

Maine Retirement Savings Board
Date: August 16, 2023
Cross State Office Building
111 Sewall Street, Augusta, ME 04333

Minutes - Adopted

Chair Beck called the meeting to order at 1:05 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

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

Board Members present:

- Henry Beck, Chair
- Matthew Colpitts
- Deborah Adams Neuman
- Daniel Piltch
- Tina Wilcoxson
- Rebecca M. Wyke, Vice Chair

Board Members absent:

- Kevin Carley
- Gigi Guyton-Thompson
- Jessica Linzer

A quorum was present.

Staff present:

- Elizabeth Bordowitz, Executive Director
- Laura Hudson, Treasurer's Office

Others Present:

- Will Duryea, Presenter, Meketa (Remote)
- Mika Malone, Presenter, Meketa (Remote)
- Matthew Golden, Vestwell (Remote)
- Courtney Eccles, Vestwell (Remote)
- Michael Terdeman, Vestwell (Remote)
- Dan Demeritt (Remote)
- Angela Antonelli, Georgetown Center for Retirement Initiatives (Remote)
- Juliana Crist, AKF Consulting (Remote)
- Kim Olson, Pew Charitable Trusts (Remote)
- Grace Sullivan, Davis & Harman LLP (Remote)
- Daniell Michaud, Edward Jones (Remote)

Approval of Minutes of July 19, 2023 Board Meeting.

Mr. Colpitts moved approval of the July 19, 2023 Board Meeting minutes as presented. The motion was seconded by Ms. Wyke and adopted unanimously.

Executive Director's Report

Beth commenced the Executive Director's report by noting that the papers have been signed and the Partnership with Colorado has been established. There are a small group of people in the State Auto IRA orbit who are very excited about this partnership. She noted that Delaware is reviewing responses to a Request for Information about potential partnerships. Colorado provided a response, which Beth had the opportunity to review and comment on. Other states with recently passed legislation also are expressing interest in joining a partnership. The groundwork is set and other partners should be able to be included easily.

The news of the Partnership was picked up by a lot of industry press. Additionally, Senator Vitelli issued a press release which was picked up by a lot of outlets.

MERIT has a meeting planned with AARP to discuss cooperative marketing. The efforts should be complementary with MERIT having a primary focus on reaching out to the businesses that need to register with MERIT and AARP reaching out to individuals.

Beth reported that 7 companies have signed up to participate in the Pilot, largely from southern Maine. Beth encouraged board members to assist in identifying potential participants in the Pilot, particularly from western, northern and downeast Maine. There was discussion about how many businesses we need for the pilot. Beth suggested approximately 10 and added that we need to be prepared for some businesses to drop out of the Pilot for various reasons. Ms. Neumann said that she will arrange for Beth to address the Chambers of Commerce Executives Group to tell them about the Program and to offer to do a presentation for their membership.

Beth reported that she is considering options for health insurance for MERIT employees and is currently leaning toward the State health insurance plan.

Beth noted that one agenda item is the RFP for marketing. She asked whether the Board needs to approve RFPs for items that are contemplated in the budget, assuming that she will follow the procurement policy. There was discussion among the Board members where it was noted that there are differences among RFPs. A RFP for a consultant that is responsible primarily to the Board, such as an Investment Advisor or Auditor should be undertaken with Board involvement. Other RFPs can be undertaken as approved in the budget.

There was a discussion about the benefits of the media kit that is now available on mainesaves.org.

The Board discussed various domain names for the registration website and chose MERITsaves.com.

Beth answered questions from the Board members.

Investment Report

Will Duryea and Mika Malone of Meketa joined the meeting virtually to provide an investment report. Will provided an update on the equities and bond markets generally, identifying some trends over the past year, including inflation.

Mr. Duryea gave an update on the performance of the investments that will be available to MERIT participants, starting with the Target Date Funds. He noted that some target date funds in their peer group have higher allocations to mega cap tech companies which are outperforming. There was discussion regarding the benchmarks used for the funds. Ms. Malone stated that the industry standard is to use the benchmarks derived by the fund families. Meketa includes the median performance and performance in their peer group to get a better understanding of how the fund is performing relative to similar funds. Mr. Duryea added that when there is an opportunity to use an index that is not created by the fund provider they use that.

Mr. Duryea described the watchlist process that will be used to monitor funds that are underperforming.

Approval of Investment Policy Statement (IPS)

Beth provided background on the process of developing the Investment Policy Statement. Meketa provided a draft which they discussed with Beth. The draft was also reviewed by Ms. Wyke, who provided comments that were incorporated into the proposed Investment Policy Statement. We looked at Colorado's Investment Policy Statement to be sure that our policy is consistent.

Mr. Duryea stated that we have tried to make the Investment Policy Statement as readable as possible while including all of the necessary elements. Mr. Duryea reviewed the objectives, roles and responsibilities of the Board, Staff, Investment Advisor, the Program Administrator and the Initial Lead State (Colorado) included in the Investment Policy Statement, as well as the procedures for monitoring investments and working with the partnership on investment matters.

When Mr. Duryea reviewed the investment classes that could be considered by the Board, Beth noted that Colorado's Investment Policy Statement includes Environmental, Social and Governance (ESG) funds as a category that may be included. Beth suggested that it not be included in MERIT's IPS at this time, since it is currently a controversial topic. The Board can review that decision when it undertakes the annual review of the IPS. There was general discussion about whether to include ESG funds as an available category in the IPS with some members commenting that investors will be able to choose. No one will be required to invest in an ESG fund if it does not appeal to them. Ms. Malone added that the proposed IPS language does not preclude inclusion of an ESG fund.

There was discussion of who will vote the proxies on the funds. Mr. Duryea advised that the mutual fund company will vote the proxies.

Mr. Duryea reviewed the fund monitoring and replacement process.

Ms. Wyke moved approval of the Investment Policy Statement as presented with the addition of a provision for annual review. The motion was seconded by Mr. Beck and adopted unanimously.

Chair Beck thanked Mr. Duryea and Ms. Malone for their presentation.

Approval of MERIT Pricing

Beth stated that the Board needs to determine the price that investors are going to pay for MERIT. The Board needs to balance providing a low-cost program and assuring that the program reaches sustainability. She noted that this is very important but is not permanent. Most State Auto-IRA programs have modified their fees over time. Beth is recommending a hybrid state fee – to include both a flat fee and the 5 bp asset under management fee that we are required to charge as part of joining the partnership with Colorado. Beth noted that she has provided information on how this compares to the fees of 4 other operating programs. She also provided information on average fees for small 401(k) programs, which a Prew Charitable Trusts paper suggested is an appropriate comparison.

Board members reviewed the various pricing scenarios. There was discussion as to whether the program would reach sustainability much sooner if the flat fee to the state is higher than proposed. Beth states that she has not requested that Pew Charitable Trusts undertake that analysis. She can make the request and the Board can make a final decision next month. She reminded the members that it will just be a projection over many years, so there can be many different intervening factors that will affect the projected outcomes.

There was discussion about the fees charged by the retirement savings opportunities offered to State employees.

The Board members requested additional sustainability scenarios and additional comparisons.

Chair Beck moved to table the determination of the pricing for MERIT until the September 20, 2023 meeting. The motion was seconded by Mr. Colpitts and adopted unanimously.

Chapter 101 – Maine Retirement Savings Program – Approval for Rulemaking

Beth introduced the rulemaking process. Because this is how the Board creates policy, it is a rigid process that must adhere to the requirements and timelines of the Maine Administrative Procedures Act. In suggesting the policies to promulgate, Beth have spoken with leaders and members of some associations that have expressed concerns during the public hearing on the legislative amendment. One concern is how seasonal employees will be treated in the program. The rule is drafted so that employers must register employees who have been employed 120 days, but may register them in advance of the 120^t day. This allows employers with seasonal employees to wait, or not register short-term employees, but also allows employers to on-board new employees when they are hired and are getting payroll set up. The rule provides that part-time and temporary workers are Covered Employees and need to be enrolled

and will count toward the five employees. After discussion the Board determined that the day of determination of whether an employer has five or more employees will be the day they register with the Program.

Ms. Wyke moved that Chapter 101 – Maine Retirement Savings Program be approved for rulemaking as presented with the addition of a provision that employers will identify the number of employees as of the day they register with the Program. The motion was seconded by Ms. Neumann and adopted unanimously.

Chair Beck asked for a Motion to Adjourn

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

The meeting adjourned at 2:39.