**Maine Retirement Savings Board**

**Date: June 18, 2024**

**Cross State Office Building**

**111 Sewall Street, Augusta, ME 04333**

**Minutes- Adopted**

Chair Beck called the meeting to order at 1:02 PM. This meeting was conducted in person at the Burton Cross State Office Building, 111 Sewall Street, August, Maine and virtually through Teams.

**Welcome and Ascertainment of Quorum**

Chair Beck opened the meeting and welcomed those attending in person and virtually.

**Board Members present:**

* Henry Beck, Chair
* Rebecca M. Wyke, Vice Chair
* Deborah Adams Neuman (virtual due to over an hour drive to the meeting)
* Daniel Piltch
* Jessica Linzer
* Nate Moody
* Gigi Guyton-Thompson
* Matthew Colpitts

**Board Members absent:**

* Tina Wilcoxson

A quorum was present.

**Staff present:**

● Elizabeth Bordowitz, Executive Director

* Jane Adams, Treasurer’s Office

**Others Present:**

* Courtney Eccles, Vestwell (virtual)
* Michael Terdeman, Vestwell (virtual)
* William Duryea, Meketa (virtual)
* Kay Cesarani, Meketa (virtual)
* Mark Arel (in person)
* Kim Olson, Pew Charitable Trusts (Virtual)
* Courtney Zinter, Davis & Harman, LLP (Virtual)
* Victoria Schmidt (Virtual)
* Elise Thiemann, State Street Global Advisors (Virtual)

**Approval of Minutes of the April 17, 2024 Board Meeting.**

Chair Beck asked if there is a motion to approve the minutes of the April 17, 2024 Board meeting.

***Dr. Wyke moved approval of the April 17, 2024 Board meeting minutes as presented. The motion was seconded by Mr. Piltch. The minutes were approved by a vote of 6-0-2 (Mr Colpitts and Ms. Guyton-Thompson abstained since they were not present at the meeting.***

Chair Beck noted that there are no specific provisions for public comments at meetings of the Board and such opportunity to comment is in the discretion of the Chair. He noted that there is a member of the public at the meeting who would like to share some comments and he will use the Chair’s discretion to allow and welcome the comments. Chair Beck asked the member of the public to limit his comments to two – three minutes and invited him to identify himself and offer comments.

Mark Arel thanked the Board for allowing him to offer his comments. He stated that after talking with Program representatives and reading the material, he has determined that there is no way to truly opt out of MERIT. Even if a person chooses not to participate and opts out of making contributions, their information remains in the system and they may be automatically re-enrolled at regular or ad hoc intervals as determined by the Board. He opined that to fix this problem people should be able to to opt in to the Program, because the Program in his view is not truly voluntary if people need to opt out.

Chair Beck thanked Mr. Arel for his comments.

Chair Beck invited Beth to provide the Executive Director’s Report.

**Executive Director’s Report**

Ms. Bordowitz updated the Board on general Auto IRA news. Washington State has enacted an Auto IRA program. Rhode Island also just recently passed Auto IRA legislation, which is awaiting signature of the Governor. In Massachusetts there is an extension of time to consider the pending Auto IRA legislation. Beth has spoken to Treasury staff in Rhode Island about the program in Maine. New Jersey and Delaware are in the pilot phase of their programs. New Jersey will officially roll out statewide on June 30th and Delaware will roll out statewide on July 1st.

With regard to the Partnership, we are working to establish a meeting time to interview potential fund families for the domestic equity fund. This involves coordinating the schedules of staff and board representatives from three states, the investment advisors to each state and the representatives from the fund families. We expect to have a fund to consider at the August meeting.

Ms. Bordowitz noted that Vermont has not yet completed negotiations with Colorado and Vestwell to join the Partnership for a Dignified Retirement, but she expects that to conclude successfully and for them to be on a program implementation schedule that is similar to Maine’s starting in the winter of 2025.

Beth thanked Jessica Linzer and AARP for their assistance in getting a mailing out to small payroll providers. We sent an email if we could find the email address, if not we sent a letter inviting them to a webinar. AARP printed the letters and Jessica stuffed all of the envelopes. We had very good representation from that group on the webinar.

As of today, MERIT has passed $1 million in assets under management. There was a discussion about some of the current metrics for the Program. We are planning a press release to announce that milestone. AARP has partnered with us on that. They took the lead on drafting the Press Release.

Beth will be recording a webinar focused on employees that will be added to the Board’s YouTube Channel.

Beth met with the Attorney General to start discussing what the enforcement process will look like. These early conversations are important to put the pieces in place and for budgeting for next year.

The Review/Audit RFP has been published. Beth thanked Mr. Colpitts and Mr. Piltch for reading and commenting on the RFP. She noted that she sent the audit RFP to firms that do audits for municipalities, since they are used to working with GASB. Many firms are not currently accepting new clients.

There was discussion about the hiring of a second employee. Beth plans to do the hiring over the summer with an expected fall start.

Chair Beck called for additional questions for Beth.

**Program Update**

Chair Beck invited Courtney Eccles of Vestwell to provide the Program Update.

Ms. Eccles reviewed the schedule of the communications that will be going out to Employers. The final communication for employers of 5-14 employees will go out on Thursday. Then there will be two post-deadline communications one week and one month after the deadline. She expects that we will continue to see high engagement through July.

Ms. Eccles presented comparative numbers, so that members can see the growth of the Program. She noted the large growth in the Program during the second quarter. Ms. Eccles explained that the gap between registered employers and those funding accounts is normal, as many employers are in the 30 day period when employees are making their initial choices. That number will get closer over time. Vestwell specifically identifies those employers to remind them to start doing the payroll contributions.

There was discussion about employees choosing a traditional IRA, rather than the Roth. Ms. Eccles said that there are a handful of employees who have chosen a Traditional IRA.

Treasurer Beck thanked Ms. Eccles for her presentation.

**Investment Advisor Update**

William Duryea and Kay Cesarani of Meketa provided the investment and markets update. Mr. Duryea reported that equities were strong in the first quarter, but fixed income faced headwinds as a result of anticipated interest rate cuts not being made. In the second quarter so far, rates have been down and up. The equity markets are positive for the year. Fixed income funds are just below flat. At this point inflation and the actions or inactions by the Federal Reserve are strongly influencing the markets. Within equities large caps are the strongest with small caps down.

Mr. Duryea reviewed the defined contribution marketplace generally.

Mr. Duryea reviewed the performance of the funds in the Program. At the end of the first quarter most of the Program assets were in the target date funds. All the target date funds had positive returns for the quarter with the longer vintages invested in higher percentages of equities having stronger performance than the shorter vintages. He noted that the State Street funds are in the lowest quintile relative to their peers. This is because they have less emphasis on equities, so are more diversified than some of their peers. Meketa views the diversification as a positive in the lifecycle of the glide path, but at this time it is causing the funds to lag their peers.

There was discussion about what the process would be if the Board wants to change investment options. It was noted that changing funds is generally a long process. It is outlined in the Investment Policy Statement.

There was further discussion of the diversification in the Target Date Funds and how that affects the employees in the Program.

Chair Beck thanked Mr. Duryea for his presentation.

**Review of Audit Engagement Letter/Landmark**

Chair Beck asked Beth to provide background on the information on the draft Audit Engagement letter from Landmark.

Beth noted that the Master Services Agreement with Vestwell provides that Vestwell will undertake an independent audit of the Program. The assets of each state will be tested separately and a report prepared for each partner state. There will be statistically significant sampling from each program as part of the audit. Vestwell has engaged Landmark to do the audit. Landmark has a team that focuses on auditing governmental savings programs such as 529 Education Savings programs, ABLE programs and Auto IRA programs. Vestwell provided the draft audit engagement letter. Beth suggested that the Audit engagement letter needs to be modified so that it is clear that each state partner will receive an audit report addressed to them and that the Board of each state partner will be able to meet with the auditors. Vestwell has confirmed that both of those things can happen. Ms. Eccles noted that Landmark has done the audit for ABLE consortia. She will provide an example of an audit for an ABLE consortium.

Beth told the Board that she had listened to the Delaware Audit Committee meeting the previous week. Their committee members raised concerns about how the Program would know if an employer withheld employee funds but did not send them to the employee’s MERIT account. That type of investigation is not within the scope of the Landmark audit. Beth raised this in an informal conversation with the Attorney General’s Office this morning. The discussion centered on this being wage theft and something that should be on the radar of anyone investigating for other wage theft, but it would not be an element of a financial audit of Vestwell. There was discussion among the Board members about how this is handled in other withholding situations. Ms. Eccles reviewed the process that Landmark will undertake to confirm that the amount in Vestwell’s system is the amount that was sent by the employer and that it is contributed to the accounts of the correct employees. The Board confirmed that Mr. Piltch and Mr. Colpitts, the audit working group, would also work with Beth on matters concerning the Program audit of Vestwell.

The RFP for a Review/Audit of the Board has been published. Beth noted that many accounting firms are not taking new clients and not all firms do GASB audits. She has sent the audit to all firms that are listed by the state as having completed audits for municipalities and it is published on the National Association of State Treasurers website. She encouraged Board members to share the audit with anyone that they know who does GASB audits. Beth sent it to general information contacts for the firms, not individuals.

Mr. Colpitts noted that there is a little-used state statute that would allow us to work with the State auditor. Beth will look into that.

**Goal Setting Discussion**

Beth reminded the Board that at the last meeting the Board discussed various goals for the Board. Beth was asked to group the goals and based on the groupings to make suggestions for goals. She was also asked to provide data to support the goals.

The Board materials include suggested goals and an effort to compare the Maine program to where Pew estimated the Program would be at the end of each year and to where Colorado actually was after each quarter in their first year. The Colorado comparison is based on percentages, since Maine has so many fewer employers and employees relative to Colorado. At this point Maine compares favorably to Colorado. The members agreed that this is an appropriate way to look at Maine’s performance. The Board discussed the appropriate metrics to use in the Goals. They determined that 50% of employers either contributing payroll deductions to MERIT or having certified their exemption would be the goal for the first year. There was discussion of setting a goal of 90% or 100% of Covered Employers after 5 years with the consensus of 100%.

The Board discussed doing a customer satisfaction survey, rather than establishing a percentage of Covered Employees who do not opt out, since employees can opt out for a variety of reasons including that they already have a retirement savings option that they are funding.

There was discussion about Orphan Accounts and what we can do to minimize the number of orphan accounts in the Program. Mr. Moody explained the current provisions for the treatment of small balance accounts that are not receiving continuing contributions. Under federal law, a small balance is under $7000. It was noted that if an employee moves to an employer that offers a workplace retirement plan. Roth IRAs cannot be rolled over into employer-sponsored plans. Savers can continue to invest in MERIT if they leave their workplace. Mr. Moody noted that in the SECURE Act 2.0 legislation, the federal Department of Labor is tasked with creating a lost and found database for retirement plans. It is not clear that it will include IRAs. Additionally, big employers are working on initiatives to roll accounts over to new employers. Board members noted that savers can continue to contribute to their MERIT account after they terminate employment with the employer that registered them.

The Board next discussed the goals for the financial category. There was a discussion about various ways to secure the financing to bridge the program to sustainability, including a loan and issuing bonds. There was a discussion about the tension between keeping the Program fees low and achieving a self-sustaining program. Beth noted that it is hard to assess what the ongoing Program income will be until we see how the Program income is for the rest of the year. She added that there will be additional expenses next year related to enforcement. The lower the Board keeps the budget, the sooner the Program will be self-sustaining.

The last category is Infrastructure. Beth noted that the suggested long-term goal to integrate into another entity came from her and not the Board. She believes it would be a more efficient structure.

Chair Beck asked for a Motion to Adjourn

***Ms. Colpitts made a motion to adjourn the meeting. The motion was seconded by Ms. Linzer and approved unanimously.***

The meeting adjourned at 3:00.