**Maine Retirement Savings Board**

**Date: August 21, 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
* Daniel Piltch
* Jessica Linzer
* Nate Moody
* Gigi Guyton-Thompson (virtual due to being on an island)
* Matthew Colpitts (virtual due to illness)

**Board Members absent:**

* Tina Wilcoxson
* Deborah Adams Neuman

A quorum was present.

**Staff present:**

● Elizabeth Bordowitz, Executive Director

* Jane Adams, Treasurer’s Office
* Greg Olson, Treasurer’s Office (Virtual)

**Others Present:**

* Courtney Eccles, Vestwell (Virtual)
* William Duryea, Meketa (Virtual)
* Kim Olson, Pew Charitable Trusts (Virtual)
* Victoria Schmidt, Georgetown Center for Retirement Initiatives (Virtual)
* Ellen Breslow, AKF Consulting (Virtual)
* Taylor Howard (Virtual)
* Hamdan Hussam, State Street Global Advisors (Virtual)

**Approval of Minutes of the June 18, 2024 Board Meeting.**

Chair Beck asked if there is a motion to approve the minutes of the June 18, 2024 Board meeting.

***Dr. Wyke moved approval of the June 18, 2024 Board meeting minutes as presented. The motion was seconded by Mr. Piltch. The minutes were approved by a vote of 7-0.***

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

**Executive Director’s Report**

Beth reviewed the Executive Director's Report. In July we passed $1,000,000 in assets. We used that as an opportunity to get the word out as we approached and passed the June 30th deadline. MaineBiz updated its story. AARP organized several radio interviews.

Rhode Island published a RFI for potential partners for their Auto IRA Program. The Partnership for a Dignified Retirement responded, as did other potential state partners. Based on how quickly they published the RFI after passing legislation, they seem to be on a fast track to choose a partner state.

The members of the Partnership for a Dignified Retirement (PDR) are discussing ways that we can share expenses going forward. We have discussed a joint procurement for a Program Consultant. We have also spoken about a common Investment Advisor in the future.

We have passed the final deadline. Messaging was sent to employers in mid-August letting them know that the deadline has passed. There will be a pre-enforcement communication in October. Beth has discussed the enforcement process with the Attorney General’s Office.

Beth has sent a letter to the PEO’s seeking the information that they are required to send us.

Beth noted that, like the other programs, a number of Maine employees have not passed the Customer Identification Program we are required to undertake. This is something that the programs across the country are looking at collaboratively to see if there is a solution. That may involve federal legislation or rulemaking. Everyone involved in State Auto-IRA programs is also working on ways to be sure that the employees in these programs will be able to receive the Savers Match when it becomes available. The Match will replace the current Saver’s Credit and send funds from the federal government directly to saver’s accounts. Currently, savers with Roth IRAs are not eligible to receive the match.

Ms. Linzer asked if this is an opportunity to advocate with our delegation. Beth responded that it will be when we have a solution to advocate for.

Beth reviewed the information in the monthly report on the reasons provided for taking a withdrawal. Beth expressed her surprise at the number of employees that are taking partial withdrawals

Mr. Moody asked if the report could show withdrawals as a percentage of program assets. That will help keep the dollar amount of withdrawals in perspective. He noted currently withdrawals are about 1.5% of assets. There was further discussion among the members about withdrawals.

Chair Beck called for additional questions for Beth.

**Program Update**

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

Ms. Eccles suggested that some employees may be withdrawing funds because they do not appreciate the simplicity of the investment lineup.

Ms. Eccles noted that all employers have now received six communications from MERIT. There has been a lot of activity in the past two months. We are now working on the pre-enforcement/compliance communications. There will be two versions, one for employers that have not taken any action and the other for employers who have entered information into the portal and did not complete the required information or have not started submitting payroll. These are expected to drive action.

Ms. Eccle reviewed the current Program numbers. The Program has just under $3 million in Assets Under Management. The average contribution rate is 5.1%, which is consistent with other states. There are over 1000 employers making payroll contributions.

Vestwell is working on ways to highlight payroll integrations to the employers, including a box that will appear in the employer’s portal. They are also working on new communications to encourage employers to make missing payroll contributions.

Treasurer Beck thanked Ms. Eccles for her presentation.

**Investment Advisor Update**

William Duryea of Meketa provided the investment and markets update. There has been continued strength in U.S. equity markets, after the 2nd quarter got off to a slow start. The returns in International Equities have been more muted. Growth has been concentrated in some high-tech companies. Small cap companies are not performing as well.

There was some volatility as first the Federal Reserve suggested that interest rate cuts are likely. Then a worse than expected jobs report led to a sell-off that was quickly reversed.

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 are more diversified than some of their peers with less emphasis on equities. Meketa views that diversification as a positive in the lifecycle of the glide path, but at this time it is causing the funds to lag their peers.

**Authorization to Add a Domestic Equity Fund Option to MERIT Investment Choices**

Mr. Duryea reviewed the process for the inclusion of a Domestic Equity Fund as an investment choice in the Program. The lack of a domestic equity fund as an investment choice was identified early in the process of choosing a partner state. Before we entered the PDR we discussed with Colorado our interest in adding a domestic equity fund as an investment option. Those discussions continued and led to the procurement process led by Colorado for the PDR. That process involved the investment advisors for each of the PDR members meeting and determining that a whole market index option would be preferable. Colorado then sent the RFP to each of the fund managers currently providing funds to the PDR Programs and received responses. The members of the PDR, including staff and board representatives, interviewed each of the prospective fund managers. Beth noted that she and Tina Wilxcoxson represented the Board at the interviews and reviewed the material submitted.

Mr. Duryea stated that market cap diversification was an important element for Meketa in making the recommendation that the PDR would be a good fit for Maine from an investment perspective. He provided background information to the members on each of State Street Global Advisors and BlackRock, noting that both are very capable of managing this type of mandate. The Ishares Total U.S. fund provides a low-cost way to get exposure to the full spectrum of U.S. equity companies. He noted that the proposal from State Street Global Advisors is more difficult to administer and more expensive for account owners, leading to the conclusion that the BlackRock fund is a more suitable option.

Beth added that both she and Ms. Wilcoxson agreed with the recommendation.

Chair Beck asked if the members have any questions or comments, noting that choosing the investment options is an important duty of the Board.

*Chair Beck made a motion to authorize the Executive Director to vote in favor of adding the iShare Total Market Index Fund as an investment choice in MERIT and to take such other actions as may be necessary to implement that action. The motion was seconded by Ms. Wyke. The motion was approved unanimously.*

**Annual Review of Investment Policy Statement**

Mr. Duryea reviewed the performance of the investment options currently in MERIT. The majority of the assets are in the target date funds. The Capital Preservation option has the next highest fund balance.

All the State Street strategies are ahead of their benchmark. The results are mixed when compared to their peer group. The State Street glide paths have an overweight to small and mid-cap companies, which they believe allows for growth potential over time. They also have a higher-than-average international equity allocation than their peer group. Both of those factors are causing a headwind. Additionally, the State Street funds have an exposure to long term treasuries. They are in the portfolio as a hedge against equity market downturns. They are very sensitive to interest rate movements. These are intentional aspects of their portfolio construction. In July the funds performed very well against their peers.

Chair Beck asked whether there were any funds of particular concern. Mr. Duryea affirmed that there are not.

Ms. Linzer asked how current participants will know about the new fund. Beth noted that the Program Description will be updated. Also, the information can be included in the newsletter that she sends out. There will be discussions among the members of the PDR as to the best way to communicate this. The website will be updated to provide pertinent information about the fund.

Mr. Duryea next reviewed the Investment Policy Statement (IPS), reminding members that it was adopted last August and one of its provisions is that it be reviewed annually. There are no proposed changes at this time. The IPS already allows inclusion of a domestic equity fund. Once the fund is added to the Program, the Appendix will need to be updated to include the fund. At that time, it will be presented to the Board for approval.

Mr. Moody requested that in the future Meketa provide more robust performance metrics. He’d like to see standard deviation and tracking error for the index funds, as well as expenses. Meketa will add that in the future.

Chair Beck thanked Mr. Duryea for his presentation.

**2024 Q2 Financial Report**

Beth advised the Board that the financial statements are now on an accrual basis. There were about $6000 in changes that were moved to 2023 when they accrued, so there is a restated year end 2023 financial statement. Beth noted that the budget assumes the hiring of a full-time employee in March. Since that has not happened, we are ahead of budget in all of the lines related to employment and administration. She noted that there have been some increases in administrative expenses such as health insurance and other insurance coverage that are absorbed. On the marketing line, we are saving some funds for the end of the year push around the pre-enforcement notice. We cut back in the summer when people are paying less attention and will plan to cut back as we head into the election season, since our ads are less likely to break through at that time.

There was discussion about how much movement we can expect when the compliance letters are sent. Beth noted that different states are using different enforcement mechanisms.

There was discussion about the investment of the Board’s funds. They are held in the Treasurer’s cash pool. It was noted that it is a conservative investment but provides consistent returns.

**Ratification and Approval of Amendment to Section 125 Plan**

Beth explained that the State raised insurance prices at the beginning of their fiscal year in June. When the Board adopted the Section 125 Plan in December, the Schedules had the then current rates. She is requesting that the Board adopt new schedules to reflect the updated pricing. She is proposing that it be split between the employer and the employee in the same split as the State is using.

*Chair Beck moved adoption of the proposed amended Schedules A,B and C to the Board’s Section 125 Plan and ratification of payments made in accordance with the amended Schedules since July 1, 2024. The motion was seconded by Mr. Moody and approved unanimously.*

**Authorization of Engagement of Accounting Firm for Audit**

Beth reminded the Board that it is not required to undertake an audit until next year, but believes it is prudent to have an outside preliminary review of the books before the audit. Accordingly, the Board undertook an RFP for a Review of the 2024 financial statements and thereafter an audit as required by statute. We had two letters of interest and both firms submitted questions during the question period. However, one firm did not provide a proposal. We received a proposal from Berry Dunn. The working group of Dan Piltch, Matt Colpitts and Beth found that the proposal was responsive to the RFP. The working group conducted an interview with the proposed audit team. We believe that they are very qualified to do the work. They are aware of our size and will take that into consideration as the audit is conducted..

We also checked to see if the State Auditor could handle the audit, as is the case with many other states. The State Auditor considered the request but felt that Berry Dunn would be in a better position to do the work.

Mr. Colpitts concurred in the assessment provided by Beth and believes that it can be cost-efficient to move forward with Berry Dunn. The proposal has an “up to” amount, which may be less costly if the audit does not take as many hours as anticipated.

Beth advised the members that during the interview, the Berry Dunn team suggested that a balance sheet audit may provide more of what we are looking for than a review. That way they will be undertaking an audit and can give feedback on our internal controls in case we need to make modifications before the full financial statement audit. She recommends that we follow that approach. She added that the proposal is more costly than she had expected, but she is hoping that given how small we are, that the final price may be below the not to exceed price of the RFP.

She noted that there are a couple of follow up items following the interview that we would like to review.

*Chair Beck made a motion to authorize the Executive Director to enter into an engagement with Berry Dunn to perform an audit of the 2024 Balance Sheet and an audit of the 2025 Financial Statements after the working group receives satisfactory responses to their final questions. The motion was seconded by Mr. Colpitts and approved unanimously.*

**Adoption of Goals**

The members reviewed the Goals which they had discussed at the June meeting. The Board noted a few items that they would like to see footnoted for clarity, including that the total number of employers are those that are provided in our query from the Department of Labor, which excludes employers with less than five employees and also does not include employers exempted by the 5500 search. There was a discussion among the members as to whether we can audit the veracity of an employer’s certification that they have a qualified retirement plan. There was discussion about adding a footnote to identify that the number of employers will change each year when new employers are added.

*Chair Beck made a motion to adopt the Goals as presented with the footnotes discussed. Ms. Guyton-Thompson seconded the motion. The motion was adopted unanimously.*

**Executive Session**

*Chair Beck made a motion to enter into Executive Session to discuss personnel matters. Ms. Linzer seconded the motion, which was approved unanimously.*

The Board entered Executive Session at 2:45 PM.

The Board exited Executive Session at 3:00 PM

Chair Beck asked for a Motion to Adjourn

***Ms. Wyke made a motion to adjourn the meeting. The motion was seconded by Chair Beck and approved unanimously.***

The meeting adjourned at 3:02.