

December 31, 2025

Senator Michael Tipping, Senate Chair
Representative Amy Roeder, House Chair
Members, Joint Standing Committee on Labor
100 State House Station
Augusta, ME 04333-0100

Re: ESG Report

Dear Sen. Tipping, Rep. Roeder, and Members of the Labor Committee:

I am pleased to submit the enclosed ESG Report, which is required by 5 M.R.S. §1957, sub-§5.

We look forward to assisting the Committee in its review of this report.

Sincerely,



Dr. Rebecca M. Wyke
Chief Executive Officer

Enclosure



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Public Law 2021, c. 231

January 2026

Maine Public Employees Retirement System

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I. Introduction

The MainePERS Board of Trustees adopted Policy 2.6 – Environmental, Social and Governance Policy in January 2015 and subsequently amended this policy in May 2017 and November 2021. This policy directs MainePERS staff to incorporate environmental, social and governance (ESG) considerations into its investment decision-making and ongoing monitoring of investments. Policy 2.6 is contained in Appendix A and has three broad areas of focus:

ESG: Maintaining Awareness

Directs staff to maintain awareness and knowledge of ESG considerations and to understand the role these considerations play in investment valuation.

ESG: Investment Implementation

Directs staff to integrate ESG considerations when making investments and in the monitoring of existing investments. It also directs staff to encourage governance structures providing appropriate oversight in audit, risk management, and potential conflicts of interest, and to encourage managers to employ sound ESG practices.

ESG: Transparency and Stakeholder Engagement

Directs staff to provide timely and transparent disclosures regarding ESG matters and be accessible to, and engage with, relevant stakeholders.

II. Investments at MainePERS

MainePERS’ approach to ESG implementation in investments varies by investment area due to the nature of the assets and the specific approach taken when investing in different asset classes. Broadly speaking, MainePERS’ strategic asset allocation includes three general categories – public markets, risk diversifiers, and private markets. Policy weights by category are shown below:

| | |
|-----------------------|-------|
| Public Market Assets | 45.0% |
| Risk Diversifiers | 7.5% |
| Private Market Assets | 47.5% |

Public market investments include domestic and international equity, traditional credit, and U.S. Government Securities. In broad terms, MainePERS employs a passive “buy the market” approach for its investments in public markets, where the likelihood of generating outperformance is low. This allows the System to earn market returns at very low cost while maintaining a very high level of diversification. Since MainePERS does not make active investment decisions based on the merits of individual securities within this asset class, ESG implementation primarily occurs via proxy voting, where MainePERS encourages appropriate ESG practices.

In contrast, the System uses an active “beat the market” approach for other asset classes, where it is reasonable to believe that an active approach will add value. Investment in Risk Diversifiers are made via funds employing active strategies, primarily in public markets, managed by investment managers acting as fiduciaries. These strategies are expected to have little correlation to public markets and are intended to provide diversification away from growth assets. ESG considerations within Risk Diversifiers typically focus on an analysis of the manager’s ESG characteristics and practices.

Private market assets include infrastructure, private equity, alternative credit, natural resources, and real estate. MainePERS invests private market assets by committing capital as a limited partner to long-term private investment funds. The general partners (GP) of these funds agree to serve as fiduciaries to MainePERS and have wide discretion in the sourcing, managing, creating value, and timing of the acquisition and disposition of investments. MainePERS typically partners with managers pursuing a generalist investment approach in their funds, which allows the GP to direct capital into industries and sectors based on what it perceives as the most attractive investments based on current market conditions and the long-term opportunity set. Outcomes are driven by GP skill, and there is wide dispersion in performance across the universe of private market managers. MainePERS’ investments in this area are made subsequent to conducting due diligence on all aspects of the investments, including ESG considerations.

III. ESG: Maintaining Awareness

As discussed below, the MainePERS’ Investment Team is able to draw on a variety of resources to maintain awareness of ESG-related investment considerations, including consultants, peer and professional networks, and participation in broad-based as well as ESG-focused organizations.

ESG Awareness: Weekly Team Meetings

The full Investment Team meets in-person on a weekly basis and is joined virtually by the System’s private market asset class consultants: Albourne and Cliffwater. These meetings are focused on presentations and discussions related to all aspects of the current pipeline of potential investments as well as discussion of existing investments and industry events and trends. While meeting topics are generally not ESG-specific, ESG-related investment issues are consistently considered as the merits of potential investments are presented and discussed. Specific examples include:

- European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) – discussion of the requirements for compliance and potential impact on private market funds’ strategies
- Investment Team Briefings – each potential investment is presented to the Team during early stages of due diligence, and key investment aspects (including ESG-related aspects) are presented and discussed
- Team debriefs – individual team members will brief the full group on topics and issues of general interest, including items arising in recent meetings with managers and peers.
- Consultant discussion of ESG integration into investment due diligence

ESG Awareness: Professional Networks and Organizations

The investment team has access to ESG-related resources from both broad-based professional organizations such as the CFA Institute and CAIA (Chartered Alternative Investment Analyst) Association as well as via System membership in ESG-focused organizations such as the Coalition for Environmentally Responsible Economies (Ceres) and the Thirty Percent Coalition. Many of these organizations produce research and guidance specifically related to ESG considerations in investments including private market investments. Examples of activities and materials related to professional networks and organizations include:

- The CFA Institute’s [Certificate in Climate Risk, Valuation, and Investing](#). Two investment team members completed this certificate during the year.
- MainePERS is a member of the CAIA Association, a leading organization in the education of alternative investments. The CAIA Association is also a thought leader with respect to ESG trends and developments and offers a variety of [materials and events](#) to assist members.
- MainePERS is a member of the Institutional Limited Partners Association (ILPA), an organization dedicated to advancing the interests of Limited Partners through education, research, and advocacy. Team members attend events both in-person and virtually, and the organization provides substantial [ESG-related](#) resources.
- MainePERS is a member of Ceres, a nonprofit group that works with institutional investors to promote investment sustainability. The group produces sustainability-related reports and tools and hosts monthly calls to discuss topical issues.

IV. ESG Considerations in Investments

MainePERS takes a universal approach to integration of ESG principles, with implementation varying by asset class. The below sections highlight this integration.

Public Market Investments

As noted above, MainePERS takes a passive “buy the market” approach to investing in public markets. Such “indexing” allows the System to earn market returns at low cost while maintaining a high level of diversification. This approach does not involve evaluating the investment merits (ESG or otherwise) of individual securities and results in MainePERS owning small minority stakes in thousands of individual companies with limited ability to influence any particular organization. That said, the MainePERS Investment Team selectively engages companies where we believe engagement can have meaningful impact related to encouraging good governance.

The MainePERS Investment Team believes that being an active owner and making our voice heard by voting of proxies of publicly traded companies has economic value and can serve to reduce portfolio risk. Proxies are the vehicle by which boards of directors are elected, bylaws are changed, and other actions in which owners are involved are accomplished. In conjunction with our proxy agent, Glass Lewis, MainePERS typically votes on approximately 11,000 individual management and shareholder proxy items each year. During the most recent fiscal year,

MainePERS voted in favor of 50% of shareholder proposals and voted against management’s recommendations concerning shareholder proposals in 62% of cases.

Specifically, MainePERS engaged with 16 companies prior to casting our proxy vote on specific governance items. In these cases, we communicated to the companies our thinking regarding governance best practices and informed the company of our intention to vote our proxy contrary to management’s recommendation. Each of these 16 letters supported shareholder proposals regarding an “Independent Board Chair” in order to provide objective oversight and unique, but value-added insights.

Risk Diversifiers

Investments in MainePERS’ Risk Diversifier allocation are intended to provide diversification away from growth assets such as equities. Within this allocation, ESG considerations typically arise in the course of conducting manager-level due diligence, rather than strategy-specific due diligence. ESG characteristics reviewed as part of manager-level due diligence include a review of the manager’s history, SEC filings, involvement in legal actions, and potential for MainePERS to suffer reputational harm as a result of engaging with the manager. The ownership structure of the manager is considered, as well as the manager’s own ESG practices and policies.

Private Market Investments

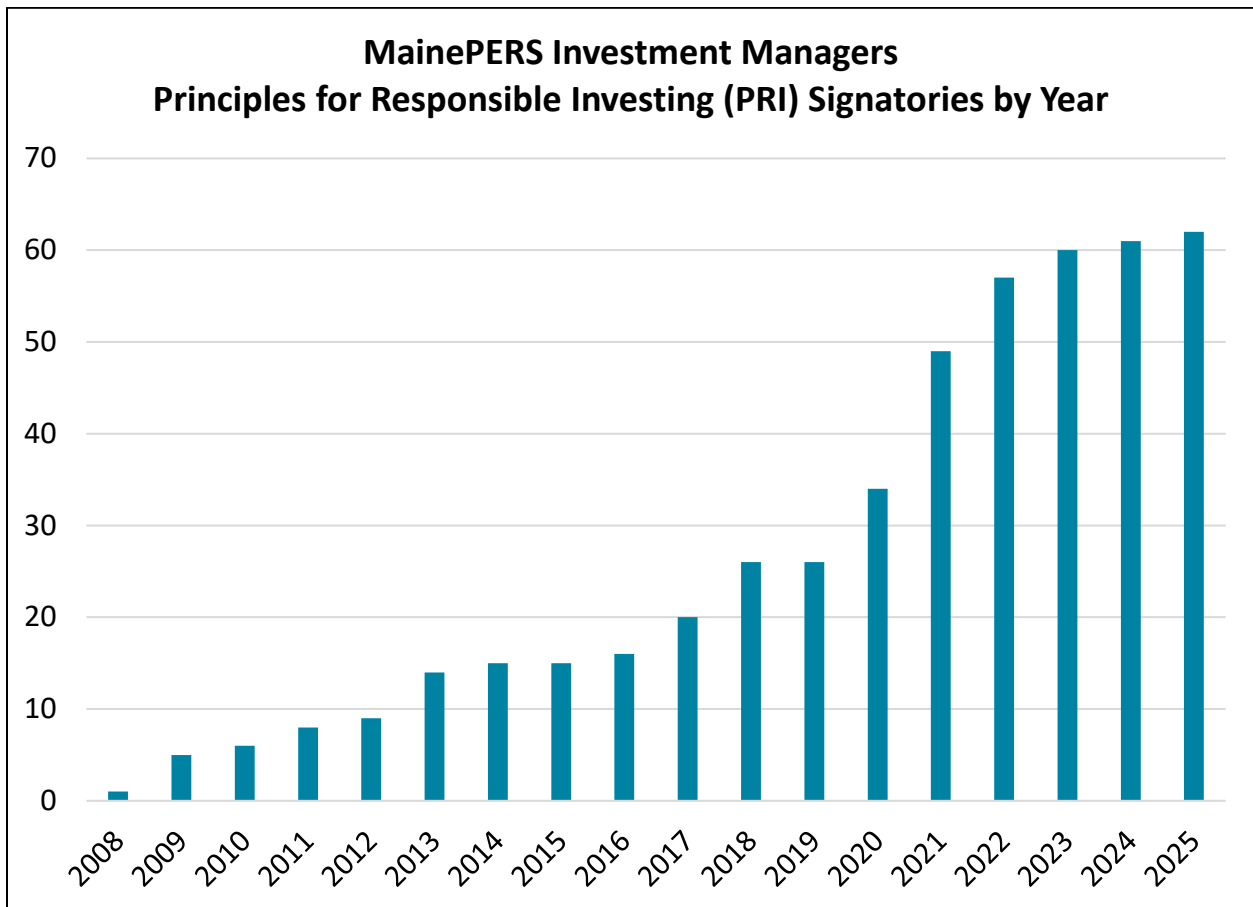
MainePERS invests in a number of private “alternative” asset classes, including infrastructure, private equity, alternative credit, natural resources, and real estate. Prior to investing with any particular private asset manager, the MainePERS Investment Team completes a thorough due diligence process. This process is designed to assist the Team in the identification and monitoring of risk factors, including ESG-specific risks, and includes a review of a prospective manager’s internal ESG policy.

Governance and labor practices are crucial concerns in the due diligence process. Appropriate governance and alignment of interests is a prerequisite for any MainePERS investment. We also consider labor practices of both the fund and the companies they manage. The due diligence process provides the Investment Team with a road map of strengths and weaknesses that allows it to make an informed investment recommendation to the Board of Trustees.

Our holistic approach means we rarely make an investment decision based on a single issue (ESG-related or otherwise). Bringing all these factors into consideration, MainePERS looks to partner with asset managers that operate in an environmentally responsible manner, foster a fair and meritocratic work environment, and provide responsible corporate citizenship. Our Investment Team also believes that conducting due diligence into the ESG practices of potential managers is itself an important act and in many cases serves to alert managers to a need to improve their ESG practices and disclosures. The improvements to ESG practices are beginning to take root, and we have noticed an increasing number of managers incorporating ESG-related issues such as climate risk into investment decisions each year.

Encouraging Managers

As discussed above, part of MainePERS’ due diligence process includes a review of a prospective manager’s integration of ESG considerations into investment due diligence. Not surprisingly, the number of managers explicitly incorporating ESG factors into investment decisions has risen over time as institutional investors such as MainePERS include ESG analysis as part of investment due diligence. One quantifiable measure of this is the number of managers that have signed onto the Principles for Responsible Investing (PRI), a United Nations (UN)-supported effort that works with investors and asset managers around the world. PRI signatories commit to incorporating ESG issues into investment analysis and asset ownership as well as appropriate levels of ESG-related disclosures. As shown below, the number of managers in the MainePERS portfolio that have signed on to these Principles for Responsible Investing has grown steadily over time. As of fiscal year end 2025, 62 (out of 89 total) of MainePERS’ managers, with investment responsibility for 88% of assets, were PRI signatories.



In 2021 the European Commission (EC) began requiring funds marketed to EU investors to provide transparency related to their integration of sustainability considerations into the investment decision making process. Specifically, the EC’s Sustainable Finance Disclosure

Regulation (SFDR) requires managers to classify fund offerings based on the degree to which certain ESG factors are emphasized:

| Classification | Description |
|-----------------------|--|
| Article 6 | Fund describes processes for consideration of sustainability risks, but does not have explicit sustainability-linked characteristics |
| Article 8 | Fund identifies and promotes environmental or social characteristics |
| Article 9 | Fund establishes one or more objectives related to sustainable investing or a reduction in carbon emissions |

Through the end of fiscal year 2025, MainePERS committed \$2.4B to 31 funds subject to SFDR reporting requirements. Of these, 13 are classified as Article 6 funds, with the remaining 18 (representing 66% of dollar commitments) classified as either Article 8 or 9.

V. ESG: Transparency and Stakeholder Engagement

MainePERS, as an organization, strives to be transparent and willing to engage with stakeholders as appropriate. With respect to the System’s investments in general, and ESG-related topics specifically, this commitment to transparency is evidenced by the materials available on the System’s website:

- System policies, including
 - Policy 2.1 – Investment Policy Statement
 - Policy 2.6 – Environmental, Social and Governance Policy
 - Policy 2.7 – Engagement
- System reports, including
 - Annual Comprehensive Financial Reports
 - Annual ESG and Divestment Reports
 - Monthly Investment Reviews prepared for each month’s Trustee meeting
- Detailed lists of investment holdings
- Summary and detailed proxy voting reports

Stakeholders, both individuals and organizations, frequently contact MainePERS regarding ESG-related investment issues. These inquiries range from simple requests for information to meeting requests related to particular issues. In many cases these inquiries lead to the Investment Team holding discussions with individual managers to fully understand the issues raised by stakeholders and, as warranted, result in Trustee notification and discussion. MainePERS’ CEO met with representatives of MSEA-SEIU Local 1989 in May 2025 to discuss the group’s concerns related to Tesla’s management. MainePERS provided the group with a high-level overview of the System’s approach to investing in public equities such as Tesla, discussed the Board’s

Engagement Policy and approach to proxy voting, and reviewed the votes cast by the System at Tesla’s 2024 annual meeting.

VI. ESG Metrics

The development and reporting of ESG-related metrics remains nascent, and such metrics are primarily available only for publicly listed companies. In this section we provide metrics for the public equity portion of MainePERS’ portfolio. We hope to expand this reporting in future years as these metrics become available for additional asset classes.

As discussed earlier, MainePERS employs an indexing approach to its public equity investments. This approach allows MainePERS to obtain broad exposure to global stock markets at very low cost. By “buying the market,” MainePERS is invested in the shares of over 5,000 companies spread across 50 developed and emerging markets. As a result, the characteristics of MainePERS’ equity holdings mirror those of the benchmarks that the portfolio tracks. For example, the U.S. equity portion of the portfolio is indexed to the Russell 3000 Index. This means that the features and characteristics of MainePERS’ U.S. equity holdings closely match those of the index.

The below table contains commonly available environmental metrics for those global equity benchmarks to which the MainePERS’ equity portfolio is indexed.

| | Russell 3000 Index | MSCI All Country World Index ex U.S. |
|--|-------------------------------|---|
| MSCI ESG Rating ¹ (AAA-CCC) | A | AA |
| MSCI ESG Quality Score ¹ (0-10) | 6.2 | 7.2 |
| Emissions Intensity ² | 95 | 152 |

(1) Details available at <https://www.msci.com/our-solutions/esg-investing/esg-fund-ratings-climate-search-tool>

(2) Annual tons of CO2 equivalent emissions per \$1m revenue.

MSCI ESG Ratings:

AA (Leader): The Fund is exposed to companies that tend to show strong and/or improving management of financially relevant ESG issues. These companies may be more resilient to disruptions arising from ESG events.

A (Average): The Fund is exposed to companies that tend to show average management of ESG issues, or a mix of companies with above-average and below-average ESG risk management.

Governance Manual

MainePERS Board of Trustees

Board Responsibilities – Investments and Administration

2.6 – Environmental, Social and Governance Policy

Date Adopted: January 8, 2015

Date Amended: May 11, 2017; November 18, 2021

Policy

The MainePERS Board of Trustees considers material environmental, social, and governance (ESG) risks and value creation opportunities critical for inclusion in its due diligence and ongoing monitoring of investments subject to its fiduciary duties, constitutional requirements and in accordance with laws and regulations. The MainePERS Board of Trustees directs the Chief Executive Officer and MainePERS Investment Team to incorporate ESG considerations into all investments considered or made by MainePERS following the adoption date of this policy, and to examine opportunities for ESG integration in existing investments.

MainePERS acknowledges that it will not always be feasible to ensure a particular investment's integration of ESG considerations, especially in cases where MainePERS is a minority owner and has limited ability to influence the organization. In these cases, the MainePERS Investment Team shall engage organizations with which it currently invests to strongly consider relevant ESG-related issues. In addition, MainePERS will consider its ability to influence ESG considerations when weighing prospective investments.

The MainePERS Board of Trustees shall annually review implementation of this policy and update or revise this policy as appropriate.

This policy shall also apply to investment consultants hired by MainePERS to provide guidance on investment due diligence matters.

Statutory/Legal Provisions

- [Me. Const. art. IX § 18](#)
- [5 M.R.S. §§ 1957, 17102 and 17103](#)

Roles and Responsibilities

The Chief Executive Officer shall ensure that the MainePERS Investment Team integrates this policy into the investment due diligence process. The MainePERS Chief Investment Officer and Deputy Chief Investment Officer shall ensure that material ESG issues are continually reviewed, revised and integrated by the investment team in the due diligence process. A report describing the implementation of this policy, including recommendations for updates or revisions to this policy, will be provided to the Trustees at the December Board meeting each year. The report must also include commonly available environmental performance metrics on the environmental effects of MainePERS' investments.

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ESG Due Diligence

MainePERS believes that organizations that understand the benefit of and openly practice sound environmental, social and governance business practices create strong business models and investment opportunities. Consistent with its fiduciary duties, constitutional requirements and in accordance with laws and regulations, MainePERS shall:

1. Maintain awareness of new and existing key ESG considerations and their impact on investment valuation, and update the due diligence process used to identify material ESG issues accordingly.
2. Examine and understand each potential or existing investment's material ESG risk exposure and use this knowledge when evaluating potential investments and during the duration of investment ownership.
3. Be accessible to, and engage with, relevant stakeholders.
4. Encourage and support the adoption and implementation of sound environmental, social, and governance practices by companies and managers in which MainePERS invests.
5. Encourage governance structures that provide appropriate levels of oversight in the areas of audit, risk management, and potential conflicts of interest.
6. Encourage MainePERS investments, and MainePERS business partners to commit to aligning their operations and strategies with the United Nations Global Compact's principles regarding human rights, labor, environment, and anti-corruption.
7. Provide timely and transparent information accessible by stakeholders on the matters addressed in this policy.

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Board Responsibilities – Investments and Administration

2.7 – Engagement

Date Adopted: February 11, 2016

Date Amended: October 11, 2018; November 18, 2021; November 14, 2024

Policy

MainePERS is the fiduciary for funds it is assigned to manage. MainePERS shall be a good steward for the funds entrusted to it, managing and investing these funds as a “prudent investor” in accordance with the “exclusive benefit rule” and the laws and Constitution of the State of Maine. MainePERS shall also promote the long-term success of companies with which the System invests through engagement activities.

Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, *et seq.* (Maine Uniform Trust Code); 18-B M.R.S. § 901, *et seq.* (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

Engagement

Engagement is encouraging long-term success and growth of publicly traded companies with whom MainePERS invests through activities such as:

- Direct engagement
- Participating in or sponsoring shareholder litigation
- Proxy voting

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Direct Engagement

MainePERS will maintain a direct engagement effort consistent with the need for and resources available to encourage the publicly traded companies in its portfolio to achieve long term growth and success, balancing the long term focus of good stewardship with the short term challenges the company faces. Direct engagement opportunities may be based on continuous monitoring of its investments including investment analysis, trade publications, trade organizations, or coordination with other institutional investors.

Direct engagement includes written and oral communication to companies, including attending shareholder meetings and sponsoring shareholder resolutions in unusual circumstances.

Shareholder Litigation

MainePERS will participate in shareholder litigation only to the extent that participation is likely to benefit MainePERS members as pension beneficiaries. MainePERS generally will not assume the role of lead plaintiff in a securities class action unless no other investor with interests similar to MainePERS and sufficient resources to support the litigation is willing to serve as lead plaintiff and the System otherwise will lose the benefit of the litigation to members.

Proxy Voting

MainePERS will vote its proxies in the best interests of its members as pension beneficiaries. This will generally mean focusing on good stewardship by the companies with which MainePERS invests, including:

- Voting to optimize each company's value to shareholders, balancing the long-term focus of good stewardship with the short-term challenges the company faces. Good stewardship includes establishment of effective governance and management practices, responsibility to employee and customer welfare, and responsibility to the environment;
- When there is a conflict between long- and short-term interests, voting shall be in favor of proposals that maximize shareholder control consistent with effective business operations of the company;
- Refraining from voting to further the interests of any group other than the best interests of MainePERS members as pension beneficiaries.

The MainePERS Investment Team shall create, maintain, and update general guidelines consistent with these principles in the following areas:

- Management resolutions
 - Elections of officers
 - Ratification of auditors
 - Governance structure and shareholder rights
 - Compensation

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- Shareholder proposals
 - Environment
 - Social matters
 - Governance
 - Compensation
- Mergers and proxy contests

The Chief Executive Officer and Chief Investment Officer are responsible for ensuring that proxy voting is performed according to these principles across the System's Public Equity holdings in a cost effective manner. The MainePERS Investment Team shall monitor proxy voting across the System's holdings and report at least annually to the Board of Trustees.

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MainePERS Board of Trustees

Board Responsibilities – Investment Policy for Defined Benefit Plans

2.1 – Investment Policy Statement

Date Adopted: June 9, 2016

Date Amended: November 10, 2016; May 11, 2017; June 8, 2017; September 14, 2017; December 14, 2017; November 12, 2020; January 14, 2021; May 12, 2022; February 9, 2023; March 14, 2024

Policy

The Board of Trustees of the Maine Public Employees Retirement System is authorized and responsible for administering defined benefit retirement programs at the State and local levels. The Board carries out this responsibility by adopting investment objectives and establishing an investment program through which the policy is implemented. In the case of conflicts, this policy statement supersedes previous policies and actions by the Board.

This policy covers the investment management of the assets of the following defined benefit programs administered by the Board:

- Legislative Retirement Program;
- Judicial Retirement Program;
- State Employee and Teacher Retirement Program, which includes State employees and public school members; and
- Participating Local District Retirement Program, which includes retirement plans of withdrawn participating local districts and the Consolidated Plan for Participating Local Districts.

Collectively, the assets of these programs are referred to as the DB Plan Assets. Statutes allow for the pooling of the DB Plan Assets for the purpose of investment. Pooling provides significant efficiencies. Because the relevant characteristics of the DB plans are sufficiently similar, all the DB Plan Assets are pooled for investment.

Statutory/Legal Provisions

- Me. Const. art. IX, § 18.
- 5 M.R.S. §§ 1957-1958 (divestment statutes)
- 5 M.R.S. §§ 17102, 17103, 17435; 18-B M.R.S. § 801, et seq. (Maine Uniform Trust Code); 18-B M.R.S. § 901, et seq. (Maine Uniform Prudent Investor Act).
- 5 M.R.S. §§ 17153(4).
- Restatement (Third) of Trusts § 78(1) (2007) (the “sole interest rule”).
- Restatement (Third) of Trusts formally permits, and in some cases requires, the delegation of investment decisions from trustees to internal staff or external agents with the necessary skills and knowledge.

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- The Employee Retirement Income Security Act (“ERISA”), codified at 29 U.S.C. § 1002, *et seq.*, provides a description of the standard of care that applies to trustees of private sector retirement plans. Although the System as a public retirement plan is not specifically governed by the fiduciary duty standard set forth in ERISA, courts will often consider the standard set forth in ERISA when addressing public pension plan issues. Under ERISA, a fiduciary must act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person (expert) acting in a like capacity would act. This statutory standard is derived from the common law of trusts, which is applicable in the State of Maine.

Resources

The Board of Trustees implements this investment policy in coordination with:

- in-house investment professionals (the “Investment Team”), with experience, authority and responsibility to implement the investment policy and administer investment operations;
- consultants, with appropriate expertise, to assist the Board and the Investment Team;
- investment managers, selected individually and collectively to reflect and implement the investment policy, having full discretion within policy and contractual limits to manage assets allocated to them;
- custodians qualified to carry out recordkeeping, reporting, measurement and custodial functions; and
- other advisors that the Board deems appropriate and necessary

The Investment Team shall oversee the processes by which Custodians, Consultants, and other Advisors are hired, evaluated, and terminated, and shall work with the General Counsel on the terms of contracts of engagement.

At least every five years, the Investment Team will evaluate the performance and contract terms of all such service providers and make a recommendation to the Board as to whether or not a search process for new providers and/or renegotiation of terms be initiated.

Investment Objectives

MainePERS’ investment objectives balance the System’s twin goals of generating investment returns (to ensure growth of the trust funds) and minimizing investment risks (loss of capital and cash flow shortfalls). The Board recognizes and accepts that these goals are in opposition, and that a trade-off exists between expected risk and return. The Board balances these goals by seeking to optimize portfolio returns consistent with an established targeted portfolio risk level. Additionally, by optimizing investment returns on trust assets, rather than attempting to maximize them, the Board seeks to maintain contribution rate and funding level volatility at acceptable levels that have been determined from time to time during strategic asset allocation planning and asset/liability reviews.

Strategic Asset Allocation and Rebalancing

The Investment Team and Board consultants shall annually review long-term capital market expectations and existing asset class allocations with Trustees. The Board shall review, and when strategically appropriate, approve recommended changes to the existing strategic asset classes, target weights, and ranges for implementation by the Investment Team. (See Appendix 1)

The specified policy weight ranges define minimum and maximum acceptable weights for each asset class. (See Appendix 2) The Investment Team shall maintain asset class weights within target ranges, subject to considerations such as transactions costs and the unique characteristics of private market investments, by reallocating capital within existing strategies and investments. The Investment Team will provide Trustees with reports showing the fund's current asset allocation at least monthly, and report on rebalancing activity quarterly.

Portfolio Risk Management

The primary method of controlling risk shall be the selection of the strategic asset allocation and asset class target weights within the allocation. (See Appendix 1) Combined with long term capital market expectations, these policy weights define a portfolio with a specific level of risk.

The Chief Investment Officer shall develop a risk strategy for managing assets within the Board approved strategic asset allocation. The risk strategy will specify practices and procedures for the measurement and management of portfolio risk, including the provision of a portfolio risk report to the Board at least quarterly. (See Appendix 3)

Nothing in the risk strategy shall override the Asset Classes, Policy Weights and Ranges described in Appendix 1.

Performance Objectives and Benchmarks

The Board acknowledges that benchmarks provide insight into fund and asset class performance, but are not necessarily guides for changing asset allocations or fund managers. The rate of return earned by fund assets will be measured against a policy benchmark comprised of the asset class benchmarks. (See Appendix 4) Returns earned by individual managers will be compared with a benchmark index appropriate to each manager's investment approach.

For performance evaluation purposes, all rates of return will be measured net of the deduction of investment management fees.

During a period of transition from one asset allocation to another, certain transitional allocations to appropriate benchmarks are permitted.

Investment Implementation

The Investment Team shall implement the investment policy, subject to Board guidelines:

- Exposure to publicly traded equity securities is expected to be obtained passively and with weightings substantially similar to those of the benchmarks specified in Appendix 4. Any exceptions must be approved by the Board.
- Investments within each Asset Class should be consistent with the Asset Class definitions provided in Appendix 1.

Environmental, Social, and Governance; Engagement

In performing due diligence and monitoring activities, the Board and the Investment Team shall comply with Board Policy 2.6, Environmental, Social and Governance Policy; and Board Policy 2.7, Engagement.

Investment Manager Selection and Allocation Process

MainePERS invests through external investment managers, who are charged to act as fiduciaries, and allocates fund assets among them in accordance with the strategic asset allocation. The Investment Team identifies, performs due diligence on, and recommends investment managers and allocations to the Board. The Investment Team also monitors performance and recommends retention and termination decisions to the Board. The Board retains final authority for manager selection, retention and termination decisions.

Managers are selected and retained on the basis of an evaluation that establishes sufficient confidence that the manager will improve the return and risk of the investment program. If and when the Investment Team and/or consultant(s) identify an investment manager that they believe will improve the investment program, the Investment Team will make a recommendation to the Board of Trustees that the manager be hired. This recommendation will be accompanied by an opinion by the investment consultant on this recommendation. The Board retains the final authority to accept or reject such recommendations.

The Investment Team will prepare and present to the Board of Trustees selection criteria they deem pertinent for each manager search and recommendation to hire. The Investment Team will provide the Board with all the necessary information and analysis to enable an informed decision. The Board may choose to interview the recommended manager or they may rely on the Investment Team to conduct interviews.

Derivatives

In general, the use of derivatives is permitted provided that the purpose of the derivative is to achieve an investment objective at lower cost and/or risk than would be the case with direct investments in the underlying securities. The System may also invest in strategies which use derivatives to obtain leverage. In all such cases, the use of derivatives must be disclosed to the

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Board prior to the Board's approval, and the strategy must be structured so as to limit System liability to the amount committed to the strategy.

Leverage

The System may invest in strategies in which managers have discretion to use leverage. The use of leverage in any strategy must be disclosed to the Board prior to the Board's approval, and the strategy must be structured so as to limit System liability to the amount committed to the strategy.

Fossil Fuel and Private Prison Investments

The System may invest in strategies providing managers with broad discretion in the selection of investments. The potential for fossil fuel or for-profit prison investment must be disclosed to the Board prior to the Board's approval of a strategy. For those strategies likely to invest in stocks, securities or other obligations of fossil fuel or for-profit prison assets, disclosures will include a description of the expected role of such investments in the proposed strategy and discussion of the process leading to the selection of the strategy.

On an annual basis, the Board will be provided with a report summarizing the System's fossil fuel and for-profit prison investments. This report will include a discussion of the actual and expected changes in these exposures, and analysis of these exposures within the context of the divestment statutes, 5 M.R.S. §§ 1957 and 1958.

Hedging

The Board has reviewed the benefits and risks associated with foreign currency exposures. As a general rule the Board has chosen not to hedge currency at the portfolio level. Unless otherwise directed asset managers will have discretion to hedge investments under their management as they deem most beneficial to their mandate.

Co-Investments and Continuation Vehicles

The System may co-invest alongside private market funds in which the System is a current investor and may invest in continuation vehicles within the guidelines set forth in Appendix 5 without further Board approval. A continuation vehicle is a fund established by the general partner of an existing private market fund that is in the later stages of its life to receive one or more portfolio companies from the existing fund to provide the opportunity for limited partners to remain invested in the companies.

Transaction Costs and Brokerage

The Board of Trustees expects investment managers, in their capacity as fiduciaries, to manage transaction costs in the best interests of the System as an investor. To enable the managers to fulfill this fiduciary duty, it is the Board's policy not to be party to directed brokerage programs.

Securities Lending

The System may participate in a securities lending program either directly through its separately managed portfolios or indirectly through its investments in pooled vehicles. In each case, the securities lending program must focus on low risk, as opposed to maximization of returns. All DB Plan Assets are available for securities lending.

Monitoring

The Board relies on the Investment Team and the investment consultant(s) to continuously monitor the investment program and to report to the Board as outlined below.

- the Investment Team and investment consultant(s) provide comprehensive periodic reports on the entire investment program, including asset allocation, performance of each component relative to benchmarks, attribution analysis, and commentary.
- the Investment Team and investment consultant(s) monitor changes and developments at investment managers and at custodian(s) on an ongoing basis and report significant changes or events with recommended actions as needed.

Emergency Measures

Immediate action may be taken beyond the bounds of this policy under extraordinary circumstances and in order to preserve the best interests of the plans' participants by unanimous decision of the following:

- The Chair, or in the Chair's absence, Vice Chair of the Board
- The Chief Executive Officer, or in the Chief Executive Officer's absence, the Chief Operating Officer and General Counsel
- The Chief Investment Officer, or in the Chief Investment Officer's absence, Deputy Chief Investment Officer, or in the absence of both of them, the general investment consultant

Any such action must be reported to the Board of Trustees at the earliest opportunity.

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Appendix 1: Asset Classes, Policy Weights and Ranges

Date Adopted: June 9, 2016

Date Amended: June 8, 2017; September 14, 2017; January 14, 2021; May 12, 2022

The System's assets are invested across nine Asset Classes that play four distinct Roles in the overall Fund. The Trustees define these Roles and Asset Classes and set target policy weights and ranges below.

| | Weights | | |
|--------------------------|---------|--------|---------|
| | Minimum | Policy | Maximum |
| GROWTH | 35% | 42.5% | 55% |
| Public Equity | 20% | 30% | 40% |
| Private Equity | 5% | 12.5% | 20% |
| RISK DIVERSIFIERS | 0% | 7.5% | 12.5% |
| HARD ASSETS | 15% | 25% | 35% |
| Real Estate | 5% | 10% | 15% |
| Infrastructure | 5% | 10% | 15% |
| Natural Resources | 0% | 5% | 10% |
| CREDIT | 5% | 15% | 20% |
| Traditional Credit | 0% | 5% | 10% |
| Alternative Credit | 0% | 10% | 15% |
| MONETARY HEDGE | 5% | 10% | 15% |
| US Government Securities | 5% | 10% | 15% |
| Cash | 0% | 0% | 10% |

Asset Class Definitions

The below Asset Class definitions are simplified and are intended to convey the general characteristics of investments held within each class. Some investment strategies involve assets and securities that span multiple asset classes.

Public Equity

Investments in publicly-traded shares of companies. May include different classes of common stock, shares of REITs, and MLPs.

Private Equity

Investments in non-publicly traded shares of companies. Investments are typically made via private limited partnerships, and may include both equity and debt securities.

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Risk Diversifiers

Investments typically made through private funds that generally invest in listed assets such as stocks, bonds, and commodities, via strategies that are expected to have little correlation with declining or rising stock markets.

Real Estate

Investments providing direct exposure Real Estate, including investments through private funds.

Infrastructure

Investments typically made through private funds that generally invest in assets that meet most or all of the following criteria: provide essential public services, possess monopoly-like characteristics, provide long term contracted cash flows, and bear limited volumetric and price risk.

Natural Resources

Investments in private funds that generally invest in businesses focused on natural resources such as timberland, agriculture, and mining. Private energy investments will generally be included in Private Equity, rather than Natural Resources.

Traditional Credit

Investments in investment-grade debt instruments that are not issued by the U.S. Government. Such debt may or may not be registered for sale to the general public.

Alternative Credit

Investments in debt instruments issued by non-investment grade and unrated entities. This may include, but is not limited to high yield debt, bank loans, structured debt, and asset-backed debt. Alternative credit investments are expected to pay or accrue periodic interest and to return principal at maturity. Distressed debt and other debt or yield-oriented securities that include equity-like exposures are considered Private Equity, not Alternative Credit.

Monetary Hedges

Investments in debt instruments issued by the U.S. Government, including nominal Treasury securities and Treasury Inflation Protected Securities (TIPS), held in approximately equal proportions.

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Roles in the Overall Fund

Each of the above asset classes fills a specific Role in the overall portfolio. These Roles are defined below.

Growth Assets

Growth Assets are intended to reduce the system's funding needs in the long term by appreciating in value. Growth Assets possess inherently higher expected returns than other asset classes. Growth Assets also have higher expected volatility than other asset classes, and are expected to increase funding volatility in the short run.

Risk Diversifiers

Risk Diversifiers are investments that primarily derive their return from alpha (or active manager skill) as opposed to market directionality. Risk Diversifiers are expected to provide significant risk diversification benefits away from Growth Assets.

Hard Assets

Investments in the Hard Assets category provide exposure to long-lived "real" assets, such as real estate, timber, agricultural, and infrastructure assets. Expected return levels of Hard Assets are lower than those of Growth Assets, and a substantial portion of such returns is expected to come from ongoing cash flows. Hard Assets are expected to provide inflation protection, to have low correlation with Growth Assets, and to provide diversification benefits.

Credit Assets

Credit investments provide capital to end-users via loans and the purchase of debt securities. Such investments provide for contractual returns (interest) and repayment of principal. Credit investments possess lower risk and expected returns than equity investments, but have higher risk and expected returns than monetary hedges. Credit investments are expected to provide diversification away from Growth Assets.

Monetary Hedges

The role of Monetary Hedges in the portfolio is to provide liquidity and a safe harbor in times of turbulence. These investments are cash and obligations of the U.S. Government, and are considered to be free of default risk.

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Appendix 2: Rebalancing

Date Adopted: June 9, 2016

Date Amended: May 12, 2022; July 14, 2022

The Board has set target weights for each Asset Class and Role in Portfolio category in Appendix 1, and delegates the management of asset class allocation to the Investment Team. The Investment Team is expected to maintain asset class weights near target, subject to considerations such as transactions costs and the unique funding and liquidity characteristics of private market investments.

To this end, the Team is permitted to reallocate capital within existing strategies and investments for rebalancing purposes. The Investment Team is expected to consider both Role in Portfolio and Asset Class policy weights when rebalancing. The Team will provide Trustees with reports showing the Fund's current asset allocation at least monthly, and report on rebalancing activity at least quarterly.

In the specific case of the System's Risk Diversifier allocation, the Investment Team is permitted to rebalance across existing managers and strategies, consistent with the goal of maintaining diversification within the allocation. Rebalancing activity will be reported to Trustees at least quarterly.

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Appendix 3: Risk Strategy

Date Adopted: June 9, 2016

Date Amended: New

While this Risk Strategy is in development the Chief Investment Officer shall rely on the Strategic Asset Allocation and Rebalancing provisions of this policy to manage the Fund's risk.

The Investment Team and the Board believe that this approach will deliver an appropriate expected return with commensurate risk over a long term horizon. However they also recognize that the portfolio's realized risk will vary over time which may result in periods during which the fund bears substantially higher risk than the System initially targeted.

In an effort to achieve more stable (less volatile) returns, the Investment Team will seek to develop management tools and practices that they believe will be better able to keep the fund's risk in an acceptable range.

This Risk Strategy shall be updated from time to time by the Trustees to reflect recommendations developed by the Chief Investment Officer.

Nothing in the Risk Strategy shall override the Asset Classes, Policy Weights and Ranges described in Appendix 1.

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Appendix 4: Policy Benchmarks

Date Adopted: June 9, 2016

Date Amended: June 8, 2017, January 14, 2021, May 12, 2022

| Asset | Benchmark | Weight |
|----------------------------|--|---------------|
| Total Public Equity | Russell 3000 & MSCI ACWI ex-USA, based on ACWI weights | 30% |
| Private Equity | Russell 3000 + 3% | 12.5% |
| Diversifiers | 0.3 Beta MSCI ACWI | 7.5% |
| Real Estate | NCREIF Property (lagged one quarter) | 10% |
| Infrastructure | CA Infrastructure Median | 10% |
| Natural Resources | CA Natural Resources Median | 5% |
| Traditional Credit | Barclays US Aggregate, ex Treasury | 5% |
| Alternative Credit | 50% BAML US HY II + 50% S&P/LSTA US Leveraged Loan Index | 10% |
| U.S. Government Securities | 50% Bloomberg Barclays U.S. Government Bond Market Index + 50% Bloomberg U.S. TIPS Index | 10% |

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Appendix 5: Co-Investments and Continuation Vehicles

Date Adopted: May 12, 2022

Date Amended: March 14, 2024

Co-investments and investments in continuation vehicles are permitted within private market asset classes, subject to the below guidelines.

| | |
|-----------------------------|--|
| Target Allocation | 7.5% of total Fund. This target is a subset of the total 47.5% allocation to private market asset classes, and is not in addition to that allocation. The 7.5% target includes investments in both co-investments and continuation vehicles. |
| Asset Classes | Co-investments and investments in continuation vehicles may be made in each of the private market asset classes. |
| Discretion | Investment Team has discretion to make co-investments and investments in continuation vehicles, in consultation with the asset class consultant. |
| Signatories | The Chief Executive Officer, Chief Investment Officer, and General Counsel are authorized as signatories to execute documents in connection with co-investments and investments in continuation vehicles. |
| Permissible Partners | Unless otherwise authorized, co-investments will only be made alongside Funds in which the System is a current investor. Unless otherwise authorized, investments in continuation vehicles will only be made in cases where the vehicle is being formed to continue ownership of assets being acquired from a fund in which the System is a current investor. |
| Size Limits | Unless otherwise authorized, maximum of \$25m invested into any single co-investment or continuation vehicle. Unless otherwise authorized, maximum of \$200m aggregate continuation vehicle investment and co-investment in a single asset class with any single General Partner. |

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|--|---|
| | <p>The Investment Team will provide additional reporting to Trustees for those General Partners with more than \$100m of aggregate continuation vehicle investment and co-investment in any single asset class.</p> |
|--|---|