MAINEPERS

BOARD OF TRUSTEES MEMORANDUM

TO: BOARD MEMBERS

FROM: DR. REBECCA M. WYKE, CEO

SUBJECT: 5-YEAR STRATEGIC PLAN UPDATE – YEAR III

DATE: OCTOBER 1, 2025

POLICY REFERENCE

Board Policy 4.5 – Board/Staff Relations
Board Policy 4.6 – Communications and Support to the Board

In August of 2022, the Board of Trustees adopted a 5-Year Strategic Plan. Much work has been done over the past three years to implement and operationalize the Plan. The focus of this report is to update the Board on the progress made in the third year of the Plan.

This work advanced each of the six goals under the plan:

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

The four legislatively directed objectives in the Strategic Plan were substantially completed in the first year of the plan, including: a study on potential public plan options that include social security (Resolves 2021, c. 66 & 72), responding to the divestment legislation (PL 2021, c. 231 & 234), expanding the availability of defined contribution plans to teachers (PL 2021, c. 548), and exploring mandatory long-term disability insurance coverage (PL 2021, c. 277).

In relation to ***Goal I. Preservation of the Trust Fund***, a Board Work Plan for 2025 was adopted by the Board in November 2024. The Plan maps the Board's responsibilities as outlined in Maine Law and Board Policy to the monthly meeting agenda and includes a frequency schedule to guide the annual update of the Plan. The Trustee Charter, which was adopted by the Board in March 2023, was reviewed in November 2024. The Charter sets forth the Board's principles, duties, and oversight responsibilities for the Governance of MainePERS and its programs. Additionally the Board reviewed and updated (as needed) more than a third of its policies in the Board Governance Manual over the past year, consistent with its three-year review cycle.

Transparency efforts regarding Board operations continued, and all public meeting materials were posted on the MainePERS website in advance of meetings, in addition to agendas and minutes. These materials are archived on the website so members of the public may easily review prior meeting materials. MainePERS also posts materials for the Finance and Audit Committee and the PLD Advisory Committee online. Additionally, all Board and Committee meetings are available live via an online webinar platform.

The Board conducted its annual self-evaluation in August 2024. As part of this process the Board received its annual education on best practices in Board governance. Following receipt of the Board's input on educational needs, an Education Plan was developed and presented to the Board in September 2024. The Plan includes educational presentations during Board Meetings, trustee seminars conducted by national associations, and materials for self-study. As part of this plan fiduciary education was offered by the Board's governance consultant in April 2025, outlining the legal framework of the Trustee's fiduciary duties and focusing on two hypothetical scenarios. Quarterly investment and annual actuarial practices education continued. The Board also continued its education on inclusion and belonging with a workshop on understanding biases in March 2025. In addition, the Board received "mission moments" – introducing the Board to various programs under MainePERS – on a variety of topics, including: the pension administration system project; the enterprise risk management plan, the preliminary to final benefit process, the internal audit program, the disability retirement program, the business continuity program, the succession planning process, and the information technology security program.

Two new Trustees were welcomed to the Board in 2025. Onboarding for the new State Treasurer was completed in early 2025, and onboarding for the new Trustee representing the Maine Education Association occurred in July 2025. These orientations, delivered by senior management, included the governance framework, fiduciary duties, actuarial valuation, rate-setting, cost-of-living increases, finances, investments, member services and employer services. One Trustee also attended the National Conference on Public Employee Retirement Systems (NCPERS) educational workshop for Trustees.

Through its Finance and Audit Committee the Board reviewed the 2024 Annual Comprehensive Financial Report prior to its acceptance by the Board, with MainePERS receiving a "clean" audit for the year from its external auditor, Berry Dunn. For the twenty-first year in a row MainePERS was awarded a certificate of achievement for excellence in reporting from the Government Finance Officers Association. The FY 2026 Annual Administrative Operations and Investment Operations Budgets were reviewed by the Finance and Audit Committee prior to their adoption by the Board. The budgets were developed to support ongoing operational needs as well as the 5-Year Strategic Plan, in particular the development of the new pension administration system. FY 2025 ended within the respective administrative and investment operations budgets as approved by the Board.

The Finance and Audit Committee also oversaw the outsourced internal audit program. Audits were completed for MaineSTART processing, the business continuity program, actuarial practices, and legislative practices. The Committee reviewed the updated enterprise risk management plan and the 2025-26 internal audit plan, which includes upcoming audits for human resources practices, death benefit processing, employer auditing, and the vendor management program. Additionally, the Committee reviewed employer account reconciliations, currently 85% reconciled, as well as status updates on employer reporting issues.

With assistance from the Board's general investment consultant, Cambridge Associates, the investment team reviewed the long-term capital market assumptions and the current strategic asset allocation with the Board in January 2025. Work exploring pre- and post-2028 system liabilities and planning continued. The investment team, working with Cambridge Associates, began a review of the system's strategic asset allocation in June 2025. This review included an asset-liability study conducted by the Board's actuary reviewing eight potential asset allocations for the State Employee and Teacher Plan and the Participating Local District Consolidated Plan. Over the next several months, the investment team led a process with the Board to review the results of this study, culminating in a recommendation, currently under review by the Board, to adopt allocation changes leading to a moderate reduction in the plans' risk profile.

The Board received education on the energy transition from its investment consultant, Albourne, and reviewed low carbon target index investments in September 2024. Staff reviewed compliance with the divestment legislation and related investment policy statement provisions, updated the status of fossil fuel investments, and presented the third annual Divestment Report to the Board in December 2024. The Board also consulted with Assistant Attorneys General Andrew Black and Elizabeth Stivers, in executive session, concerning the Board's legal rights and duties related to the divestment legislation.

From an investment perspective, the System's portfolio benefited from a second consecutive year of strong performance in both stock and bond markets. Preliminary earnings for FY2025 are 9.4%, and the preliminary trust fund balance is $21.1 billion. Investment returns reported by the System's custodian for the 5 and 10-year periods ending 6/30/25 were 10.1% and 8.2%, respectively. For the seventeenth consecutive year, MainePERS received the Public Pension Coordinating Council's Recognition Award for Funding in recognition of adherence to best practices in maintaining plan funding.

Under ***Goal II – Stability of the Contribution Rates***, the Board reviewed and approved the FY 2024 actuarial valuations and reviewed the status of the State Employee and Teacher Plan unfunded actuarial liability in October 2024. On an actuarial basis for FY 2024, the trust fund had an investment return of 7.3% (market value of assets, 7.4%). The State Employee and Teacher Plan is 86.3% funded and the calculated employer contribution rate was stable at 20.4%. The Legislative and Judicial Plans remain fully funded at 148.5% and 108.8%, respectively. In anticipation of the FY 2025 valuation, the Board also reviewed the actuarial economic assumptions in June 2025.

MainePERS administered the award of the annual cost-of-living adjustment for the State-sponsored Plans. The Consumer Price Index-Urban (CPI-U) for the twelve months ended June 30, 2024, was 3.0%. Pursuant to Maine law, the Board of Trustees awarded an annual cumulative COLA of 3.0% in September 2024. The CPI-U for the twelve months ended June 30, 2025, was 2.7% and an annual cumulative COLA of 2.7% is set to be awarded at the end of September 2025.

The Participating Local District (PLD) Advisory Committee reviewed the actuarial valuation approved by the Board for the PLD Consolidated Plan. On an actuarial basis for FY 2024, the Plan is 89.8% funded. Additionally, the employer/employee rates for the PLD Consolidated Plan were recommended by the PLD Advisory Committee and established pursuant to the authority granted by the Board to the Chief Executive Officer. The aggregate rate for the PLD Consolidated Plan is 19.2%

MainePERS also administered the award of the annual COLA adjustment for the PLD Consolidated Plan. Pursuant to Maine law and rule, the Board of Trustees awarded an annual cumulative COLA of 2.5% in September 2024 and has approved an annual cumulative COLA of 2.5% to be awarded at the end of September 2025.

Employers and other stakeholders were informed of funding trends through scheduled meetings with representatives of State government and the PLD Advisory Committee, as well as other communications. The Legislative committees of jurisdiction were also informed through the Annual Report to the Legislature in March 2025.

For ***Goal III – Security and Integrity of our Information Systems***, staff have been focused on procuring and developing a new pension administration system (PAS). MainePERS' current system is at end of life and in need of replacement. Planning for this transition began in fall 2022. A Request for Proposals (RFP) was developed and issued in May 2024, and the contract was awarded to Sagitec Solutions for their Neospin™ system in October 2024. The project officially kicked off in April 2025, following the conclusion of contract negotiations. Progress on the project to date includes completion of the project inception and planning phase, including project governance and management plans, and completion of the detailed business process reviews and requirements confirmation. The next phase of the project begins with the work of configuring the Neospin system to meet our requirements, a process that is expected to take the next three years. Work continues on infrastructure and environments, as well as data cleansing with more than 165,000 data points having been addressed to date. Staff are also currently developing a data map to support conversion of data from the legacy system to the new PAS. Overall, the project continues to be on track for quality, scope, schedule, and resources.

Over the past year staff released 31 enhancements to the legacy system to improve accuracy and efficiency, as the legacy system will continue to be the system of record for the next three years. Data storage arrays were replaced at a reduced operating cost and we are more than halfway through migration to Microsoft O365. A full building generator was installed in June 2025 to safeguard business continuity and MainePERS also conducted annual testing of emergency infrastructure and systems, as well as business recovery plans at the department level through proctored tabletop exercises.

We completed 11 cybersecurity tests over the past year, including: web application penetration testing, external and internal penetration testing, and social engineering vishing (voice phishing) testing. We renewed our cybersecurity insurance with expanded coverage at a reduced cost and are about to begin implementation of a new firewall solution that will simplify our network topology and enhance our security posture. Staff also received regular cybersecurity training to educate and guard against various threats.

Four staff members have completed a course on artificial intelligence offered by the University of Maine System. We also developed and issued a new policy on the use of artificial intelligence to manage the risk associated with this new technology. Additionally, we conducted a third-party assessment of fraud prevention and detection processes. The resulting recommendations were implemented by July 2025 and education on these processes has been included in the staff training plan.

Development of a comprehensive member education, communications, and service model that supports planning for retirement security is a key strategic objective under ***Goal IV – Cultivation of a Member-centric Organization***. This past year MainePERS conducted 42 webinars covering 10 different topics that were attended by more than 900 members. This included the launch of a new webinar on the State special plans in June 2025. New educational videos on group life insurance were also launched in November 2024 for both active and retired members, respectively. Additionally, MainePERS participated in webinars and in-person educational sessions organized by others.

In response to member feedback, we targeted one annual newsletter with information just for retirees and another with information just for active members. We also participated in the annual meetings for MEA-Retired, MSEA-Retired, and Maine Association of Retirees as a vendor to meet with members, provide information and answer questions.

The benefit estimator, introduced in February 2023, continues to be a popular tool for members to aid in their retirement planning with more than 1000 scenarios generated each month. Additionally, we conducted a campaign to encourage retirees with a group life insurance policy to ensure their beneficiaries are up to date. Nearly 17,000 letters were sent, and we've received more than 3,300 new beneficiary forms, as well as several death notifications in response to the campaign.

Staff continue to monitor all key workflow metrics on a weekly basis and have eliminated many of the backlogs in existence when the Strategic Plan was developed, including the backlogs in service retirement estimates, member requests for benefit verifications, beneficiary elections, and member account statements, and processing times for these requests continue to be current.

The only significant remaining backlog is in moving retired members from a preliminary to a final benefit. The roots of this backlog are complex, and the solution lies in streamlined processes, additional staffing, and enhanced technology. The staff implemented several process changes in August 2024 to better manage this work. The Board also approved additional staff positions to keep pace with our expanding membership rolls, while plans to develop a new pension administration system are well underway. The process changes and additional staffing are making a difference, and the pending queue has 520 fewer workflows than at this time last year, a reduction of about 20%.

In the first year following the establishment of the strategic plan, we reported that MainePERS conducted an extensive review of the disability retirement program following the implementation of Public Law 2021, c. 277. Both the law and the review focused on the application process for disability retirement. In January 2023 MainePERS began using the Social Security Administration's (SSA) compassionate allowance list to identify conditions appropriate for expedited processing when feasible. Although the standards for a disability benefit differ between SSA and MainePERS, the compassionate allowance list identifies diseases and other medical conditions that can expedite application processing for certain individuals. Our most recent survey of members who have completed the disability application process since the prior survey was conducted in July 2025. Ninety-six percent (96%) of those responding were satisfied or very satisfied that the process was fair and 96% agreed or strongly agreed that they were treated with respect and had their questions responded to in a timely manner.

Other improvements to the disability retirement program over the past couple of years include: guidance on the definition of "earnings", streamlining the annual process for applying earnings limitations, and introducing a formal waiver process for the annual statement of compensation. New legislation this past session also relaxed the time period in which an overpayment of benefits must be recovered, removed the continuous service requirement from the standard for pre-existing conditions, and removed the offset for Social Security. Taken together, the changes serve to improve the experience for members receiving a disability retirement benefit.

Other legislation from this past session eliminates the 22-day waiting period for issuing refunds and provides flexibility to support the development of the new pension administration system, regarding benefit calculations and document acknowledgements. New rulemaking streamlined the process to apply caps for members of the State Employee and Teacher Plan, clarified guidance to beneficiaries on the standards regarding full-time students, and provided guidance and incentives to employers for timely reporting and payment of contributions.

Perhaps one of the most significant achievements highlighted in the Year I update on the Strategic Plan was the development and launch of the member portal for which a phased rollout began in fall 2023. To date over 31,500 members have registered for the portal. Members use the portal to access forms, as well as to review member statements and tax information. Members have also used the portal to update their own demographic information with over 4,500 transactions to date.

MainePERS conducted its most recent annual member survey for active and retired members March 31 through April 18, 2025. Ninety-three percent (93%) of retirees and 61% of active members indicated they were “satisfied” or “very satisfied” with MainePERS. Over 90% of retirees and 64% of active members stated they “agree” or “strongly agree” that MainePERS acts with integrity. And, 78% of retirees and 51% of active members “agree” or “strongly agree” that MainePERS staff are knowledgeable.

Under ***Goal V – Development of Stakeholder Relations***, MainePERS staff have continued to focus on improving stakeholder relations with our more than 500 employers. We recently convened a new Employer Advisory Panel which held its first meeting in July 2025. The Panel has more than 20 members representing both large and small employers, as well as a diverse group of school districts, municipalities, local authorities, and the state of Maine. Payroll providers for our employer partners have also been invited to join. The Panel is intended to provide our employer partners with a conduit for input into the development of the new pension administration system, training materials, and planning for transition to the new system.

Monthly online training sessions are available to MainePERS’ employers covering employee eligibility and enrollment, as well as basic navigation within the employer portal. Employers also receive a quarterly newsletter with information on payroll filing deadlines, training opportunities, tips for using the employer portal, and upcoming events and deadlines. User manuals for the employer portal are available on our website along with quick reference guides, and we recently completed an employer training video for the new member application process. Additionally, we held an education session for 50 members of the Maine Association of School Business Officers in February 2025.

As noted under Goal I, employer account reconciliations continue with 85% of accounts reconciled. Last year, when we reported on the employer satisfaction survey, seventy-eight percent (78%) of employers were “satisfied” or “very satisfied” with MainePERS. The next employer survey will cover the period of September 29 through October 14, 2025.

MainePERS worked closely with the Participating Local District (PLD) Advisory Committee, whose membership includes five employer representatives and five employee representatives. Committee members received education and informational updates, and multiple new members received onboarding. Over the past year, the Committee reviewed information on the PLD

Consolidated Plan, developed contribution rates, and recommended adoption of legislation regarding the disability program.

Participation in the PLD Consolidated Plan continues to grow with 7 new employers joining in fiscal year 2025, adding 124 new active members to the Plan. In addition, the MaineSTART program grew its active participation by almost 10%.

MainePERS also worked closely with member organizations representing our active and retired members. We met with leaders of the Maine Education Association (MEA) and Maine Service Employees Association (MSEA) during the year in regard to both specific items as well as general discussion. Representatives of both these associations also supported our Trustee nominees during their confirmation process and were in communication with us on pending legislation and questions on the defined benefit plans. Regular articles were drafted by MainePERS for the newsletters of the Maine Association of Retirees and MEA-Retired. As noted under Goal IV, we also participated in the annual meetings for MEA-Retired, MSEA-Retired, and Maine Association of Retirees as a vendor to meet with members, provide information and answer questions.

In the last legislative session, MainePERS provided an orientation for the Joint Standing Committee on Labor, reported on divestment and ESG, and provided our annual report on operations. We also worked closely and collaboratively with members of the Committee and other stakeholders on legislation impacting MainePERS members. Senior leaders met with legislators, members of the Governor's administration, labor unions, and other stakeholders on request to discuss issues related to services, legislation and investments. Stakeholders were also kept informed via email on important issues.

At the time the Strategic Plan was being developed, a sixth Goal was recommended by staff and adopted by the Board of Trustees, ***Goal VI – Foster an Engaged Workforce that Advances the Organization's Mission***. The Organizational Values Steering Committee was chartered in fall 2022 to guide the work of institutionalizing the organizational values developed by the staff as part of the strategic planning process. The Steering Committee is staff-led and promotes interdepartmental communication and collaboration as we work to bring all MainePERS staff into one cohesive team. Over the past two years the Committee has focused on three areas for improvement: employee-facing system policies; organizational communication; and collaboration on system-wide projects. The Committee's sub-committee on policies has reviewed more than 40 employee-facing policies for alignment with organizational values. Proposed changes were reviewed by senior management and supervisors, and all have been adopted. Last year, the communications sub-committee held a series of follow-up sessions with staff on improving communications system-wide. Supervisors, in collaboration with senior management, developed a consensus response to all staff that included commitments related to the findings. Additionally, the sub-committee on organizational collaboration for system-wide projects developed a set of recommendations to improve communication and collaboration across teams that were shared with all staff prior to the start of the work on the new PAS system.

The staff-led Events Committee continues to plan social engagements and employee recognition events. The senior management team also organized and staffed the fourth annual cookout as a thank you to our employees for their work on behalf of our members. We continued to produce a bi-monthly employee newsletter to keep everyone up to date on staff comings and goings, upcoming events, important reminders, and other items of interest. In addition, monthly lunch and learn sessions have continued, topics have included: MaineSTART;

financial wellness; employment benefits; stress management; mind mapping; freedom of access law; HR, IT and Investment teams open houses; and a variety of user application sessions hosted by our IT team.

In the first year of the strategic plan, we revamped the onboarding program for new staff to include education on MainePERS' governance, mission, vision, and strategic plan, which is led by senior managers. Members of the Organizational Values Steering Committee also participate in these sessions by discussing organizational values. The program was expanded last year to include cross-departmental presentations as part of the onboarding process to promote communication and collaboration among departments. Also new this past year is a peer contact program where a veteran employee is paired with a new hire to assist with orientation. Additionally, a supervisory training series was introduced to support both new and veteran supervisors.

Last year, a working group of staff, supervisors, and senior management reviewed the performance review process for bargaining unit employees and made recommendations to streamline the process and enhance employee participation. We have now completed the first cycle of performance reviews under the new process, which now includes a voluntary self-evaluation for staff to reflect on their performance and highlight accomplishments.

Senior leaders developed training plans to support the development of their respective staff. Two MainePERS staff members completed course certification in organizational change management practices, and four staff members completed a University of Maine System continuing education course on the use of artificial intelligence in the workplace. Work on diversity, equity, inclusion and belonging continues and all staff now receive bi-monthly training through our online training academy. Additionally, all supervisors recently participated in a special two-hour education session on understanding biases.

Employee turnover improved in 2024 compared to the prior two years. Turnover was 10.87% in 2024, versus 12.71% in 2023 and 21.63% in 2022. In May 2023 Korn Ferry completed a compensation study in anticipation of the next collective bargaining contract. In November 2024, the Board of Trustees approved a collective bargaining agreement that maintains compensation at market levels to support recruitment and retention, which included retention provisions for positions critical to the new pension administration system project. Additionally, we worked with the Maine Service Employees Association (MSEA-SEIU) to provide a clearer path to promotion for our pension associates.

The most recent employee satisfaction survey was conducted in January 2025. The survey's response rate was 74%, of those responding 83% stated they "agree" or "strongly agree" they are satisfied with their job versus 74% in 2023. Additionally, 83% stated they "agree" or "strongly agree" they would recommend MainePERS as a great place to work versus 61% in 2023.

Conclusion

Over the past three years, much has been accomplished to move the 5-Year Strategic Plan adopted by the Trustees forward and the momentum continues to accelerate. The focus over the next several years will largely be on the development of the new pension administration system to ensure successful implementation. On behalf of the staff at MainePERS, I am pleased to offer this update on the progress of the Plan and look forward to accomplishing even more in the year to come.