Maine Retirement Savings Board
Date: December 18, 2024
Cross State Office Building
111 Sewall Street, Augusta, ME 04333

Minutes- Draft

Chair Beck called the meeting to order at 1:00 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
- Jessica Linzer
- Daniel Piltch
- Matthew Colpitts
- Tina Wilcoxson

Board Members absent:

- Nate Moody
- Gigi Guyton-Thompson
- Deborah Adams Neuman

A quorum was present.

Staff present:

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

Others Present:

- Joseph Perry, Maine State Treasurer-elect
- Courtney Eccles, Vestwell (Virtual)
- William Duryea, Meketa (Virtual)
- Soohyang Lee, AKF Consulting (Virtual)
- Hamdan Hussam, State Street Global Advisors (Virtual)
- Lisa Massena, Massena Associates (Virtual)
- Georgetown Center for Retirement Initiiatives (Virtual)
- Elise Thiemann, State Street Global Advisors (Virtual)
- Sonya Park, State Street Global Advisors (Virtual)
- Kim Olson, Pew Charitable Trusts (Virtual)
- Grace Sullivan, Davis & Harmon (Virtual)

Approval of Minutes of the October 16, 2024 Board Meeting.

Chair Beck asked if there is a motion to approve the minutes of the October 16, 2024 Board meeting.

Mr. Colpitts moved approval of the October 16, 2024 Board meeting minutes as presented. The motion was seconded by Ms. Linzer. The minutes were approved unanimously.

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

Executive Director's Report

Beth reviewed the Executive Director's Report.

She first advised the members that the Nevada board had voted to join the PDR. They will begin negotiations with Colorado and Vestwell. They hope to launch their program by the summer. That will bring a lot of accounts to the partnership. Illinois and Connecticut both submitted proposals to Nevada, so there was competition. The partnership has almost $100 million in assets now. The first breakpoint on assets is $2 billion, so there is a long way to go. However, the first breakpoint on the flat dollar fee is 200,000 accounts and with Nevada's accounts in the partnership we should get there in 2026.

The Domestic Equity Fund should be available in the first quarter of 2025. The Program Description will need to be updated before that can go live.

The Program and Communications Manager, Ariel Carron, will start on January 6th. We are terminating the relationship with Brassbound, but they will meet with Ariel to do the transition.

Beth mentioned the 1 year anniversary event to be held on February 12th in Portland. We are working with AARP on that. Beth is talking to both MaineBiz and Maine Public. They are doing a check in after 1 year of operation.

Beth noted that Vestwell has ascertained that the group of employers who are registered, but not sending payroll includes employers who have no active employees and seasonal employers that had active employees, but do not currently. That has ramifications for our goals, so we will need to get more granular with our data as we determine whether we are meeting our goals.

There was discussion regarding the draft legislation. Beth noted that it will clarify some language around enforcement, particularly the timing for employers who become required to register with MERIT after 2024. It also proposes to require participation by employers with three Covered Employees (down from five). This is to provide the Program to the many employers with less than five employees who have called to see if they participate in the Program. She added that although it is not included in the current draft, she would like to change the date the annual report is required to be submitted, because it will not be possible to complete the audit before the report is due on February 1st starting next year. There was discussion about removing the provision that limits an employer's participation in MERIT if they have had a qualified retirement plan in the past two years.

The members discussed the enforcement process, the communications sent to employers and other methods used to reach employers. Beth confirmed that she would be sending hard copies of letters regarding enforcement.

Chair Beck called for additional questions for Beth.

Program Update - Vestwell

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

Ms. Eccles reviewed the Program Update that is in the Board materials. She provided a reminder of the communications that have been sent to Maine employers. She advised members that we will receive the 2025 data soon. The deadline for all employers in 2025 will be June 30th. She provided the most up to date numbers for the Program. She noted that the number of employers has increased because employers who are not in the system have reached out to the Program to be included. There was an increase in the employers that certified exemptions. Ms. Eccles attributed this to employers reacting to the pre-enforcement notice and the updated matching to 5500 Forms that Vestwell undertook. Vestwell is looking at the universe of employers that have started registration, but have not yet started submitting contributions. Some of those employers may be seasonal or have no active employees, but there is a group that needs to commence making contributions. Vestwell is considering ways to reach them. Ms. Eccles noted that the average account balance has increased and the average monthly contribution amount has steadied. Ms. Eccles reviewed the Program withdrawal rate and stated that it is low relative to other programs. Vestwell is targeting early in the first quarter of 2025 to have the new Customer Identification Process in place. Beth noted that this employees failing the Customer Identification Program is becoming a bigger problem in Maine. Ms. Eccles noted that Vestwell/BNY will be using a new data set that should help with identifying unbanked individuals. The new Program will use additional information such as phone numbers, which are often more stable than addresses for the match. It will also make it easier to prove identify by uploading information into an app. Ms. Eccles addressed payroll integrations, noting that Bangor Payroll is testing its integration now and it should be fully running soon. They are also doing the final testing on the integration being offered by a 3rd party that will work with ADP and Paychex, both of which have not set up integrations with the Program.

Ms. Eccles also reported that both the Apple and Android Apps for Savers have been released. This is a preliminary version for people who have opened an online account. Vestwell plans to make the app more robust over time. The website is also responsive on mobile devices. The website was just updated. The content is the same, but the look is different. There are fewer buttons to click to take important actions for both employers and employees.

Treasurer Beck thanked Ms. Eccles for her report.

Meketa Update/SSGA Update

And asked Mr. Duryea to provide the report from Meketa.

Mr. Duryea started with an overview of the economy in the third quarter. The two narratives are that U.S. equities have been the driving force in the market and the Fed interest increases have gotten inflation under control and they are now reducing interest rates. With decreasing inflation, steady unemployment, and strong corporate earnings it has been a positive environment for risk assets. A lot of the growth is a result of the growth of artificial intelligence, which is now spreading beyond the seven companies that have been associated with the strong equity growth.

Mr. Duryea reviewed the performance of each of the asset classes. He noted that in the 4th quarter to date there has been movement linked to the election

Mr. Duryea discussed the finding from the Morningstar Mind the Gap report, which highlights how investor behavior affects returns then moved on to the funds in the Program. Most Program assets are invested in the Target Date Funds. He noted that all of the target date funds were at or close to their benchmark. The peer rankings were more mixed across the vintages with some in the top quartile, others near the median and a handful below the median. How the funds are doing is driven by their exposure to equities.

Mr. Duryea provided some education on Target Date funds, specifically how they work and the difference between a “to” and a “through” fund as a refresher before the presentation from SSGA.

Mr. Duryea provided some background on SSGA and then introduced Sonya Park and Elise Thiemann from SSGA.

Ms. Park introduced SSGA, noting that it is a leader in State-based Auto IRA plans, working with California, Oregon and the Colorado-led partnership, as well as funds in the Maryland and Illinois programs. She gave some background on SSGA and the functionality they have in place to support state-based programs and target date funds.

Ms. Thiemann provided additional detail on the SSGA target date funds and their glide path. She noted the factors that go into constructing the glide pat and their annual review. She went into detail on the glidepath and how it works to provide returns and mitigate risk – and how that changes over time. She spoke to the diversification between equity and fixed, as well as within equity and fixed income and how that changes for each vintage on the glidepath.

In response to a question from a Board member, Ms. Thiemann noted that while the choices are not individualized for each employee, the portfolios are constructed to provide a level of risk and diversification appropriate for a person of the age that the portfolio is designed for. She noted that investors may choose a target date group that differs from their retirement age, giving employees an ability to determine what is best for them.

Next Ms. Thiemann discussed performance, noting that they were in the top quartile for almost very fund across the board in the third quarter, but that is more mixed year to date. Specifically, the overweight to small and midcap in the vintages for younger investors has not performed as well as funds with more of a focus on large cap. She noted that the funds have a lower risk profile than two thirds of their peers.

Treasurer Beck thanked Ms. Park and Ms. Thiemann for their presentation.

Beth noted that since the Domestic Equity fund may be implemented before the next Board meeting,the Board should consider the update to the Investment Policy Statement to add the specific domestic equity fund previously approved by the Board to the Appendix. Mr. Duryea spoke about the fund and noted that both the fund and the benchmark need to be added to the Appendix. He has included the modification with his materials.

Dr. Wyke moved that the Appendix of the Board’s Investment Policy Statemen be amended to include the IShares Domestic Equity fund and the benchmark. The motion was seconded by Chair Beck. The motion was approved unanimously.

Q3 Financial Report

Beth reviewed Q3 Financial Report. She noted that we are generally ahead of budget because we did not hire the Q2 as budgeted. She noted that there have been some changes to account for prepaid expenses, which previously were handled as cash. We are over on the bookkeeping line, since we switched bookkeepers and the new bookkeeper reviewed all of the numbers and switched from cash to accrual which required some journal entries. That should have the books ready for an audit and in shape going forward.

We have exceeded our expectations on investment income, since we had more invested than anticipated and the performance has remained very good in the Treasurer's Cash Pool. The payroll services line is over since there were costs associated with changing the payroll provider. Since our previous payroll provider was on the verge of increasing rates, it would have been over in any event.

Mr. Piltch asked how we are doing on Program Income. Beth noted that we will be ahead of the budgeted amount once we receive the 4^{th} quarter fees. Mr. Piltch asked about the discrepancy between the P&L and the Budget to Actual. Beth noted that she ran the budget to actual earlier and there were some accounting adjustments made, particularly to assure that the last payroll of the quarter was split properly between the quarters.

Approval of 2025 Budget

Beth noted that she had substituted pages for both the budget and the projections as she realized that she left out a line of budget on the materials included in the Board Packet. The proposed budget includes her moving to part time hours and the new Program and Communications Manager who will start work on January 6, 2025. A new employee will require some costs associated with getting her started such as office equipment and costs for another email address and subscriptions. Other differences included in the budget are $20,000 for a Program Consultant. This will done through a single source procurement by Colorado on behalf of the partnership and the cost will be split between the partners. We will identify projects and stop using the consultant when the funds are exhausted. It also includes funds to be a member of the Georgetown Center for Retirement Initiatives. Until this year, they have provided states a lot of support without seeking payment from the states. They have proposed a membership fee starting in 2025 bases on Assets Under Management. They have provided a lot of assistance and Beth recommends that the MRSB become a member. There was discussion about what the Program Consultant would do for the partnership. She reviewed additional changes in the proposed expenses.

Chair Beck expressed his support for the cost of joining Georgetown based on their value to date and of the Program Consultant based on the knowledge that they bring

There was discussion about the projections Beth provided. Beth stated that the program started strong. The first year, we will exceed the Pew projections for accounts and revenue, but Beth thinks that we will be below their projections next year. Her estimate was consistent with Vestwell's for 2025. For 2026 and beyond, we will see what we learn in 2025 about how many new employers will be required to register with MERIT. They are likely to be smaller employers who are just exceeding the five or more employees. Beth noted that the new accounts are more likely to open in the second half of the year because of the June 30th deadline. Another unknown is the affect of taking enforcement steps. There are costs associated with enforcement as well that are budgeted.

There was discussion about how the requested appropriation would fit in. It was noted that it would carry us for another year or two at which point we will have a better idea of projections and will be able to size the costs to fit the anticipated revenues. It was also noted that the formula for fee income could change over time.

Chari Beck moved adoption of the proposed 2025 budget. The motion was seconded by Mr. Piltch. The budget was approved unanimously.

Approval of Amendment to Section 125 Plan

Beth noted that the federal maximum contribution to a Section 125 Medical Flexible Spending Account has increased. She is requesting that the Board amend the Section 125 Medical Flexible Spending Account to allow contributions up to $3300, the maximum allowed.

Mr. Colpitts made a motion to amend the Board's 125 Plan to allow contributions to the Medical Flexible Spending Account of up to $3300 in 2025. The motion was seconded by Chair Beck and approved unanimously.

Beth pointed out the proposed meeting dates for 2025 on the bottom of the Agenda. She asked whether meeting 6 times a year on the 3rd Wednesday still works for members. The members indicated that this works for them.

Beth asked if there are any comments on the Board materials. Is there anything they would like her to do differently? Mr. Piltch said he has some suggestions for the dashboards. Beth will meet with Mr. Pittch offline to get his ideas.

Chair Beck asked for a Motion to Adjourn

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

The meeting adjourned at 3:02.