MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Regular Board Meeting
February 12, 2015
MainePERS Board Room
Augusta, Maine
9:00 a.m.

The Board of Trustees met at 9:00 a.m. on February 12, 2015, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Shirrin Blaisdell, Terry Hayes, Brian Noyes, Ken Williams, Catherine Sullivan, and Ben Viola (Vice Chair). Joining the Trustees were Sandy Matheson, 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; Jim Bennett, Deputy Chief Investment Officer; Michael Colleran, Associate General Counsel; Rebecca Grant, Deputy Executive Director; Kathy Morin, Manager of Actuarial and Legislative Affairs; John Meier, Strategic Investment Solutions; and Mark Johnson, Cliffwater.

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

1. Minutes of the January 8, 2015, Regular Meeting;
2. Adoption of Hearing Officer’s Final Report in Jesse Cormier appeal;
3. Adoption of Hearing Officer’s Final Report in Leda Dumond appeal;
4. Recommended Dismissal of Deborah A. Hall appeal;
5. Recommended Dismissal of Sharon Kimball appeal; and
6. Recommended Dismissal of Jennifer A. Taylor appeal.

Brian Noyes joined the meeting at approximately 9:10 a.m.

➢ Action. Shirrin Blaisdell made the motion, seconded by Ken Williams, to approve the Consent Calendar as amended. Voted unanimously by seven Trustees.

AUDITOR EXTENSION

Sandy Matheson advised the Board that the Audit Committee supports MainePERS’ recommendation to extend the contract with Baker, Newman & Noyes up to three years, on a year-by-year basis. MainePERS policy provides that an auditor’s contract may be extended for a period of time not to exceed 10 years. Baker, Newman & Noyes has served as the System’s external auditor for 10 years. The System is in the process of implementing the additional reporting requirements contained in GASB Statement numbers 67 and 68. Changing
auditors in the middle of this process would be disruptive, costly, and create the potential for errors.

➢ Action. Brian Noyes made the motion, seconded by Catherine Sullivan, to accept the recommendation of the Audit Committee that an exception to the current Audit Committee policy be granted, and to authorize the continued engagement of Baker Newman & Noyes, LLC, for a period of up to three years, subject to Board approval each year. Voted unanimously by seven Trustees.

INVESTMENTS – PRIVATE MARKETS

Andrew Sawyer and Jim Bennett discussed the Private Market Activity report. Jim informed the Board that the Investment Team would likely make a recommendation at the next meeting to make an investment in Thoma Bravo Strategic Opportunities Fund II. This fund is a “top-up” fund with similar characteristics as Thoma Bravo XI in which the system has already invested $50 million. Jim also announced that the three managers (IFC, Prudential Senior Housing, and Rhone) whose January meetings with the Investment Team had been canceled due to a storm have been rescheduled for February 24, 2015. He also informed Trustees that manager meetings were being scheduled for March 24, 2015.

EnCap Energy Capital Fund X

Andrew Sawyer presented the Investment Team’s recommendation to invest in EnCap Energy Capital Fund X. Mark Johnson reported Cliffwater’s concurrence with the recommendation.

EXECUTIVE SESSION

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

The Board moved back into open session.

INVESTMENTS – PRIVATE MARKETS, CONT’D.

EnCap Energy Capital Fund X

➢ Action. Shirrin Blaisdell made the motion, seconded by Ben Viola, that MainePERS make a commitment of up to $60 million to EnCap Energy Capital Fund X, L.P., subject to final due diligence, legal review and
negotiations and authorize the Executive Director, General Counsel and Chief Deputy Executive Director and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by seven Trustees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE UPDATE

Sandy Matheson informed Trustees that February 13th was “Global Divestment Day” and that 350.Maine would be delivering a fossil fuel divestment petition to the System.

She discussed how MainePERS has developed a formal project internally regarding the implementation of the System’s ESG policy and is considering engaging a communications consultant to assist with delivering the message that MainePERS is a responsible investor. Andrew Sawyer noted that Sandy Matheson and MainePERS have been recognized by other public pension funds, divestment groups and investment managers for its work in this area.

INVESTMENTS

Monthly Performance – January 2015

John Meier, Strategic Investment Solutions, reviewed an Executive Summary and Fourth Quarter Investment Report with the Trustees. The plan returned 0.9% in the fourth quarter of 2014. The one-year calendar year return as of December 31, 2014 was 5.7%. The ten-year return was 6.0%.

Andrew Sawyer, Jim Bennett and John Meier discussed the monthly performance of the fund for January 2015. Andrew Sawyer indicated that as of January 31, 2015, the fund was valued at $12.4 billion. He also indicated that fund was up 0.6% calendar year-to-date and up 0.9% fiscal year-to-date.

Investment Consultants Review

Andrew Sawyer reviewed the results of MainePERS’ General Consultant Requests for Information (RFI). He reported that the System received seven responses. He provided the Board with a summary report that they could use in making their determination on which candidates they would like to interview. By consensus the Trustees agreed to interview Cambridge Associates, NEPC, and Strategic Investment Solutions for MainePERS’ investment consultant at the March 12, 2015 Board meeting.
APPEAL - ELIZABETH JALBERT

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. Gerard Conley, Esq., the Appellant’s representative, and N. Quinn Collins, Esq., the System’s representative, made presentations before the Board. The Appellant and Stephen Jalbert were also present.

• Ken Williams made the motion, seconded by Ben Viola to accept the final report of the Hearing Officer. Voted unanimously by seven Trustees.

LITIGATION SUMMARY

Chris Mann reported on the litigation summary.

ADMINISTRATION REPORT

Operating Report

Rebecca Grant reviewed the Operating Report noting:

• The Direct Deposit Post Card Campaign, a MainePERS project to initiate a switch from paper checks to direct deposit, has been more successful than anticipated, most likely because the timing of the mailing coincided with recent snowstorms. Fortunately, we were still able to get the checks out on time in spite of challenges with the weather.

• Security projects are in process to protect our members’ information. The Anthem breach was discussed.

Disability Task Force Update

Sandy Matheson reported that the Disability Task Force has begun the process of identifying best practices for a Disability program with Mercer, the selected consultant. Once a best practice program has been determined, the Task Force may consider a discussion about the appeal process. The program framework will then be compared to what is currently in place and a decision made to either update the current program or to recommend a new program to the Legislature.

Legislation

Kathy Morin updated the Board on pending legislative bills of interest to the System.
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)(E). Voted unanimously by seven Trustees.

The Board moved back into open session.

The meeting adjourned approximately 2:20 p.m.

The next regular meeting is expected to be held on March 12, 2015 at the MainePERS Augusta Office located at 96 Sewall Street, Augusta, Maine.

March 12, 2015
Date Approved by the Board

March 18, 2015
Date Signed

Sandra J. Matheson, Executive Director