

**MainePERS Board of Trustees
Finance and Audit Committee Meeting
May 16, 2024
139 Capitol Street, Augusta
AGENDA**

| | | | | |
|------------------|----|---|--------|--|
| 9:00 a.m. | | CALL TO ORDER | | Shirrin Blaisdell |
| 9:00 – 9:05 a.m. | 1. | <u>MINUTES APPROVAL 4/11/2024 Meeting</u> | ACTION | Shirrin Blaisdell |
| 9:05 – 9:10 a.m. | 2. | <u>ADMINISTRATION</u> | | Sherry Vandrell |
| | | a. Employer Reporting Update | | |
| | | b. <u>Report on Internal Audit</u> | | |
| | | c. FY24 Financial Statement Audit Schedule | | |
| 9:10 – 9:20 a.m. | 3. | <u>REPORT ON FINANCIAL OPERATIONS</u> | | Dr. Rebecca M. Wyke Sherry Vandrell |
| | | a. <u>03/31/2024 Administration Operations Expense Report</u> | | |
| | | b. <u>03/31/2024 Investment Operations Expense Report</u> | | |
| 9:20 – 9:40 a.m. | 4. | <u>FY25 DRAFT BUDGET</u> | ACTION | Dr. Rebecca M. Wyke Sherry Vandrell |
| | | a. <u>FY25 Draft Administration Operations Budget</u> | | |
| | | b. <u>FY25 Draft Investment Operations Budget</u> | | |
| 9:40 – 9:45 a.m. | 5. | <u>OPEGA REQUIRED REPORTING TO THE BOARD</u> | | Dr. Rebecca M. Wyke Sherry Vandrell |
| | | a. <u>Travel Report</u> | | |
| | | b. Procurement Report – Next Report in August | | |
| 9:45 a.m. | | ADJOURNMENT | | Shirrin Blaisdell |

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Meeting of the Finance and Audit Committee
April 11, 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 members Dick Metivier, Vice Chair and Brian Noyes also participated. Joining the Trustees were Dr. Rebecca M. Wyke, Chief Executive Officer; Michael Colleran, Chief Operating Officer and General Counsel; and Sherry Vandrell, Chief Financial Officer.

MINUTES

Shirrin called for acceptance of the minutes from the February 8, 2024 meeting of the Finance and Audit Committee.

- **Action:** Brian Noyes made the motion, seconded by Dick Metivier, to accept the minutes from the February 8, 2024 meeting. Voted unanimously by those Trustees participating (Blaisdell, Metivier, Noyes).

INTERNAL AUDIT PRESENTTION

Facilities Maintenance and Controls

Matt Rever and Jim Kreiser of CLA provided the internal audit report on facilities maintenance and controls for the period July 2023 to December 2023. Matt and Jim answered questions from the Committee. A suggestion was made to add a “status” column within the report to reference where in the process an audit recommendation stands. Sherry indicated that she tracks this information and will add it to the quarterly report on internal audit.

ADMINISTRATION

Employer Reporting Update

Sherry Vandrell stated that 95% of employers reported on time for the month of February. She shared progress continues in getting one of the largest school districts payroll processing and reporting back on track. Sherry stated employer account reconciliations continue with 78% of accounts being fully reconciled through December. She shared promotions within the Unit will spread the complex accounts across more experienced staff.

Report on Internal Audit

Sherry Vandrell shared the current audit, member estimates and statement accounts, will be completed by the end of June.

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: REPORT ON FINANCIAL ADMINISTRATION
DATE: MAY 6, 2024

POLICY REFERENCE

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

EMPLOYER REPORTING STATUS UPDATES

Ninety-four percent of our participating employers reported on time for the month of March. This is 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.

Employer account reconciliations continue to be an ongoing focus of our work, with 80% of all employer accounts fully reconciled through February payrolls as of today, up from 78% through January as of your last report. Staff are working to reconcile March data now as well as to continue reconciling older data for the remaining 20% of accounts.

Work continues with Portland Public Schools with some good progress to report since last month. I have been meeting weekly with Portland Public School officials and BerryDunn to review the progress of the data analysis work BerryDunn has been engaged to do. At a meeting on April 30th, BerryDunn reported that they were prepared to send us the data necessary to start making corrections for July 2022 data. It is expected that we will start to receive that data the week of May 6th and I will provide an update on that at your meeting. Once this data is provided, we have a temporary staff person onsite who will be dedicated to working on data corrections for this project as long as we have data on hand to work with. The same resource will work on other projects in the unit at other times. BerryDunn is also very close to completing the analysis needed to provide data to correct August 2022 through December 2022 and I expect that will come shortly after the July 2022 data.

Portland Public Schools has also been working with ADP, the payroll vendor they moved to in January, to get a MainePERS compliant payroll file out of that system. We received our first test file in May and have provided feedback to both the District and ADP so they can make adjustments. We expect a second test file the week of May 6th. Once we are able to get good files from the ADP application, the District will be positioned to report to us timely month over month going forward while we continue to work on cleaning up the back data.

MainePERS initiated direct communication with members who are or were employed by Portland Public Schools. Portland Public Schools has also initiated direct communications with their staff and have linked our communication with theirs to assist in making sure our message is getting out to as many members as possible. A series of Q&A sessions is planned for the period of May 6th through May 17th where officials from Portland Public Schools will take questions from staff and provide updates. MainePERS staff have been invited to be on hand remotely to answer MainePERS related questions and we are working out the logistics of that now.

And I'm excited to report that we have hired a new Assistant Director of Employer Reporting. The Assistant Director position replaces the former Employer Reporting Manager position which has been vacant since early January. The new Assistant Director has a background in finance and accounting, and has spent much of her career in public school finance in up-state New York, so she brings firsthand knowledge of the challenges public pension plan reporting can present. Because she is relocating from New York, there will be a delay in a start date, but we expect her on board later this summer.

REPORT ON INTERNAL AUDIT

CliftonLarsonAllen (CLA) is wrapping up their 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. We have received some verbal reports of potential recommendations as a result of this work but have not yet received a draft of the report to review. It is expected that CLA will present this audit at your August meeting.

Included in our packet is a report on outstanding audit findings and recommendations along with their status. I am happy to answer questions regarding the report at your meeting.

FY24 FINANCIAL STATEMENT AUDIT SCHEDULE

The audit planning and interim work for the FY24 financial statement audit is scheduled for the week of June 3, 2024 with audit fieldwork beginning the week of July 29, 2024.

Mark and Leah are tentatively scheduled to participate in the August 8th meeting to review their audit plan with you and to answer any questions you may have. The remaining audit work, including work related to the supplemental audits, has not been scheduled but is expected to begin in September.

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

5/7/2024

| Issue Identified | Type of Issue | Source | Responsible Unit | Owner | Date Added | Recommendation | Management Response | 5/7/2024 | 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. | 05/2024 - This is being pursued in development of a new PAS system for which a public solicitation is currently active. | |
| <p>We noted that policies and procedures were not consistently reviewed and approved on an annual basis or on an established timeframe.</p> | Recommendation | Wipfli Internal Audit 2023 - Investments | Investments | Jim | 9/13/2023 | We recommend MainePERS inventory their existing policies and procedures and establish a policy and procedure review schedule, with established timeframes for review of approval of each. All reviews and approvals should be clearly documented and retained. | MainePERS maintains an inventory of policies and practices and reviews them regularly as recommended. We understand that some of the policies covered in this review were not updated timely and staff will review and update them as appropriate. | <p>05/2024 - The specific policy documents related to investment operations that were determined to be out of date have been updated.</p> <p>The Policy on Policies and Practices has been refreshed to provide guidance for documenting the last reviewed date on the document itself when a review occurs but no updates are required. The revised Policy was adopted in late April and is now in effect. While we anticipate there will be some policies that may not have the updated date stamp on them until their next review, we consider this finding closed.</p> | 4/25/2024 |
| <p>Eight (8) of the twelve (12) user accounts within the MainePERS GL system are given the PowerUsers role. The PowerUser role grants access to all areas and all modules in the GL system. In addition, two (2) finance related users have access to the IT Operations Manager role within the GL system.</p> | Recommendation | CLA - Cash Receipts and Disbursements 2023 | Accounting | Sherry | 11/13/2023 | <p>We recommend that the PowerUser Role for the General Ledger system be tightly controlled and the quantity limited to the minimum necessary. For standard users, access permissions should be limited to support only the responsibilities that relate to the user's position/title to ensure that segregation of duties and dual control concepts are implemented where appropriate. In many cases, General Ledger systems will have pre-defined roles with assigned permissions that pertain to specific user's positions/titles. This could be used as a starting point for assigning roles and then more granular adjustments can be made to the pre-defined roles.</p> <p>In addition, we recommend implementing a formal documented user access review process over key systems on a periodic basis (at least annually) to determine whether terminated users access has been removed (see observation #2) and active users access is appropriate based on their job responsibilities.</p> | Management agrees with this recommendation. MainePERS is currently upgrading the existing general ledger accounting system and management will work with our vendor partner to review security access roles and assign appropriate roles for each member of the accounting team as part of that upgrade. A quarterly review of user access to the general accounting system will be implemented. | 05/2024 - The upgrade to the application has been completed and a procedure for reviewing user accounts quarterly has been implemented. | 3/31/2024 |

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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5/7/2024

| Issue Identified | Type of Issue | Source | Responsible Unit | Owner | Date Added | Recommendation | Management Response | 5/7/2024 | Date Resolved |
|---|----------------|--|------------------|--------|------------|---|---|---|---------------|
| A terminated employee (Termed on 3/17/2023) retained user account access (Manager Role Access) to the payroll processing system. | Recommendation | CLA - Cash Receipts and Disbursements 2023 | Human Resources | Lynn | 11/13/2023 | We recommend revoking the terminated user accounts within the payroll system immediately and develop an effective mechanism to ensure that access is appropriately removed when an employee is terminated. In addition, we recommend implementing a formal documented user access review process over key systems on a periodic basis (at least annually) to determine whether terminated users access has been removed and active users access is appropriate based on their job responsibilities. (see observation #1). | Management agrees with this recommendation. The access for the one terminated employee has been revoked and a quarterly review of user access to the payroll processing system will be implemented. | 05/2024 - A procedure for reviewing user accounts quarterly has been implemented. | 3/31/2024 |
| MainePERS has a department policy and practice review log that is maintained to track key dates for policies and practices such as, last review date, revision date, next review date, etc. However, the dates notated on the review log do not all conform to dates noted in the actual policy and practice documents. | Recommendation | CLA - Cash Receipts and Disbursements 2023 | Executive | Mike | 11/13/2023 | 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. | 05/2024 - The Policy on Policies and Practices has been refreshed to provide guidance for documenting the last reviewed date on the document itself when a review occurs but no updates are required. The revised Policy was adopted in late April and is now in effect. While we anticipate there will be some policies that may not have the updated date stamp on them until their next review, we consider this finding closed. | 4/25/2024 |
| 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. | 05/2024 - There is an ongoing effort to bring all employer accounts current and clear the backlog of reconciliations and adjustments. The number of staff assigned to do this work has been increased, and as new staff are being trained, this work is getting addressed. | |
| Upon inquiry with MainePERS management, 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. | Recommendation | CLA - Facilities Maintenance and Controls 2024 | Operations | Lynn | 1/31/2024 | 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. | 05/2024 - Management has a site wide test in the planning stages, expected to be completed in the current calendar year. A Panic Alarm drill was conducted on 4/23 & 4/25/2024. | |
| 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. | 05/2024 - An RFP was issued to acquire and build out a generator for the 139 Capitol Street facility. Bids are in and a contract is anticipated by May 1st with an anticipated in service date in the fall / winter of 2025. | |
| 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 2008 2012 PROD, Windows 2008 2012 DR, and Active Directory DHCP DNS 2008 R2). | Recommendation | CLA - Facilities Maintenance and Controls 2024 | IT | Joy | 1/31/2024 | 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. 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. | Management agrees with this recommendation. At this time, four remaining 2012 R2 servers are scheduled to be decommissioned or upgraded by 2/15/2024. | 05/2024 - We believe that our MSP vendor Presidio provided an outdated inventory for this audit. A current inventory report from our ManageEngine EndPoint Central system run on 1/18/2024 found no 2008 machines. Two Windows 2012 R2 machines were updated on 2/16/2024 and two are scheduled for replacement in July of 2024 | |

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Status of Unresolved Audit Findings and Recommendations for Improvement

5/7/2024

| Issue Identified | Type of Issue | Source | Responsible Unit | Owner | Date Added | Recommendation | Management Response | 5/7/2024 | Date Resolved |
|---|----------------|--|------------------|-------|------------|---|--|---|---------------|
| 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. A separate log maintained for tracking the review, revision, and approval dates/individuals for documents is in place; however, this log was not provided. | Recommendation | CLA - Facilities Maintenance and Controls 2024 | Operations | Mike | 1/31/2024 | 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. | 05/2024 - The Policy on Policies and Practices has been refreshed to provide guidance for documenting the last reviewed date on the document itself when a review occurs but no updates are required. The revised Policy was adopted in late April and is now in effect. While we anticipate there will be some policies that may not have the updated date stamp on them until their next review, we consider this finding closed. | 4/25/2024 |
| 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. | Recommendation | CLA - Facilities Maintenance and Controls 2024 | Operations | Lynn | 1/31/2024 | 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. | 05/2024 - A new electronic software application for recording visitor activity has been identified (Envoy) and it is expected to be in place in the new fiscal year. | |

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY24 – MARCH 2024 OPERATING AND INVESTMENT EXPENSE REPORTS
DATE: MAY 6, 2024

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

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 MARCH 31ST

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

Administration

(1) **Personnel Services** (Over budget 1.04% or \$121,894) – 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 projected expenses for salaries and related benefits include a projection for overtime for the remaining three months of the year based on the average per pay-period amounts incurred for the last six pay periods. 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 25.7% or \$174,415) – 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 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 27.0% or \$142,173) – 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 we have not contemplated in the past. 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 11.2% or \$16,537) – 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 2.5% or \$62,804) – 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 near the end of the fiscal year.

(2) **Legal Services** (Under budget by 39.4% or \$449,073) – 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 63.8% or \$68,235) – A professional recruitment firm was hired to assist with the recruitment of the Deputy Chief Investment Officer.

(4) **Telephone** (Over budget 16.3% or \$6,890) – 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.

This service was not contemplated at the time the budget was compiled, resulting in a projected deficit in this line item.

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 03/31/24 | FY 24 Projected Remaining | FY 24 Total Expected | Projected Surplus (Deficit) |
|---|-----------------------------|----------------------------------|---------------------------------|-----------------------------|-----------------------------------|
| Personnel Services | | | | | |
| Salaries & Wages | | | | | |
| Salaries and Wages | \$ 8,684,202 | \$ 6,255,200 | \$ 2,409,362 | \$ 8,664,562 | \$ 19,640 |
| Overtime Wages | - | 124,303 | 48,341 | 172,644 | (172,644) |
| Total Salaries & Wages | <u>8,684,202</u> | <u>6,379,503</u> | <u>2,457,703</u> | <u>8,837,206</u> | <u>(153,004)</u> |
| Benefits | | | | | |
| Health Insurance | 1,922,264 | 1,356,813 | 552,109 | 1,908,922 | 13,342 |
| MainePERS Retirement Contributions | 1,112,911 | 802,499 | 307,437 | 1,109,936 | 2,975 |
| Retiree Health Insurance Reserve | 9,143 | 6,957 | 2,323 | 9,280 | (137) |
| Other Insurance and Benefits | 28,000 | 11,711 | 1,359 | 13,070 | 14,930 |
| Total Benefits | <u>3,072,318</u> | <u>2,177,980</u> | <u>863,228</u> | <u>3,041,208</u> | <u>31,110</u> |
| Total Personnel Services | <u><u>11,756,520</u></u> | <u><u>8,557,483</u></u> | <u><u>3,320,931</u></u> | <u><u>11,878,414</u></u> | <u><u>(121,894)</u></u> (1) |
| Operating Expenses | | | | | |
| Computer Equipment, Supplies and Supports | 3,017,266 | 1,965,686 | 901,236 | 2,866,922 | 150,344 |
| Medical Consultation Services | 244,500 | 115,814 | 87,376 | 203,190 | 41,310 |
| Training and Tuition | 89,760 | 45,839 | 43,921 | 89,760 | - |
| Travel | 61,505 | 10,865 | 50,640 | 61,505 | - |
| Depreciation | 578,836 | 396,593 | 125,299 | 521,892 | 56,944 |
| Professional Services | | | | | |
| Actuarial Services | 423,720 | 219,511 | 169,434 | 388,945 | 34,775 |
| Audit Services | 120,500 | 103,193 | 23,000 | 126,193 | (5,693) |
| Legal Services | 197,000 | 76,088 | 66,258 | 142,346 | 54,654 |
| Hearing Officers Services | 35,500 | 46,432 | 16,500 | 62,932 | (27,432) |
| Other Professional Services | 678,178 | 246,747 | 257,016 | 503,763 | 174,415 |
| Total Professional Services | <u>1,454,898</u> | <u>691,971</u> | <u>532,208</u> | <u>1,224,179</u> | <u>230,719</u> |
| Other Operating Expenses | | | | | |
| Buildings and Operations | 579,227 | 415,865 | 88,476 | 504,341 | 74,886 |
| Capital Lease Expense | 552,714 | 405,726 | 136,582 | 542,308 | 10,406 |
| Insurance | 109,807 | 96,196 | 14,571 | 110,767 | (960) |
| Printing and Publications | 205,766 | 240,672 | 34,854 | 275,526 | (69,760) |
| Postage | 359,100 | 355,354 | 76,159 | 431,513 | (72,413) |
| Telephone | 147,978 | 117,158 | 47,357 | 164,515 | (16,537) |
| Other | 244,430 | 149,304 | 74,941 | 224,245 | 20,185 |
| Total Other Operating Expenses | <u>2,199,022</u> | <u>1,780,275</u> | <u>472,940</u> | <u>2,253,215</u> | <u>(54,193)</u> |
| Total Operating Expenses | <u><u>7,645,787</u></u> | <u><u>5,007,043</u></u> | <u><u>2,213,620</u></u> | <u><u>7,220,663</u></u> | <u><u>425,124</u></u> |
| Total Administrative Expenses | <u><u>\$ 19,402,307</u></u> | <u><u>\$ 13,564,526</u></u> | <u><u>\$ 5,534,551</u></u> | <u><u>\$ 19,099,077</u></u> | <u><u>\$ 303,230</u></u> |

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

| | FY 24 Budgeted | FY 24 Actual Thru 03/31/24 | FY 24 Projected Remaining | FY 24 Total Expected | Projected Surplus (Deficit) |
|---|----------------------------|----------------------------------|---------------------------------|----------------------------|-----------------------------------|
| Personnel Services | | | | | |
| Salaries & Wages | | | | | |
| Salaries and Wages | \$ 1,922,516 | \$ 1,371,210 | \$ 529,068 | \$ 1,900,277 | \$ 22,239 |
| Overtime Wages | - | - | - | - | - |
| Total Salaries & Wages | <u>1,922,516</u> | <u>1,371,210</u> | <u>529,068</u> | <u>1,900,277</u> | <u>22,239</u> |
| Benefits | | | | | |
| Health Insurance | 284,765 | 170,917 | 77,075 | 247,992 | 36,773 |
| MainePERS Retirement Contributions | 314,760 | 221,489 | 89,485 | 310,974 | 3,786 |
| Retiree Health Insurance Reserve | 2,286 | 1,710 | 570 | 2,280 | 6 |
| Other Insurance and Benefits | - | 448 | (448) | - | - |
| Total Benefits | <u>601,811</u> | <u>394,564</u> | <u>166,682</u> | <u>561,246</u> | <u>40,565</u> |
| Total Personnel Services | <u><u>2,524,327</u></u> | <u><u>1,765,774</u></u> | <u><u>695,749</u></u> | <u><u>2,461,523</u></u> | <u><u>62,804</u></u> (1) |
| Operating Expenses | | | | | |
| Computer Equipment, Supplies and Supports | 167,870 | 82,449 | 82,424 | 164,873 | 2,997 |
| Medical Consultation Services | - | - | - | - | - |
| Training and Tuition | 26,200 | 14,150 | 12,050 | 26,200 | - |
| Travel | 78,300 | 27,943 | 50,357 | 78,300 | - |
| Depreciation | 1,920 | 4,768 | 1,068 | 5,835 | (3,915) |
| Professional Services | | | | | |
| Actuarial Services | - | - | - | - | - |
| Audit Services | 65,500 | 70,870 | - | 70,870 | (5,370) |
| Legal Services | 1,140,000 | 273,130 | 417,797 | 690,927 | 449,073 (2) |
| Investment Consulting | 1,215,000 | 911,250 | 303,750 | 1,215,000 | - |
| Proxy Voting Services | 24,037 | 18,028 | 6,009 | 24,037 | - |
| Custody Services | 720,000 | 540,000 | 180,000 | 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>1,855,169</u> | <u>1,040,900</u> | <u>2,896,069</u> | <u>375,468</u> |
| Other Operating Expenses | | | | | |
| Buildings and Operations | 132,110 | 96,843 | 34,625 | 131,468 | 642 |
| Capital Lease Expense | 150,782 | 121,442 | 37,959 | 159,401 | (8,619) |
| Insurance | 9,205 | 340 | 8,626 | 8,966 | 239 |
| Printing and Publications | - | 21 | - | 21 | (21) |
| Postage | 540 | 193 | 135 | 328 | 212 |
| Telephone | 42,210 | 41,759 | 7,341 | 49,100 | (6,890) (4) |
| Other | 32,038 | 22,749 | 9,253 | 32,003 | 36 |
| Total Other Operating Expenses | <u>366,885</u> | <u>283,347</u> | <u>97,940</u> | <u>381,287</u> | <u>(14,402)</u> |
| Total Operating Expenses | <u><u>3,912,712</u></u> | <u><u>2,267,825</u></u> | <u><u>1,284,739</u></u> | <u><u>3,552,564</u></u> | <u><u>360,148</u></u> |
| Total Investment Operations Expenses | <u><u>\$ 6,437,039</u></u> | <u><u>\$ 4,033,599</u></u> | <u><u>\$ 1,980,488</u></u> | <u><u>\$ 6,014,087</u></u> | <u><u>\$ 422,952</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: MAY 6, 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 and are unchanged from the drafts you were presented in April.

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 15.2% increase over expected expenses for this year. FY 24 expected expenses have been updated to include anticipated overtime for the remainder of the current fiscal year. Personnel services are proposed to increase by 23.3%, or \$2,740,351. As was presented in April, 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. Additional details about the changes in the budget can be found in your board packet materials for the April 11, 2024 meeting.

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. Additional details about the FY25 proposed budget for investment operations can be found in your board materials for the April 11, 2024 meeting.

RECOMMENDATION

Accept the FY25 Recommended Operating Budget in the amount of \$21,994,206 and the Recommended Investment Operations Budget in the amount of \$6,929,814 as presented and recommend approval to the full Board at its June 13, 2024 meeting.

**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 | \$ 8,664,562 | \$ 10,651,839 | \$ 1,987,277 | \$ 1,967,637 | 22.7% |
| Overtime Wages | - | 172,644 | - | (172,644) | - | |
| Total Salaries & Wages | 8,684,202 | 8,837,206 | 10,651,839 | 1,814,633 | 1,967,637 | 22.7% |
| Benefits | | | | | | |
| Health Insurance | \$ 1,922,264 | 1,908,922 | \$ 2,500,137 | 591,215 | 577,873 | 30.1% |
| MainePERS Retirement Contributions | 1,112,911 | 1,109,936 | 1,307,416 | 197,480 | 194,505 | 17.5% |
| Retiree Health Insurance Reserve | 9,143 | 9,280 | 9,480 | 200 | 337 | 3.7% |
| Other Insurance and Benefits | 28,000 | 13,070 | 28,000 | 14,930 | - | 0.0% |
| Total Benefits | 3,072,318 | 3,041,208 | 3,845,032 | 803,824 | 772,714 | 25.2% |
| Total Personnel Services | 11,756,520 | 11,878,414 | 14,496,871 | 2,618,457 | 2,740,351 | 23.3% |
| Operating Expenses | | | | | | |
| Computer Equipment, Supplies and Supports | 3,013,431 | 2,866,922 | 2,844,935 | (21,987) | (168,496) | -5.6% |
| Medical Consultation Services | 244,500 | 203,190 | 244,500 | 41,310 | - | 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 | 521,892 | 450,963 | (70,929) | (127,873) | -22.1% |
| Professional Services | | | | | | |
| Actuarial Services | 423,720 | 388,945 | 397,140 | 8,195 | (26,580) | -6.3% |
| Audit Services | 120,500 | 126,193 | 142,000 | 15,807 | 21,500 | 17.8% |
| Legal Services | 197,000 | 142,346 | 211,500 | 69,154 | 14,500 | 7.4% |
| Hearing Officers Services | 35,500 | 62,932 | 50,500 | (12,432) | 15,000 | 42.3% |
| Miscellaneous Professional Services | 678,178 | 503,763 | 839,053 | 335,290 | 160,875 | 23.7% |
| Total Professional Services | 1,454,898 | 1,224,179 | 1,640,193 | 416,014 | 185,295 | 12.7% |
| Other Operating Expenses | | | | | | |
| Buildings and Operations | 579,227 | 504,341 | 496,127 | (8,214) | (83,100) | -14.3% |
| Capital Lease Expense | 552,714 | 542,308 | 549,397 | 7,089 | (3,317) | -0.6% |
| Insurance | 109,807 | 110,767 | 109,100 | (1,667) | (707) | -0.6% |
| Printing and Publications | 205,766 | 275,526 | 198,121 | (77,405) | (7,645) | -3.7% |
| Postage | 359,100 | 431,513 | 370,705 | (60,808) | 11,605 | 3.2% |
| Telephone | 147,978 | 164,515 | 166,992 | 2,477 | 19,014 | 12.8% |
| Other | 248,265 | 224,245 | 246,103 | 21,858 | (2,162) | -0.9% |
| Total Other Operating Expenses | 2,202,856 | 2,253,215 | 2,136,545 | (116,670) | (66,312) | -3.0% |
| Total Operating Expenses | 7,645,786 | 7,220,663 | 7,497,335 | 276,672 | (148,451) | -1.9% |
| Total Administrative Expenses | \$ 19,402,306 | \$ 19,099,077 | \$ 21,994,206 | \$ 2,895,129 | \$ 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% |

MAINEPERS

FINANCE AND AUDIT COMMITTEE MEMORANDUM

TO: FINANCE AND AUDIT COMMITTEE MEMBERS
FROM: SHERRY VANDRELL, CHIEF FINANCIAL OFFICER
SUBJECT: FY24 – 3RD QUARTER REPORTS – TRAVEL AND PROCUREMENT
DATE: MAY 6, 2024

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, 2024 is attached for your review. This report is provided in accordance with the System Policy 3.2 – Travel which is in compliance with the State of Maine's Office of Program Evaluation and Government Accountability (OPEGA) requirements.

PROCUREMENT REPORT

The report of procurement activity for the six months ended June 30, 2024 will be provided at your August 8, 2024 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, 2024 through March 31, 2024

| Traveler | In/Out of State | Dept. | Dates of Travel | | Destination | Purpose of Travel | M&IE | Lodging | Transportation | Other | Reimbursed Expenses | Total Expenses |
|-----------------------|-----------------|----------------|--------------------|--------------------------|-------------------------------------|--|---------------|-----------------|-----------------|-----------------|---------------------|------------------|
| Giatas, Domna | O | Communications | January 21, 2024 | Thru January 23, 2024 | Washington D.C. | NCPERS Communication Conference | 145.00 | 693.38 | 227.62 | 400.00 | - | 1,466.00 |
| Gavin, Chip | O | Executive | January 21, 2024 | Thru January 23, 2024 | Washington D.C. | NCPERS Communication Conference | 102.00 | 346.69 | 280.48 | 400.00 | - | 1,129.17 |
| Wyke, Rebecca | O | Executive | January 21, 2024 | Thru January 23, 2024 | Washington D.C. | NCPERS Communication Conference | 145.00 | 693.38 | 290.39 | 518.40 | - | 1,647.17 |
| Ackor, James | O | Investments | March 18, 2024 | Thru March 21, 2024 | Ft. Lauderdale, FL | Thoma Bravo, Hidden Harbor Capital Partners, and HIG Meetings | 69.17 | 1,197.88 | 395.20 | 373.92 | - | 2,036.17 |
| Bennett, James | O | Investments | February 15, 2024 | Thru February 23, 2024 | Oakland/San Francisco/Palo Alto, CA | Albourne, Capricorn, Farallon, and Voleon Meetings | 20.00 | - | 239.85 | - | - | 259.85 |
| Bennett, James | O | Investments | March 18, 2024 | Thru March 25, 2024 | Miami, FL | Thoma Bravo Annual Meeting | 48.00 | 596.09 | 505.10 | 97.34 | - | 1,246.53 |
| Keller, Seth | O | Investments | January 29, 2024 | Thru February 1, 2024 | Miami, FL | Managed Funds Association 2024 Conference | 86.00 | 1,467.18 | 277.80 | 129.00 | - | 1,959.98 |
| Keller, Seth | O | Investments | March 27, 2024 | Thru March 27, 2024 | New York, NY | GARDA Capital, Holocene Advisors, and Balyasny Asset Management Meetings | 41.00 | - | 450.20 | 156.03 | - | 647.23 |
| Parker, Bartley | O | Investments | September 11, 2023 | Thru September 13, 2023 | Atlanta, GA | Smart Markets LPAC, Rubenstein Partners and High Street Logistics Meetings | 84.00 | 392.23 | 717.80 | 66.95 | (1,155.75) | 105.23 |
| Porter, Douglas | O | Investments | March 6, 2024 | Thru March 8, 2024 | Palm Beach, FL | Comvest Credit Partners LPAC | 96.00 | 748.06 | 497.20 | 77.89 | (1,245.26) | 173.89 |
| Proom, William | O | Investments | February 24, 2024 | Thru March 1, 2024 | Phoenix, AZ | Taurus AGM | 122.75 | - | 585.45 | - | (469.21) | 238.99 |
| Staff | I | Various | October 1, 2023 | Thru December 31st, 2023 | - | Misc. Local Travel | - | - | 194.96 | - | - | 194.96 |
| Trustees | I | Trustees | October 1, 2023 | Thru December 31st, 2023 | - | Board Meetings | - | - | 311.90 | - | - | 311.90 |
| TOTAL EXPENSES | | | | | | | 958.92 | 6,134.89 | 4,973.95 | 2,219.53 | (2,870.22) | 11,417.07 |

*Airfare and Lodging paid by Fund

*Airfare and Lodging paid by Fund

*Airfare and Lodging paid by Fund