MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
July 14, 2016

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

The Board of Trustees met at 9:00 a.m. on July 14, 2016, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were 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; Brian McDonnell and Cara Majeski, Cambridge Associates; and Mark Johnson, Cliffwater. Guests joining the meeting were Chuck Callahan, Chapman Grumbles and Rich Costantino from JP Morgan; and Tim Maul from RBC Global Asset Management.

BOARD INTRODUCTIONS

Peter Leslie called the meeting to order and invited the guests introduce themselves. Chuck Callahan, J.P. Morgan, thanked the Board and the Investment Team for the great partnership over the past five years.

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 9, 2016
2. Dismissal of Erin Bartlett Appeal;
3. Dismissal of Marc A. Cormier Appeal;
4. Dismissal of Jeanne Feder Appeal;
5. Dismissal of Jane D. Hogan Appeal;
6. Dismissal of Tammy Sutherland Appeal; and
7. Dismissal of Cynthia Trask Appeal.

The following amendments were made to the June 9, 2016 minutes: The
Dismissal of William Roehrich’s appeal was added to the items approved on the
Consent Calendar; on the first page, first paragraph, 2015 should be 2016 (in
italics); Ben Viola, Co-Chair, should be Vice Chair; and under Disability
Retirement Task Force, the word meeting should be meet.
➢ **Action.** Terry Hayes made the motion, seconded by Dick Metivier, to approve, as amended, the June 9, 2016 minutes. Voted unanimously by seven Trustees.

➢ **Action.** Shirrin Blaisdell made the motion, seconded by Terry Hayes, that the rest of the Consent Calendar be approved. Voted unanimously by seven Trustees.

**2016 EXPERIENCE STUDY**

Gene Kalwarski and Sandy Matheson held a lengthy discussion with the Trustees on the discount rate and wage inflation assumptions. Those were the two remaining assumptions for review to complete the 2016 Experience Study. The other assumptions were reviewed by Trustees in May. Peter and the Board shared their appreciation and thanked all those involved in getting this task completed.

➢ **Action.** Brian Noyes made the motion, seconded by Terry Hayes, to accept the Cheiron 2016 Experience Study and Cheiron’s recommended assumptions; establish a discount rate of 6.875% and a wage inflation assumption of 2.75%, each of which are within the range recommended by Cheiron; and set contribution rates for the State Employee/Teacher, Legislative, and Judicial Retirement Programs for fiscal years 2018-19 based on those assumptions and Cheiron’s roll-forward valuation calculations. Voted unanimously by seven Trustees.

**GLI PREMIUM STUDY**

Kathy Morin provided an overview and answered questions on the recommended premium changes for both members and retirees of the State Employee/Teacher Group Life Insurance Program.

➢ **Action.** Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, to accept the Cheiron GLI Premium Study and Cheiron’s recommended premium changes for members and retirees of the State Employee/Teacher Group Life Insurance Program as follows:

- State Active – increase bi-weekly rate from .07 per $1,000 to .09 per $1,000 of coverage beginning in fiscal years 2018-19
State Retired – set bi-weekly rate per $1,000 of coverage as follows:

- Fiscal years 2018-2019: .26
- Fiscal years 2020-2021: .29

State Supplemental – decrease rates by 10%
Teacher Supplemental – decrease rates by 40%

Voted unanimously by seven Trustees.

EXECUTIVE SESSION

- Action. Brian Noyes 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 seven Trustees.

The Board moved back into open session.

Homestead Capital

- Action. Ken Williams made the motion, seconded by Terry Hayes, that MainePERS make a commitment of up to $50 million to Homestead Capital USA Farmland 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. Voted unanimously by seven Trustees.

Private Markets Review

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 in bold and italicized (as requested last month) are funds that closed with lower commitments than the board had approved.

Private Markets Investment Summary

Jim Bennett provided the Board with a copy of the Private Market Investment Summary that is currently posted on the System’s website. Discussion ensued on whether that summary should be provided to the Board in the packet quarterly or if the website was sufficient. One suggestion for the summary would be to highlight alternating rows for easier reading.
Andrew Sawyer shared that the “Interim Net IRR” column would now reflect all funds with less than 24 months of history or less than 50% of capital called as “NM” (Not Meaningful) and will footnote those funds.

**Investment Review**

Sandy Matheson provided the Board with a MainePERS Performance Results Summary – as of June 2016. Sandy and Andrew provided details and responded to questions regarding the summary.

Andrew Sawyer presented the monthly investment report. Andrew reported that as of June 30, the MainePERS fund was valued at $12.2 billion with a preliminary return of 0.6% fiscal year to date.

**Investment Policy Statement Implementation**

Andrew Sawyer began by thanking the Board for their hard work in reviewing and approving the Investment Policy Statement. Andrew reviewed the implementation timeline for the Investment Policy Statement. He stated the public equity implementation begins now. The policy specifies new benchmarks for public equities which will bring us in alignment with the majority of institutions across the country.

Andrew Sawyer shared that there is still work to be done with the public fixed income investments. They are looking to include nominal treasuries in addition to TIPS.

Custodian reviews for potential providers is currently underway. Review of the private market consultants will begin in the fall of 2016. They are in the process of reworking and reviewing the pacing schedule. Andrew stated that Jim Bennett will be the lead in private credit.

Andrew Sawyer informed the Board that he will be working with Jim Bennett on developing a risk measurement and management process. They will be reaching out to others for their input in order to develop a sound process.
ADMINISTRATION REPORT

Operations Report

Brian Noyes asked for a facilities update, and inquired about long range planning. Sandy shared that a proposal had been done on what options are available for the facility (repair, not repair, build new) and will keep them updated with the process. She also shared that long-range planning will result from full implementation of the Balanced Scorecard, which should be substantially complete in the next year.

Disability Retirement Task Force

Sandy Matheson shared that the Disability Retirement Task Force continues to work on the long-term disability insurance and changes in the disability retirement process that were gathered from the Kaizen group. The next step is to involve a consultant (Orion) to assist us in implementing that process. The Task Force will be meeting in August.

GFOA

Sandy Matheson shared that the 2015 MainePERS CAFR received the GFOA Certificate of Achievement for Excellence in Financial Reporting Program Award and was also recently awarded the Certificate of Excellence for our CAFR reporting for the 12th consecutive year. She complimented the work of all MainePERS staff for their outstanding efforts year after year in financial reporting.

V3-Version 10 UPDATE

Sherry Vandrell provided a timeline and current status of the V3-V10 Project. Sherry shared that Version 10 is more polished and has more functionality. User acceptance testing is scheduled for next month for twelve weeks and the anticipated go-live is winter of 2016-2017.

LITIGATION SUMMARY

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

Peter Leslie continued discussion on the process in completing the Executive Director’s evaluation.

Sandy Matheson shared information and discussed with the Board how to proceed regarding the Board Self Evaluation process.

The meeting adjourned at approximately 2:30 p.m.

8-11-16

Date Approved by the Board

Sandra J. Matheson, Executive Director

8-15-16

Date Signed