MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Regular Board Meeting
January 9, 2014

MainePERS Board Room
Augusta, Maine
9:00 a.m.

The Board of Trustees met at 9:00 a.m. on January 9, 2014, at the Maine Public Employees Retirement System, Board Room, at 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Neria Douglass, Dick Metivier, Catherine Sullivan, Ben Viola (Vice Chair), and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; Angela Raymond, MainePERS Administrative Assistant; John Milazzo, General Counsel and Chief Deputy Executive Director; and Chris Mann, Assistant Attorney General and Board Counsel. The Board was also joined for select portions of the meeting by Andrew Sawyer, Chief Investment Officer, Edward Creedon, Deputy Chief Investment Officer, Charles Callahan, Vice President, and Brian Hyde Managing Director, JP Morgan; Tom Lynch and Mark Johnson, Cliffwater; Kathy Morin, Manager, Actuarial and Legislative Affairs; and Rebecca Grant, Deputy Executive Director.

Kristi Carlow, Deputy State Treasurer, assumed the seat for Neria Douglass, State Treasurer.

The Chair called for consideration of the Consent Calendar. The action items on the Consent Calendar were:

1. Minutes of the December 12, 2013, Regular Meeting;
2. Recommended Dismissal of Claire Gagne appeal;
3. Recommended Dismissal of Christine Leach appeal;
4. Recommended Dismissal of Robert Shufelt appeal;
5. Recommended Dismissal of Karen Spearin appeal;
6. Recommended Dismissal of Clarence Wilson, Jr. appeal;

➤ Action. Dick Metivier made the motion, seconded by Ben Viola, that the Consent Calendar be approved. Voted unanimously by six Trustees.

LEGISLATIVE UPDATE

Sandy Matheson discussed L.D. 1461 - An Act to Require the State to Divest Itself of Assets Invested in the Fossil Fuel Industry. Sandy informed Board members she would be attending and providing testimony at the public hearing before the Appropriations Committee scheduled for that afternoon. She also shared information provided in a meeting she, Andrew Sawyer, John Milazzo and Mike Colleran had on January 7, 2014 by supporters of L.D. 1461 including350.org, Spinnaker Trust (Unity College's asset
manager), and Trillium Asset Management, LLC. She noted that MainePERS differs from endowments that may divest consistent to further their organizational purpose. Andrew Sawyer and Tom Lynch joined in the discussion with Trustees.

Neria Douglass arrived at the meeting. Kristi Carlow left the meeting.

INVESTMENTS

JP Morgan – Custody Review

Charles Callahan, Vice President, and Brian Hyde, Managing Director of JP Morgan, addressed the Board regarding their custodial relationship with MainePERS. They commented on the recent security breach at JP Morgan which impacted some Maine unemployment compensation recipients. Following their formal remarks they addressed the Board’s questions on the security breach as well as other recent newsworthy events involving J.P. Morgan.

Mr. Callahan informed the Board of proactive and additional compliance measures the firm has made in response to security threats in general in addition to the breach. Mr. Callahan assured the Board, and has assured the System in writing, that JP Morgan has committed no material breach of the MainePERS contracts.

Monthly Performance Report – December 2013

Andrew Sawyer indicated that as of December 31, 2013, the fund was preliminarily valued at $12.2 billion. He also indicated that the fund’s preliminary total return was 14.5% calendar year-to-date and 10.0% fiscal year to date.

Andrew updated the Board on the new office space in Portland located at One City Center, 8th floor and commended Ryan McArthur and the facility and IT teams for their great work during the move, in spite of severe weather challenges. Part of the new office space will provide business continuity options for printing and constitute the System’s emergency disaster recovery center. Sandy added that in addition to providing challenges for the move, the ice storms and power outages in late December and early January created significant challenges to the issuance of timely benefit advices. Benefit advices were issued on time thanks to members of the IT staff without the use of these new functions.
Private Markets Forward Calendar

Mark Johnson and Tom Lynch from Cliffwater reviewed the first quarter 2014 private equity and infrastructure investment plan. They reported that the investment team and Cliffwater are working together closely to monitor the System’s private equity and infrastructure fund managers. Mark noted that the commitment and investment pace for both programs were on target.

Sandy Matheson left the meeting.

Private Markets Forward Calendar continued

Edward Creedon reported that the investment team completed a $20 million infrastructure co-investment with ArcLight.

Edward Creedon advised the board that the Investment Team has invited Westbrook Real Estate Fund and EnCap Flatrock Midstream Fund to meet with the Investment Team in the Portland office on January 30 beginning at 10:00 a.m. and the Trustees are invited to attend those meetings.

EXECUTIVE SESSION

Action. Catherine Sullivan, made the motion, seconded by Ben Viola, to enter into executive session pursuant to Title 1 § 405(6)(E) for the purpose of discussing litigation matters. Voted unanimously by six Trustees.

The Board moved back into regular session.

LEGISLATIVE UPDATE

John Milazzo referenced Kathy Morin’s board packet memo listing the bills carried over from 2013 and the dates they will be heard at the Appropriations Committee.

APPEAL – Timothy Libby

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. The Appellant (including Irene Libby) and N. Quinn Collins, Esq., MainePERS Representative did appear. Both Mr. Libby and Mr. Collins made presentations before the Board.
Action. Ken Williams made the motion, seconded by Neria Douglass, to accept the report of the Hearing Officer. Voted unanimously by six Trustees.

TABLED APPEALS

APPEAL – SANDRA BASTILLE

On December 12, 2013, the Board tabled deliberation on the appeal of Sandra Bastille to allow Board counsel an opportunity to verify information contained in the record. Having verified the information, Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board.

Action. Ken Williams made motion, seconded by Richard Metivier, to accept the decision of the Hearing Officer. Voted unanimously by six Trustees.

APPEAL – JEFFREY WEEKS

On December 12, 2013, the Board tabled deliberation on the appeal of Jeffrey Weeks to allow Board counsel an opportunity to verify information contained in the record and to establish whether the record reflected that the Hearing Officer had considered Appellant’s comments to the recommended decision.

Finding no irregularities, Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and reiterated the decision by the Hearing Officer.

Action. Ben Viola made motion, seconded by Neria Douglass, to accept the decision of the Hearing Officer. Voted unanimously by six Trustees.

OPERATING REPORT

John Milazzo reviewed his operating report noting:

- MainePERS’ Comprehensive Annual Financial Report (CAF) has been posted on www.mainepers.org. He expressed gratitude to Sherry Vandrell, Director of Finance, for her great work.

The meeting adjourned at approximately 2:00 p.m.
The next meeting will be a regular Board meeting and is expected to be held February 13, 2014, at MainePERS office located at 96 Sewall Street, Augusta, Maine.

February 19, 2014
Date Approved by the Board

Sandra J. Matheson, Executive Director

February 19, 2014
Date Signed