MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
February 11, 2016

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

The Board of Trustees met at 9:00 a.m. on February 11, 2016, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair, presided. Other Trustees present were Ben Viola, Vice Chair; Shirrin Blaisdell; Terry Hayes; Brian Noyes; and Ken Williams. Joining the Trustees were Michael Colleran, General Counsel; Monica Gorman, Executive Assistant; and Chris Mann, Assistant Attorney General and Board Counsel. The Board also was joined for select portions of the meeting by Andrew Sawyer, Chief Investment Officer; Jim Bennett, Deputy Chief Investment Officer; Rebecca Grant, Deputy Executive Director; Jim Dusch, Deputy Executive Director; Robert McCormick and Peter Yauch, Glass Lewis; Gary Emery, Senior Analyst; Cara Majeski and Brian McDonnell, Cambridge Associates; and Mark Johnson, Cliffwater.

CONSIDERATION OF THE CONSENT CALENDAR

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

1. Minutes of January 14, 2016;
2. Remand Order in Stephen Adams appeal;
3. Remand Order in Dana Trattner appeal;
4. Recommended Dismissal of Linda Castagna appeal.

Action. Terry Hayes made the motion, seconded by Shirrin Blaisdell, that the Consent Calendar be approved. Voted unanimously by six Trustees.

APPOINTMENT OF NEW BOARD SECRETARY

Action. Shirrin Blaisdell made the motion, seconded by Brian Noyes, that the appointment of Monica Gorman as Board Secretary be approved. Voted unanimously by six Trustees.

PROXY VOTING

Andrew Sawyer introduced Bob McCormick and Peter Yauch from Glass Lewis. Bob is the lead specialist on proxy policy and proxy voting while Peter is the account manager who covers MainePERS. Andrew also introduced Gary Emery, Senior Analyst at MainePERS responsible for proxy voting and reporting.
The Trustees had an extensive discussion on proxy voting and engagement. Jim Bennett and Andrew reported that the board website was up to date and contained the proxy voting reports for past years. Peter Leslie requested that Glass Lewis provide Trustees with a review of proxy voting activity on an annual basis.

Trustees reviewed a new Board policy on Engagement. It was suggested that on page 2 of the Engagement Policy under Direct Engagement at the end of the first sentence the following be added after the word success: “, balancing the long-term focus of good stewardship with the short-term challenges the company faces.”

➢ **Action.** Brian Noyes made the motion, seconded by Shirrin Blaisdell, that MainePERS adopt the proposed Board Engagement Policy as amended. Voted unanimously by six Trustees.

**PRIVATE MARKET ACTIONS**

Andrew Sawyer gave an overview of the four investments being considered for action by the Board, AMERRA Agri Fund III, Berkshire Partners Fund IX, Brookfield Infrastructure Fund III, and Global Infrastructure Partners III.

**EXECUTIVE SESSION**

➢ **Action.** Ben Viola made the motion, seconded by Shirrin Blaisdell, to enter into Executive Session pursuant to 1 M.R.S. § 405(6)(C) and (F); 5 M.R.S. § 17057(4). Voted unanimously by six Trustees.

*The Board moved back into open session.*

**AMERRA Agri Fund III**

➢ **Action.** Shirrin Blaisdell made the motion, seconded by Terry Hayes, that MainePERS make a commitment of up to $50 million to AMERRA Agri Fund III, subject to final due diligence, legal review and negotiations, and authorize the Executive Director, General Counsel, and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by six Trustees.

**Berkshire Partners Fund IX**

➢ **Action.** Brian Noyes made the motion, seconded by Terry Hayes, that MainePERS make a commitment of up to $60 million to Berkshire Partners
Fund IX, subject to final due diligence, legal review and negotiations, and authorize the Executive Director, General Counsel, and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by six Trustees.

**Brookfield Infrastructure Fund III (BIF)**

- **Action.** Ben Viola made the motion, seconded by Ken Williams, that MainePERS make a commitment of up to $150 million to Brookfield Infrastructure Fund III (BIF), subject to final due diligence, legal review and negotiations, and authorize the Executive Director, General Counsel, and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by six Trustees.

**Global Infrastructure Fund III (GIF)**

- **Action.** Ken Williams made the motion, seconded by Shirrin Blaisdell, that MainePERS make a commitment of up to $150 million to Global Infrastructure Fund III (GIF), subject to final due diligence, legal review and negotiations, and authorize the Executive Director, General Counsel, and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by six Trustees.

**INVESTMENT STRATEGY DISCUSSION**

**Strategic Asset Allocation Discussion**

Brian McDonnell and Cara Majeski of Cambridge Associates and Andrew Sawyer continued the discussion of strategic asset allocation. Brian stated that the day’s topic was the implementation of the monetary hedge portion of the asset allocation, and the difference between TIPS vs. nominal Treasuries. Andrew informed Trustees that implementation of the other asset allocations, including diversifiers, would be addressed at the March meeting.

**Private Equity Pacing Review**

Jim Bennett gave an overview of the private equity pacing and shared that while commitments will likely exceed pacing targets for the current year, cumulative commitments are on track.
INVESTMENTS

Investment Review

Andrew Sawyer presented the monthly investment report. Andrew reported that as of December 31, the MainePERS fund was valued at $11.7 billion and reported a preliminary fiscal YTD return of -4.9%.

Quarterly Portfolio Review

Cara Majeski, Brian McDonnell and Mark Johnson discussed the Fourth Quarter 2015 Performance Review.

Private Markets Activity

Jim Bennett reminded the Board that the next investment manager meeting will be held on Tuesday, February 23, 2016, with presentations by Meridian Infrastructure Europe Fund III at 9:00 a.m. and KKR Real Estate Partners Americas II at 10:30 a.m., which will be followed by lunch. Managers from Wayzata will be in to give a fund update and take questions from the Trustees and Team.

Sandy Matheson asked Andrew Sawyer to send out the full recommendation on Thoma Bravo to the Trustees for their review prior to the next Board meeting. Andrew suggested that they consider them at the next Board meeting, and if the Trustees wanted to meet with fund management, this would be arranged in March.

GOVERNANCE CONSULTANT SEARCH

Sandy Matheson provided background on the governance consultant search. Request for proposals were sent out and three firms responded to that RFP. The two firms scoring highest on a preliminary review provided presentations to the Board. The first presentation was provided by Aon Hewitt consultants Jeanna Cullins and Amy McDuffee, and the second by Randall Miller from Funston

- Action. Ben Viola made the motion, seconded by Shirrin Blaisdell, to engage Aon Hewitt as the Governance Consultant. Voted unanimously by six Trustees.

Sandy stated she would personally contact both firms and let them know the outcome.
LEGISLATIVE SUMMARY

Michael Colleran summarized the legislative update to the Board. The Appropriations Committee unanimously voted out LD 1463, the disability bill, as ought to pass as amended. The bill, as amended, directs MainePERS to conduct a study on offering long-term disability insurance and report back to the Legislature in January. The bill also clarifies the MainePERS practice of permitting a member to reapply for disability retirement on the same conditions after having an application denied as long as the member has returned to covered employment.

LITIGATION SUMMARY

Chris Mann provided a summary of current litigation.

ADMINISTRATION

Disability Task Force

Sandy Matheson stated the Task Force will be moving in to the next phase of improvements to the program. Sandy also shared that we will be initiating a project to review the application process with the goal of improving the process and the experience of our members. The review will involve looking at the process in an unbiased way and making improvements.

Shirrin Blaisdell left the meeting at 2:50 p.m.

Operations Report

Jim Dusch and Rebecca Grant provided a summary of operations.

The meeting adjourned at approximately 3:00 p.m.

Date Approved by the Board

Sandy Matheson, Executive Director

Date Signed