The Board of Trustees met at 9:00 a.m. on April 14, 2016, at the Maine Public Employees Retirement System, One City Center, 8th Floor, Portland, Maine. Ben Viola, Vice-Chair, presided. Other Trustees present were Peter Leslie, Chair; Shirrin Blaisdell; Phil Brookhouse, Terry Hayes; Dick Metivier; Brian Noyes; and Ken Williams. Joining the Trustees for the first part of the meeting was Sandy Matheson, Executive Director. Also present 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; Gene Kotwarski, Actuary, Cheiron; Elizabeth Wiley, Actuary, Cheiron; Kathy Morin, Manager, Actuarial and Legislative Affairs; Sherry Tripp-Vandrell, Director of Finance; and Brian McDonnell and Cara Majeski, Cambridge Associates.

BOARD INTRODUCTIONS

Ben Viola called the meeting to order. He then introduced Philip A. Brookhouse, the newly appointed Retired Teacher Board member. All those in attendance introduced themselves to Phil. Phil shared with the group his work history and how he was looking forward to being an integral member of the Trustees.

CONSIDERATION OF THE CONSENT CALENDAR

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

1. Minutes of March 10, 2016;
2. Decision – Keith Ludden;
3. Decision – Angela Nelson;
4. Dismissal of Christine A. Allen appeal;
5. Dismissal of Simonne Audet appeal;
6. Dismissal of Lisa Barden appeal;
7. Dismissal of Cathy LaChapelle appeal; and

Action. Shirrin Blaisdell made the motion, seconded by Terry Hayes, that the Consent Calendar be approved. Voted in the affirmative by seven Trustees (Leslie, Viola, Blaisdell, Hayes, Metivier, Noyes and Williams) and one abstention (Brookhouse).
ACTUARIAL

Gene Kalwarski and Elizabeth Wiley presented Cheiron’s response to the actuarial audit report completed by Gabriel Roeder Smith & Company (GRS), in which GRS presented their findings and recommendations. Gene explained that many of the findings were stylistic, and that differences between the approaches taken by different actuaries are typical. Gene indicated that GRS’s recommendations to include information in the valuation report to more clearly compare contributions determined through the biennial budgeting process to the annual valuation would be incorporated into the next valuation report. Gene also indicated that discussions were ongoing with MainePERS staff as to other recommendations found in the GRS report.

Gene Kalwarski and Elizabeth Wiley presented the Trustees with the preliminary results of the 2010-2015 Experience Study of the State Employee and Teacher Retirement Program and the Participating Local District Retirement Program. Gene discussed the demographic assumption change recommendations and presented multiple scenarios regarding the economic assumptions, including potential cost impacts. Gene will have additional discussion about the experience study and possible assumption changes with the Board at its meeting on May 12, 2016.

INVESTMENT STRATEGY DISCUSSION

Andrew Sawyer reintroduced Cara Majeski and Brian McDonnell of Cambridge Associates and explained that Cambridge Associates are general investment advisors to the Investment Team and the Board, while Cliffwater Associates is our private equity and infrastructure advisor and ORG serves as the System’s Real Estate consultant.

Cara Majeski and Brian McDonnell continued the asset allocation discussion, focusing on the next step which will be to set up appropriate ranges around the targets and then come up with an appropriate rebalancing strategy. Andrew shared that the goal is to have a draft investment Policy Statement for review at the May meeting and a finalized statement for consideration by the Board in June.

Cara and Brian discussed various rebalancing approaches, and the importance of maintaining a disciplined rebalancing policy. The current rebalancing policy, which involves fixed ranges and monthly review of portfolio weights, was discussed. Andrew noted that most rebalancing activity was currently “cash flow based,” in which cash flows for beneficiary payments and private market investments are used to keep asset class weights near target. Andrew noted that
the revised Investment Policy Statement would likely continue the existing rebalancing approach.

Andrew then noted that the Investment Team had begun exploring, with Cambridge Associates and others, the possibility of developing a risk-based rebalancing policy. This would involve rebalancing so as to keep the portfolio’s total risk near a target risk level. Andrew noted that the revised Investment Policy Statement offered for the Board’s consideration would include a charge that the Investment Team continue the exploration and development of mechanisms for managing the portfolio’s total risk.

PRIVATE MARKETS REVIEW

Private Markets Activity

Jim Bennett shared that Berkshire IX had closed since the last meeting. He also reminded the Board that the next investment manager meeting will be held on Tuesday, April 26, 2016, with presentations by Orion Mine Finance Fund II at 9:00 a.m.; and ACM Permanent Crops Fund II at 10:30 a.m.

INVESTMENT REVIEW

Investment Review

Andrew Sawyer presented the monthly investment report. Andrew reported that as of March 31, the MainePERS fund was valued at $12.1 billion and reported a preliminary fiscal YTD return of -1.6%.

Brian Noyes shared how helpful the highlight and observation pieces of Andrew’s Monthly Investment Review Memorandum were to him.

LEGISLATIVE SUMMARY

Michael Colleran provided the legislative update to the Board.

RULEMAKING

Michael Colleran provided an update on rulemaking in progress. The repeal of Rule Chapters 501 and 508 and the amendment of Rule Chapter 803 have been noticed with comments due April 22nd. Depending on any comments received, Michael anticipates that recommendations on those Rules would be presented to the Board at the May or June meetings.

Michael proceeded with Rule Chapter 204, the proposed new rule establishing standards for granting waivers of payment obligation, which was ready for
Board action. He gave an overview of the comments stating many of them were meritorious and had been incorporated into the proposed Rule, while others were not. He also briefed them on the rulemaking process.

➢ Action. Ken Williams made the motion, seconded by Terry Hayes, that the Board adopt Rule Chapter 204 and its Basis Statement. Voted unanimously by eight Trustees.

ADMINISTRATION

Operations Report

Michael Colleran presented the Operations Report to the Trustees.

Disability Retirement Task Force

Michael stated that the Disability Task Force met and received a report on the disability application Kaizen event. The Task Force also received an update on our study of options for providing long-term disability insurance. Our consultant, Mercer, is assisting us with research for the study. The final report is due back to the Legislature in January.

LITIGATION SUMMARY

Chris Mann provided a summary of current litigation.

5-12-16
Date Approved by the Board

Sandra J. Matheson, Executive Director

5-12-16
Date Signed