being reviewed. Policies comprehensively define risk tolerance, responsibilities, and accountabilities. Policies are effectively communicated, and staff is fully trained and accountable for established internal controls. Management has broad expertise and is effective in identifying, measuring, monitoring, and controlling risk in this area.

Needs Improvement

The overall internal control environment indicates weaknesses in design and/or effectiveness associated with certain key internal controls. Issues identified individually or in aggregate pose elevated financial, operational, compliance, or reputational risk to the auditable unit or to the organization. The area may have identified major control weakness(es). In addition, these audits may have one or more repeat issues from previous audits. Management oversight and control monitoring of certain key processes need strengthening.

Satisfactory

The overall internal control environment is well designed and functioning effectively. Issues identified do not pose significant financial, operational, compliance, or reputational risk to the area or to the organization. Any internal control weaknesses or technical violations of regulations are considered minimal and would result in minimal risk exposure. Any repeat issues identified are isolated or are considered low risk. Management oversight and control monitoring of the area are adequate.

Unsatisfactory

The overall internal control environment is not well designed or functioning effectively. Issues noted pose an unacceptable level of financial, operational, compliance, or reputational risk to the area or to the organization. The audited area may not follow policies and/or procedures and may pose significant risk of reputational damage or financial loss. There may be multiple repeat issues and/or major risk repeat issues. Management oversight is lacking, or management has not demonstrated commitment to sound internal controls.

Overall ratings

Internal audit area	Overall rating
MaineSTART Accounting Practices	Strong

Risk ratings

In addition to the overall area ratings provided above, for each recommendation noted during our procedures, we assigned a risk rating. The risk ratings are Wipfli's interpretation of the spirit of the 2017 COSO Enterprise Risk Management (ERM) Framework. The COSO ERM Framework bases the risk rating on the result or effect of a risk and explains that there may be a range of possible impacts associated with a risk. These ratings are intended to be used when prioritizing corrective actions. The risk ratings and a summary of the number of findings are as follows:

High (0 findings)

- Significant control design issue or failure
- Repeat "moderate" findings for which corrective action was not taken in accordance with management's response
- Singular or multiple instances of noncompliance with a provision of a law, rule, or regulation
- Moderate to high potential of financial loss
- Potential reputational damage
- Significant impact on operational efficiency and effectiveness
- Threatened or actual loss of customers

Moderate (0 findings)

- Control design issue or failure
- Repeat "low" findings for which corrective action was not taken in accordance with management's response
- Multiple instances of noncompliance with a provision of a law, rule, regulation, regulatory guideline, regulatory expectation, or internal policy or procedure
- Limited potential for financial loss
- Moderate impact on operational efficiency and effectiveness
- Moderate impact on implementation of other recommendations in the report

Low (0 findings)

- Limited instances of noncompliance with a provision of a law, rule, regulation, regulatory guideline, regulatory expectation, or internal policy or procedure
- Minimal potential for financial loss
- Limited impact on operational efficiency or effectiveness
- Limited impact on other procedures and processes

Results and recommendations

We are pleased to report there were no reportable results or recommendations as an outcome of our internal audit procedures.

Procedures performed

MaineSTART Accounting Practices

We completed an internal audit of MaineSTART accounting practices, the objective of which was to evaluate internal controls, policies, and procedures to ensure they were reasonably designed and operating appropriately. In order to meet this objective, the following detailed procedures were performed:

- A walkthrough of key control processes was completed, as attended by Sarah Lutzke from Wipfli and Patrick Rogers and Carole Hickey from MainePERS. Processes discussed include daily, monthly, and annual reconciliations and reporting, transfer of funds from employers to the third-party administrator (Ascensus) and balancing of activity on an ongoing basis. Segregation of duties and management oversight of processes discussed and tested were deemed to be appropriate.
- Written policies and procedures for MaineSTART, including ACH Payment Processes and Cash Receipts and Ascensus Upload Processes were obtained and read. Written procedures are sufficiently detailed to provide guidance and support to staff on proper operating procedures.
- The Master Reconciliation Schedule was obtained and the most recent reconciliations were tested for mathematical accuracy and evidence of completion and review. Balances were agreed to the general ledger and supporting documentation. Reconciliations tested included:
 - ▶ MaineSTART Cash – GL 1135 – December 31, 2024
 - ▶ MaineSTART Accounts Receivable – GL 1220 – December 31, 2024
 - ▶ Due to/from MaineSTART – GLs 1207 and 2206 – December 31, 2024
 - ▶ Daily MaineSTART cashflow balancing – February 3, 2025

The controls over the reconciliations were reasonable and balances were supported. Segregation of duties was evident and reconciling items were properly resolved.
- The June 30, 2024, Annual Comprehensive Financial Report was obtained and MaineSTART related balances were agreed to supporting documentation.
- The December 2024 monthly financial package was obtained. Selected balances related to MaineSTART activity were traced to supporting documentation. This package provides appropriate information to senior leadership on a monthly basis related to the MaineSTART program.

To: Sherry Vandrell
Patrick Rogers

From: Wipfli LLP

Date: April 15, 2025

Re: Best Practice Results and Recommendations from the MaineSTART Internal Audit

The following best practice results and recommendations (*shown in italics*) were identified during the MaineSTART internal audit for Maine Public Employees Retirement System (MainePERS). These recommendations are practices we believe are prudent, common to the banking industry, or beneficial to the institution. These recommendations were discussed with management but were not deemed substantial enough to be included in the formal Internal Audit Report.

MaineSTART

1. Most MaineSTART reconciliations were performed by the MainePERS accounting team utilizing Excel. Although the reconciliations included names and dates for preparer and reviewer of the documentation, this information was just typed into Excel so was open to manipulation. *We recommend management consider utilization of the "comment" function within Excel or other types of electronic stamps or methods that are tied to a computer user account, in order to enhance this existing control.*
2. We noted a \$40 accounts receivable item as of January 31, 2025, which appeared to be outstanding from September 2023. *Although we recognize that this item is immaterial, processes should be in place to research and resolve accounts receivable in a timely manner.*
3. Written procedures obtained and reviewed during the internal audit included references to Newport Group. Through discussion with management, we determined that Newport Group was acquired by Ascensus. *We recommend management update the references in written procedures for the new Third Party Administrator, Ascensus.*

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 25, 2025

POLICY REFERENCE

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

EMPLOYER REPORTING STATUS UPDATES

Ninety-two percent of our participating employers reported on time for the month of March. This is consistent with your last report, where ninety-four percent of employers reported timely for the month of February.

Staff continue to make progress with employer account reconciliations. The statistics for the month ending April 30th will be shared under separate cover prior to the Finance and Audit Committee May meeting.

At your last meeting I reported that Portland Public Schools had submitted all of the 2024 and 2025 payroll reports through February for the Teacher Plan. Staff continue to scrub the files and prepare them for posting to member records. We anticipate being able to post several of these reports in April. The District continues to work on formatting for a report for the PLD Plan. Work continues with reviewing historical records and making corrections. BerryDunn is currently assisting us with some additional automation tools and with setting up a more formal tracking tool in order to measure and report progress for the duration of this project.

REPORT ON INTERNAL AUDIT

Work is complete on the Actuarial Practices internal audit and a draft of the report will be presented at your meeting in August. Work is now underway to review Legislative Practices, including how staff monitor potential new legislation for impact to the system,

and how new legislation is communicated to impacted staff and ultimately implemented. This review is also expected to be complete and ready to be presented in August.

Attached to this report is a report on outstanding audit recommendations and findings, along with an updated status. Of the four items outstanding as of the last report, staff closed one item out and three remain.

Also included in your packet is the tentative internal audit plan for FY26. As in past years, we plan to review four areas, one each quarter, in the upcoming fiscal year.

FY25 FINANCIAL STATEMENT AUDIT

Staff is preparing to engage with BerryDunn for the FY25 financial statement audit this year. Interim work is planned for the last week in July with field work beginning in September. BerryDunn will attend your meeting in August to give an overview of the work planned for this year.

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: REPORT ON FINANCIAL ADMINISTRATION - UPDATE
DATE: MAY 5, 2025

POLICY REFERENCE

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

EMPLOYER REPORTING ACCOUNT RECONCILIATION UPDATES

Staff continue to make progress with employer account reconciliations, with 84.2% of all employer accounts fully reconciled through February 2025 transactions as of April 30, 2025. This is up slightly from the 83.8% through January 2025 data reported at your April meeting. We continue to focus on accounts with the oldest transactions, reducing accounts with 2019 transactions by one since we last reported to this committee. A summary of that aging as of April 30, 2025 is as follows:

	Oldest Unreconciled Transactions						
Year	2025	2024	2023	2022	2021	2020	2019
# of Accts	37	44	5	1	5	7	11

RECOMMENDATION

No action is required by the Committee at this time.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Status of Unresolved Audit Findings and Recommendations for Improvement

4/23/2025

Issue Identified	Type of Issue	Source	Responsible Unit	Owner	Date Added	Recommendation	Management Response	4/23/2025	Date Resolved
<p>The MainePERS line of business software used for calculating benefit payments has functional limitations when processing complex calculations to determine the appropriate benefit payment amount and when archiving calculation history for previous benefit payments.</p> <p>For one (1) of the five (5) samples selected for benefit calculation testing, there was an immaterial discrepancy between the calculated benefit amount within the system and the finalized benefit amount. Upon follow up, it was determined that external spreadsheets are utilized to compute the benefit, which was then entered into the system manually.</p> <p>For one (1) of the nine (9) samples selected for offset calculation testing, there was past calculation data that was overwritten within the system to reflect the current status of the member. To obtain the past data, an external spreadsheet was utilized to show the past computation of the benefit.</p>	Recommendation	CLA - Disability Program Review	Service Programs	Chip	12/5/2022	CLA recommends assessing the line of business software functional limitations and performing a cost-benefit analysis on the impact that these limitations have on operations. From that analysis, a decision can be made to either work with the hosting party / vendor of the software to determine enhancements to address functional limitation or to explore other software options and solutions.	Management agrees that the use of spreadsheets to do calculations outside of the line of business system creates risk. MainePERS is assessing whether calculations currently performed manually can be added to the line of business application efficiently or if another solution can be put in place. The question related to archiving calculation history will be investigated with the vendor. This work is ongoing.	4/2025 - The contract with the new PAS partner has been executed and work is now underway. It is expected that the new PAS solution, the business process review associated with the project or a combination of the two will address these calculations. The new PAS system is currently anticipated to be in live operation in 2028.	
Six (6) out of twenty-five (25) sampled Work Report Adjustments that were due to underpayments were not collected for at least three (3) months after identification.	Recommendation	CLA - Cash Receipts and Disbursements 2023	Accounting	Sherry	11/13/2023	We recommend that MainePERS continue to follow up on late payments and utilize the steps detailed in the “Late Payroll Submission” policy/process. We also recommend tracking the late Work Report Adjustments in a centralized log to determine high priority adjustments that have been outstanding for more than one (1) month.	Management agrees with this recommendation.	4/2025 - Staff have continued to maintain current account reconciliations and additoinal progress has been made on those accounts with long outstaning unreconciled transactions, bringing those accounts more current, but not fully reconciled.	
Upon observation of MainePERS facility it was noted that the equipment in the MainePERS facilities are not connected to a back-up power generator.	Recommendation	CLA - Facilities Maintenance and Controls 2024	Facilities	Lynn	1/31/2024	We recommend that MainePERS assess the risk of having no back-up generator in place 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.	4/2025 - The the generator has been installed and it is expected to be operational in June of 2025.	
For a sample of 25 Service Retirement Estimate Workflows, there were 21 Service Retirement Estimate Workflows that took more than 10 days to complete after being requested and opened. Out of those 21 S.R. Estimate Workflows, 12 S.R. Estimate Workflows took more than 30 days to complete after being opened. Out of those 12, 5 S.R. Estimate Workflows took more than 60 days to complete after being opened.	Recommendation	CLA - Member Statements and Estimates	Service Programs	Chip	5/31/2024	We recommend that Service Retirement Estimate Workflows are completed within 10 days after being requested and opened, per MainePERS policy. This is to ensure that members who request their service retirement estimates get their answer in a timely manner.	MainePERS agrees with the observation and disagrees with the recommendation. MainePERS has dramatically improved Service Retirement Estimate production and is keeping current within approximately 60 days of requests. MainePERS intends to revisit whether 10 days is warranted as a self-imposed standard or whether 60 days is reasonable and to adopt a new standard when this practice (Member Services 4.1.0) is next due for review in January 2025. MainePERS also will seek the fastest possible processing options as part of the development of a new Pension Administration System, now under way, at which time 10 days may be feasible.	<p>4/2025 - This is complete.</p> <p>Member Services Practice 4.1.0 was updated 3/18/25 and the update is posted to StaffHub. The updated policy reflects there is no legal deadline for processing service retirement estimates and that MainePERS will of its own accord seek to complete them within 60 days.</p> <p>Member Services continues to monitor the status of the Service Retirement estimate queue. The volume has consistently remained below 275 for more than a year and ended March 2025 at 134. This is within the volume MainePERS processes in <60 days.</p> <p>Additionally, the PAS project contract is signed and the project is underway with an anticipated launch in 2028.</p>	3/18/2025

Proposed FY2026 Audit Plan Based on FY2023 Risk Assessment_Revised 4/27/2023

Human Resources	Risk Classification	Quarter	Completed Quarter	Comments and Recommendations	Status
Mandatory Employee Training and Tracking	Moderate	Q1			Scoping
Performance Management Tracking	Moderate	Q1			Scoping
Recruiting, Hiring, Separation	High	Q1			Scoping
Member Services	Risk Classification	Quarter	Completed Quarter	Comments and Recommendations	
Refund Processing or Death Benefit Processing, TBD	High	Q2			Pending
Accounting and Finance / Employer Reporting	Risk Classification	Quarter	Completed Quarter	Comments and Recommendations	
Employer Auditing Program	Moderate	Q3			Pending
Business Continuity Planning	Risk Classification	Quarter	Completed Quarter	Comments and Recommendations	
Vendor Management Program (BCP of Critical External Partners)	Moderate	Q4			Pending

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY25 – MARCH 2025 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: APRIL 25, 2025

Reports of operating expenses for both administration and investment operations for the eight months ended March 31, 2025 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.

POLICY REFERENCE

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

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

REVIEW OF FY25 OPERATING EXPENSES THROUGH MARCH 31ST

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

Administration

(1) **Personal Services** (Under budget 2.5% or \$361,260) – Personal services costs include salaries and wages, along with associated benefits. The projected surplus in personal services is directly related to vacancy savings due to turnover and delays in filling several of the new positions added for FY25, offset by overtime and other adjustments. I continue to monitor the personal services lines and we will adjust the use of overtime as currently vacant positions are filled.

(2) **Computer Equipment, Supplies and Supports** (Under budget 1.1% or \$31,944) – Computer equipment, supplies and supports includes maintenance and support costs for various IT applications used to support MainePERS' business. Several support contracts have renewed in the first two quarters of the year at somewhat higher costs than anticipated, including our Cybersecurity contract with Tyler Technologies.

(3) **Actuarial Services** (Over budget by 18% or \$71,453) – Actuarial services are expected to be over budget this year based in part on the cost of the FY24 GLI premium study that was completed in the fall of this fiscal year and an increase in costs associated with the work being done in anticipation of changes in funding expected for the State / Teacher Plan in 2028. The GLI premium study was budgeted in the FY24 budget and most of the work was conducted in FY24, but the work was completed and invoiced in the FY25 budget year. Significant work related to a COLA study in February has also impacted the expected expenses in this area this year.

(4) **Legal Services** (Over budget by 31.1% or \$65,821) – Outside council was engaged outside to assist with the contract negotiations for the PAS project. We anticipate the total cost of legal services for this effort will be approximately \$110,000.

(5) **Other Professional Services** (Under budget by 30% or \$251,612) – Several things make up this expected surplus, including the anticipated costs associated with the new PAS. We had budgeted \$150,000 for data cleansing / conversion preparation work but do not anticipate spending that in the current fiscal year. However, we do anticipate using the full amount of the consulting budget (\$875,000) over the life of the project. In addition, we had budgeted \$50,000 and \$60,000, respectively, for ongoing support for a potential Long Term Disability initiative and for disability program vocational reviews. We do not anticipate the need for these services in the current fiscal year.

(6) **Buildings and Operations** (Over budget by 2% or \$9,836) – Approximately two thirds of the projected overage, or \$6,100, is attributable to the renewal of our grounds keeping contract. This contract was up for competitive bid which resulted in a new vendor being selected and at a cost that was slightly higher than what we had been paying the previous vendor. A combination of smaller increases in several additional service contract renewals makes up the remaining projected overage.

Investment Operations

(1) **Legal Services** (Under budget by 71.4% or \$825,814) – The legal services budget for investments has been very difficult to predict as it's based on the number and type of investments that the team is able to review and consider. We've reduced the projected remaining expenses in this area to be more in line with what we are experiencing and will continue to monitor it through the remainder of the fiscal year.

(2) **Insurance** (Over budget by 73.7% or \$6,398) – This expected deficit is the result of allocating a portion of the cyber insurance costs to the investment budget this fiscal year. This line item was budgeted for in the administration budget for FY25.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System
FY25 Administrative Expenses YTD
And Year End Projection

	FY 25 Budgeted	FY 25 Actual Thru 03/31/25	FY 25 Projected Remaining	FY 25 Total Expected	Projected Surplus (Deficit)	
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 10,651,839	\$ 7,290,454	\$ 3,076,536	\$ 10,366,990	\$ 284,849	
Overtime Wages	-	115,593	-	115,593	(115,593)	
Total Salaries & Wages	10,651,839	7,406,047	3,076,536	10,482,583	169,256	
Benefits						
Health Insurance	2,500,137	1,632,722	733,610	2,366,332	133,805	
MainePERS Retirement Contributions	1,307,416	879,730	369,486	1,249,216	58,200	
Retiree Health Insurance Reserve	9,480	6,957	2,523	9,480	-	
Other Insurance and Benefits	28,000	7,279	20,721	28,000	-	
Total Benefits	3,845,032	2,526,688	1,126,340	3,653,028	192,004	
Total Personnel Services	14,496,871	9,932,735	4,202,876	14,135,611	361,260	(1)
Operating Expenses						
Computer Equipment, Supplies and Supports	2,844,935	1,956,727	856,264	2,812,991	31,944	(2)
Medical Consultation Services	244,500	134,958	66,616	201,574	42,926	
Training and Tuition	122,764	68,091	53,587	121,678	1,086	
Travel	57,435	12,247	38,331	50,578	6,857	
Depreciation	450,963	299,329	124,634	423,963	27,000	
Professional Services						
Actuarial Services	397,140	298,278	170,315	468,593	(71,453)	(3)
Audit Services	142,000	98,997	43,003	142,000	-	
Legal Services	211,500	222,122	55,199	277,321	(65,821)	(4)
Hearing Officers Services	50,500	26,303	11,000	37,303	13,197	
Other Professional Services	839,053	360,059	227,382	587,441	251,612	(5)
Total Professional Services	1,640,193	1,005,759	506,899	1,512,658	127,535	
Other Operating Expenses						
Buildings and Operations	496,127	397,105	108,858	505,963	(9,836)	(6)
Capital Lease Expense	549,397	410,843	136,620	547,463	1,934	
Insurance	109,100	89,112	17,669	106,781	2,319	
Printing and Publications	198,121	130,533	75,945	206,478	(8,357)	
Postage	370,705	275,907	98,122	374,029	(3,324)	
Telephone	166,992	127,636	43,026	170,662	(3,670)	
Other	246,103	161,017	92,049	253,066	(6,963)	
Total Other Operating Expenses	2,136,545	1,592,153	572,289	2,164,442	(27,897)	
Total Operating Expenses	7,497,335	5,069,264	2,218,620	7,287,884	209,451	
Total Administrative Expenses	\$ 21,994,206	\$ 15,001,999	\$ 6,421,496	\$ 21,423,495	\$ 570,711	

Maine Public Employees Retirement System
FY25 Investment Operations Expenses YTD
And Year End Projection

	FY 25 Budgeted	FY 25 Actual Thru 03/31/25	FY 25 Projected Remaining	FY 25 Total Expected	Projected Surplus (Deficit)
Personnel Services					
Salaries & Wages					
Salaries and Wages	\$ 2,258,055	\$ 1,619,337	\$ 658,849	\$ 2,278,186	\$ (20,131)
Overtime Wages	-	-	-	-	-
Total Salaries & Wages	2,258,055	1,619,337	658,849	2,278,186	(20,131)
Benefits					
Health Insurance	317,028	214,031	93,473	307,505	9,523
MainePERS Retirement Contributions	368,740	252,943	105,545	358,488	10,253
Retiree Health Insurance Reserve	2,370	1,710	570	2,280	90
Other Insurance and Benefits	-	304	(304)	-	-
Total Benefits	688,138	468,988	199,284	668,272	19,866
Total Personnel Services	<u>2,946,193</u>	<u>2,088,325</u>	<u>858,133</u>	<u>2,946,459</u>	<u>(266)</u>
Operating Expenses					
Computer Equipment, Supplies and Supports	158,781	102,512	50,746	153,258	5,523
Medical Consultation Services	-	-	-	-	-
Training and Tuition	29,500	23,746	5,754	29,500	-
Travel	79,300	23,982	52,169	76,151	3,149
Depreciation	4,271	5,740	1,068	6,808	(2,537)
Professional Services					
Actuarial Services	-	-	-	-	-
Audit Services	57,000	57,000	-	57,000	-
Legal Services	1,140,000	252,873	61,314	314,186	825,814 (1)
Investment Consulting	1,245,000	926,250	308,750	1,235,000	10,000
Proxy Voting Services	24,037	18,027	6,010	24,037	-
Custody Services	750,000	562,500	187,500	750,000	-
Other Professional Services	118,500	50,000	68,500	118,500	-
Total Professional Services	3,334,537	1,866,650	632,074	2,498,723	835,814
Other Operating Expenses					
Buildings and Operations	136,196	99,026	19,315	118,341	17,855
Capital Lease Expense	151,679	119,413	33,892	153,305	(1,626)
Insurance	8,683	6,529	8,552	15,081	(6,398) (2)
Printing and Publications	-	45	(21)	24	(24)
Postage	540	449	135	584	(44)
Telephone	49,608	37,812	12,405	50,217	(609)
Other	30,526	20,963	11,707	32,670	(2,143)
Total Other Operating Expenses	377,232	284,237	85,984	370,222	7,011
Total Operating Expenses	<u>3,983,621</u>	<u>2,306,868</u>	<u>827,794</u>	<u>3,134,662</u>	<u>848,960</u>
Total Investment Operations Expenses	<u>\$ 6,929,814</u>	<u>\$ 4,395,193</u>	<u>\$ 1,685,927</u>	<u>\$ 6,081,121</u>	<u>\$ 848,694</u>

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY26 PROPOSED OPERATING BUDGET – ADMINISTRATION AND INVESTMENT OPERATIONS
DATE: APRIL 25, 2025

I have included draft administrative and investment operations budgets for the fiscal year ending June 30, 2026, 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 7.3%, or \$1,599,707 increase over the budget approved for FY25 and a 10.5% increase over expected expenses for this year. Personnel services are proposed to increase by 7.8%, or \$1,128,970. This is a slight reduction from the budget brought forward to you in April. As we reported then, we plan to purchase an insurance policy to provide Paid Family Medical Leave in lieu of participating in the State of Maine's new program. Purchasing a commercial policy is slightly less expensive (approximately .85% of salary expense) than remaining in the state program at a cost of approximately 1% of

salary expense. Additional details about the changes in the budget can be found in your committee packet materials for the April 10, 2025 meeting.

INVESTMENT OPERATIONS BUDGET

The investment operations budget as proposed is slightly lower than what was budgeted for FY25. While personnel services are expected to increase by \$266,726, or 9.1%, operating expenses are expected to be lower for a total budget of \$6,907,327.

As with the administrative operations budget, the numbers presented include a slight reduction from the numbers presented in April for the same reason.

RECOMMENDATION

Accept the FY26 Recommended Operating Budget in the amount of \$23,593,914 and the Recommended Investment Operations Budget in the amount of \$6,907,327 as presented and recommend approval to the full Board at its May 8, 2025 meeting.

Maine Public Employees Retirement System
Proposed Administrative Expenses Budget
For the Fiscal Year Ended June 30, 2026

	FY 25 Budgeted	FY25 Expected	FY 26 Budgeted	FY 26 Budget vs. FY25 Expected	FY 26 Budget vs. FY 25 Budget	FY 26 Budget vs. FY 25 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 10,651,839	\$ 10,366,990	\$ 11,444,890	\$ 1,077,900	\$ 793,051	7.4%
Overtime Wages	-	115,593	-	(115,593)	-	
Total Salaries & Wages	10,651,839	10,482,583	11,444,890	962,307	793,051	7.4%
Benefits						
Health Insurance	\$ 2,500,137	2,366,332	\$ 2,696,390	330,058	196,253	7.8%
MainePERS Retirement Contributions	1,307,416	1,249,216	1,438,573	189,357	131,157	10.0%
Retiree Health Insurance Reserve	9,480	9,480	10,739	1,259	1,259	13.3%
Other Insurance and Benefits	28,000	28,000	35,250	7,250	7,250	25.9%
Total Benefits	3,845,032	3,653,028	4,180,952	527,924	335,919	8.7%
Total Personnel Services	14,496,871	14,135,611	15,625,842	1,490,231	1,128,970	7.8%
	-	-	-			
Operating Expenses						
Computer Equipment, Supplies and Supports	2,841,100	2,812,991	2,984,996	172,005	143,896	5.1%
Medical Consultation Services	244,500	201,574	291,700	90,126	47,200	19.3%
Training, Continuing Education and Tuition	122,764	121,678	107,320	(14,358)	(15,444)	-12.6%
Travel	57,435	50,578	60,186	9,608	2,751	4.8%
Depreciation	450,963	423,963	493,199	69,236	42,236	9.4%
Professional Services						
Actuarial Services	397,140	486,917	603,150	116,233	206,010	51.9%
Audit Services	142,000	142,000	153,500	11,500	11,500	8.1%
Legal Services	211,500	277,321	214,224	(63,097)	2,724	1.3%
Hearing Officers Services	50,500	37,303	40,400	3,097	(10,100)	-20.0%
Miscellaneous Professional Services	839,053	587,441	778,094	190,653	(60,960)	-7.3%
Total Professional Services	1,640,193	1,530,982	1,789,367	258,385	149,174	9.1%
Other Operating Expenses						
Buildings and Operations	496,127	505,963	537,909	31,946	41,782	8.4%
Capital Lease Expense	549,397	547,463	555,969	8,506	6,572	1.2%
Insurance	109,100	106,781	92,673	(14,108)	(16,427)	-15.1%
Printing and Publications	198,121	206,478	228,113	21,635	29,992	15.1%
Postage	370,705	374,029	376,775	2,746	6,070	1.6%
Telephone	166,992	170,662	180,997	10,335	14,005	8.4%
Other	249,938	253,066	268,867	15,801	18,929	7.6%
Total Other Operating Expenses	2,140,380	2,164,442	2,241,304	76,862	100,924	4.7%
Total Operating Expenses	7,497,335	7,306,208	7,968,072	661,864	470,737	6.3%
Total Administrative Expenses	\$ 21,994,206	\$ 21,441,819	\$ 23,593,914	\$ 2,152,095	\$ 1,599,707	7.3%

Maine Public Employees Retirement System
Proposed Investment Operations Expenses Budget
For the Fiscal Year Ended June 30, 2026

	FY 25 Budgeted	FY25 Expected	FY 26 Budgeted	FY 26 Budget vs. FY25 Expected	FY 26 Budget vs. FY 25 Budget	FY 26 Budget vs. FY 25 Budget
Personnel Services						
Salaries & Wages						
Salaries and Wages	\$ 2,258,055	\$ 2,278,186	\$ 2,452,119	\$ 173,933	\$ 194,064	8.6%
Overtime Wages	-	-	-	-	-	
Total Salaries & Wages	2,258,055	2,278,186	2,452,119	173,933	194,064	8.6%
Benefits						
Health Insurance	317,028	307,505	336,159	28,654	19,131	6.0%
MainePERS Retirement Contributions	368,740	358,488	419,457	60,969	50,717	13.8%
Retiree Health Insurance Reserve	2,370	2,280	2,685	405	315	13.3%
Other Insurance and Benefits	-	-	2,500	2,500	2,500	
Total Benefits	688,138	668,273	760,800	92,527	72,662	10.6%
Total Personnel Services	2,946,193	2,946,459	3,212,919	266,460	266,726	9.1%
	-	-	-			
Operating Expenses						
Computer Equipment, Supplies and Supports	158,781	153,258	196,210	42,952	37,429	23.6%
Medical Consultation Services	-	-	-	-	-	
Training, Continuing Education and Tuition	29,500	29,500	11,300	(18,200)	(18,200)	-61.7%
Travel	79,300	76,151	78,700	2,549	(600)	-0.8%
Depreciation	4,271	6,808	10,671	3,863	6,400	149.8%
Professional Services						
Actuarial Services	-	-	-	-	-	
Audit Services	57,000	57,000	58,500	1,500	1,500	2.6%
Legal Services	1,140,000	314,186	900,000	585,814	(240,000)	-21.1%
Investment Consulting	1,245,000	1,235,000	1,225,000	(10,000)	(20,000)	-1.6%
Proxy Voting Services	24,037	24,037	24,037	-	-	0.0%
Custody Services	750,000	750,000	770,000	20,000	20,000	2.7%
Other Professional Services	118,500	118,500	18,500	(100,000)	(100,000)	-84.4%
Total Professional Services	3,334,537	2,498,723	2,996,037	497,314	(338,500)	-10.2%
Other Operating Expenses						
Buildings and Operations	136,196	118,341	139,496	21,155	3,300	2.4%
Capital Lease Expense	151,679	153,305	155,995	2,690	4,316	2.8%
Insurance	8,683	15,081	23,941	8,860	15,258	175.7%
Printing and Publications	-	24	-	(24)	-	
Postage	540	584	750	166	210	38.9%
Telephone	49,608	50,217	47,519	(2,698)	(2,089)	-4.2%
Other	30,526	32,670	33,789	1,119	3,263	10.7%
Total Other Operating Expenses	377,232	370,222	401,490	31,268	24,257	6.4%
Transfers to Reserves - MePERS	-	-	-	-	-	
Total Operating Expenses	3,983,621	3,134,662	3,694,408	559,746	(289,214)	-7.3%
Total Investment Operations Expenses	\$ 6,929,814	\$ 6,081,121	\$ 6,907,327	\$ 826,206	\$ (22,487)	-0.3%

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY25 – 3RD QUARTER REPORTS – TRAVEL AND PROCUREMENT
DATE: APRIL 23, 2025

POLICY REFERENCE

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

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

TRAVEL EXPENSE REPORT

The report of travel expenses for the quarter ended March 31, 2025 is attached for your review. This report is provided in accordance with the System Policy 3.2 – Travel which is in compliance with the State of Maine's Office of Program Evaluation and Government Accountability (OPEGA) requirements.

PROCUREMENT REPORT

The next report of procurement activity will be for the six months ended June 30, 2025 and will be presented at your August 2025 meeting. This report is provided in accordance with the System Policy 3.1 – Procurement, which is in compliance with OPEGA requirements.

RECOMMENDATION

No action is required by the Committee at this time.

Maine Public Employees Retirement System
Travel Report to the Board of Trustees
For the Period of January 1, 2025 thru March 31, 2025

Traveler	In/Out of State	Dept.	Dates of Travel			Destination	Purpose of Travel	M&IE	Lodging	Transportation	Other	Reimbursed Expenses	Total Expenses
Parker, Bartley	O	Investments	January 13, 2025	Thru	January 13, 2025	Burlington, MA	Northbridge, Blackstone Annual	-	-	154.72	-	-	154.72
Porter, Doug	O	Investments	March 18, 2025	Thru	March 19, 2025	Palm Beach, FL	Comvest Annual Meeting	105.00	405.67	574.98	-	(924.04)	161.61
Lupkas, Scott	O	Investments	March 24, 2025	Thru	March 25, 2025	Boston, MA	Cambridge Associates Summit	-	-	80.07	-	-	80.07
Keller, Seth	O	Investments	March 25, 2025	Thru	March 26, 2025	New York, NY	Risk Diversifier Meetings	123.00	251.34	630.24	-	-	1,004.58
In-State Travel Staff	I	Various	January 1, 2025	Thru	March 31, 2025	-	Misc. Local Travel	-	-	1,011.60			1,011.60
In-State Travel Trustee	I	Trustees	January 1, 2025	Thru	March 31, 2025	-	Board Meetings	-	-	415.12			415.12
TOTAL EXPENSES								228.00	657.01	2,866.73	-	(924.04)	2,827.70