

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

SENATE

JAMES M. HAMPER, District 19, Chair
ROGER J. KATZ, District 15
CATHERINE E. BREEN, District 25

MAUREEN DAWSON, Legislative Analyst
MARIANNE MACMASTER, Committee Clerk



HOUSE

DREW GATTINE, Westbrook, Chair
JOHN L. MARTIN, Eagle Lake
AARON M. FREY, Bangor
ERIK C. JORGENSEN, Portland
BRIAN L. HUBBELL, Bar Harbor
DENISE A. TEPLER, Topsham
TOM J. WINSOR, Norway
HEATHER W. SIROCKI, Scarborough
JEFFREY L. TIMBERLAKE, Turner
H. STEDMAN SEAVEY, Kennebunkport

State of Maine
ONE HUNDRED AND TWENTY-EIGHT LEGISLATURE
COMMITTEE ON APPROPRIATIONS AND FINANCIAL AFFAIRS

To: The Honorable Roger J. Katz, Senate Chair
The Honorable Anne-Marie Mastraccio, House Chair
Government Oversight Committee

From: James M. Hamper, Senate Chair
Drew Gattine, House Chair *OG*
Joint Standing Committee on Appropriations and Financial Affairs

Date: March 1, 2018

Re: Review of Maine Public Employees Retirement System (MePERS) report to the Legislature pursuant to Maine Revised Statute, Title 5 §12023.

The members of the Joint Standing Committee on Appropriations and Financial Affairs met on February 20, 2017 to review the reports submitted by the Maine Public Employees Retirement System (MePERS) in 2017 and 2018 as required by Title 5 §12023. The committee also requested and received supporting documentation from MePERS prior to this meeting. Several questions were posed to MePERS and were answered during this meeting after which the members requested time to study the materials and formulate additional questions.

The Appropriations Committee met again on March 1, 2017. No additional questions were submitted ahead of this meeting but one additional question was posed and answered during the proceeding.

The Committee studied the submitted reports and the additional information per the requirements set forth in statute and voted unanimously (10-0) to express that they had no concerns regarding the travel, procurement and contribution policies and procedures adopted by the MePERS governing body; MePERS compliance with the expectations established in Title 5 §12022, subsections 3 to 5; and the implementation by the administrative staff and leadership of MePERS of the policies and procedures.

If you have any questions about the Committee's review process or conclusions, please do not hesitate to contact us.

cc: Members, Government Oversight Committee
Members, Joint Standing Committee on Appropriations and Financial Affairs

Appropriations and Financial Affairs
Review of MainePERS Annual Reports and Related Financial Practices
Pursuant to 5 MRSA §12023

Tab #	CONTENTS
1	Statutory Requirements for Reporting and Review
2	Office of Program Evaluation and Government Accountability (OPEGA) Guidance for Review
3	MainePERS 2017 and 2018 Reports
4	Statutory Requirements for Financial Policies Procedures - Quasi-independent State Entities (MRSA 5 §12011)
5	MainePERS Policies
6	Sole Source Justifications

Maine Revised Statutes

Title 5: ADMINISTRATIVE

PROCEDURES AND SERVICES

Part 18: ADMINISTRATIVE PROCEDURES

Chapter 379: BOARDS, COMMISSIONS,

COMMITTEES AND SIMILAR

ORGANIZATIONS

Subchapter 3: QUASI-INDEPENDENT

STATE ENTITIES

§12023. Reports to the Legislature

1. **Adoption and implementation.** By February 1, 2013, a governing body shall submit a report to the Legislature on the adoption and implementation status of written policies and procedures required by section 12022 and describing the measures the governing body intends to use to monitor compliance with those policies and procedures. The report must be submitted to the Executive Director of the Legislative Council in a manner established by the executive director, who shall forward it to the appropriate joint standing committee or committees of the Legislature for review.

[2015, c. 102, §10 (AMD) .]

2. **Ongoing reports.** By February 1, 2014, and annually thereafter, a governing body shall submit a report to the Legislature containing the following information:

A. A list of all procurements exceeding \$10,000 in the preceding year for which competitive procurement was waived under the policies adopted pursuant to section 12022, subsection 3, including procurements exceeding \$10,000 that were made under contracts previously entered into for which competitive procurement was not required. The list must include the names of the vendors and costs associated with those procurements; [2011, c. 616, Pt. A, §1 (NEW).]

B. A list of all persons to which the entity made contributions greater than \$1,000 in the preceding year and the total amount contributed to each; and [2011, c. 616, Pt. A, §1 (NEW).]

C. A description of changes made in the preceding year to the written policies and procedures required by section 12022 or to the procedures used by the governing body to monitor compliance with those policies and procedures.

[2011, c. 616, Pt. A, §1 (NEW).]

For the purpose of this subsection, "the preceding year" means either the most recent January 1st to December 31st budget cycle or the most recent July 1st to June 30th budget cycle, depending on the fiscal year that the entity uses.

Reports to the Legislature required by this subsection must be submitted to the Clerk of the House, the Secretary of the Senate and the Executive Director of the Legislative Council in a manner determined by the Executive Director of the Legislative Council. The Executive Director of the Legislative Council shall forward each report to the appropriate joint standing committee or committees of the Legislature.

[2015, c. 102, §10 (AMD) .]

3. Committee review and report. By March 1st of every second regular session, beginning in 2016, a joint standing committee of the Legislature receiving reports pursuant to subsection 2 shall review the reports received within the past 2 calendar years, and gather additional information as necessary from the submitting entities, to assess whether policies and procedures adopted by a governing body in accordance with section 12022, subsections 3 to 5 are consistent with expectations established in those subsections and whether all reported waivers of competitive procurement and reported contributions made are in compliance with the adopted policies and procedures, including proper justification and documentation. The joint standing committee shall report the results of its review, including any areas that should be reviewed in more depth, to the joint legislative committee established to oversee program evaluation and government accountability matters.

[2015, c. 253, §1 (NEW) .]

SECTION HISTORY

2011, c. 616, Pt. A, §1 (NEW). 2015, c. 102, §10 (AMD). 2015, c. 253, §1 (AMD).

The Revisor's Office cannot provide legal advice or interpretation of Maine law to the public.

If you need legal advice, please consult a qualified attorney.

Office of the Revisor of Statutes

(mailto:webmaster_ros@legislature.maine.gov) • 7 State House Station

• State House Room 108 • Augusta, Maine 04333-0007

Page composed on 11/03/2017

01:22:38.

**Guide for Policy Committee Review of Quasi-Independent State Entity Annual Reports and
Related Financial Practices Pursuant to 5 MRSA §§12021 – 12023**

Documents Needed

- Entity's current written policies and procedures governing procurement, contributions and donations, and travel, entertainment and meal expenses. (Get these documents from the entity.)
- Annual reports submitted by the entity pursuant to §12023 for at least the past two years. (These reports are submitted to the Executive Director's Office who has been forwarding them to the relevant JSCs.)

Review Process

Step 1 – Review of the written policy and procedures

Policy committee compare substance of each policy to statutory requirements for that policy in §12022.

- a. Are there any areas where it appears policy is not compliant or where it is unclear whether the policy is compliant?
- b. Is there anything in the policy that raises questions as to whether expenditures and practices allowed under the policy are indeed consistent with the entity's authorized mission and duties (§12022 sub-§1)?

Policy committee question entity on:

1. When did the governing Board approve/adopt these current written policies and procedures?
2. How does the governing Board monitor the entity's compliance with each of these policies and procedures?
3. Have there been changes to the written policies or the way in which Board monitors compliance since the Board formally adopted the policies? If so, have these changes been reported in the entity's annual report as required by §12023 sub-§2, par. C?
4. Any areas identified by the committee in a. and b. above that require additional explanation.

Step 2 – Review of entity annual reports re: procurements over \$10,000 that were not competitively bid for last two years

Policy committee review list of non-competitive procurements over \$10,000

- a. Has the entity provided explanation or justification for why the procurement was not competitively bid and/or which waiver in its procurement policy the procurement applies to? If not, ask the entity to supply justification or the relevant waiver provision.

- b. Are there any procurements that appear non-compliant with the entity's policy, or where it is questionable or unclear whether it is compliant?
- c. Do any of the vendors/procurements listed raise questions as to whether those expenditures are indeed consistent with the entity's authorized mission and duties (§12022 sub-§1)?
- d. Are there any procurements where vendor name, dollar amount of the procurement, or repeated history of non-competitive procurements from this vendor raise questions or concerns for the committee?

Policy committee question entity on:

- 1. Will the entity testify that the list of procurements provided in the annual report is complete to the best of its knowledge?
- 2. What does the entity maintain for documentation explaining or justifying the choice to procure these goods/services through a non-competitive process?
- 3. Any areas identified by the committee in a. thru d. above that require additional explanation.

Step 3 – Review of entity annual reports re: contributions over \$1,000 for last two years

Policy committee review list of donations and contributions over \$1,000

- a. Has the entity provided explanation of what the contribution was for if it is not evident from the name of the person/organization it was made to? If not, ask the entity to provide explanation.
- b. Are there any contributions that appear non-compliant with the entity's policy, or where it is questionable or unclear whether it is compliant?
- c. Do any of the contributions listed raise questions as to whether those expenditures are indeed consistent with the entity's authorized mission and duties (§12022 sub-§1)?
- d. Are there any contributions where the name, dollar amount of the donation or contribution, or repeated history of donations/contributions to the individual or organization raise questions or concerns for the committee?

Policy committee question entity on:

- 1. Will the entity testify that the list of contributions provided in the annual report is complete to the best of its knowledge?
- 2. What does the entity maintain for documentation explaining the purpose of the contribution?
- 3. Any areas identified by the committee in a. thru d. above that require additional explanation.

Step 4 – Review annual reports re: changes to policies or governing Board oversight of compliance

Policy committee review annual report to see if there are described changes to policies and/or the governing Board's processes for monitoring compliance. Note that the annual report would be expected in to include a discussion of any changes the entity informs the committee about in response to Step 1, question for entity #3.

If annual report describes changes, is there anything in those descriptions that are concerning or unclear to the committee? If so, question entity about them.

Step 5 – Communication to GOC on the result of the review

Policy committee communicate to GOC pursuant to §12023 sub-§3 on:

- a. results of the committee's review; and
- b. any areas the committee feels should be reviewed in more depth given the information in the entities annual report and any additional information and explanation provided by the entity.

GRANT T. PENNOYER

EXECUTIVE DIRECTOR
OF THE LEGISLATIVE COUNCIL



MAINE STATE LEGISLATURE

OFFICE OF THE EXECUTIVE DIRECTOR
LEGISLATIVE COUNCIL

MEMO

To: Members of the Joint Standing Committee on Appropriations and Financial Affairs

From: Grant T. Pennoyer, Executive Director

Date: February 6, 2018

Re: Submission of report by the Maine Public Employees Retirement System

5 MRSA §12023, sub-§2 requires quasi-independent state entities to submit a report to the Legislature by February 1st of each year. That report must include, among other things, a list of procurements exceeding \$10,000 in the preceding year for which competitive procurement was waived under policies adopted pursuant to law, a list of persons to which the entity made contributions greater than \$1,000 and the total contributed, and a description of changes to written policies and procedures required by section 12022 or to procedures used to monitor compliance.

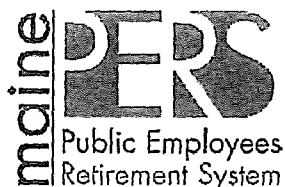
Pursuant to 5 MRSA §12023, sub-§2 regarding distribution of the reports, I am attaching the report that was recently filed by the Maine Public Employees Retirement System to the committee for its review.

As a result of a recent statutory change, by March 1st of every second regular session, a joint standing committee of the Legislature receiving reports pursuant to subsection 2 shall review the reports received within the past 2 calendar years, and gather additional information as necessary from the submitting entities, to assess whether policies and procedures adopted by a governing body in accordance with section 12022, subsections 3 to 5 are consistent with expectations established in those subsections and whether all reported waivers of competitive procurement and reported contributions made are in compliance with the adopted policies and procedures, including proper justification and documentation. The joint standing committee shall report the results of its review, including any areas that should be reviewed in more depth, to the joint legislative committee established to oversee program evaluation and government accountability matters.

If you have any questions, please do not hesitate to contact me at 287-1615.

Thank you.

Attachment(s)



Sandra J. Matheson, *Executive Director*

BOARD OF TRUSTEES
Brian H. Noyes, *Chair*
Benedetto Viola, *Vice Chair*
Shirrin L. Blaisdell
Philip A. Brookhouse
Michael R. Currie
Terry Hayes, *State Treasurer, ex-officio*
Richard T. Melivier
Kenneth L. Williams

January 26, 2018

Honorable Michael D. Thibodeau
President of the Senate
3 State House Station
Augusta, Maine 04333

Dear President Thibodeau:

The Maine Public Employees Retirement System (MainePERS) is submitting the enclosed report pursuant to 5 M.R.S. § 12023 to provide information on procurement, contributions, and changes to relevant policies and procedures by MainePERS during Fiscal Year 2017.

We would be pleased to respond to any questions you might have about the report.

Sincerely,

Sandra J. Matheson
Executive Director

Encl.

**Report of MainePERS Pursuant to 5 M.R.S. § 12023
for the period from July 1, 2016 to June 30, 2017**

A. Procurements

The Maine Public Employees Retirement System ("MainePERS") made the following procurements in excess of \$10,000 during the period from July 1, 2016 to June 30, 2017, under a waiver from MainePERS' competitive procurement policy or under a contract that predated implementation of the policy:

	<u>Vendor</u>	<u>Total Paid</u>	<u>Type</u>	<u>Category</u>
1.	Aetna Life Insurance Co.	\$ 920,100	Group Life Insurance Administration	Pre-Existing
2.	Cheiron, Inc.	\$ 436,974	Actuary	Pre-Existing
3.	Bangor Savings Bank	\$ 34,339	Banking	Pre-Existing
4.	Maine Municipal Association	\$ 38,768	Insurance	Pre-Existing
5.	Bloomberg Finance LP	\$ 26,880	Investment Information	Pre-Existing
6.	Iron Mountain	\$ 24,321	IT Data Back-Up	Pre-Existing
7.	Sage Data Security	\$ 217,984	IT Security	Pre-Existing
8.	Systems Engineering, Inc.	\$ 577,505	IT Services	Pre-Existing
9.	Ice Miller LLP	\$ 18,655	Pension Counsel	Pre-Existing
10.	Earthlink Business	\$ 104,294	Telephone Service	Pre-Existing
11.	Bruns, Deborah M.	\$ 18,889	Court Reporting	Waiver
12.	Thayer Corporation	\$ 52,988	HVAC Service	Waiver
13.	Dell Marketing LP	\$ 47,784	IT - Computers	Waiver
14.	Mythics, Inc.	\$ 116,557	IT - Software	Waiver
15.	Oracle America, Inc.	\$ 114,227	IT - Software	Waiver
16.	Absolute Capture, LLC	\$ 53,997	IT - Services	Waiver
17.	Upper Valley Consulting	\$ 17,715	IT - Services	Waiver
18.	Vitech Systems Group, Inc.	\$1,608,198	IT - Services	Waiver*
19.	Bernstein Shur	\$ 19,654	Labor Counsel	Waiver
20.	ADP, Inc.	\$ 16,360	Payroll Processing Service	Waiver
21.	Korn Ferry Hay Group	\$ 15,000	HR Licensing	Waiver
22.	BettSolutions LLC	\$ 12,544	HR Korn Ferry Hay Training	Waiver

The above does not include contracts with investment fiduciaries, advisors, counsel, or custodians as provided in 5 M.R.S. §§ 17108 - 17110 and exempt from competitive procurement requirements under MainePERS Rule Chapter 602 and MainePERS' procurement policy.

B. Contributions

MainePERS made no contributions during the period from July 1, 2016 to June 30, 2017.

* The amounts paid to this vendor include amounts paid under a pre-existing contract and amounts paid under a new contract for which a sole source waiver was granted.

C. Changes to Policies or Procedures

MainePERS has adopted policies and procedures in compliance with 5 M.R.S. § 12022. During the period covered by this report, MainePERS amended its travel policy to provide guidance on the purchase of insurance on rental cars. A copy of the policy as amended is attached. There were no other changes during the period to the policies or procedures required by 5 M.R.S. § 12022 or to the procedures used by the MainePERS Board of Trustees to monitor compliance.

Maine Public Employees Retirement System

A handwritten signature in cursive script, appearing to read "Sandra J. Matheson", written over a horizontal line.

Sandra J. Matheson

Executive Director

Dated: January 26, 2018

Administrative Governance

3.2 - Travel

Summary of Policy

The Maine Public Employees Retirement System (System) shall ensure fiscal and budgetary responsibility through compliance for authorization, travel, reporting and reimbursement of travel and related expenses incurred for the purpose of conducting System business.

Statutory/Legal/Board Policy Provisions

- 5 M.R.S. § 17103
- 3 M.R.S. § 951 et seq.
- 3 M.R.S. § 991 et seq.
- 5 M.R.S. §12021 et seq.

Definitions

Gift - any gratuity, discount, entertainment, hospitality, loan, forgiven debt, or other tangible or intangible item having monetary value greater than \$35. A gift includes, but is not limited to 1) cash 2) food and beverages and 3) honoraria and travel expenses for engagements for the purpose of influence. A "gift" does not include food or beverages provided in connection with a business meeting, educational seminar, conference or convention.

Travel Procedures

All travel shall be conducted for official System business by System employees for which travel is part of their work, for meetings related to official System business, or for education deemed necessary to maintain required skills or knowledge.

Pre-Travel Authorization

Travel may be authorized when it is consistent with the mission of MainePERS and sufficient budget exists to cover the anticipated costs. Generally, staff travel for the purpose of conducting System business must be scheduled and approved in advance by the employee's supervisor using the Federal Travel Regulations Lodging and Per Diem schedule as applied in this policy:

- In-state travel requiring overnight accommodations must be pre-approved in writing;
- Out of state travel must be pre-approved by the Executive Director or designee and the employee's supervisor in writing;
- Lodging that will exceed the GSA published rates at <http://www.gsa.gov/portal/content/110007> must be approved in advance of the travel and may be approved up to 250% of the published rates under the following circumstances:

- No rooms maintaining traveler safety are available within reasonable travel distance using safe travel services to the location where System business is being conducted;
- Lodging has been procured at a prearranged place such as a hotel where the meeting or conference is being held and convenient and safe alternative lodging is not available;
- Other reasons approved in advance by the Executive Director or designee.
- Request for reimbursement for actual meal expenses must be made in advance of the travel if the specific circumstances of the travel will require meal costs in excess of the per diem. Circumstances justifying this request would be unusual and not anticipated.

Travel Expenses

System business shall be incurred using the Federal Travel Regulations "lodging plus per diem" method contained in 41 Code of Federal Regulations (CFR), Chapters 300 through 304.

Allowable Transportation Expenses

Transportation expenses, including fares, rental fees and mileage reimbursement for use of a personal vehicle are allowed. The method of transportation used must be that method that is most advantageous to the System, taking into account travel time and time lost from work, actual cost of transportation, safety of the traveler, and any other relevant factors.

When traveling by air, employees will be reimbursed for coach class accommodations unless granted a pre-approved exception for business-class for health reasons or lack of seating availability. A physician's note must be provided if using business class for health reasons. A traveler may upgrade to business-class or first-class at his or her personal expense.

When arranging for transportation, authorized travelers should consider the usually traveled route for the trip. Travel outside of the usually traveled route must be pre-approved and must be for the benefit of the System. Additional costs incurred as a result of traveling outside of the usually traveled route without specific approval are the responsibility of the traveler.

When a traveler is pre-approved to use their personal vehicle, mileage will be reimbursed at the optional standard mileage reimbursement rates then in effect used by the Internal Revenue Service to calculate the deductible costs of operating a motor vehicle for business purposes for the shortest route between destinations determined by an Internet map service. (Google Maps, Mapquest, etc.)

Receipts for transportation expenses are required.

Local Transportation Expenses

Local transportation costs (cab fare, bus fare, subway, etc.) are allowable provided the transportation is between the traveler's place of lodging and the airport or other common carrier and between the traveler's place of lodging and places of business on an official trip. Local transportation costs may also be allowable for the purpose of obtaining meals while travelling on official business, provided there are no places to obtain meals at the place of business or approved place of lodging.

Rental cars may be used if there is no available local transportation, traveler safety is a concern, or the cost of the rental car and related expenses such as parking are less than safe available local transportation. When using a rental car, travelers are encouraged to purchase the collision damage waiver coverage and supplemental liability coverage offered by the rental agency to cover damage to the rental vehicle as well as other vehicles or property in the event of an accident. Additional incidental and reimbursable travel costs may include tolls, tips, or parking fees associated with the particular mode of travel. Travelers must provide receipts when available to substantiate these costs.

Receipts for local transportation expenses are required unless they are unavailable for incidental travel expenses, generally not exceeding \$50.

Allowable Lodging Expenses

Generally, lodging must be in conventional lodging facilities, including hotels, motels, etc. Lodging for domestic travel will be reimbursed at the single occupancy rate up to the allowable GSA rate published at www.gsa.gov/perdiem or successor site, or up to 250% of the published rates if approved in advance of the travel under specific circumstances listed under *Pre-Travel Authorization*. If the city or the county in which the city is located are not listed, then a standard rate of \$77 per night applies.

Domestic lodging taxes and other lodging charges are not included in the GSA travel per diem rate. Lodging taxes and other lodging charges paid by the traveler are reimbursable as a miscellaneous travel expense limited to the taxes on reimbursable lodging costs and do not affect whether or not the lodging costs meet the GSA published rates.

Lodging for foreign travel will be reimbursed at the single occupancy rate up to the allowable State Department rate published at http://aoprals.state.gov/web920/per_diem.asp or successor site. Lodging taxes have not been removed from the established foreign per diem rates. Other lodging charges paid by the traveler are reimbursable as a miscellaneous travel expense and do not affect whether or not the lodging costs meet the GSA published rates.

Receipts for lodging are required and must be itemized to include dates of stay, room rates and taxes, and any other lodging charges (telephone, internet connectivity, meals, etc.).

Meals and Incidental Expenses (M & IE)

Travelers traveling away from home when an overnight stay is required will receive a standard meal allowance for Meals and Incidental Expenses. This allowance will be reimbursed using the Government Services Administration per diem rate for meal and incidental expenses for the city or locality of the traveler's destination listed in Attachment 1, or at www.gsa.gov/mie or successor site. If the city, or the county in which the city is located, are not listed, then a standard rate of \$46 per day for meals and incidental expenses applies.

In limited circumstances, if a traveler is traveling away from home for more than twelve hours, and no overnight stay is required, the System may provide a standard meal allowance for the day, with the amount to be determined based on the time the official travel begins and ends. In these circumstances, the amount of the allowance will be determined using the same time travel bands as used for the first and last day of travel (see attachment 1). In these circumstances, the System will reimburse the allowance and add the amount of that allowance to the traveler's form W-2 as wages, in keeping with IRS regulations.

With the exception of meals provided by a common carrier (airline, rail service, etc.) or complimentary meals provided by a hotel or other lodging establishment (continental breakfasts, etc.), the M & IE allowance will be reduced for meals provided at the destination. For example, if attending a conference at which meals are provided as part of the program at no cost to the traveler, the traveler cannot also request a meal allowance for that meal. The cost of meals for guests is not reimbursable.

The M&IE rate includes taxes and tips in the rate. Incidental expenses include items such as fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships.

Receipts for meal expenses are not required unless *Pre-Travel Authorization* for reimbursement using actual expenses has been obtained. Approval may be made after the travel if receipts are available and the circumstances are approved by the Executive Director or designee. Circumstances justifying this request would be unusual and not anticipated. The traveler will be expected to pay the difference between the *Pre-Travel Authorization* and expenses incurred if circumstances do not justify the expense.

Miscellaneous Expenses

Other expenses incurred while traveling on official System business may be reimbursed provided the expenses are reasonable and necessary for conducting the System's business while away. Examples of other expenses include use of phones, faxes, or internet access.

Claims for reimbursement of Miscellaneous Expenses must be substantiated by providing a receipt itemizing the expense.

Unallowable Expenses

The following types of travel-related expenses are specifically not allowable.

- Alcoholic beverage expenses.
- Personal expenses, including personal entertainment expenses such as movie rental charges, or other expenses considered non-essential to official System business.

Gifts and Travel Subsidies

Acceptance of gifts while traveling is strongly discouraged. Acceptance of gifts in excess of \$35 is not allowed. Gifts in excess of \$35 must be provided to the System for distribution to charity or other appropriate parties. In the context of traveling, gifts might include marketing materials provided by vendors such as mugs with logos, or welcome bags at conferences containing samples of locally themed items.

Meals, lodging and entertainment provided by vendors are allowed if reimbursed by the System. The cost of these items must comply with the limitations in this policy.

Travel subsidies must be evaluated prior to the travel authorization. Travelers are required to disclose all travel subsidies prior to obtaining *Pre-travel Authorization*. Travel subsidies include lodging rates subsidized by vendors to enable MainePERS compliance with GSA rates or free or reduced cost meals. Use of subsidized lodging or meals to specifically influence MainePERS procurement decisions is prohibited. Use of subsidized lodging or meals as part of a general industry conference is generally discouraged and unallowable except when approved in the *Pre-Travel Authorization*.

Combining Personal Travel with Business Travel

When vacation is combined with a business trip, the travel may be reimbursed as business travel only when it is clearly established that the business travel is the primary purpose and the vacation incidental.

When personal time extends the traveler's stay at the business location either prior to or after the business activity, the entire transportation cost may be reimbursed. If any other destination, other than normal connecting points, is included on the ticket that is not related to the business activity, the amount reimbursed will be the fare directly related to the point(s) of business based on the fare class used. The traveler must obtain a quote at the time the ticket is purchased showing what that rate would be and submit this with the expense report.

Car rental expenses must be pro-rated based on the number of days dedicated to business use. Lodging will be reimbursed for those nights where the business activity and travel considerations justify overnight stay. An itemized receipt from the lodging facility showing the dates of occupancy must be submitted with the expense report.

Miscellaneous expenses including parking fees must be reduced for personal day expenses. Ground transportation expenses for personal days including taxis, subways and busses are not reimbursable. When the personal portion of the trip is either at the beginning or the end of a combined trip, a traveler is considered to be traveling for business on both the day of departure and the last day of travel and allowable expenses incurred on those days are reimbursable.

No M & IE allowances are permitted for any day an employee is completely in personal time status.

Local Travel

Travelers may be reimbursed for local travel at the optional standard mileage reimbursement rates then in effect used by the Internal Revenue Service to calculate the deductible costs of operating a motor vehicle for business purposes for System business when traveling to destinations other than their permanent work assignment. It is not the intent of the System to reimburse for what would otherwise be commuting expenses. For travelers who are travelling between their home and a temporary work site, reimbursement will be for the lesser of the miles between their home and the temporary work site or between their permanent work site and the temporary work site. Miles travelled between a permanent work site and a temporary work site is always reimbursable.

Example #1 - A traveler lives in Winthrop and his permanent work site is in Augusta, 12 miles away. He is asked to work in Portland for a day, which is 63 miles from his home in Winthrop and 56 miles from his permanent work site in Augusta. If he travels from home to Portland and back, he should request reimbursement for the lesser of the two distances, or 56 miles each way.

Example #2 – The same traveler in example #1 above reports to his permanent work site in Augusta for the morning. At noon, he leaves for Portland for the afternoon, which is 56 miles from his permanent work site. He then returns home from Portland. The traveler in this case is entitled to no reimbursement for his commute to Augusta in the morning. He is entitled to reimbursement of the 56 miles driven between Augusta and Portland as this travel is between a permanent work site and a temporary work site. He is also entitled to reimbursement for 56 miles for the return trip, which is the lesser of the miles between home and Portland (63 miles) and between Portland and Augusta (56 miles).

Example #3 – A traveler lives in Biddeford and his permanent work site is in Augusta, 73 miles away. He reports to his permanent work site in Augusta in the morning. At noon he leaves for Portland for the afternoon, which is 56 miles from his permanent work site. He then returns home from Portland, a trip of 18 miles. The traveler in this case is entitled to no reimbursement for his commute to Augusta in the morning. He is entitled to reimbursement for the 56 miles between Augusta and Portland and for 18 miles for the return trip, which is the lesser of the miles between home and Portland (18 miles) and between Portland and Augusta (56 miles).

Travelers will not receive a standard meal allowance for local travel unless an overnight stay is required for business reasons. In the event of overnight stay, travelers will receive a standard meal allowance to be reimbursed using the Government Services Administration per diem rate for meal and incidental expenses for the city or locality of the traveler's destination listed in Attachment 1, or at www.gsa.gov/mie or successor site.

Reimbursement

A traveler is required to submit an expense report upon completion of travel in accordance with procedures established and administered by the Accounting & Finance Department. Requests for reimbursement should be made within 60 days of completing the travel and incurring the expenses. Requests for reimbursement made beyond 60 days must be accompanied by a written explanation as to why the request was delayed. The explanation must be signed by both the traveler and the traveler's supervisor.

In the event that a traveler received an advance, the traveler must substantiate expenses by submitting an expense report upon completion of the travel and return any excess funds. Excess funds not returned within 120 days of the completion of the travel will be considered income and reported to the IRS as appropriate.

Approval

All System travel shall be approved by an individual having sufficient knowledge of relevant law and statutes, MainePERS rules, policies and procedures (including the Code of Ethics) and the Federal Travel Regulations. The individual authorizing the reimbursement of travel-related expenses is responsible for assuring, or designating a responsible party for assuring, that the costs have been evaluated and

- The travel has been completed;
- The completed travel has been properly documented in accordance with procedures established by this policy;
- The expenses have been incurred.

Reimbursement

The Accounting and Finance Department shall reimburse properly incurred and approved travel expenses, ensuring that the Travel Authorization and Travel Expense Report are consistent.

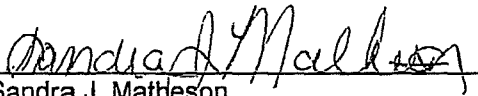
Board of Trustees

The System shall provide the Audit Committee of the Board with an annual budget that includes a specific category for travel and related expenses. The System shall also provide the Audit Committee of the Board with a semi-annual and annual report listing the actual travel and costs that have been incurred within that budget. The Audit Committee of the Board shall provide the Board of Trustees with the budget including travel and related expenses and the two travel reports.

Ownership

This Administrative Policy is owned by the Director of Finance.

Adopted February 1, 2013; Approved as amended January 11, 2017


Sandra J. Matheson
Executive Director

Attachment 1 - Meals and Incidental Expenses (M&IE) Breakdown

www.gsa.gov/mie

The following table is provided for employees who need to deduct provided meals from their daily meals and incidental expense (M&IE) allowance. The table lists the six M&IE tiers in the lower 48 continental United States (currently ranging from \$51 to \$74). Find the amount corresponding to the allowable M&IE rate on the first line of the table (M&IE Total) and then look below for each specific meal deduction amount.

The table also lists the portion of the M&IE rate that is provided for incidental expenses (currently \$5 for all tiers), as well as the amount employees receive for the first and last calendar day or travel. The first and last calendar day of travel is calculated based on the time of day the travel begins (first day) or ends (last day) based on the table which follows.

M&IE Total	\$51	\$54	\$59	\$64	\$69	\$74
Continental Breakfast / Breakfast	\$11	\$12	\$13	\$15	\$16	\$17
Lunch	\$12	\$13	\$15	\$16	\$17	\$18
Dinner	\$23	\$24	\$26	\$28	\$31	\$34
Incidental Expenses (I/E)	\$5	\$5	\$5	\$5	\$5	\$5

First Day	Travel Begins	Breakfast	Lunch	Dinner	I/E
	Before 7:00 am	Yes	Yes	Yes	Yes
	After 7:00 am but before noon	No	Yes	Yes	Yes
	After noon but before 5:00 pm	No	No	Yes	Yes
Last Day	Travel Ends	Breakfast	Lunch	Dinner	I/E
	Before Noon	Yes	No	No	Yes
	After noon but before 5:00 pm	Yes	Yes	No	Yes
	After 5 pm	Yes	Yes	Yes	Yes

GRANT T. PENNOYER
EXECUTIVE DIRECTOR
OF THE LEGISLATIVE COUNCIL



MAINE STATE LEGISLATURE

OFFICE OF THE EXECUTIVE DIRECTOR
LEGISLATIVE COUNCIL

MEMO

To: Members of the Joint Standing Committee on Appropriations and Financial Affairs

From: Grant T. Pennoyer, Executive Director

Date: February 2, 2017

Re: Submission of report by the Maine Public Employees Retirement System

5 MRSA §12023, sub-§2 requires quasi-independent state entities to submit a report to the Legislature by February 1st of each year. That report must include, among other things, a list of procurements exceeding \$10,000 in the preceding year for which competitive procurement was waived under policies adopted pursuant to law, a list of persons to which the entity made contributions greater than \$1,000 and the total contributed, and a description of changes to written policies and procedures required by section 12022 or to procedures used to monitor compliance.

Pursuant to 5 MRSA §12023, sub-§2 regarding distribution of the reports, I am attaching the report that was recently filed by the Maine Public Employees Retirement System to the committee for its review.

As a result of a recent statutory change, by March 1st of every second regular session, a joint standing committee of the Legislature receiving reports pursuant to subsection 2 shall review the reports received within the past 2 calendar years, and gather additional information as necessary from the submitting entities, to assess whether policies and procedures adopted by a governing body in accordance with section 12022, subsections 3 to 5 are consistent with expectations established in those subsections and whether all reported waivers of competitive procurement and reported contributions made are in compliance with the adopted policies and procedures, including proper justification and documentation. The joint standing committee shall report the results of its review, including any areas that should be reviewed in more depth, to the joint legislative committee established to oversee program evaluation and government accountability matters.

If you have any questions, please do not hesitate to contact me at 287-1615.

Thank you.

Attachment(s)

January 31, 2017

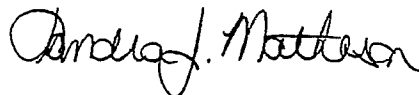
Honorable Sara Gideon
Speaker of the Maine House of Representatives
2 State House Station
Augusta, Maine 04333-0002

Dear Speaker Gideon:

The Maine Public Employees Retirement System (MainePERS) is submitting the enclosed report pursuant to 5 M.R.S. § 12023 to provide information on procurement, contributions, and changes to relevant policies and procedures by MainePERS during Fiscal Year 2016.

We would be pleased to respond to any questions you might have about the report.

Sincerely,



Sandra J. Matheson
Executive Director

Encl.

**Report of MainePERS Pursuant to 5 M.R.S. § 12023
for the period from July 1, 2015 to June 30, 2016**

A. Procurements

The Maine Public Employees Retirement System ("MainePERS") made the following procurements in excess of \$10,000 during the period from July 1, 2015 to June 30, 2016, under a waiver from MainePERS' competitive procurement policy or under a contract that predated implementation of the policy:

	<u>Vendor</u>	<u>Total Paid</u>	<u>Type</u>	<u>Category</u>
1.	ADP, Inc.	\$ 14,069	Payroll	Waiver
2.	Aetna Life Insurance Co.	\$ 776,105	Insurance	Pre-Existing
3.	Baker, Newman & Noyes	\$ 197,905	Auditing	Waiver
4.	Bangor Savings Bank	\$ 32,355	Banking	Pre-Existing
5.	Bernstein Shur	\$ 22,163	Labor Counsel	Waiver
6.	Bloomberg Finance LP	\$ 26,880	Information	Pre-Existing
7.	Bruns, Deborah M.	\$ 19,953	Court Reporting	Waiver
8.	Central Maine Drywall, Inc.	\$ 14,670	Building Repair	Waiver
9.	Cheiron, Inc.	\$ 438,353	Actuaries	Pre-Existing
10.	Ciphertechs	\$ 25,200	Software	Waiver
11.	Creative Imaging Group	\$ 21,615	Printing	Waiver
12.	Dell Marketing LP	\$ 20,911	Computers	Waiver
13.	Earthlink Business	\$ 104,049	Telephone Service	Pre-Existing
14.	Hosting.com	\$ 63,467	Database	Pre-Existing
15.	Ice Miller LLP	\$ 12,629	Pension Counsel	Pre-Existing
16.	Iron Mountain	\$ 23,357	Data Back-Up	Pre-Existing
17.	Maine Municipal Association	\$ 38,180	Insurance	Pre-Existing
18.	Mythics, Inc.	\$ 643,411	Software	Waiver
19.	Oracle America, Inc.	\$ 99,011	Software	Waiver
20.	Portland Computer Copy, Inc./ GE Capital	\$ 66,441	Equipment	Pre-Existing
21.	Sage Data Security	\$ 120,584	IT Security	Pre-Existing
22.	Systems Engineering, Inc.	\$ 401,949	IT Services	Pre-Existing
23.	Thayer Corporation	\$ 67,121	HVAC Service	Waiver
24.	Upper Valley Consulting	\$ 13,897	IT Services	Waiver
25.	Vitech Systems Group, Inc.	\$2,270,593	IT Services	Waiver*

The above does not include contracts with investment fiduciaries, advisors, counsel, or custodians as provided in 5 M.R.S. §§ 17108 – 17110 and exempt from competitive

* The amounts paid to this vendor include amounts paid under a pre-existing contract and amounts paid under a new contract for which a sole source waiver was granted.

procurement requirements under MainePERS Rule Chapter 602 and MainePERS' procurement policy.

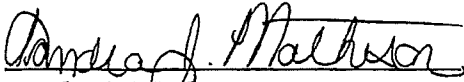
B. Contributions

MainePERS made no contributions during the period from July 1, 2015 to June 30, 2016.

C. Changes to Policies or Procedures

MainePERS has adopted policies and procedures in compliance with 5 M.R.S. § 12022. During the period covered by this report, there were no changes to the policies or procedures required by 5 M.R.S. § 12022 or to the procedures used by the MainePERS Board of Trustees to monitor compliance.

Maine Public Employees Retirement System

A handwritten signature in cursive script, reading "Sandra J. Matheson", written over a horizontal line.

Sandra J. Matheson

Executive Director

Dated: January 31, 2017

Maine Revised Statutes

Title 5: ADMINISTRATIVE PROCEDURES AND SERVICES

Part 18: ADMINISTRATIVE PROCEDURES

Chapter 379: BOARDS, COMMISSIONS, COMMITTEES AND SIMILAR ORGANIZATIONS

Subchapter 3: QUASI-INDEPENDENT STATE ENTITIES

§12022. Financial policies and procedures

A governing body of an entity: [2011, c. 616, Pt. A, §1 (NEW).]

1. **Consistency with authorizing law.** Shall ensure that all activities and expenditures of the entity are limited to those necessary to accomplish the entity's mission and to carry out the entity's duties consistent with the entity's authorizing law;

[2011, c. 616, Pt. A, §1 (NEW) .]

2. **Compliance with financial policies and procedures.** Shall ensure that the governing body, management and staff of the entity comply with financial policies and procedures established by the governing body;

[2011, c. 616, Pt. A, §1 (NEW) .]

3. **Selection of vendors.** Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the selection of vendors designed to ensure that the entity secures the best value in its procurements. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

A. Establish competitive procurement as the standard procurement method;
[2011, c. 616, Pt. A, §1 (NEW).]

B. Specify the conditions under which competitive procurement may be waived; and [2011, c. 616, Pt. A, §1 (NEW).]

C. For procurements exceeding \$10,000 that were not competitively procured, require that written justification for and evidence of approvals are

maintained on file for 5 years; [2011, c. 616, Pt. A, §1 (NEW).]

[2011, c. 616, Pt. A, §1 (NEW) .]

4. Contributions. Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the use of the entity's resources for contributions. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

A. Establish criteria to ensure that contributions are directly related to the entity's mission and activities; [2011, c. 616, Pt. A, §1 (NEW).]

B. Require that for identification and reporting purposes contributions are budgeted and accounted for separately from other expenditures in the entity's records; [2011, c. 616, Pt. A, §1 (NEW).]

C. Establish requirements for maintaining documentation to support each contribution; and [2011, c. 616, Pt. A, §1 (NEW).]

D. Require that the governing body must approve the annual budget for contributions and be provided periodic reports on contributions made by the entity; [2011, c. 616, Pt. A, §1 (NEW).]

[2011, c. 616, Pt. A, §1 (NEW) .]

5. Travel, meals and entertainment. Shall adopt by December 31, 2012 and implement by July 1, 2013 written policies and procedures governing the use of the entity's resources to pay costs of travel, meals and entertainment. To the extent possible, consistent with the entity's authorizing law, the policies and procedures must:

A. Limit travel, meal and entertainment costs to those reasonable and necessary for accomplishing the entity's mission and activities; [2011, c. 616, Pt. A, §1 (NEW).]

B. Describe the persons for whom the entity will pay travel, meal and entertainment costs and specify the conditions under which those costs will be paid and whether directly or through reimbursement; [2011, c. 616, Pt. A, §1 (NEW).]

C. Establish the requirements for supporting documentation and approval of travel, meal and entertainment costs paid directly or through reimbursement; [2011, c. 616, Pt. A, §1 (NEW).]

D. Require for identification and reporting purposes that travel, meal and entertainment costs are budgeted and accounted for separately from other expenditures in the entity's records; and [2011, c. 616, Pt. A, §1 (NEW).]

E. Require that the governing body must approve the annual budget for travel, meal and entertainment costs and be provided periodic reports on actual costs paid directly or reimbursed; and [2011, c. 616, Pt. A, §1 (NEW) .]

[2011, c. 616, Pt. A, §1 (NEW) .]

6. Lobbyists. May not retain any person, other than entity staff, that is required to register as a lobbyist as defined in Title 3, section 312-A, subsection 10.

[2011, c. 616, Pt. A, §1 (NEW) .]

SECTION HISTORY

2011, c. 616, Pt. A, §1 (NEW) .

The Revisor's Office cannot provide legal advice or interpretation of Maine law to the public.

If you need legal advice, please consult a qualified attorney.

Office of the Revisor of Statutes

Page composed on 11/03/2017

(mailto:webmaster_ros@legislature.maine.gov) • 7 State House Station

01:22:38.

• State House Room 108 • Augusta, Maine 04333-0007

Governance Manual

MainePERS Board of Trustees

Executive Director Responsibilities

5.4 – Budgeting, Spending, and Reporting

Date Adopted: October 11, 2012

Date Amended: December 13, 2012, March 13, 2015; October 12, 2017

Policy

The Board of Trustees shall safeguard System assets and maintain quality services by overseeing System budgeting, spending, and financial reporting in support of the System's mission.

Statutory/Legal Provisions

- 5 M.R.S. § 12021, *et seq.* (L.D. 1843-"An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability and the Government Oversight Committee Regarding Quasi-independent State Entities").
- 41 C.F.R. Chapters 300-304.
- 26 U.S.C. § 401(a)(1) ["Exclusive benefit rule"].
- 5 M.R.S. §§ 17102, 17103, 17105.

Budgeting

The System's annual budget and interim budget modifications shall support the Board's mission and System goals.

Accordingly, the Executive Director shall develop financial planning/budgeting for Board approval which:

- Ensures Board compliance with its statutory and fiduciary duties;
- Limits costs to those reasonable and necessary for accomplishing the Board's mission and the System's outcomes;
- Complies with all Board policy and statutory requirements;
- Substantiates compliance with all Board, administrative and statutory requirements;
- Substantiates all costs by department and line item; and
- Includes a capital budget separately approved.

Spending

The Executive Director shall not cause or allow the material deviation of actual expenditures as established by the budget without prior notification to the Chair of the Finance and Audit Committee. The Executive Director shall manage spending by limiting costs to those reasonable and necessary for accomplishing the Board's mission and System goals.

Accordingly, the Executive Director shall manage spending to:

Governance Manual

MainePERS Board of Trustees

- Implement Board adopted actuarial, investment, and interest assumptions;
- Accurately calculate and timely pay all benefits due members in accordance with law;
- Maintain internal equity between staff salaries at market level, not above or below;
- Accurately and timely collect receivables in accordance with administrative policy that allows for reasonable grace periods within regulatory and statutory rules;
- Keep stakeholders informed on matters of interest;
- Maintain transparent and open financial records except where prohibited or protected by statute or regulation;
- Settle payroll and debts in a timely manner;
- Accurately file and pay all tax or other government-authority ordered payments in a timely manner;
- Select, engage, and timely pay vendors in accordance with administrative policy that:
 - Establishes competitive procurement as the standard procurement method except where it creates unnecessary cost or might jeopardize compliance with fiduciary duties or is in conflict with other regulatory or statutory requirements;
 - Specifies conditions under which competitive procurement may be waived;
 - Maintain justification and documentation on all procurements in excess of \$10,000 that were not competitively procured for five years, including Board resolutions exempting certain types of procurement that might jeopardize compliance with the System's fiduciary duties;
- Plan, approve and conduct travel or sponsor business meals in accordance with administrative policy so that:
 - Travel expenses are pre-approved and in accordance with the standards in the Government Services Administration's (GSA) Federal Travel Regulations (FTR) (41 C.F.R. Chapters 300-304). Accordingly, travel shall be limited both in scope and in personnel to what is reasonable and necessary to further the Board's mission and the System's outcomes;
 - Travel expenses are pre-paid by the System wherever possible and incidental expenses are reimbursed based on expense reports;
 - Business meals are sponsored only when necessary for conducting Board or System business; and
- Prohibit expenses not related to the Board's mission and business, including contributions and lobbying;
 - The System may belong to and pay dues to professional organizations that primarily provide access to industry information and similar professionals in other states when there are no readily accessible or local peer groups. Incidental or informational lobbying conducted by a professional organization to which the System pays membership dues will not be considered to fall within the restriction contained in 5 M.R.S. § 12022(6).

Reporting

The Executive Director shall cause regular financial reporting to be prepared for and reviewed by the Finance and Audit Committee whose policy determines content and reporting schedules to the Board.

Accordingly, the Executive Director shall develop a reporting system for the Board which:

Governance Manual

MainePERS Board of Trustees

- Presents quarterly financial reports to the Finance and Audit Committee. These reports shall include:
 - Actual financial performance against budget, with reasons for and substantiation of variations from budget;
 - Any recommended budget adjustments to accommodate unanticipated requirements or unexpected changes in costs;
 - Compliance with statutory requirements for which the Board is responsible, including;
 - Annual Report to the Legislature due February 1 each year documenting compliance with 5 M.R.S. § 12023
 - Annual Report to the Legislature due March 1 each year documenting annual operations in compliance with 5 M.R.S. § 17103(11)

Administrative Governance

3.1 – Procurement

Summary of Policy

The Maine Public Employees Retirement System (“System”) shall ensure that all procurement of goods and services and all awards of contracts conform to the established budget, stated mission of pension administration, and applicable laws and regulations. The System shall make every reasonable effort to obtain all supplies, equipment and services at the lowest cost that meets required quality, including track record and industry knowledge where applicable, from the resources available at the time of procurement.

Statutory/Legal Provisions

3 M.R.S. §951 *et seq.*

3 M.R.S. §991 *et seq.*

5 M.R.S. §12021 *et seq.*

MainePERS Rule Chapter 602

Departmental Responsibility

Each department within the System shall exercise sound judgment and prudent business practices when procuring items, supplies, and services in accordance with the fiscal year's budget. Responsibilities include:

- Obtaining competitive bids for any procurement not otherwise exempt that exceeds \$10,000 in accordance with MainePERS Rule Chapter 602;
- Complying with the criteria for waiver of the \$10,000 minimum in the competitive bidding process if a direct procurement is made;
- Providing written documentation that includes justification for direct procurement for sole source procurements that exceed \$10,000 for which no competitive bid was conducted. Such documentation shall be maintained on file until a document retention policy has been issued, and then in accordance with that policy;
- Developing supply sources that ensure low cost and both high quality and service from suppliers when obtaining goods or services;
- Annually evaluating the performance of vendors;
- Identifying opportunities to reduce costs by periodically conducting price/cost analyses;
- Maintaining a record of purchasing and vendor usage that demonstrates the low cost/high quality standards of this policy;
- Participating in shared procurement with other departments for routine or recurring supplies and services whenever feasible;
- Reviewing invoices to ensure cost control and alignment;
- Providing documentation to the Accounting and Finance Department;

- Negotiating contracts under the oversight of the General Counsel for services, leases, and equipment;
- Ensuring that all procurement is managed in accordance with the Purchase and Work Order standards established by the Accounting and Finance Department.
- Provide all documentation necessary to the Accounting and Finance Department in order to ensure timely payments and credits.

Contracts, Requests for Proposals, and Negotiations

All contracts for services, leases and equipment shall be submitted to the General Counsel or Associate General Counsel prior to execution to review the contract language and any special contractual requirements. Prior to the issuance of a Request for Proposal ("RFP") in accordance with System Rule Chapter 602, the General Counsel or Associate General Counsel shall review the RFP to ensure it complies with the provisions of law and this policy.

Purchase Orders and Work Orders

Purchase Orders and Work Orders must comply with applicable Accounting and Finance Practices.

Costs shall be controlled by ensuring the projected costs of Purchase and Work Orders are within the fiscal year budget. Deviations in initial cost must be approved when identified and a modified Purchase or Work Order submitted. Final invoices must include an explanation of the difference.

Cancellation or modification of Purchase and Work Orders must be documented with an explanation submitted to the originating department.

Emergency Procurement

Goods or services may be obtained without a Purchase or Work Order in order to prevent the following conditions:

- A hazard to either persons or property;
- Damage to buildings or facilities;
- A violation of statute or local ordinance;
- Serious detriment to the System;
- Any other bona fide emergency necessitating expedited action.

A department representative initiating an emergency Purchase or Work Order should obtain verbal approval based on an estimated amount and the budget line from which the purchase or work order is derived. A Purchase or Work Order shall be submitted as soon as practical and shall include the reasons for and documentation regarding the emergency procurement.

Requests for Proposals (RFP)

Procurements that exceed \$10,000 and are not otherwise exempt require the issuance of an RFP. Each required RFP shall comply with the provisions of MainePERS Rule Chapter 602. Exceptions to competitively procured goods or services are addressed below under Sole Source Procurements.

Leases

Square footage cost must be competitive for the market in which the property is located. The System shall document its efforts at establishing the market rates and the criteria used in making a selection of leased property.

Prior to entering into any lease arrangements, an analysis will be made of purchase alternatives to ensure the most economical and practical procurement is performed.

The General Counsel or Associate General Counsel shall oversee and review all leases, lease purchase agreements, and rental agreements prior to execution.

Capital Purchases

Capital purchases exceeding \$50,000 shall be budgeted for in the annual Capital Budget. Capital purchases shall be made using the Purchase Order guidelines in this policy. MainePERS capitalization threshold is \$5,000. Items with an extended unit cost equal to or exceeding this amount are added to the System's property records and should be charged to the appropriate departments or amortized over the life of the purchase.

Sole Source Procurements

Sole Source Procurements exceeding \$10,000 must be documented and may be made only under the following circumstances:

- Property or services are available only from one vendor;
- Compatible additions to existing equipment or services where using a different vendor would be impractical for the specific need or incur additional expense because of potential incompatibility issues;
- Competitive bidding is precluded because of the existence of control of raw materials, patent rights, copyrights, or similar circumstances;
- Technical services in connection with installation, servicing of equipment, or assembly are only available from one qualified vendor;
- Components or parts used as replacements for equipment are designed and marketed by only one vendor;
- Procurement where, in the judgment of the System, there is only one vendor in the market that has the capacity to provide and/or maintain the equipment or services being purchased;

- Procurement of electric power or energy, gas, water or other utility where only one vendor or broker exists;
- Contracts with investment fiduciaries or advisors as provided in 5 M.R.S. § 17108;
- Contracts with persons or associations for investment counsel or advice or for other professionals or other assistance as provided in 5 M.R.S. 17109;
- Contracts for the custodial care of securities as provided by 5 M.R.S. § 17110;
- Any other circumstance where adhering to the requirements set forth in this policy would, in the judgment of senior management or the Trustees of the System, result in a breach of fiduciary duty or violation of law.

Sole Source Justification and Documentation

Sole source procurements, excluding emergency procurements, must be documented and justified in advance. Documentation must be maintained until a document retention policy has been issued, and then in accordance with that policy. The following criteria must be considered in justifying sole source procurement:

Uniqueness:

- Details about the unique nature of the vendor must be provided;
- If the item or services are unique to a sole vendor, the characteristics and justification for requiring the same must be described;
- Expertise: if the vendor or contractor possess a unique expertise, both the necessity of the expertise and its nature must be documented;
- Equipment: if the vendor or contractor has unique or proprietary data, equipment, or facilities, the need for the same must be explained and documented.

Timeframe:

- Time constraints create a necessity to override competitive bidding;
- Specific documentation of the timeframe and the need must be documented, including the date by which material goods or services must be delivered and the justification for that date.

Legal

The General Counsel or Associate General Counsel shall review and approve details and justification.

Approving Authority

Written approval by a member of Senior Management with authorization for the amount anticipated to be expended is required before an RFP is issued, sole source procurement is used, or a contract is executed. The following authorization levels are established:

- Executive Director – Unlimited

- Executive Director – Unlimited
- Chief Deputy Executive Director – Up to \$25,000
- Chief Investment Officer – Up to \$10,000
- Deputy Executive Director – Up to \$10,000
- Other Senior Managers – Up to \$2,500

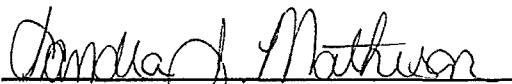
Board of Trustees

The System shall provide the Audit Committee of the Board with an annual budget that includes a specific category for procurement expenses. The System shall also provide the Audit Committee of the Board with a semi-annual and annual report listing the actual procurement and sole source procurement costs that have been incurred within that budget. The Audit Committee of the Board shall provide the Board of Trustees with the budget including procurement and the two procurement reports.

Ownership

This Administrative Policy is owned by the Associate General Counsel.

Adopted this 20 day of May, 2014.

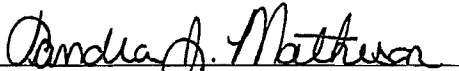


Sandra J. Matheson
Executive Director

revealed that we had not previously documented the justification for this sole source procurement.

☒ I concur.

☐ I do not concur.



Sandra J. Matheson
Executive Director

Date: February 6, 2018

Administrative Governance

3.2 - Travel

Summary of Policy

The Maine Public Employees Retirement System (System) shall ensure fiscal and budgetary responsibility through compliance for authorization, travel, reporting and reimbursement of travel and related expenses incurred for the purpose of conducting System business.

Statutory/Legal/Board Policy Provisions

- 5 M.R.S. § 17103
- 3 M.R.S. § 951 et seq.
- 3 M.R.S. § 991 et seq.
- 5 M.R.S. § 12021 et seq.

Definitions

Gift - any gratuity, discount, entertainment, hospitality, loan, forgiven debt, or other tangible or intangible item having monetary value greater than \$35. A gift includes, but is not limited to 1) cash 2) food and beverages and 3) honoraria and travel expenses for engagements for the purpose of influence. A "gift" does not include food or beverages provided in connection with a business meeting, educational seminar, conference or convention.

Travel Procedures

All travel shall be conducted for official System business by System employees for which travel is part of their work, for meetings related to official System business, or for education deemed necessary to maintain required skills or knowledge.

Pre-Travel Authorization

Travel may be authorized when it is consistent with the mission of MainePERS and sufficient budget exists to cover the anticipated costs. Generally, staff travel for the purpose of conducting System business must be scheduled and approved in advance by the employee's supervisor using the Federal Travel Regulations Lodging and Per Diem schedule as applied in this policy:

- In-state travel requiring overnight accommodations must be pre-approved in writing;
- Out of state travel must be pre-approved by the Executive Director or designee and the employee's supervisor in writing;
- Lodging that will exceed the GSA published rates at <http://www.gsa.gov/portal/content/110007> must be approved in advance of the travel and may be approved up to 250% of the published rates under the following circumstances:

- No rooms maintaining traveler safety are available within reasonable travel distance using safe travel services to the location where System business is being conducted;
 - Lodging has been procured at a prearranged place such as a hotel where the meeting or conference is being held and convenient and safe alternative lodging is not available;
 - Other reasons approved in advance by the Executive Director or designee.
- Request for reimbursement for actual meal expenses must be made in advance of the travel if the specific circumstances of the travel will require meal costs in excess of the per diem. Circumstances justifying this request would be unusual and not anticipated.

Travel Expenses

System business shall be incurred using the Federal Travel Regulations "lodging plus per diem" method contained in 41 Code of Federal Regulations (CFR), Chapters 300 through 304.

Allowable Transportation Expenses

Transportation expenses, including fares, rental fees and mileage reimbursement for use of a personal vehicle are allowed. The method of transportation used must be that method that is most advantageous to the System, taking into account travel time and time lost from work, actual cost of transportation, safety of the traveler, and any other relevant factors.

When traveling by air, employees will be reimbursed for coach class accommodations unless granted a pre-approved exception for business-class for health reasons or lack of seating availability. A physician's note must be provided if using business class for health reasons. A traveler may upgrade to business-class or first-class at his or her personal expense.

When arranging for transportation, authorized travelers should consider the usually traveled route for the trip. Travel outside of the usually traveled route must be pre-approved and must be for the benefit of the System. Additional costs incurred as a result of traveling outside of the usually traveled route without specific approval are the responsibility of the traveler.

When a traveler is pre-approved to use their personal vehicle, mileage will be reimbursed at the optional standard mileage reimbursement rates then in effect used by the Internal Revenue Service to calculate the deductible costs of operating a motor vehicle for business purposes for the shortest route between destinations determined by an Internet map service. (Google Maps, Mapquest, etc.)

Receipts for transportation expenses are required.

Local Transportation Expenses

Local transportation costs (cab fare, bus fare, subway, etc.) are allowable provided the transportation is between the traveler's place of lodging and the airport or other common carrier and between the traveler's place of lodging and places of business on an official trip. Local transportation costs may also be allowable for the purpose of obtaining meals while travelling on official business, provided there are no places to obtain meals at the place of business or approved place of lodging.

Rental cars may be used if there is no available local transportation, traveler safety is a concern, or the cost of the rental car and related expenses such as parking are less than safe available local transportation. When using a rental car, travelers are encouraged to purchase the collision damage waiver coverage and supplemental liability coverage offered by the rental agency to cover damage to the rental vehicle as well as other vehicles or property in the event of an accident. Additional incidental and reimbursable travel costs may include tolls, tips, or parking fees associated with the particular mode of travel. Travelers must provide receipts when available to substantiate these costs.

Receipts for local transportation expenses are required unless they are unavailable for incidental travel expenses, generally not exceeding \$50.

Allowable Lodging Expenses

Generally, lodging must be in conventional lodging facilities, including hotels, motels, etc. Lodging for domestic travel will be reimbursed at the single occupancy rate up to the allowable GSA rate published at www.gsa.gov/perdiem or successor site, or up to 250% of the published rates if approved in advance of the travel under specific circumstances listed under *Pre-Travel Authorization*. If the city or the county in which the city is located are not listed, then a standard rate of \$77 per night applies.

Domestic lodging taxes and other lodging charges are not included in the GSA travel per diem rate. Lodging taxes and other lodging charges paid by the traveler are reimbursable as a miscellaneous travel expense limited to the taxes on reimbursable lodging costs and do not affect whether or not the lodging costs meet the GSA published rates.

Lodging for foreign travel will be reimbursed at the single occupancy rate up to the allowable State Department rate published at http://aoprals.state.gov/web920/per_diem.asp or successor site. Lodging taxes *have not* been removed from the established foreign per diem rates. Other lodging charges paid by the traveler are reimbursable as a miscellaneous travel expense and do not affect whether or not the lodging costs meet the GSA published rates.

Receipts for lodging are required and must be itemized to include dates of stay, room rates and taxes, and any other lodging charges (telephone, internet connectivity, meals, etc.).

Meals and Incidental Expenses (M & IE)

Travelers traveling away from home when an overnight stay is required will receive a standard meal allowance for Meals and Incidental Expenses. This allowance will be reimbursed using the Government Services Administration per diem rate for meal and incidental expenses for the city or locality of the traveler's destination listed in Attachment 1, or at www.gsa.gov/mie or successor site. If the city, or the county in which the city is located, are not listed, then a standard rate of \$46 per day for meals and incidental expenses applies.

In limited circumstances, if a traveler is traveling away from home for more than twelve hours, and no overnight stay is required, the System may provide a standard meal allowance for the day, with the amount to be determined based on the time the official travel begins and ends. In these circumstances, the amount of the allowance will be determined using the same time travel bands as used for the first and last day of travel (see attachment 1). In these circumstances, the System will reimburse the allowance and add the amount of that allowance to the traveler's form W-2 as wages, in keeping with IRS regulations.

With the exception of meals provided by a common carrier (airline, rail service, etc.) or complimentary meals provided by a hotel or other lodging establishment (continental breakfasts, etc.), the M & IE allowance will be reduced for meals provided at the destination. For example, if attending a conference at which meals are provided as part of the program at no cost to the traveler, the traveler cannot also request a meal allowance for that meal. The cost of meals for guests is not reimbursable.

The M&IE rate includes taxes and tips in the rate. Incidental expenses include items such as fees and tips given to porters, baggage carriers, bellhops, hotel maids, stewards or stewardesses and others on ships.

Receipts for meal expenses are not required unless *Pre-Travel Authorization* for reimbursement using actual expenses has been obtained. Approval may be made after the travel if receipts are available and the circumstances are approved by the Executive Director or designee. Circumstances justifying this request would be unusual and not anticipated. The traveler will be expected to pay the difference between the *Pre-Travel Authorization* and expenses incurred if circumstances do not justify the expense.

Miscellaneous Expenses

Other expenses incurred while traveling on official System business may be reimbursed provided the expenses are reasonable and necessary for conducting the System's business while away. Examples of other expenses include use of phones, faxes, or internet access.

Claims for reimbursement of Miscellaneous Expenses must be substantiated by providing a receipt itemizing the expense.

Unallowable Expenses

The following types of travel-related expenses are specifically not allowable.

- Alcoholic beverage expenses.
- Personal expenses, including personal entertainment expenses such as movie rental charges, or other expenses considered non-essential to official System business.

Gifts and Travel Subsidies

Acceptance of gifts while traveling is strongly discouraged. Acceptance of gifts in excess of \$35 is not allowed. Gifts in excess of \$35 must be provided to the System for distribution to charity or other appropriate parties. In the context of traveling, gifts might include marketing materials provided by vendors such as mugs with logos, or welcome bags at conferences containing samples of locally themed items.

Meals, lodging and entertainment provided by vendors are allowed if reimbursed by the System. The cost of these items must comply with the limitations in this policy.

Travel subsidies must be evaluated prior to the travel authorization. Travelers are required to disclose all travel subsidies prior to obtaining *Pre-travel Authorization*. Travel subsidies include lodging rates subsidized by vendors to enable MainePERS compliance with GSA rates or free or reduced cost meals. Use of subsidized lodging or meals to specifically influence MainePERS procurement decisions is prohibited. Use of subsidized lodging or meals as part of a general industry conference is generally discouraged and unallowable except when approved in the *Pre-Travel Authorization*.

Combining Personal Travel with Business Travel

When vacation is combined with a business trip, the travel may be reimbursed as business travel only when it is clearly established that the business travel is the primary purpose and the vacation incidental.

When personal time extends the traveler's stay at the business location either prior to or after the business activity, the entire transportation cost may be reimbursed. If any other destination, other than normal connecting points, is included on the ticket that is not related to the business activity, the amount reimbursed will be the fare directly related to the point(s) of business based on the fare class used. The traveler must obtain a quote at the time the ticket is purchased showing what that rate would be and submit this with the expense report.

Car rental expenses must be pro-rated based on the number of days dedicated to business use. Lodging will be reimbursed for those nights where the business activity and travel considerations justify overnight stay. An itemized receipt from the lodging facility showing the dates of occupancy must be submitted with the expense report.

Miscellaneous expenses including parking fees must be reduced for personal day expenses. Ground transportation expenses for personal days including taxis, subways and busses are not reimbursable. When the personal portion of the trip is either at the beginning or the end of a combined trip, a traveler is considered to be traveling for business on both the day of departure and the last day of travel and allowable expenses incurred on those days are reimbursable.

No M & IE allowances are permitted for any day an employee is completely in personal time status.

Local Travel

Travelers may be reimbursed for local travel at the optional standard mileage reimbursement rates then in effect used by the Internal Revenue Service to calculate the deductible costs of operating a motor vehicle for business purposes for System business when traveling to destinations other than their permanent work assignment. It is not the intent of the System to reimburse for what would otherwise be commuting expenses. For travelers who are travelling between their home and a temporary work site, reimbursement will be for the lesser of the miles between their home and the temporary work site or between their permanent work site and the temporary work site. Miles travelled between a permanent work site and a temporary work site is always reimbursable.

Example #1 - A traveler lives in Winthrop and his permanent work site is in Augusta, 12 miles away. He is asked to work in Portland for a day, which is 63 miles from his home in Winthrop and 56 miles from his permanent work site in Augusta. If he travels from home to Portland and back, he should request reimbursement for the lesser of the two distances, or 56 miles each way.

Example #2 – The same traveler in example #1 above reports to his permanent work site in Augusta for the morning. At noon, he leaves for Portland for the afternoon, which is 56 miles from his permanent work site. He then returns home from Portland. The traveler in this case is entitled to no reimbursement for his commute to Augusta in the morning. He is entitled to reimbursement of the 56 miles driven between Augusta and Portland as this travel is between a permanent work site and a temporary work site. He is also entitled to reimbursement for 56 miles for the return trip, which is the lesser of the miles between home and Portland (63 miles) and between Portland and Augusta (56 miles).

Example #3 – A traveler lives in Biddeford and his permanent work site is in Augusta, 73 miles away. He reports to his permanent work site in Augusta in the morning. At noon he leaves for Portland for the afternoon, which is 56 miles from his permanent work site. He then returns home from Portland, a trip of 18 miles. The traveler in this case is entitled to no reimbursement for his commute to Augusta in the morning. He is entitled to reimbursement for the 56 miles between Augusta and Portland and for 18 miles for the return trip, which is the lesser of the miles between home and Portland (18 miles) and between Portland and Augusta (56 miles).

Travelers will not receive a standard meal allowance for local travel unless an overnight stay is required for business reasons. In the event of overnight stay, travelers will receive a standard meal allowance to be reimbursed using the Government Services Administration per diem rate for meal and incidental expenses for the city or locality of the traveler's destination listed in Attachment 1, or at www.gsa.gov/mie or successor site.

Reimbursement

A traveler is required to submit an expense report upon completion of travel in accordance with procedures established and administered by the Accounting & Finance Department. Requests for reimbursement should be made within 60 days of completing the travel and incurring the expenses. Requests for reimbursement made beyond 60 days must be accompanied by a written explanation as to why the request was delayed. The explanation must be signed by both the traveler and the traveler's supervisor.

In the event that a traveler received an advance, the traveler must substantiate expenses by submitting an expense report upon completion of the travel and return any excess funds. Excess funds not returned within 120 days of the completion of the travel will be considered income and reported to the IRS as appropriate.

Approval

All System travel shall be approved by an individual having sufficient knowledge of relevant law and statutes, MainePERS rules, policies and procedures (including the Code of Ethics) and the Federal Travel Regulations. The individual authorizing the reimbursement of travel-related expenses is responsible for assuring, or designating a responsible party for assuring, that the costs have been evaluated and

- The travel has been completed;
- The completed travel has been properly documented in accordance with procedures established by this policy;
- The expenses have been incurred.

Reimbursement

The Accounting and Finance Department shall reimburse properly incurred and approved travel expenses, ensuring that the Travel Authorization and Travel Expense Report are consistent.

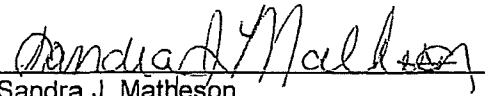
Board of Trustees

The System shall provide the Audit Committee of the Board with an annual budget that includes a specific category for travel and related expenses. The System shall also provide the Audit Committee of the Board with a semi-annual and annual report listing the actual travel and costs that have been incurred within that budget. The Audit Committee of the Board shall provide the Board of Trustees with the budget including travel and related expenses and the two travel reports.


Ownership

This Administrative Policy is owned by the Director of Finance.

Adopted February 1, 2013; Approved as amended January 11, 2017


Sandra J. Matheson
Executive Director

MEMORANDUM

Date: February 11, 2014
To: Mike Colleran
CC: Rebecca Grant
From: Ryan McArthur 
Re: Sole Source Procurement - Thayer Corporation

Thayer Corporation of Auburn, Maine is a Heating, Ventilation, and Air Conditioning (HVAC) company providing design, build, and maintenance services. The company provides products and services supporting the existing HVAC equipment including the building automation controls system from ASI Controls.

Thayer is the only authorized reseller in Maine for the ASI Controls system. Products from ASI Controls include components such as, Variable Air Volume (VAV) devices, temperature sensors, circuit and control boards, and automation controls software; numerous components from ASI Controls comprise the HVAC system used extensively throughout the building.

Each HVAC Controls company utilizes proprietary technology making components incompatible between vendors; that is, parts from company "A" are incompatible with parts from company "B". Weighing the recent \$125,000 investment in the existing infrastructure from ASI Controls, it is in the best interest of MainePERS to continue utilizing Thayer Corporation for adding and servicing equipment. Changing HVAC vendors would result in MainePERS incurring additional expense estimated to be in excess of \$100,000 with changing the Controls to comparable products supported by a different vendor

For these reasons I recommend a sole source master service agreement with Thayer Corporation, through which products and services supporting the HVAC system may be purchased.



Date: October 23, 2013

To: Rebecca Grant

From: John Mavodones

Re: Sole Source Justification - Dell Computer Corporation

The client computing environment at MainePERS currently consists of laptops and PCs from Dell Computer Corporation. MainePERS has been deploying Dell laptops since 2002 and Dell desktop computers since 2004. MainePERS prior approach was to have a mixed environment of low cost client systems that were comprised of different brand names from multiple suppliers and vendors. This approach lead to significant support challenges and drove MainePERS to adopt a single platform policy.

The current replacement strategy calls for refreshing approximately 25% of the Dell client systems each fiscal year. This allows MainePERS to deploy newer models into the mix with a minimum of interruption to staff. MainePERS has attempted large scale upgrades and deployments of multiple systems over short durations and has found that approach to negatively impact business operations. The technical challenges and the significant amount of change with a large deployment make that approach not feasible for MainePERS. A phased deployment impacts fewer staff and allows for a period of time for IT to resolve any technical issues and apply those lessons to future deployment phases. The annual equipment cost for this approach is approximately \$25k. The time and effort to train end user staff is significant with a large scale rollout and potentially creates significant impacts on the entire organization if application issues or incompatibles are discovered.

MainePERS technical staff has a high level of familiarity with the Dell product line. IT members are comfortable with the configuration process and are able to make system changes and modifications easily based on the many years of experience using the Dell product line. MainePERS utilizes an application Operating System deployment tool which has worked very well within the Dell hardware environment. MainePERS has established multiple application images that are specific to each MainePERS business unit. These images are useful only with the hardware platform on which they were created. Shifting to a new hardware platform would render these application images obsolete and require an entire overhaul of the client deployment process. This would generate significant costs associated with a transition to a new platform including the retraining of MainePERS IT staff.



MainePERS has verified the Dell product line to operate with the V3 line of business application. IT staff are comfortable that there are no incompatibilities with the client hardware and the operation of V3. This is critical for support as the V3 application is at the core of the MainePERS business process. When technical issues arise with V3, the hardware used is easily eliminated as the cause of the issue.

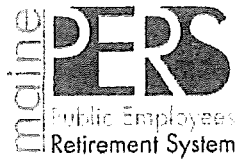
Dell offers public sector pricing to MainePERS which allows the agency to purchase the Dell product line at the same or lower prices that can be offered by 3rd party resellers of the same model. MainePERS has inquired with Dell about contract pricing agreements for the agency. The response was that Dell has an existing public sector program in place for an agency of our size and would not engage in a contract agreement.

The Dell direct option has proven to be the best pricing source and has minimized warranty support issues that can occur from 3rd party resellers. Those issues arise when the 3rd party reseller does not properly transfer ownership of the Dell equipment to the customer. This can delay parts replacement and cause issues with receiving timely customer support. The loss of performance of a computer creates delays for business unit personnel awaiting repair or replacement.

When a uniform computing environment is adopted, there are far less variables when it comes to support. When new software updates are deployed, there can be issues with specific hardware platforms. Having a single vendor source and brand name provides one less area that need be explored when it comes to the cause of technical issues.

Dell has an excellent track record of support with MainePERS and with many other high profile customers. Dell is widely acknowledged within the industry as providing excellent customer support. Being an established public sector customer with over a 10-year business relationship, MainePERS qualifies to receive a premier tier of support and pricing. This allows MainePERS to receive a dedicated account rep that has detailed knowledge of the current agency IT environment and can assist with new model selection and configuration of new client systems. The pricing and discounts MainePERS receives through this Dell Direct premier tier public sector channel is better than what MainePERS has received in the past when purchasing through retail third party resellers.

If MainePERS should decide to go with another make and model of client system, it would require a significant amount of time to test and implement the new systems. There would be significant business interruption as these systems were deployed and new technical issues investigated and tested. IT staff would require training on the new system and agency staff would need time and training to become familiar as well. There would likely be a period of a mixed system environment based on the 25% deployment strategy which would be a challenge in



supporting applications such as V3. Based on previous agency experience, the mixed product environment causes significant support challenges for IT.

The standard warranty support provided by Dell is amongst the best in the industry. Dell provides 3-year next day warranty support and 24/7 customer service. The Dell computers and laptops purchased by MainePERS have been very reliable and have required few repairs. When warranty parts have been needed, Dell support has provided a part the next business day.

Dell is recognized as a premier computer manufacturer. With lower cost systems, there are generally higher percentages of system failures due to the use of lower quality parts. Dell produces very high quality premium computing systems with full component testing. Many high profile organizations have adopted Dell as their client technology standard based on the high level of performance and quality of support from Dell.

As the IT Network and Operations Supervisor, I recommend that MainePERS continue its direct purchase arrangement with Dell Computer Corporation.

MEMORANDUM

Date: November 12, 2015

To: Sandy Matheson, Executive Director

From: Rebecca Grant, Deputy Executive Director

William Marr, Systems Development Supervisor

John Mavodones, Network and Operations Supervisor

Ryan McArthur, Security Administrator

John Milazzo, Chief Deputy Executive Director and Legal Counsel

Re: Sole Source Justification for Purchase of Oracle Software Licenses and Support Services from Mythics, Inc.

In October of 2013, MainePERS approved sole source procurement of software support services from Oracle for Oracle-licensed software that is integrated with Vitech's V3 Line of Business software environment. As the sole source justification noted at that time, V3 is dependent upon the Oracle software, and there is no other compatible software.

MainePERS is in the process of migrating from version 8 to version 10 of V3. The migration to the new version of V3 causes a cascade of upgrades which includes computer hardware and Oracle software supporting the V3 environment. Additionally, the upgrade of V3 enables the implementation of data encryption to protect confidential information, a new business and data security requirement.

Oracle Corporation licenses their products to individual servers with license costs attributable to server processing capacity. The V3 upgrade and related hardware upgrade requires additional Oracle software licenses along with the new licenses for data encryption. The licenses encompass the entire production, development, and disaster recovery environments, a total of five servers. As part of the V3 migration, new Oracle software was recently installed on the new servers encompassing the Quality Assurance (QA) and Development environments resulting in the need to license the environment with Oracle at this time.

As a result of the above, it is necessary for MainePERS to purchase additional Oracle licenses and support services beyond those covered by the existing sole source contract.

For purchase of the licenses and support services, Oracle has directed MainePERS to Oracle's resale partner, Mythics, Inc., and has informed MainePERS that Oracle's resale program is structured so that MainePERS cannot receive a lower price from Oracle or another vendor. Oracle



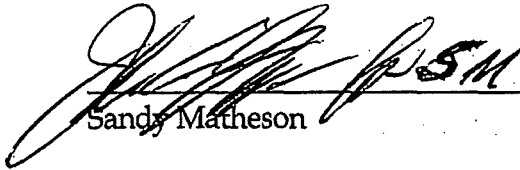
provided a quotation for procurement through Mythics of one-time upgrade fees of \$585,701; and annual support and maintenance costs of \$113,877.70 in addition to current costs.

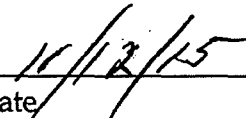
MainePERS' Director of Finance has noted that the payment for the licenses would occur immediately, and the purchase would be added to the Capital budget and depreciated.

The Technology Team believes that sole source procurement is justified under our Procurement Policy because it would be impossible to obtain the required licenses and support from another vendor on more favorable terms.

☒ I agree

☐ I do not agree


Sandy Matheson


Date

MEMORANDUM

Date: October 29, 2013

To: Mike Colleran

From: Ryan McArthur



Cc: Rebecca Grant

Re: Oracle Technical Support Services agreement

Oracle Corporation is a software vendor with a variety of products in use by MainePERS including a Relational Database Management System, Internet Application Server, and several of other products. The Oracle suite of products in use encompasses the tools necessary to support the Agency's line of business system, V3, a commercial software package licensed to MainePERS by Vitech Systems Group, Inc. The V3 system also supports MainePERS critical mission functions such as member contributions, pension processing, and monthly benefit disbursements.

Oracle Technical Support Services provides the ability for MainePERS to place Technical Assist Requests, download software patches, receive notification of security alerts, and the right to future versions of the products licensed. The Oracle products are proprietary and not available from other software providers.

Vitech's V3 product heavily integrates with the Oracle products and does not operate on other database platforms, making it difficult for MainePERS to change database software providers. The Oracle products are core products V3 is dependent upon to operate. Migration to another database vendor would likely result in migrating to another line of business software provider likely resulting in a multi-year endeavor at significant cost.

Oracle Technical Services is offering MainePERS a discount for committing to a five year support agreement. The five year commitment entitles MainePERS to discount of \$29,625.35 over five years, locking support fees at \$95,832.80 per year. The agreement also entitles MainePERS to a 20% discount on Oracle University training classes for employees and 10% discount on professional services.

MEMORANDUM

Date: October 31, 2016
To: Sandy Matheson, Executive Director
From: Rebecca A. Grant, Deputy Executive Director
Re: Request for Sole Source Procurement – Oracle Linux Consulting Services

Background:

MainePERS is approaching the go-live date for its Vitech V3/Version 10 (V3 V10) implementation. The target date for moving to Version 10 is slated for November. Part of the work that lies ahead is completing the installation of the infrastructure to support the V3 V10 database.

V3 V10 depends on the Oracle Linux operating system. To successfully launch V3V10, MainePERS requires expertise and technical support for this operating system that is only available from Oracle.

Recommendation:

In order to provide the proper level of support and guidance for a critical component of the V3 V10 operating environment, it is recommended that an Oracle Linux consulting services agreement be obtained.

The V3 Oversight Council and IT personnel recommend that we use sole source procurement from Oracle given the critical nature of our business needs.

☒ I concur

☐ I do not concur

Sandy Matheson
Sandy Matheson

Date 11-2-16

cc: Michael Colleran, General Counsel
Sherry Vandrell, Director of Finance
Ryan McArthur, Security Administrator
John Mavodones, Network & Operations Supervisor
Bill Marr, Development Supervisor

MEMORANDUM

Date: August 18, 2016
To: Sandy Matheson, Executive Director
From: Rebecca A. Grant, Deputy Executive Director
Re: Request for Sole Source Procurement – Absolute Capture

Background:

MainePERS is approaching the go live date for its Vitech V3/Version 10 implementation. The target date for moving to Version 10 is slated for November. Part of the work that lies ahead between now and go live is User Acceptance Testing (UAT). Included in the testing is the functionality of the imaging system as documents are imaged to the Version 10 environment.

MainePERS needs to contract with a vendor to provide imaging interface with the new version of V3. In addition, new scanners need to be purchased and configured by the imaging support vendor. MainePERS has previously worked with Absolute Capture on an as needed basis but does not have an existing support agreement for the organization's existing needs.

Risk of Change:


In analyzing the existing environment, we learned that Absolute Capture has customized proprietary software in the imaging interface between the scanners and V3. Further exploration has found that Absolute Capture is the only source of this software, and using another vendor would create an unacceptable risk of compatibility problems that could jeopardize the successful transition to the new version of V3.

Recommendation:

MainePERS and Vitech are scheduled to enter into UAT shortly. Ensuring the effective flow and functionality of the imaging process is critical to the success of the Version 10 go live process.

The V3 Oversight Council and IT personnel recommend that we use sole source procurement from Absolute Capture given the critical nature of our business needs.

☒ I concur
☐ I do not concur


Sandy Matheson

8-24-16
Date

cc: Michael Colleran, General Counsel
Sherry Vandrell, Director of Finance
Ryan McArthur, Security Administrator
John Mavodones, Network & Operations Supervisor
Bill Marr, Development Supervisor



MEMORANDUM

Date: September 13, 2016
To: Sandy Matheson, Executive Director
From: Rebecca A. Grant, Deputy Executive Director
Re: Request for Sole Source Procurement – Upper Valley Consulting

Background:

MainePERS relies on Upper Valley Consulting's proprietary software for the administration of its Board of Trustees materials. The Board Direct functionality allows MainePERS to push the compiled board packet in an electronic format to iPads configured for Board use.

We would like to improve the Board's web site and integrate it with Board Direct so that the Board will have a seamless, easy to use information system across web and iPad platforms. Since Board Direct is proprietary to Upper Valley Consulting, there is no other vendor able to provide the integrated system we would like to develop.

Recommendation:

While the projected cost is just below the \$10,000 procurement threshold, in case of any overruns I recommend and request approval of sole source procurement from Upper Valley Consulting of Board web site development and integration services.

☒ I approve
☐ I do not approve


Sandy Matheson

Date 9-16-16

cc: Michael Colleran, General Counsel
Sherry Vandrell, Director of Finance
Ryan McArthur, Security Administrator
John Mavodones, Network & Operations Supervisor
Bill Marr, Development Supervisor

MEMORANDUM

Date: September 2, 2014

To: Michael Colleran, Associate General Council

From: Sherry Tripp Vandrell, Director of Finance

Re: Software Upgrade, V3 Line of Business System

The MainePERS Line of Business System, V3, is currently at version 8 and is quickly becoming obsolete. Project Team 15 was constituted as part of our strategic planning process to evaluate options for moving from version 8 to a more current version of the product. The Team's recommendation is to upgrade from the version of the software currently in use to the most current version-- version 10.

The current system had an original project budget of approximately \$9.6 million, and the competitive bid process in place at the time the vendor was selected was used in awarding the contract. We are seeking to enter into another contract with the vendor, Vitech, to upgrade to the new version of the software. The software is proprietary to Vitech, so selection of another vendor for the implementation of V3 version 10 is not an option. The alternative would be to consider a completely new line of business system, necessarily involving a new RFP process and multiple years of development and data conversion. MainePERS has made a significant investment, financially as well as in staff training and development, with the current line of business system. Moving to a different line of business system and replicating that investment is not feasible at this time, either financially or administratively.

Vitech has submitted a proposal to migrate our existing version of the software, including required customization and data conversion, staff training, and solution delivery documentation. The proposed cost is \$4 million plus travel and related expenses; while this is a considerable expenditure, it is much more cost effective than starting the process over and selecting a new vendor.

Based on the foregoing information, MainePERS believes that sole source procurement is the soundest and most fiscally responsible approach to the critical need to upgrade its line-of-business software with Vitech.

MEMORANDUM

Date: February 5, 2018
To: File
From: Michael J. Colleran *MJC*
Re: Sole Source Justification for Bernstein Shur

Attorney Linda McGill of Bernstein Shur has represented MainePERS in collective bargaining matters for nearly 25 years. She specializes in representing Maine public sector employers in this area. As a result of this representation, and in particular her representation of MainePERS in its negotiations with the Maine State Employees Association in the evolutionary development of our collective bargaining agreements, Ms. McGill has unique expertise that cannot be replaced by another attorney. This expertise is necessary for MainePERS to negotiate responsible, prudent contracts while avoiding unnecessary conflict.

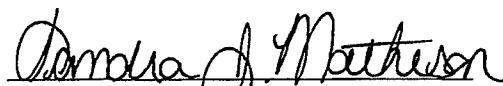
Our retention of Ms. McGill has been approved by the Attorney General. In the approval process, the Attorney General's office reviews our justification for the retention and the attorney's fee rate, retention terms, and expertise.

Sole source procurement of collective bargaining legal services from Ms. McGill through her firm, Bernstein Shur, is justified under these circumstances.

This justification applies to services provided by Ms. McGill beginning in FY2015 and continuing. It was prepared following a request from the Joint Standing Committee on Appropriations and Financial Affairs for the justifications supporting the waivers listed on our annual report pursuant to 5 M.R.S. § 12023. This request caused us to review our records, which revealed that we had not previously documented the justification for this sole source procurement.

 X I concur.

 I do not concur.



Sandra J. Matheson
Executive Director

Date: February 6, 2018

MEMORANDUM

Date: August 26, 2013

To: Rebecca Grant, Deputy Executive Director

From: Rebecca Kirker, Chief Accountant
Karen O'Connor, Human Resources Manager

Re: Payroll & HR Services

After a thorough review of our internal payroll process and current payroll software, CORT, it has been determined that there is a significant amount of risk and unacceptable inefficiencies in preparing and reporting payroll and HR data for the MainePERS staff.

A team, made up of A&F and HR staff, has been working together over the last few months to analyze the issues we are experiencing with CORT, and processing payroll in general. We identified two major areas of concern:

- 1) **Functionality and effectiveness of CORT:**
It is unanimous amongst CORT users, that it is an ineffective system that causes errors, headaches and delays on a frequent basis. Examples include inconsistent outputs in both TEST and PROD, a lack of ability to handle certain payment scenarios, glitches with data that is shared between the PR & HR modules, and a lack of basic reports needed for analysis and payroll reporting. The result is increased errors, manual and duplication of work, and work arounds that tend to cause unintended issues in other areas.
- 2) **Risk involved with not sufficiently keeping our staff trained in current payroll processing law:**
Keeping current on payroll law is not an easy task. It is vast, sometimes complicated and unclear, and always changing. A great deal of ongoing training would be required, and even then, interpretation of the laws can be challenging. This risk will only increase with the upcoming changes in law coming from the Affordable Care Act and other legislation.

With cost and risk management as top priorities, the consensus of the group was that the most effective and beneficial solution would be to pursue an outside payroll service, including an integrated HR module and Time & Attendance module. While it is possible to have a separate HR system, it is most effective and highly recommended to have a system or service that also provides an HR function that is integrated with payroll. MainePERS has been researching a Time

& Attendance product for several months, so it only made sense to research and compare any similar product that might be offered by a payroll service.

While our staff will still perform all of the work involved in processing payroll, a payroll service would considerably reduce risk by providing expertise on payroll law and configuring a payroll system unique to our needs, in accordance with all state and federal laws.

Through previous experience, it was determined that a payroll service could likely cost less than the \$10,000 RFP requirement. As a result, we were given approval to reach out to obtain a quote from ADP, Inc., one of the largest and most respected payroll service providers in the country. We scheduled a product demo and discussed their product in great detail, ensuring that they met our basic needs. We found that ADP more than met our needs, and exceeded our expectations both in functionality of their product and customer service.

We also considered our staff's history and experience with ADP. Our Payroll Accountant, Chief Accountant and Director of Finance have all worked with ADP in the past, with nothing but positive experiences. In addition, Kathy Alley, Employer Services Supervisor, has an ongoing relationship with ADP, including bi-annual check-in meetings to proactively make sure changes in Employer Self-Serve and ADP software upgrades occur seamlessly for our mutual customers. Attached is a list of Participating Local Districts that currently process their payroll through ADP.

Based on the following factors, the team then determined it is imperative to make the switch to a payroll service with the upcoming change of the calendar year, on January 1, 2014. Going live January 1, 2014 would require implementation to start around September 1, 2013. This includes time to work out kinks and provide proper training to staff.

- 1) From a historical data/accounting trail/ease of transition point of view, it would be burdensome to staff and potentially cause issues with data and confusion with reporting to switch to a payroll service mid-year.
- 2) If implementation were delayed to January 1, 2015, maintaining support of CORT, along with providing the essential training we would need to maintain in-house payroll processing for another year, would not be cost effective.
- 3) Another year with CORT would only continue to put us at risk for errors, waste valuable staff time and money, and prevent us from providing the excellent service to our staff that we know we are capable of providing with the proper resources.

Please see the attached document for a schedule of estimated fees. You will see that based on the funds needed in FY14 of \$8,269, we are well under the \$10,000 RFP requirement. We are slightly higher annually, with \$13,338 per year, however, this includes the time and attendance feature, which would replace an existing manual process requiring circulation of timesheets to supervisors and then routing on to HR. The ADP module is significantly less expensive than the

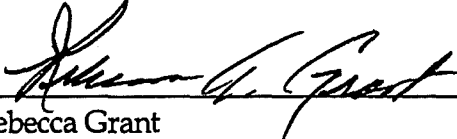


proposed time and attendance module development presented to us in early summer by Systems Engineering, with an estimated cost of \$50,000

While we were certain the circumstances around switching to a payroll service on January 1, 2014 would support sole source procurement, the team agreed there was time to pursue one additional quote and demo from Advantage Payroll, another very large and respected payroll service provider. The staff at Advantage Payroll had some difficulty with flexibility in their ability to meet our needs throughout the demo process and their customer service wasn't as impressive. More importantly, the appearance and flow of their product seemed to be busy and wasn't as organized and user friendly as ADP's. Their quote for services was slightly higher than ADP, as shown on the attached fee schedule.

Based on time constraints, cost effectiveness, and risk management we recommend and support proceeding with sole source procurement with ADP, Inc.

I approve the recommendation and authorize negotiations to commence with ADP, Inc.



Rebecca Grant




Date

MEMORANDUM

Date: March 28, 2017

To: Sandy Matheson, Executive Director

From:  Rebecca A. Grant, Deputy Executive Director

Re:  Request for Sole Source Procurement - Korn Ferry Hay Group

Background:

MainePERS has decided to use the Korn Ferry Hay Group's Leadership Architect competency-based approach for hiring and developing job descriptions. It presents thirty-seven competencies in a logical, structured framework, which we would be able to incorporate into our system.

Korn Ferry owns the Leadership Architect intellectual property. In order to use this system, MainePERS would have to purchase a license and certain publications that are available only from Korn Ferry. The license would allow us the freedom to alter, copy and modify the content for full utilization within MainePERS. This would include the ability to create a competency model for MainePERS, incorporating competencies into job descriptions, and thus establishing a comprehensive competency-based talent management framework.

Since the Leadership Architect model is proprietary to Korn Ferry Hay Group, there is no other vendor with the right to provide this system.

Recommendation:

I recommend that we use sole source procurement from Korn Ferry Hay Group for the Leadership Architect intellectual property license.

☒ I concur
☐ I do not concur


Sandy Matheson

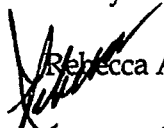
3-29-2017
Date

Cc: Michael Collieran, General Counsel
Sherry Vandrell, Director of Finance
Jim Dusch, Deputy Executive Director
Valerie Scott, Associate Deputy Director
Karen O'Connor, Human Resources Manager

MEMORANDUM

Date: March 28, 2017

To: Sandy Matheson, Executive Director

From:  Rebecca A. Grant, Deputy Executive Director

Re: Request for Sole Source Procurement – Bett Solutions

Background:

MainePERS has decided to use the Korn Ferry Hay Group's Leadership Architect competency-based approach for hiring and developing job descriptions. It presents thirty-seven competencies in a logical, structured framework, which we would be able to incorporate into our system.

Korn Ferry owns the Leadership Architect intellectual property and controls the conduct of training, which they provide directly or through one of their licensed Global Associates. They do not permit their Global Associates to compete on price, so the training costs the same regardless of the provider. The only difference among providers is travel expenses. Bett Solutions, located in Upton, Massachusetts, is the closest Global Associate to us, which would minimize travel expenses to the System.

Since the training is available only from Korn Ferry or one of its licensees, who do not compete on cost, sole source procurement is appropriate.

Recommendation:

I recommend that we use sole source procurement from Bett Solutions for Leadership Architect training.

☒ I concur
☐ I do not concur


Sandy Matheson

03-29-2017
Date

Cc: Michael Colleran, General Counsel
Sherry Vandrell, Director of Finance
Jim Dusch, Deputy Executive Director
Val Scott, Associate Deputy Director
Karen O'Connor, Human Resources Manager

MEMORANDUM

Date: February 5, 2018
To: File
From: Michael J. Colleran *MJC*
Re: Sole Source Justification for Deborah Bruns

MainePERS conducts approximately 75-100 administrative hearings a year before independent hearing officers at MainePERS' offices. Almost all of these hearings pertain to determinations that a member does not meet the statutory requirements to receive a disability retirement benefit. For use in the administrative proceeding and any subsequent appeal to the Superior Court, MainePERS has a court reporter transcribe the hearings.

Deborah Bruns has served as court reporter for MainePERS for many years. She has mastered the unique legal and procedural requirements applicable to these hearings, as well as the medical terminology common in disability cases. This enables her to produce a transcript quickly, which is particularly important in expedited appeals. Ms. Bruns's rates are lower than those of the court reporters we have had to hire on those infrequent situations where we were required to find a substitute court reporter.

As described above, Ms. Bruns has unique expertise regarding the laws, procedures, and medical evidence involved in our appeals. This expertise is necessary in order to produce accurate, transcripts in the volume required by MainePERS. Switching vendors would be impractical because of the learning curve required to build up this expertise in another court reporter. Additionally, our experience has been that hiring another court reporter would increase expense.

Sole source procurement of continued court reporter services from Ms. Bruns is justified under these circumstances.

This justification applies to services provided by Ms. Bruns in FY2014 and continuing. It was prepared following a request from the Joint Standing Committee on Appropriations and Financial Affairs for the justifications supporting the waivers listed on our annual report pursuant to 5 M.R.S. § 12023. This request caused us to review our records, which