The Board of Trustees met at 9:00 a.m. on June 12, 2014, at the Maine Public Employees Retirement System, Board Room, at 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Shirrin Blaisdell, Dick Metivier, Brian Noyes, Catherine Sullivan, Ben Viola (Vice Chair), and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; Naomi Poland, 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; Pete Keliuotis, 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 May 8, 2014, Regular Meeting;
2. Adoption of Hearing Officer’s Final Report in Debra Dyer appeal;
3. Adoption of Hearing Officer’s Final Report in Christine Frigon appeal;
4. Adoption of Hearing Officer’s Final Report in Wallace Hall, Jr., appeal;
5. Adoption of Hearing Officer’s Final Report in Victoria McLean appeal;
6. Recommended Dismissal of Jennifer Bonnet appeal;
7. Recommended Dismissal of Laurelyn Cooper appeal;
8. Recommended Dismissal of Edward Dippolito appeal;
9. Recommended Dismissal of David Hayes appeal;
10. Recommended Dismissal of Kathleen Kearsley appeal;
11. Recommended Dismissal of Lisa Riddell appeal; and
12. Recommended Dismissal of Madeline Sarantidis appeal.

➤ Action. Dick Metivier made the motion, seconded by Shirrin Blaisdell, to approve the Consent Calendar. Voted unanimously by seven Trustees.

Sandy Matheson thanked the Board of Trustees for their participation in the Board Governance training on June 11, 2004 by consultant Nancy Williams (Aon Hewitt). She indicated that Nancy was highly impressed with the Board’s decision-making process, open discussion, overall participation, and its unified view of its responsibilities. She asked for permission to share some of the stories about how the Board operates. She was also impressed with the manner in
which Andrew Sawyer fulfills his responsibility to provide unbiased information to the Board.

INVESTMENTS

Andrew Sawyer informed the Board of changes to the organizational structure of the investment department and noted newly hired Andrew Lumb (Jr. Analyst), Justin Hodgkins (Analyst, Alternative Investments), and Jim Bennett (Deputy CIO). Jim served as a member of the System’s former Investment Advisory Committee. Andrew indicated that the focus of the position of Deputy CIO would change to be more about managing people and processes. Sandy noted that Jim’s academic background will assist him in his role as mentor to the investment staff. Jim will participate in leadership group meetings.

Sandy indicated that staff would bring to the Board (likely in September) an updated organizational chart of the investment department indicating each investment member’s name and title, area of expertise and area of responsibility.

EXECUTIVE SESSION

➢ Action. Catherine Sullivan made the motion, seconded by Ben Viola, to enter into executive session pursuant to Title 1 § 405(6)(E) for the purpose of discussing personnel matters. Voted unanimously by seven Trustees.

The Board moved back into regular session.

INVESTMENTS

Review of Risk Measurement and Management

Andrew Sawyer noted that the Board and investment team have spent a considerable amount of time discussing the causes and adverse outcomes of risk and the tension between the need for asset growth and the desire to avoid risk. Andrew indicated the investment team is continuing to develop a group of risk measures (Risk Dashboard) that will facilitate a better understanding of the risks of the investment environment and of the MainePERS portfolio. Andrew believes this framework will be an effective way for Trustees to monitor risk on an ongoing basis.
Monthly Performance Report – May 2014

Andrew Sawyer indicated that as of June 11, 2014, the fund was valued at $12.6 billion. He indicated that the fund’s preliminary total return was up 14.5% fiscal year to date.

Sovereign Capital IV

Andrew Sawyer presented the Investment Team’s recommendation that MainePERS make a commitment of up to £36 million ($60 million) to Sovereign Capital IV Limited Partnership. Mark Johnson of Cliffwater also joined the discussion and joined in the recommendation.

➤ Action. Brian Noyes made the motion, seconded by Dick Metivier, that MainePERS make a commitment of up to £36 million ($60 million) to Sovereign Capital IV Limited Partnership, subject to final due diligence, legal review and negotiations, and to authorize the Executive Director, General Counsel and Chief Deputy Executive Director and Chief Investment Officer as signatories, to execute the documents necessary to effectuate the transaction. Voted unanimously by seven Trustees.

Private Markets Forward Calendar

Andrew Sawyer reported that the Investment Team is conducting due diligence on HIG Bayside Loan Opportunity Fund IV L.P., ABRY Partners VIII, ACM Permanent Crops, LLC, and Hellman and Friedman VIII, L.P. Meetings with HIG Bayside Loan Opportunity Fund IV L.P. and ACM Permanent Crops, LLC are scheduled for Tuesday, June 24, 2014 in the Portland office.

OPERATING REPORT

Rebecca Grant reviewed the Operations Report noting specifically the number of retirements; the fact that late employer payments had markedly reduced in the last five years; the number of ongoing active appeals; and that the most common workplace injury at the System was due to repetitive motion.

Sandy noted that members of the Appeals Working Group had been invited to attend the quarterly hearing officer meetings so that the process is totally transparent and so that all parties feel a joint ownership.
MainePERS will be participating in Cost Effectiveness Management (CEM) benchmarking this year. The focus of this renewed first effort will be identifying the appropriate data to be included in the survey.

Sandy noted a recent equipment failure that was due to not replacing the equipment frequently enough, given the increasing load on the system. This led to the system being down for a number of hours. She also indicated a need to increase the bandwidth to allow the exchange of information and to facilitate more timely backup of data, including member data. Lessons learned include establishing a shorter replacement schedule and creating policy guidelines for IT staff.

Social Engineering testing had occurred with the results indicating that a good monitoring system was in place.

**LEGISLATION**

Kathy Morin reviewed legislative items of interest.

**APPEAL – ROSEMARIE DEANGELIS**

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. The Appellant’s counsel indicated that neither she nor the Appellant would be present for the Board’s consideration

- **Action.** Brian Noyes, made the motion, seconded by Shirrin Blaisell, to accept the final report of the Hearing Officer. Voted unanimously by five Trustees. Catherine Sullivan and Ken Williams recused themselves.

The meeting adjourned at approximately 1:00 p.m.

The next meeting will be a regular Board meeting and is expected to be held July 10, 2014, at MainePERS office located at 96 Sewall Street, Augusta, Maine.

July 10, 2014
Date Approved by the Board

Sandra J. Matheson, Executive Director

July 10, 2014
Date Signed