**Maine Retirement Savings Board**

**Date: April 19**

**Cross State Office Building**

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

**Minutes - Adopted**

Chair Beck called the meeting to order at 1:01 PM. This meeting was conducted both in-person

at the Cross State Office Building, 111 Sewall Street, August, Maine and virtually through Teams.

**Welcome and Ascertainment of Quorum**

Treasurer Beck opened the meeting, introduced himself and welcomed those attending in person and remotely.

**Board Members present:**

● Treasurer Henry Beck, Esq. (remote due to a scheduling conflict)

● Gigi Guyton-Thompson

● Jessica D. Linzer

● Tina Wilcoxson

● Kevin Carley

● Rebecca M. Wyke (remote due to recent close contact Covid exposure)

**Board Members absent:**

* Matthew Colpitts
* Deborah Adams Neuman
* Daniel Piltch

A quorum was present.

**Staff present:**

● Elizabeth Bordowitz, Executive Director

* Greg Olson, Treasurer’s Office

**Others Present:**

* William Duryea, Meketa – Presenter
* Kay Ceserani, Meketa – Presenter
* Mika Malone, Meketa – Presenter (Remote)
* Andrew Blevins, Pew Charitable Trusts – Presenter (Remote)
* Kim Olson, Pew Charitable Trusts (Remote)
* Ellen Breslow, AKF Consulting (Remote)
* Andrea Feirstein, AKF Consulting (Remote)
* Courtney Eccles, Vestwell (Remote)
* Doug Magnolia, Vestwell (Remote)
* Matthew Golden, Vestwell (Remote)
* Angela Antonelli, Center for Retirement Initiatives, Georgetown University (Remote)
* Lisa Massena, Lisa Massena Associates (Remote)
* Hunter Railey, Colorado Secure Choice (Remote)
* Michael Parker, OregonSaves (Remote)
* Renzo Meza, OregonSaves (Remote)
* Brian Murtagh (Remote)
* Kiran Siddique, AKF Consulting (Remote)

**Approval of Minutes of March 15, 2023 Board Meeting.**

***Mr. Carley moved approval of the minutes of the March 15, 2023 Board Meeting as presented. The motion was seconded by Ms. Linzer and adopted unanimously.***

**Executive Director’s Report**

Beth welcomed Will Duryea and Kay Cesarani from Meketa, the Board’s Investment Advisors, who will make a presentation to the Board shortly. She provided an update on LD 1082, the pending amendment to the Program. The Public Hearing and the Work Session were held last week. The bill has a majority Ought to Pass Report and two members of the Committee who voted Ought to Pass with Amendment. The Committee has not yet Reported out the Divided Report. There was testimony from the Retail Association, HospitalityMaine and the Maine Summer Camp Association, expressing the concerns of their members with the treatment of seasonal and part time employees. The Committee left the treatment of seasonal and part-time employees to rulemaking, so the Board will be considering this issue during that process after Beth has had a chance to meet with the various associations and businesses with concerns.

Beth advised the Board that she plans to attend the Maine HR Conference in early May. She will be joining a table that is registered for the event.

Beth highlighted the Issue Brief on Governance and Fiduciary Best Practices published by the Georgetown Center on Retirement Initiatives that is included in the Board materials. Beth also shared information on Auto-IRA accounts nationwide, which were not included in the Board materials.

**Quarterly Financial Review**

Beth noted that the first quarter financials are on track. She added that the budget lines are spread evenly through the year, and do not take into consideration when various expenses are targeted to be incurred.

**Review of Partnership Investment Options/Investment Policy Statement Process**

Chair Beck welcomed the representatives of Meketa and invited them to begin their presentation. Will Duryea, Kay Cesarani and Mika Malone introduced themselves. The Board had requested that Meketa review the investment options of the various state programs that Maine is considering as a partner. Mr. Duryea started the presentation by identifying the investments in each of the programs that Maine is considering as a partner for the Program: Colorado, Connecticut, Maryland, Oregon and Virginia. Ms. Cesarani reviewed the material that compares the investments and fund managers of each of the potential partner States.

Mr. Duryea provided a review and analysis of the Target Date Fund option offered by each potential partner. He noted that they are focusing on the Target Date Funds because as the default option, it is where a large percentage of the Program’s investments will be held. He provided education to the Board on the history of the use of Target Date Funds in retirement plans and on the options for creating a glidepath in the target date funds with a focus on the distinction and pluses and minuses of “to” and “through” construction for Target Date Funds. Identifying that there are pros and cons to both approaches, Mr. Duryea concluded that Meketa believes that the increased expected return and reduction to longevity risk of a “through” fund outweighs its potentially increased volatility. Mr. Duryea responded to several questions from the Board members on the Target Date Funds, including their rebalancing practices. In response to a question from Chair Beck as to whether the increased equity exposure as the investor passes retirement age is more of a concern for investors who may not be involved with their investments, Mr. Duryea responded that Target Date Funds allow for that passive approach by the investor, since the fund manager is making incremental changes in the underlying funds. Ms. Linzer asked about investor choice among the funds. Ms. Cesarani responded that investors can choose to invest in a Target Date vintage of their choice or can invest in several target date vintages if they believe that is the best choice for them.

Mr Duryea spoke about the characteristics and experience of each of the fund companies advising on the Target Date Funds for each of the potential partners. The materials illustrate and compare the glidepath of each of the fund families as well as the investment mix offered by each. Mr. Duryea addressed the past performance of each of the investment suites, commenting that the State Street offering performed best in the shorter-dated funds and BlackRock offering performed best in the longer-dated funds. There is only one year of data on the Connecticut funds. Mr. Duryea also discussed volatility and the fees associated with each of the Target Date Fund suites, noting that although the Connecticut funds are priced lower, both the BlackRock and State Street Funds are competitively priced.

Mr. Duryea reviewed the investments overall and stated that Meketa finds the Colorado and Oregon line up to be most appropriate with Colorado a better fee outcome for the investor.

There was discussion with Meketa on how to approach the drafting of the Board’s Investment Policy Statement and how that will work in a partnership with another State. Dr. Wyke offered to work with Beth and Meketa on the Investment Policy Statement.

The Board members thanked Meketa for their presentation.

**Sustainability Study**

Chair Beck invited the representatives from Pew, who attended virtually, to begin their presentation.

Andrew Blevins of the Pew Charitable Trusts introduced himself and told the Board he is there to present some additional modeling, which has been undertaken since his last presentation to the Board in November.

Mr. Blevins reviewed the assumptions that Pew makes when it undertakes these studies and the sources that they use. He emphasized that they are working from assumptions that are based on their knowledge to date, but there could be many elements that could change over the time of the study period, including the number of employers and employees who register. Mr. Blevins reviewed the assets under management fees and flat account fees charged by other state programs. He spoke about the balance states are making when they determine the fee schedule. Asset based fees produce modest returns early in the program when the account assets are low, but higher fees as the assets grow. The flat fee is an important supplement to program income early on. It applies to all accounts evenly but is a larger percentage of savings when account balances are low. Striking the right balance is important. Ultimately what is feasible is determined by the number of participants in the program and how much they contribute to accounts. Mr. Blevins reviewed the scenarios that become cash flow positive in the 15-year window of the study.

Mr. Blevins concluded by noting that the program fees are only one lever that the Board has control over and just one of many considerations of the Board in implementing the Program. He added that Pew would engage in sensitivity analysis going forward if that will be helpful to the Board.

There was discussion about the various scenarios presented. There was discussion about how long it has taken other states to reach sustainability. In response to a question, Mr. Blevins noted that about 15% of assets are withdrawn from other state programs for every 6-month period, which still allows the programs to grow.

Chair Beck thanked Mr. Blevins for his presentation.

**Partner Discussion**

Chair Beck asked Beth to review the memo she provided on Program partners and offer her recommendation. He noted that there are discussion questions for the Board at the end of the memo that the Board can take up after Beth’s presentation.

Beth reviewed the process that the Board has undertaken in its search for a partner. Through a resolution adopted in November 2022, the Board authorized the Executive Director with a working group of Dr. Wyke and Ms. Linzer to undertake a review of potential partners for the Maine program in recognition of the small size of Maine’s population, which will make it more difficult to develop and grow a standalone program and because it would allow faster implementation of the Program. Beth met with the Directors of Programs that had an interest in forming a partnership. After these preliminary calls, Ms. Linzer and Ms. Wyke joined Beth on calls with the Executive Directors of the Colorado, Maryland and Oregon programs, asking each a set of questions. Including their vision for the Partnership and how it would function.

Vestwell is the Program Manager for each of the potential partner programs. Vestwell provided a demonstration of how the Program would work at the December Board meeting.

Vestwell has identified several elements which are foundational to any partnership. These include adopting the investments offered by the Lead Partner and the assets under management fee of the Lead Partner. Additionally, the program documents and website must be as close as possible to those of the Lead Partner, taking into account specific State requirements.

The Board entered into an agreement with Pew Charitable Trusts for them to undertake a feasibility study. That study has been modified since the initial draft to model sustainability using the fee structures of each of the potential partner states. The Board retained Meketa as investment advisors. Meketa undertook an analysis of the suitability of the investments of each potential state partner for a Maine program.

After reviewing the modeling from Pew, the analysis by Meketa and the working group conversations with the potential partners Beth narrowed the choice down to Colorado and Oregon. She noted that there is a difference in potential fee revenue derived by partnering with each State with the proviso that most states have changed their fee structure after a couple of years in an effort to get it right and that the modeling is based on assumptions that may or may not be accurate. Beth stated that Colorado has structured its program to be a partnership, including the initial State RFP process which identified the partnership as an essential element of the RFP. Colorado has been very thoughtful about how the partnership will be governed and has prepared draft partnership agreements which integrate into their Program Management Agreement with Vestwell. When the working group met with Colorado they shared their experience with outreach into rural areas of the State and the different communication approaches that will be necessary to reach different people.

Beth stated that all the State Program Executive Directors have been extremely generous with their time and thoughts. She has been on the phone with the Executive Directors of both Oregon and Colorado a lot in the past week. Both would make excellent partners.

Beth recommended that the Board enter into a Partnership with Colorado to implement the Program.

Dr. Wyke stated that she has reviewed the reports provided. She also mentioned the Fiduciary Duty information included in the Board materials. She stated that as fiduciaries the Board has an obligation to consider the costs to the participants. They will be investing their hard-earned dollars in the Program. We also need to be aware of the operational aspects for the ease of both employers and employees and of the solvency of the program. Under the Pew modeling there is a longer time to solvency with Colorado. She thinks between the legislature and possible grants we can get to solvency. Colorado offers the opportunity to provide a low-cost option for employees, they have pre-negotiated fee breaks. Colorado is ready to work with a partner and can have a program running in the timeframes we have established in the amendment the legislature is considering. She stated her enthusiastic support for partnering with Colorado.

Mr. Carley expressed his support for the recommendation. Ms. Wilcoxson supported the recommendation to partner with Colorado, citing the likelihood of additional partners joining the partnership soon as an added benefit.

Ms. Linzer stated that she enjoyed meeting with each of the States that the working group spoke to. She highlighted Colorado’s core values identified in the phone conversation, which align with the Board’s core values. She also was impressed by their focus on collaboration and their prioritization of savers, as well as their focus on outreach to the rural areas of the state, which resonates in a State like Maine. Ms. Guyton-Thompson also expressed her support for partnering with Colorado.

Chair Beck invited Hunter Railey, the Executive Director of Colorado Secure Savings to address the Board. Mr. Railey thanked the Board for their thoughtful process in choosing a partner.

He stated that Colorado expects states to do their due diligence and that Colorado was similarly doing diligence to be sure that Maine would be a good fit as a partner. He emphasized that Colorado views this as a collaboration. The oldest programs are just 5 years old and there are still a lot of unknowns.

***Ms. Wyke made a motion to authorize the Executive Director to commence partnership negotiations with Colorado Office of State Treasurer and Vestwell with a determination of Program pricing to be made a later date. The motion was seconded by Ms. Guyton-Thompson and adopted unanimously.***

Chair Beck asked for a Motion to Adjourn

***The meeting was adjourned at 3:00*** ***on motion made by Ms. Linzer, seconded by Dr. Wyke and approved unanimously.***

The meeting adjourned at 2:55.