

## Message from the Executive Director



Sandy Matheson

We frequently update you on investment returns because they are such an important part of funding your retirement benefit. Strong financial markets help strengthen plan funding, while weak markets have the opposite effect and can require additional employer funding.

The way we invest the trust fund assets is also important in achieving strong returns without taking undue market risk. Our asset allocation, or the market types in which we invest, is our primary tool for managing market risk. Approximately 55% of the retirement trust fund is invested in publicly traded stocks and fixed income such as bonds. We invest in public markets by using index funds, which mirror the performance of these markets at very low costs. The remaining 45% is invested in a diversified set of private market funds. We invest these funds using private managers that specialize in certain areas such as real estate, infrastructure, debt, general business and others.

We conduct extensive research and study in the selection of private managers. We use a process we call due diligence, where we look at each manager's investment expertise, their past performance, and the area in which they will invest our money if selected. Our due diligence also includes a review of each manager's business and ethical practices. We believe that investment managers who follow good business and ethical practices make the best investments. These practices help businesses return strong profits over the long-term. Businesses that are overly focused on making money quickly can be a higher risk investment, which could cause us to lose some of our investment.

Part of our due diligence is to make sure that managers we may invest with are aware of best practices in dealing with the environment, social issues, and governance structures. This is commonly referred to as ESG. We believe sound business practices, including ESG, should be an integral way every business with which we invest operates.

Our approach has resulted in MainePERS being recognized as a leader in investing in renewable energy opportunities. While we did not set out to be a leader in this area, our process of seeking good investments has also turned out to be good for the environment.

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## Brief History of the Maine Public Employees Retirement System

The Maine Public Employees Retirement System (MainePERS) began as a state agency on July 1, 1942 to provide a fixed retirement income for State retirees. The name "Maine State Retirement System" came into being in 1950. The System has since grown in both the member and employer base as well as services offered.

During its first fifty years, the System managed additional pension plans created by the Legislature to serve not only State retirees, but teachers (1947), governors (1967), judges (1984), legislators (1986), and employees of other governments throughout Maine (1943). In addition to pension plans, a group life insurance plan was created in 1955, and select defined contribution plans became available to some members in 1996.

The Legislature separated the System from State government in 1993. As an independent organization, the System has worked with its members and governmental employers to adapt to their needs. The System changed its name in 2007 to the Maine Public Employees Retirement System to reflect all of its members and employers. Today, MainePERS serves both active members and retirees. This includes approximately 37,000 State employees, 82,000 teachers, 6 governors, 140 judges, 580 legislators, and 29,000 employees of governments throughout the State. Also, 49,000 individuals are covered in the group life insurance plan and 1,000 employees are enrolled in the defined contribution plans.

MainePERS honors all those it serves in observing this 75th anniversary. We look forward to many more years of providing service to Maine's governments and employees.

## MainePERS Historical Timeline

### BOARD OF TRUSTEES

Brian H. Noyes, *Chair*  
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 Philip A. Brookhouse  
 Michael R. Currie  
 Richard T. Metivier  
 Kenneth L. Williams

*Ex-officio Member*  
 Terry Hayes, *State Treasurer*

### EXECUTIVE DIRECTOR

Sandra J. Matheson

### Mailing Address

P.O. Box 349  
 Augusta, ME 04332-0349

### Location

96 Sewall Street, Augusta, ME

### Phone

Main: (207) 512-3100  
 Toll-Free: 1-800-451-9800  
 Fax: (207) 512-3101  
 TTY: (207) 512-3102

### RETIREMENT SERVICES

(207) 512-3158

### EMPLOYER SERVICES

(207) 512-3200

### GROUP LIFE INSURANCE

(207) 512-3244

### DISABILITY

(207) 512-3170

Year	MainePERS	Maine	US/World
1942	"Employees Retirement System of the State of Maine" established	World War I Pilot Sumner Sewall elected governor of Maine	The average cost of a new house was \$3,770 and wages \$1,880
1947	Maine Teachers become part of the retirement system	Loring Air Force Base established in Limestone, Maine	U.S. Air Force test pilot Captain Chuck Yeager breaks the sound barrier
1950	The Employees Retirement System is renamed the "Maine State Retirement System"	Senator Margaret Chase Smith delivers "Declaration of Conscience" speech to the U.S. Congress opposing McCarthyism	The Korean War begins
1955	Group Life Insurance plan is created and opened to all Retirement System members	President Eisenhower goes fishing in Rangeley, Maine	The first McDonalds opens in California
1965	Cost-of-Living Adjustments (COLAs) are added to retirement benefits	Maine Senator Edmund Muskie co-sponsors bills to create Medicare and Medicaid	The St. Louis Gateway Arch is completed
1984	A pension plan for Maine's judiciary branch is established	Joan Benoit wins first Olympic women's marathon and receives an Olympic Gold Medal	Kathryn D. Sullivan becomes the first American woman to perform a space walk
1986	A pension plan for Maine's legislators is established	Arnold Palmer wins the Union-mutual Seniors Golf Classic at Purpoodock Club in Cape Elizabeth, Maine	People form a human chain from New York to California, to fight hunger and homelessness in the Hands Across America Fundraiser
1993	Maine State Retirement System moves from being a quasi-State agency to an independent agency	The University of Maine Black Bears win the NCAA hockey title	South African President Nelson Mandela is awarded the Nobel Peace Prize
1996	MaineSTART, a Maine State Retirement System savings plan, is established	George Mitchell chairs the Northern Ireland peace negotiations	The 1996 Summer Olympics are in the United States in Atlanta, Georgia
2007	The Retirement System is renamed "Maine Public Employees Retirement System" (MainePERS)	A Patriot's Day Storm delivers 8.5+ inches of rain triggering "100 years" flooding	Stock markets set new highs just before the Great Recession hits
2017	MainePERS recognizes its 75th anniversary	Rockerfeller estate goes on market for \$19 million with proceeds to benefit good causes	New England Patriots win Super Bowl defeating the Atlanta Falcons 34-28

## MainePERS Trust Fund History

The buying power of a dollar changes each year due to inflation. For example, \$1.00 in 1985 had approximately the same buying power as \$2.35 does today. This is because the average annual inflation from 1985 to 2017 was 2.63%. This makes sense when you compare the cost of a gallon of gas in 1985 at \$1.12 per gallon to today at approximately \$2.30, depending where you live. The long-term ups and downs of the price of goods and services often reflects the long-term ups and downs of the rate of inflation.

Inflation has a similar effect on the retirement trust fund balance. It is one of primary reasons the trust fund balance grows over the years. The other two reasons are real investment returns and contributions to the fund. Real returns are the amounts of investment returns earned excluding inflation, or the amount created by investing the funds instead of holding those fund in cash. In addition to investment returns, employee and employer contributions increase the trust fund balance. Decreases occur when monthly benefits are paid or investment losses occur.

A rough estimate of MainePERS' 30-year average real return (markets gains not including inflation) is 5.0% to 5.5%, which resulted in an average 7.9% average total investment return including inflation. Measuring long-term trust fund returns is very important. However, short-term market gains and losses can impact the amount of employer contributions needed to keep MainePERS defined benefit plans well funded. The State of Maine, other MainePERS employers, and plan members have contributed to the trust fund balance over the years through regular payroll-based contributions. Together, these factors account for the increase in the MainePERS trust fund from \$818 million in 1985 to its current \$13.2 billion.

MainePERS Trust Fund Balance History (in billions)							
1985	1990	1995	2000	2005	2010	2015	2017
\$0.81B	\$1.97B	\$3.65B	\$7.57B	\$8.92B	\$8.93B	\$12.61B	\$13.24B

## MainePERSpective

Published by Maine Public Employees Retirement System (MainePERS).

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Editor: Deborah Fish

## MainePERS Constitutional Amendment on the November Ballot

Maine voters will have an opportunity in November to vote on a constitutional amendment that could reduce the impact financial market ups and downs have on State of Maine contributions to their retirement plans. This amendment could help strengthen the State Employee and Teacher Plan. The state constitution currently requires that trust fund financial market losses be recovered through increased State contributions over a ten-year period. This applies whenever market returns are below our long-term expected rate of return, currently 6.875%. So, if the markets return 4% one year, a 2.875% "loss" has to be made up through increased payments from the State budget over the next 10 years.

This provision was placed into the constitution in the 1990s when the State Employee and Teacher plan was 36% funded. It has been very effective up until now in increasing the funding to its current 80% level. Now that this plan is one of the better funded plans in the country, it needs stable contributions to continue its path to full funding. The proposed constitutional amendment would lengthen the period in which losses are paid back from 10 to 20 years, increasing contribution stability and reducing budget pressures. The 20-year period is more in line with industry standards and what other public pension plans use. Most similar plans have a 20-year period or longer. The amendment would not affect the 1996 unfunded actuarial liability that has to be paid-off by 2028.



### Legislative Update

For those of you that follow pension bills in the legislature, we have provided a summary of laws that have been approved and the status of those awaiting further actions as of our press time. More information about each approved bill will be available on our website at [www.mainebers.org](http://www.mainebers.org) after the legislative session ends.

#### New Laws Approved in 2017:

- **Resolve Chapter 14 (L.D. 917)** – Establishes working group to evaluate and design plan options for state employees and teachers.
- **Public Law Chapter 46 (L.D. 410)** – Expands the categories of information in the possession of MainePERS that is considered to be non-public to include medical information used in the administrative appeals process and personal financial information.
- **Public Law Chapter 88 (L.D. 409)** – Makes primarily technical corrections. Included in the less technical changes are updates related to the Governmental Accounting Standards Board (GASB) reporting requirements, expansion of the Medical Board composition to include clinical psychologists, and clarification of how monies appropriated for military service purchases can be allocated.
- **L.D. 723** - Amends the Constitution of Maine to amortize experience losses over 10 years versus 20 years. See the "*MainePERS Constitutional Amendment on the November Ballot*" article above for more information.

Category	L.D.	What the Proposal Does	Status
Special Plan	99	Expands the categories of members who participate in a so-called "special plan" in which other groups of law enforcement officers participate.	Pending
Cost of Living	650	Expands contractual commitment to include COLA	Carry Over
Return to Work	1396	Removes certain restrictions that apply to retirees who return to work	Pending
	1509	Prohibits return to work while collecting a retirement benefit	Carry Over
Disability	521	Requires benefit eligibility review for veterans who receive federal benefits	Carry Over
	1044	Amends service definition for individuals discharged under Whistleblower's Protection Act	Pending
Plan Design	176	Implements reforms recommended by the Disability Task Force	Carry Over
	247	Implements reforms recommended by the PLD Advisory Committee	Carry Over
Benefits	177	Addresses retirement for employees of a closing State facility	Carry Over

## Keeping Contact Information Current

Help us help you! Keeping your contact information up to date is the best way to insure you receive essential communications.

In addition to general communications, MainePERS also sends participants important materials via postal mail. As an example, we mail retirees their annual Internal Revenue Service 1099-R forms. Current contact information on file here makes a difference in the delivery of information to you.

If you regularly move between two (or more) addresses (for example a winter and summer address) it is especially important to provide us with updated mailing information. Please contact us by phone or click and download our change of address form and return by electronic or postal mail. Once this form is on file you can simply call or mail us with the effective date of your move between these addresses and we will direct correspondence appropriately.

If your established address(es) changes in the future you will need to submit a new change of address form. You can find the form on the Retiree Home Page of the MainePERS web site at: [http://www.mainebers.org/Retired%20Members/Retired\\_Members.htm](http://www.mainebers.org/Retired%20Members/Retired_Members.htm).

Or you can call MainePERS toll-free: (800) 451-9800 & local: (207) 512-3100 to request that one be sent to you. Anyone answering your telephone call will be able to assist you.

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## 2017 Cost-of-Living Adjustment

We're thinking about COLA. Maybe you are, too...

State law allows for an annual cost of living adjustment (COLA) for certain pension payment recipients. The adjustment is applied beginning with an eligible retiree's September payment. The CPI-based COLA is awarded by the MainePERS Board of Trustees at its August meeting.

Details regarding COLA eligibility can be found on MainePERS website or can be discussed by phone with any of our representatives.

Check for COLA updates at our website: [http:// www.mainebers.org](http://www.mainebers.org).



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P.O. Box 349  
Augusta, ME 04332-0349



## MainePERS Thanks Retiring Trustee, Peter M. Leslie, for 30 years of Service and Leadership



Over the past thirty years trustee Peter M. Leslie has been a clear thinking, critical evaluator and prudent steward of the retirement system. An honors graduate of Princeton University, he worked seven years with Citibank in Brazil, then joined a New York investment bank and traveled extensively working with government and corporate clients. In 1972, he founded Leslie, Weinert & Co. Inc., an investment banking firm whose clients included governments, corporations, financial institutions, and the United Nations. He retired from active management in 1984 to devote time to public service and private business. Mr. Leslie's public and community service have included the National Commission on Responsibilities for Financing Postsecondary Education, the United States Commission on Improving the Effectiveness of the United Nations, the Maine Health Care Finance Commission, the Cape Elizabeth School Board, the Maine Audubon Society, the Lakes Environmental Association, the McWain Pond Association and the United States Coast Guard Auxiliary.

His efforts in support of the Retirement System began in 1987 with his appointment to serve on "The Committee to Study the Retirement System" chaired by Robert A.G. Monks. The committee issued its first report, the "Monks Report" in 1988, which conveyed recommendations that would shape the System's future. Following action of the Legislature, the committee was reconvened in 1993 to review "all aspects of the Maine State Retirement System to ensure its present and future fiscal soundness..." Mr. Leslie was reappointed to the committee. The resulting recommendations served as further guidance for the System's evolution toward financial health and sustainability including incorporating the System as a quasi-governmental entity operating as a "public instrumentality" of the State of Maine.

Mr. Leslie was appointed to the Board of Trustees in 1995. Since that time, his distinguished service has included twenty-two years as a Trustee, two of these as Vice Chair and ten years as Chair. Under his leadership, the Maine State Retirement System made changes to comply with the citizen referendum prohibiting increases in the unfunded actuarial liability of the State Employee and Teacher Retirement Plans. The System consolidated its operations into its current 96 Sewall Street location, established the MaineSTART defined contribution plan, and changed its name in 2007 to the Maine Public Employees Retirement System (MainePERS). Most notably, Mr. Leslie and his board colleagues have effectively managed the Systems' investments growing them from \$3.65B in 1995 to the current \$13.2B fund balance.

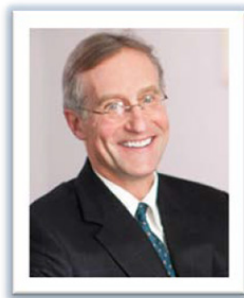
On behalf of its members and stakeholders, the MainePERS Board of Trustees and Staff offer Mr. Leslie profound thanks and gratitude for 30 years of exemplary service.

## Congratulations to MainePERS new Board of Trustees Chair, Brian H. Noyes



Brian Noyes was appointed to the MainePERS Board of Trustees in 2012. He is Vice President of R.M. Davis, a Portland based employee-owned investment manager providing financial advisory services as well as counseling, personal affairs management, and trustee services. He previously served as Vice President and Consulting Group Associate for Shearson Lehman Hutton from 1984-1989. Mr. Noyes, who graduated from the University of New Hampshire in 1980, is a member of the CFA Institute, Boston Security Analysts Society, Inc., and Maine Analyst Society. He is a Chartered Investment Counselor and a Chartered Financial Analyst. He has served on many community boards and advisory committees, including The Governor's Academy, Baxter State Park, Megantic Fish and Game Corporation, Forest Society of Maine, Maine Medical Center Board of Trustees, and Maine Medical Center's and Maine Health Investment Committee. Mr. Noyes was appointed to the MainePERS Board of Trustees in 2012 and was elected Chair in 2017 succeeding Peter Leslie.

## Welcome New Board of Trustee Member, Michael R. Currie



Michael Currie was appointed to the MainePERS Board of Trustees in June 2017. He is President, Managing Director and Portfolio Manager at H.M. Payson, an investment firm in Portland. Mr. Currie, an attorney, was previously a partner and trust and estates principal at the firm of Pierce Atwood. He is a member of the American College of Trust and Estate Counsel, and the American and Maine State Bar Associations. Mr. Currie received his law degree from the University of Maine School of Law and his Master of Laws from Boston University School of Law. His Bachelor of Arts was earned at Colby College. He is committed to giving back in his community. He has served as a board member of the University of Maine School of Law Foundation, the United Way of Greater Portland Foundation, a trustee of the Davis Family Foundation, and the advisory council of Maine Cancer Foundation.

## MainePERS Thanks its Current Board Members for Their Continuing Service



**Shirrin L. Blaisdell** was appointed to the MainePERS Board of Trustees in 2013. Ms. Blaisdell is a MainePERS retiree with over 30 years of progressively responsible experience in finance and administration. She served the State of Maine in positions with Maine Revenue Services, Office of Fiscal & Program Review and most recently as Acting State Budget Officer for the Bureau of Budget until leaving the position in January 2013. Educated at the University of Maine-Augusta (UMA) and the University of Maine-Orono (UMO), she earned her BA in Sociology from UMO in 1974. Ms. Blaisdell has two grown children and resides in Manchester with her husband, Stephen.



**Phil Brookhouse** was appointed to the MainePERS Board of Trustees in 2016. He is a retired middle school teacher from Auburn. He worked with Maine Learning Technology Initiative for nine years and is currently consulting for the Auburn School Department for gifted and talented high school students. Mr. Brookhouse served as Vice President and President of the Lewiston Education Association, and also served on the Special Services and Strategic Budget Committees of the Maine Education Association. He has been on the Board of Advisors for the Maine Math and Science Alliance as well as local municipal committees. Mr. Brookhouse has also served as vice chair and chair of the MEA Benefits Trust. He holds a Certificate of Achievement in Public Plan Policy, a Certificate in Health Care Plans, as well as the Trustee Master's Program from the International Foundation for Employee Benefits. He attended Michigan State University, has a BS Ed from University of Maine -Farmington (UMF), and a MS Ed from the University of Southern Maine (USM). He served in the US Army and is a Vietnam Veteran.



**Treasurer Terry Hayes** serves as an ex-officio member of the board having been re-elected by the Joint Convention of the 128th Maine Legislature to the office of State Treasurer for 2017-2018. She served from 2006-2014 as a member of the Maine House of Representatives, serving as Assistant Minority Leader in the 125th Legislature, Legislative Council member from 2010-2012, and member of the Joint Standing Committee on State and Local Government in the 123rd, 124th and 126th Legislatures. From 1991-2004, she served on the MSAD #39 school board representing Buckfield. In addition to being a teacher, an adult education administrator, a real estate educator and a guardian ad litem, she continues to volunteer in her local community as a moderator for town meetings and connecting school children with their state government. She is a Maine native with a B.A. in Government from Bowdoin College (1980) and an M.B.A. from Thomas College (2014). She and her husband have three adult children who all live and work in Maine.



**Richard T. Metivier** was appointed to the MainePERS Board of Trustees in 2007 by the governing body of the Maine Municipal Association. Mr. Metivier has over three decades of experience in Lewiston city government, and served as the City's Director of Finance for 30 years before retiring in 2010. A graduate of Husson College in Bangor, he was an active member of the Government Finance Officers Association (GFOA) and its regional and State affiliates, and has held a number of leadership positions with the Androscoggin Valley Council of Governments, Maine Municipal Health Trust, Lewiston Municipal Federal Credit Union, and other organizations. He currently is a part-time Consultant with Eaton Peabody Consulting.



**Benedetto "Ben" Viola**, serves as Vice-Chair of the Board of Trustees. He is elected to the MainePERS Board of Trustees. He serves in the position reserved by statute for a state employee "who is duly elected by the Maine State Employees' Association" since 2004. He holds a BS in Civil Engineering from the University of Maine-Orono (UMO), and an MS in Business from Husson University. He is a Licensed Professional Engineer and works as an Environmental Engineer in the Southern Maine Regional Office of the Maine Department of Environmental Protection in Portland.



**Kenneth L. Williams** is elected to the MainePERS Board of Trustees. He serves in the position reserved by statute for a teacher "who is duly elected by the Maine Education Association" since 2005. Mr. Williams is a 31-year veteran of middle school education, all at Nobleboro Central School on the mid-coast. He taught environmental education before public school work. Along with teaching multiple subjects, he leads wilderness backpacking trips for eighth graders as part of the Nobleboro Central School Outing Club. He is a Director for the Maine Education Association and is on the Board of Maine Music Outreach, an organization that sends high school youth to Haiti on a music, cultural and educational exchange. He earned a BS in 1984 from the University of Delaware and an MA from SUNY Stony Brook. He and his wife have three adult children.