MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Regular Board Meeting
May 12, 2016

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

The Board of Trustees met at 9:00 a.m. on May 12, 2016, at the Maine Public Employees Retirement System, 92 Sewall Street, Augusta, Maine. Peter Leslie, Chair, presided. Other Trustees present were Ben Viola, Co-Chair; Shirrin Blaisdell; Terry Hayes; Dick Metivier; Brian Noyes; and Ken Williams. Also present were Sandy Matheson, Executive Director; 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 Ackor, Deputy Managing Director, Alternative Investments; Kathy Morin, Manager, Actuarial and Legislative Affairs; Sherry Tripp-Vandrell, Director of Finance; Brian McDonnell and Cara Majeski, Cambridge Associates; Mark Johnson, Cliffwater; Gene Kalwarski, Mike Nobel and John Colberg, Cheiron; and the IT Security Council.

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 14, 2016;
2. Decision – Elizabeth Crawford;
3. Dismissal of Robert McFetridge appeal;
4. Dismissal of Bonnie Pulsifer appeal;
5. Dismissal of David Slagger appeal; and
6. Remand of Benjamin Scheurenbrand appeal.

Action. Terry Hayes made the motion, seconded by Shirrin Blaisdell, that the Consent Calendar be approved. Voted in the affirmative by seven Trustees.

GLI PREMIUM STUDY AND EXPERIENCE STUDY

Board members discussed whether or not to finalize the experience study at this meeting. Gene Kalwarski concurred this could be a longer discussion and supported revisiting the experience study at the June meeting.
Mike Nobel and John Colberg from Cheiron presented the recommendations on the GLI Premium Study and answered questions from the Trustees. Mike Nobel shared that the last premium study was done in 2013. He recommended that a study be done every three years in order to make sure they match the cost of the plan. With the increases planned, the study should be fully funded by 2038. Action on the GLI premium study will be considered when the Board discusses the experience study in June.

INVESTMENT POLICY DISCUSSION

Andrew Sawyer introduced Jim Ackor, who is now the Deputy Managing Director, Alternative Investments, overseeing private equity. He also provided an investment team update.

Andrew Sawyer opened the discussion with a review of the proposed investment policy statement (IPS). The current IPS was created back in 2003. Andrew explained that the proposed IPS contains sections from the old policy, but has been significantly modified. Appendices were added to the core document with the intention that the appendices will be updated as needed and the core document will have infrequent updates.

Sandy Matheson stated the changes to the IPS were made consistent with the structure of other board policies. The Trustees shared their concerns and comments, which will be considered as they work towards the final policy statement.

Shirrin Blaisdell left the meeting at 9:50 a.m. and returned at 10:35 a.m.

PRIVATE MARKET ACTIONS

Andrew Sawyer gave an overview of the funds to be considered by the Board.

EXECUTIVE SESSION

➤ **Action.** Dick Metivier made the motion, seconded by Ben Viola, to enter into Executive Session pursuant to 1 M.R.S. § 405(6) (F); 5 M.R.S. § 17057(4). Approved unanimously by seven Trustees.

*The Board moved back into open session.*
ACM Fund II

- **Action.** Ken Williams made the motion, seconded by Ben Viola, that MainePERS make a commitment of up to $50 million to ACM Fund II, 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. Approved unanimously by seven Trustees.

Orion Mine Finance Fund II

- **Action.** Shirrin Blaisdell made the motion, seconded by Dick Metivier, that MainePERS make a commitment of up to $50 million to Orion Mine Finance Fund II, 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. Approved unanimously by seven Trustees.

Inflexion Supplemental Fund IV

- **Action.** Ben Viola made the motion, seconded by Brian Noyes, that MainePERS make a commitment of up to £10 million (roughly $15 million) to Inflexion Supplemental Fund IV, 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. Approved unanimously by seven Trustees.

ABRY Heritage Partners

- **Action.** Dick Metivier made the motion, seconded by Ben Viola, that MainePERS make a commitment of up to $10 million to ABRY Heritage 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. Approved by six Trustees (Leslie, Viola, Metivier, Hayes, Blaisdell, and Williams); and one abstention (Noyes).

Private Markets Activity

Andrew Sawyer reviewed the private markets activity memorandum and shared some additional information on a couple of the funds that had closed. Andrew also shared that KKR Real Estate Partners Americas II had not yet closed. He stated that Homestead Capital, along with possibly another fund, is under
consideration and will be included in the next investment manager meeting scheduled for June. Andrew provided an overview of top-up funds and how we might address these opportunities in the future. He is hoping to bring a recommendation to the Board in June or July. Andrew shared that ORG’s real estate consultant contract has an expiration date of June 30, 2016. Next month he plans to bring a recommendation to renew for another year.

INVESTMENT REVIEW

Monthly Investment Review

Andrew Sawyer began the monthly investment review by providing clarification on the investment related fee increase from FY15 to FY16. Terry Hayes suggested that they add accrued and actual as footnotes to the chart for a clearer understanding.

Andrew Sawyer presented the monthly investment report. Andrew reported that as of March 31, the MainePERS fund was valued at $12.3 billion and reported a preliminary fiscal YTD return of 0.1%.

Quarterly Investment Review

Brian McDonnell and Cara Majeski presented the First Quarter 2016 Performance Review. They provided the Trustees with a one-page snap shot of where the portfolio is for the month. Several suggested changes to the snap-shot were suggested, but the Trustees generally like it. Cara reviewed the Total MainePERS Fund performance stating that recent absolute performance has been weak which also shows up in the trailing one, three and five year periods. She added that performance relative to MainePERS Policy Benchmark and peers has been good.

APPEAL – Paul W. Knoll

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to the appeal before the Board and the decision by the Hearing Officer. Mark A. Cloutier, Esq., the Appellant’s counsel, and Anedra Gregori, Esq., the System’s representative, made presentations before the Board. The Appellant was also present.

➢ Action. Ken Williams made the motion, seconded by Ben Viola, to adopt the recommended final decision of the Hearing Officer. Six Trustees voted in the
affirmative (Leslie, Viola, Metivier, Williams, and Blaisdell) and one opposed (Hayes).

APPEAL – Randy Bodge

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to the appeal before the Board and the decision by the Hearing Officer. Richard M. Goldman, Esq., the Appellant’s counsel, and N. Quinn Collins, Esq., the System’s representative, made presentations before the Board. The Appellant was also present.

➢ **Action.** Brian Noyes made the motion, seconded by Dick Metivier, to adopt the recommended final decision of the Hearing Officer. Four Trustees voted in the affirmative (Noyes, Metivier, Williams, and Blaisdell) and three opposed (Leslie, Viola, and Hayes). Motion failed.

➢ **Action.** Shirrin Blaisdell made the motion, seconded by Terry Hayes, to table further consideration of the appeal of Randy Bodge to the June meeting of the Trustees. Five Trustees voted in the affirmative (Leslie, Viola, Hayes, Blaisdell and Williams) and two opposed (Noyes and Metivier).

IT OVERSIGHT COUNCIL

Rebecca Grant introduced members of the Information Technology (IT) Oversight Council. Rebecca provided a presentation on how the Council came into being and how it has evolved.

John Mavadones, Network and Operations Supervisor for the System shared information on our security infrastructure how each layer works to protect the System.

Matt McGrath from Systems Engineering gave an overview of his company and what they provide for expertise to MainePERS.

Rick Simonds from Sage Data Security shared that his company provides internet monitoring and social engineering testing services across the organization. Their primary customers are financial and healthcare organizations.

Peter Leslie expressed his gratitude for the IT expertise that we have to protect us and our members.
RULEMAKING

➢ **Action.** Terry Hayes made the motion, seconded by Ben Viola, that the Board adopt amended Rule Chapter 803 and its basis statement. Voted unanimously by seven Trustees.

FINANCE AND AUDIT COMMITTEE

Dick Metivier reported the Finance and Audit Committee met prior to the Board meeting and had reviewed the responses to the RFP’s received for external auditor services. He shared they interviewed two qualified firms for a five (5) year contract. They were recommending Berry Dunn based on the proposals submitted.

➢ **Action.** Terry Hayes made the motion, seconded by Shirrin Blaisdell, that the Board consider and approve the Finance and Audit Committee’s recommendation on the engagement of the external auditor, Berry Dunn. Voted unanimously by seven Trustees.

Dick Metivier continued with the FY17 Administrative and Investment Operations Budgets, stating the Committee had more work to do on those budgets and made the recommendation that the vote be tabled until the June meeting.

➢ **Action.** Terry Hayes made the motion, seconded by Ben Viola, that the Board considers approval of the budgets at the June meeting. Voted unanimously by seven Trustees.

LEGISLATIVE SUMMARY

Michael Colleran provided the legislative update to the Board. This will be the final summary for this legislative session.

ADMINISTRATION

**Operations Report**

Sandy Matheson presented the Operations Report to the Trustees.
Disability Retirement Task Force

Sandy Matheson shared that they would be going out for cost estimates for the long-term disability insurance. Sandy also stated they will continue to work on actions identified in the Kaizen event that will help streamline the disability process.

LITIGATION SUMMARY

Michael Colleran provided a summary of current litigation. Michael shared that the Debra Pelton case had been reversed by the Superior Court and the System has decided not to appeal to the Law Court.

EXECUTIVE DIRECTOR EVALUATION

> **Action.** Terry Hayes made the motion, seconded by Shirrin Blaisdell, to enter into Executive Session pursuant to 1 M.R.S. § 405(6)(A). Voted unanimously by seven Trustees.

6-9-16
Date Approved by the Board

Sandra J. Matheson, Executive Director

6-9-16
Date Signed