MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
May 11, 2017

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

The Board of Trustees met at 9:00 a.m. on May 11, 2017, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Brian Noyes, Chair, presided. Other Trustees present were Ben Viola, Vice-Chair; Shirrin Blaisdell; Phil Brookhouse, Terry Hayes; Peter Leslie; Dick Metivier; and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; Michael Colleran, General Counsel; Monica Gorman, Secretary to the Board of Trustees; 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; Rebecca Grant, Deputy Executive Director; Jim Dusch, Deputy Executive Director; Sherry Vandrell, Director of Finance; Brian McDonnell and Cara Majeski, 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 April 13, 2017 Meeting;
2. Decision, Steven Adams Appeal;
3. Decision, Terrence Marks Appeal;
4. Decision, Valerie Kane Appeal;
5. Dismissal of Jana Burgoyne Appeal.

➢ Action. Phil Brookhouse made the motion, seconded by Peter Leslie, to approve the Consent Calendar. Approved unanimously by eight Trustees.

Sandy Matheson shared with the Trustees that Peter Leslie will be ending his lengthy tenure with the Board. The Trustees congratulated Peter and wished him well in his future endeavors. The Governor has nominated Michael R. Currie, who is President and Managing Director of H.M. Payson & Co., to replace Peter. Mr. Currie comes highly recommended and is looking forward to joining the Board.

EXECUTIVE SESSION

➢ Action. Dick Metivier made the motion, seconded by Shirrin Blaisdell, to enter into Executive Session pursuant to 1 M.R.S. § 405(6)(F); 5 M.R.S. §17057(4). Voted unanimously by eight Trustees.
The Board moved back into open session.

**Blackstone Property Partners**

- **Action.** Phil Brookhouse made the motion, seconded by Ben Viola, that MainePERS make a commitment of up to $350 million to Blackstone Property Partners, subject to final due diligence, legal review and negotiations, and authorize the Executive Director, Chief Investment Officer, and General Counsel as signatories to execute the documents necessary to complete the transaction. Voted unanimously by eight Trustees.

**Real Estate Rebalancing**

- **Action.** Shirrin Blaisdell made the motion, seconded by Dick Metivier, that MainePERS authorize the Executive Director, Chief Investment Officer, and General Counsel as signatories to execute the documents necessary to rebalance the real estate investment portfolio by reallocating capital to and from managers previously approved by the Trustees. Voted unanimously by eight Trustees.

**INVESTMENT REVIEW**

**Investment Quarterly Review**

Brian McDonnell presented the dashboard report and provided an overview of the asset allocation classes. Cara discussed looking at ways to diversify the portfolio and how to reduce risks within the portfolio. Cara shared that next month they will present examples of strategies to increase diversification within the portfolio.

**Investment Monthly Review**

Andrew Sawyer presented the monthly investment report. Andrew reported that as of April 30, the MainePERS fund was valued at $13.1 billion and that the preliminary return for fiscal year to date is 9.9% net of fees. The calendar year to date return is 5.1%.

**PRIVATE MARKETS REVIEW**

**Private Markets Activity**

Andrew Sawyer reviewed the private markets activity for the past 12 months. Andrew shared that the next investment manager meeting is scheduled for Tuesday, May 23, 2017, with a presentation by Meridiam at 9:00 a.m. and Onex at 10:30 a.m. Andrew shared with the Trustees a detailed background of the co-investment
program and potential changes that are being considered. Andrew presented to the Trustees for consideration a recommendation authorizing a co-investment alongside a KKR Fund.

➢ **Action.** Dick Metivier made the motion, seconded by Terry Hayes, that the Board authorize a co-investment of up to $25 million alongside a KKR fund, to which MainePERS does not have an existing commitment, that otherwise meets the limitations in the co-investment authority granted by the Board at the January 2015 meeting, and authorize the Executive Director, Chief Investment Officer, and General Counsel as signatories to execute the documents necessary to complete the transaction. Voted unanimously by eight Trustees.

**BOARD POLICY REVIEW**

Sandy Matheson reviewed two Board policy changes being recommended for approval by the Trustees. One originated from a question the Appropriations and Financial Affairs Committee raised while they were working on an investment-related bill; and the other change clarifies annual reporting requirements.

➢ **Action.** Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, that the Board approve amended Board Policies 2.1 and 2.6. Voted unanimously by eight Trustees.

**FINANCE AND AUDIT COMMITTEE**

Dick Metivier shared that the Finance and Audit Committee had thoroughly reviewed the Administrative and Investment budgets. The Committee asked a number of questions, requested additional documentation, and after lengthy discussions and review, is making a recommendation to approve both budgets. Sandy Matheson and Sherry Vandrell answered various questions from the Trustees.

➢ **Action.** Ben Viola made the motion, seconded by Shirrin Blaisdell, that the Board approve the FY18 Recommended Operating Budget in the amount of $13,905,822 and the Recommended Investment Operations Budget in the amount of $5,523,782 as recommended by the Finance and Audit Committee. Voted unanimously by eight Trustees.
ADMINISTRATION REPORT

Operations Report

Rebecca Grant provided an update on the V3 V10 upgrade. Rebecca stated that the go-live date has changed due to security performance concerns. General consensus on a go-live date at this point in time may be August or October. Jim Dusch stated that a benefit of this delay is that it will provide more training time for staff.

Jim reviewed and answered questions on the process for members submitting their Annual Statement of Compensation (ASC).

Brian Noyes congratulated Sandy Matheson and her team for their good work in being recognized by the National Association of State Retirement Administrators (NASRA) as one of the top five systems providing exemplary pension reporting and communications. Sandy also shared her gratitude to her staff for their hard work.

PLD PLAN UPDATE

PLD Advisory Committee Update

Sandy Matheson shared that the PLD Advisory Committee is continuing to create a framework for the Plan which will manage market risk impacts and maintain or improve plan funding. Sandy explained that they are hoping to present the framework to Trustees in July or August prior to scheduling outreach meetings around the State for discussion. The goal continues to be July 1, 2018 to implement any changes.

Terry Hayes left the meeting at 1:30 p.m.

MAINEPERS BUILDING UPDATE

Mike Colleran shared that we are continuing discussions with FD Stonewater, the developer of the adjoining property, regarding their proposal that we convey our Augusta property to them and enter into a long-term lease in a new building to be built on the adjoining property. Mike stated that an architect has been retained to develop and analyze our needs. Also, a request for proposal (RFP) was issued and awarded to retain a commercial real estate attorney to assist us should we move forward with a lease and purchase and sale agreement.
DISABILITY RETIREMENT TASK FORCE UPDATE

Jim Dusch provided a presentation of the progress in updating the disability retirement program. Jim had provided the Disability Retirement Task Force with this same presentation, which was well received. Sandy Matheson thanked Valerie Scott for her hard work on the many projects she has and is currently working on, and noted what an integral part she is in the organization.

LEGISLATIVE UPDATE

Mike Colleran reviewed the status of bills we are currently tracking. LD 410, our Freedom of Access bill, has been enacted without the Governor’s signature and is expected to become effective in September.

LITIGATION SUMMARY

Chris Mann stated there was no new information this month, and that he anticipated that two new appeals would be filed.

There being no further business, the meeting adjourned at 3:00 p.m.

6-8-17
Date Approved by the Board

Sandy Matheson, Executive Director

6-8-17
Date Signed