The Board of Trustees met at 9:00 a.m. on July 9, 2015, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Shirrin Blaisdell, Terry Hayes, Dick Metivier, Ben Viola, Vice Chair, and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; John Milazzo, General Counsel and Chief Deputy 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; Jim Bennett, Deputy Chief Investment Officer; Mark Johnson, and Mark Williams, Cliffwater; Brian McDonnell and Cara Majeski, Cambridge Associates; and Kathy Morin, Manager of Actuarial and Legislative Affairs.

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 June 11, 2015;
2. Adoption of Hearing Officer’s Recommended Final Decision in Kathryn Christman appeal;
3. Adoption of Hearing Officer’s Recommended Final Decision in April Kenney appeal;
4. Recommended Dismissal of Joyce Arnemann appeal,
5. Recommended Dismissal of Brian Huot appeal,
6. Recommended Dismissal of Leah E. McDaniels appeal; and
7. Recommended Dismissal of Walter Whitlock appeal.

It was noted that the word “Capital” should be spelled “Capitol” on page four of the minutes under Legislative Review.

- **Action**: Terry Hayes made the motion, seconded by Shirrin Blaisdell, that the Consent Calendar be approved as amended. Voted unanimously by six Trustees.
INVESTMENTS – PRIVATE MARKETS

Andrew Sawyer and Jim Bennett were joined by Mark Williams and Mark Johnson, Cliffwater, and by Brian McDonnell and Cara Majeski, Cambridge Associates, for the Private Market review.

The meeting began with Sandy Matheson and Andrew Sawyer discussing recent market events, including the temporary NYSE shutdown, volatility in the Chinese equity markets, and Greece. Cambridge Associates expressed a view that these events, while dramatic, are expected to have a minimal impact on the portfolio in the long run.

Private Market Activity

Andrew Sawyer and Jim Bennett updated the Board on the Investment Team’s private market due diligence activities. Trustees are invited to due diligence meetings scheduled for July 28th with managers from Walton Street Realty and from a potential investment in timber. Andrew and Jim also apprised the board of ongoing due diligence on Riverside Micro-Cap Fund IV, Carlyle Power Partners II, and KKR Real Estate Partners Europe (REPE). Peter Leslie reiterated the desire of the Trustees to meet with potential managers and that manager visits related to successor funds could include a review on the performance of current investments among other topics.

Co-Investment Review

Andrew Sawyer and Jim Bennett reviewed the process for co-investing, stating that MainePERS has evaluated nearly thirty co-investment opportunities since 2013 and has committed $62 million to four investments.

Investment Review

Andrew Sawyer presented the monthly investment report. Andrew reported that the MainePERS fund is currently valued at $12.5 billion. He also reported a preliminary 2015 fiscal year return of 1.7%. Both the market value and investment return numbers are based on unaudited and therefore preliminary accounting data.

Real Assets – Role in Portfolio

Mark Williams presented timberland as an institutional investment to the Board in the context of real assets. Mark provided a general overview of timber, and discussed specific risks and opportunities associated with the asset.
Investment Strategy Discussion

Brian McDonnell and Cara Majeski presented the Board with an overview of different formulations of target weights and ranges in the context of investment policy portfolio weights. This included discussion of the advantages and disadvantages of wide and narrow ranges and the use of weights by asset class and by “role-in-portfolio.”

Investment Projects Update

Sandy Matheson and Andrew Sawyer presented updates of several ongoing special projects. Sandy discussed the Environmental, Social and Governance (ESG) project and plans for a year-end report, noting the use of another institutional investor’s report as a model format. Sandy reported that a meeting with the communication consultant is scheduled for next week regarding updating the investment website. Sandy also reported on a meeting with Andrew, Jim Bennett and Glass, Lewis & Co on the System’s Proxy Voting Policy. Sandy then discussed private equity fees stating that over the last two months the Investment Team has begun to standardize the analysts’ monitoring processes across our private market portfolio. The monitoring activities include the analysis of fees, expenses and profit-sharing. Andrew explained that JP Morgan provides accounting services for all fund cash flows and that the Investment Team verifies that fees are properly recorded.

APPEAL – Philip Moses

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. David Hirtle, Esq., the Appellant’s counsel, and N. Quinn Collins, Esq., the System’s representative, made presentations before the Board. The Appellant was not present.

Action. Dick Metivier made the motion, seconded by Shirrin Blaisdell, to adopt the recommended final decision of the Hearing Officer. Voted unanimously by six Trustees.

LEGISLATIVE REVIEW

Kathy Morin presented the legislative update and provided information on the status of bills the System is tracking.
SPECIAL PROJECTS UPDATE

Disability Task Force

Sandy Matheson updated the Board on the continuing work of the Disability Task Force. A survey has gone out to employers to assess their understanding of the MainePERS disability program. Approximately thirty employers have responded to date.

Lean Update

Sandy Matheson updated the Trustees on the Lean process, sharing that the Investment Team will be trained in August. The project is progressing very well and there was positive employee feedback from the trainings. The first project is in the process of being identified. The intent is that eventually MainePERS’ employees will implement Lean principles into daily work.

HR Consultant

Sandy Matheson provided an update on the process of securing an HR consultant to assist with several projects the System has in process.

Deputy Executive Director Position

Sandy Matheson explained that the search for the Deputy Executive Director position has been temporarily suspended to provide additional time for the staff to reexamine the responsibilities and duties of the position in light of current System needs.

Sandy Matheson left the meeting at approximately 2 p.m.

LITIGATION SUMMARY

Chris Mann reviewed the litigation summary.
ADMINISTRATION

Operating Report

John Milazzo reviewed the Operating Report noting:

- The quarterly summary of disbursements and contributions will be provided to the Trustees in August;

- The Group Life Insurance notification for a third party mailing went out with about 1500 coming back that had wrong addresses. The System has not received many forms back completed but the mailing has generated about 100 phone calls from participants inquiring about their Group Life coverage.

- The Voice Consultant training is progressing well and the participants are enjoying it.

- Phone calls received by reception have increased and the percentage of calls handled by reception has gone up.

- Retirement Services is currently processing approximately 600 teacher retirement applications for July.

The meeting adjourned at approximately 2:10 p.m.

Date Approved by the Board

Sandra J. Matheson, Executive Director

Date Signed