MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
June 9, 2016

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

The Board of Trustees met at 9:00 a.m. on June 9, 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, Phil Brookhouse, Terry Hayes, Dick Metivier, Brian Noyes, 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 was also joined for select portions of the meeting by Andrew Sawyer, Chief Investment Officer; Jim Bennett, Deputy Chief Investment Officer; Cara Majeski from Cambridge Associates; and Mark Johnson, Cliffwater.

BOARD INTRODUCTIONS

Peter Leslie called the meeting to order. He then asked Sandy Matheson to introduce Randal Lloyd, the new Internal Auditor for MainePERS. Randal shared with the group his work history and that he was looking forward to new challenges.

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 May 12, 2016
2. Decision - John A. Booth, III;
3. Decision - Rachel Cleveinger;
4. Dismissal of Peggy Albert Appeal;
5. Dismissal of Lisa J. Crocker Appeal;
6. Dismissal of Julie L. Hundley Appeal;
7. Dismissal of Arthur Keenan Appeal;
8. Dismissal of William Roehrich Appeal;
9. Dismissal of Kristopher Trent Murphy Appeal;
10. Dismissal of Diane Sirois Appeal; and

Ben Viola requested that the minutes be changed to reflect that Chris Mann left at 2:00 p.m. prior to the Trustees vote on the Randy Bodge appeal.
Action. Terry Hayes made the motion, seconded by Shirrin Blaisdell, that the Consent Calendar be approved as amended. Voted unanimously by eight Trustees.

EXPERIENCE STUDY

Sandy Matheson shared that the two items left for consideration were wage inflation and the discount rate. After a conversation with Gene Kalwaski, Peter and Ben, it was decided to have a more detailed discussion at the July meeting. The information will be provided to the Board, in writing, for their review prior to the July meeting.

FINANCIAL STATEMENTS

Dick Metivier, Chair of the Board’s Finance and Audit Committee, presented the recommendation of the Committee to approve MainePERS’ administrative and investment operating budgets for FY 17, following review and discussion by the Committee over the last three months.

Action. Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, to approve the recommended administrative and investment operating budgets for FY17 in the amounts of $13,403,718 and $5,659,792 respectively. Voted unanimously by eight Trustees.

Brian Noyes asked Sandy to share with Sherry that the budgets were a “job well done” and to thank her for pulling it all together.

INVESTMENTS – PRIVATE MARKETS

Private Market Activity

Jim Bennett reviewed the table of private markets funds that had closed during the past 12 months. Jim explained that the items in the table that are italicized are funds that closed with lower commitments than the board had approved. For easier reading Board members asked to have those amounts in bold rather than italics.

Jim Bennett reminded the Board that the next investment manager meeting will be held on Tuesday, June 28, 2016, with a presentation by Homestead Capital at 9:00 a.m. and managers from EnCap at 10:30 a.m. providing an update on the System’s investments.
Jim Bennett shared that two top-up funds, ABRY Heritage Partners and Inflexion Supplemental IV, which were approved last month, closed at the end of May.

Andrew Sawyer explained that he will provide the Board with a formal recommendation for top-up funds either in July or August.

**Investment Review**

Andrew Sawyer presented the monthly investment report. Andrew reported that as of May 31, the MainePERS fund was valued at $12.2 billion with a preliminary return of 0.1% fiscal year to date. Andrew also shared that it may be time to begin reviewing the life stages of investments, to start looking at what the portfolio will look like in the future and begin planning.

Andrew stated that we have been with the current custodian for the past five years and suggested that it may be a good time to review the existing custodian and possibly look at others in the near future. Sandy suggested adding a five-year assessment schedule within the investment policy.

**Investment Policy Statement Review**

Andrew Sawyer began the discussion by asking the Board for questions or concerns regarding the policy statement. There were a few minor changes considered and those will be made to the statement.

*Terry Hayes left the meeting at 11:15 and returned at 11:20.*

- **Action.** Brian Noyes made the motion, seconded by Shirrin Blaisdell, to accept the Investment Policy Statement with the changes that were discussed and agreed upon. Voted in favor by seven Trustees (Peter Leslie, Ben Viola, Phil Brookhouse, Dick Metivier, Shirrin Blaisdell, Brian Noyes and Ken Williams) Terry Hayes was absent for the vote.

**DISABILITY APPEALS DISCUSSION**

Chris Mann provided the Board with an overview of the role of the hearing officers. Chris also reviewed Rule 702, which sets out the process for appeals of decisions of the Executive Director to the Board of Trustees. Chris responded to various questions from the Board. Sandy suggested that before the Board decides to make or consider any rule changes that the Board allows the disability task force group to finish their work. Brian Noyes reiterated that education and
outreach to members is what is most important so they understand how the process works.

**APPEAL – Tina Mann**

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. Neither the Appellant nor her counsel was present.

- **Action.** Shirrin Blaisdell made the motion, seconded by Dick Metivier, to adopt the recommended final decision of the Hearing Officer. Voted unanimously in favor by eight Trustees.

**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.

- **Action.** Peter Leslie made the motion, seconded by Dick Metivier, to adopt the recommended final decision of the Hearing Officer. Seven Trustees voted in the affirmative (Peter Leslie, Phil Brookhouse, Dick Metivier, Terry Hayes, Shirrin Blaisdell, Brian Noyes and Ken Williams) and one opposed (Ben Viola).

**INTEREST RATE SETTING**

Sandy Matheson stated that the Board is required to periodically set the interest rates we charge and pay to members. The last time this was done was back in 2014. The recommendation for service purchases and buybacks will continue to be equal to the discount rate of 7.125% which is the same as it has been. Withdrawal rates will follow the 10-year US Treasury Bond yield as of the last day of 2015, which was 2.27%.

- **Action.** Ben Viola made the motion, seconded by Dick Metivier, to set the discount rate of interest for service purchases and buybacks at the then-current discount and the rate of interest for withdrawals at the yield of a 10-year United States Treasury bond on the last business day of the previous calendar year. Seven Trustees voted in the affirmative (Peter Leslie, Phil Brookhouse, Dick Metivier, Shirrin Blaisdell, Brian Noyes and Ken Williams) and one abstained (Terry Hayes).
RULEMAKING

Michael Colleran presented recommendations to repeal Rule Chapters 501 and 508 to the Board. Michael stated that they were noticed and no comments were received by the deadline.

➢ Action. Dick Metivier made the motion, seconded by Terry Hayes, to repeal Rule Chapters 501 and 508 and adopt the Basis Statement for the repeal of each rule. Voted unanimously by eight Trustees.

DC PLANS SIGNATURE AUTHORIZATION

Michael Colleran informed the Board that approval was needed in order to update the list of staff authorized to sign documents on behalf of our DC Plans (defined contribution and deferred compensation).

➢ Action. Ken Williams made the motion, seconded by Terry Hayes, to authorize the Executive Director, General Counsel, Chief Investment Officer, Director of Finance, and Deputy Executive Director for Service Programs to sign documents on behalf of the plan sponsor of the 401(a) and 457 plans and authorize the persons in those positions and the PLD Plan Administrator to sign documents on behalf of the plan administrator of the 401(a), 457, and 403(b) plans. Voted unanimously by eight Trustees.

ADMINISTRATION REPORT

Operations Report

The memorandum stated there was an appended report to the Benefits Payroll update; it was not included.

Disability Task Force

Sandy Matheson provided an update on the Disability Task Force. Sandy shared that the Disability Task Force did not meet in May. Orion Development Group will be assisting the System to make changes that were identified by the Kaizen event participants. Work continues on the legislative study on making long-term disability insurance available to members. This report is due in January. The Task Force is meeting in June.
LITIGATION SUMMARY

Chris Mann shared there was no new information on the litigation summary.

EXECUTIVE DIRECTOR EVALUATION

Peter Leslie discussed with the Board what the process was going to be on completing the Executive Director’s evaluation. Various suggestions were made and more feedback will be shared at the next meeting.

The meeting adjourned at approximately 2:15 p.m.

Date Approved by the Board

7-14-16

Sandra J. Matheson, Executive Director

Date Signed

7-18-16