MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
One City Center, 8th Floor
August 14, 2014

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

The Board of Trustees met at 9:00 a.m. on August 14, 2014, at the Maine Public Employees Retirement System, One City Center, 8th Floor, Portland, Maine. Peter Leslie, Chair presided. Other Trustees present were Shirrin Blaisdell, Neria Douglass, Dick Metivier, Brian Noyes, Ken Williams, Catherine Sullivan, and Ben Viola (Vice Chair). Joining the Trustees were Sandy Matheson, Executive Director; Naomi Poland, Secretary to the Board of Trustees; John Milazzo, General Counsel and Chief Deputy Executive Director; and Chris Mann, Assistant Attorney General and Board Counsel. The Board was also joined for select portions of the meeting by Michael Zellweger, Upper Valley Consulting Technology and Business Solutions; Andrew Sawyer, Chief Investment Officer; Jim Bennett, Deputy Chief Investment Officer; Tom Lynch, Cliffwater; and John Meier, Strategic Investment Solutions.

The Chair called for consideration of the Consent Calendar. The action items on the Consent Calendar were:

1. Minutes of the July 10, 2014, Regular Meeting;
2. Adoption of Hearing Officer’s Final Report in Mary Ackerson appeal;
3. Adoption of Hearing Officer’s Final Report in Rita Brown appeal;
4. Adoption of Hearing Officer’s Final Report in Terry Buck appeal;
5. Adoption of Hearing Officer’s Final Report in David Crawford appeal;
6. Adoption of Hearing Officer’s Final Report in Mary Lehto appeal;
7. Adoption of Hearing Officer’s Final Report in Michael Smith appeal;
8. Recommended Dismissal of Richard French appeal;
9. Recommended Dismissal of Tambria F. Alexander appeal; and
10. Recommended Dismissal of Victoria J. Thibeault appeal.

Ben Viola requested that item 6 be removed from the Consent Calendar.

➢ Action. Dick Metivier made the motion, seconded by Ben Viola to approve the Consent Calendar as amended. Voted unanimously by seven Trustees.

Neria Douglass joined the meeting at approximately 9:30 a.m.

Trustees discussed item 6 of the Consent Calendar. Sandy Matheson indicated that staff would put together a presentation about the disability process as it relate to the requirements of Annual Statement of Compensation.
Action. Catherine Sullivan made the motion, seconded by Brian Noyes, to include item 6 in the previous motion to approve the Consent Agenda. Voted in favor by six Trustees; one Trustee opposed (Viola); one Trustee abstained (Douglass).

COST OF LIVING ADJUSTMENT

John Milazzo reviewed the recent history of the statutory freeze of the regular COLA by the Legislature and noted that 5 M.R.S. § 17806 (and related statutes) requires the Board to automatically make a percentage increase in retirement benefits of retirees of the State Sponsored Plans equal to the CPI-U, up to a maximum annual increase of 3% (applied to that portion of the benefit that does not exceed $20,000).

The Consumer Price Index for All Urban Consumers ("CPI-U") at June 30, 2014 was 2.1%. 5 M.R.S. § 18407 requires the Board to automatically make a percentage increase in retirement benefits of Participating Local District Retirement Program retirees equal to the increase in the Consumer Price Index for All Urban Consumers ("CPI-U"), up to a maximum annual increase of 3% for retirees of the PLD Consolidated Plan and 4% for retirees of withdrawn PLDs.

He also noted that, in addition, retirees of the State Sponsored Plans would receive the final non-cumulative one-time COLA in September based on the 2013 CPI-U of 1.8% (on that portion of the benefit that does not exceed $30,000), provided sufficient funds are available from the State’s General Fund surplus at the close of Fiscal Year 2014.

Trustees noted with appreciation the inclusion of the COLA information on www.mainepears.org as a good way to keep members informed.

Action. Catherine Sullivan made the motion, seconded by Dick Metivier, to adopt a cost of living adjustment (COLA) of 2.1% applied to the first $20,000 of retirement benefits being paid to eligible recipients of the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program ("State Sponsored Plans"), and 2.1% applied to the retirement benefits being paid to eligible recipients of the Participating Local District Retirement Program effective September 2014. Voted unanimously by eight Trustees.

IPADS

Michael Zellweger, Upper Valley Consulting Technology and Business Solutions, gave a refresher of the iPads’ functions and offered assistance with any technical issues that the Trustees have been encountering with the iPads.
INVESTMENT STAFF

Andrew introduced recent hires to investment staff including Jim Bennett, Deputy Chief Investment Officer; Andrew Lumb, Alternative Investments Analyst; and Justin Hodgkins, Investment Operations Analyst (Justin worked previously in the MainePERS Augusta office in the IT department.)

PRIVATE MARKETS

**Kelso Investment Associates IX, L.P.**

Andrew Sawyer presented the Investment Team’s recommendation that MainePERS make a commitment of up to $60 million to Kelso Investment Associates IX, L.P. Tom Lynch of Cliffwater joined the discussion and staff’s recommendation.

> **Action.** Ben Viola made the motion, seconded by Catherine Sullivan, that MainePERS make a commitment of up to $60 million to Kelso Investment Associates IX, L.P., 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 eight Trustees.

**Agricultural Capital Management (ACM) Permanent Crops, LLC**

Andrew Sawyer presented the Investment Team’s recommendation that MainePERS make a commitment of up to $50 million to Agricultural Capital Management Permanent Crops, LLC. Tom Lynch of Cliffwater joined in the discussion and staff’s recommendation.

> **Action.** Brian Noyes made the motion, seconded by Ken Williams, that MainePERS make a commitment of up to $50 million to ACM Permanent Crops, LLC, 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 eight Trustees.

**H.I.G. Bayside Loan Opportunity Fund IV, L.P.**

Andrew Sawyer presented the Investment Team’s recommendation that MainePERS make a commitment of up to $50 million to H.I.G. Bayside Loan Opportunity Fund IV, L.P. Tom Lynch of Cliffwater joined in the discussion and the investment staff’s recommendation.
Action. Dick Metivier made the motion, seconded by Shirrin Blaisdell. that MainePERS make a commitment of up to $50 million to H.I.G. Bayside Loan Opportunity Fund IV, L.P., 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 eight Trustees.

INVESTMENTS

Strategic Investment Solutions - Quarterly Performance Report – June 2014

John Meier, Strategic Investment Solutions, presented the Quarterly Performance Report for the period ending June 30, 2014, noting that the return for the second quarter of the calendar year (4/1/14 – 6/30/14) for the fund was 4.1%. The fiscal year-to-date (7/1/13 – 6/30/14) return was 16.9%.

Monthly Performance – July 2014

Andrew discussed the monthly performance of the fund for July 2014.

Private Markets Forward Calendar

Andrew Sawyer noted that a presentation would be held in the Portland office regarding the Inflexion Buyout Fund IV and Inflexion Partnership Capital Fund I on August 26, 2014.

He also noted that Advent International is raising a Latin American fund. Given the short time until the fund has its first and only closing he expects that the Investment Team may make a recommendation as soon as the September Board meeting.

Trustees recognized the MainePERS investment staff for their high quality work.

APPEAL – DANA TRATTNER

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 Gerard P. Conley, Jr., Esq. and the System Representative N. Quinn Collins, Esq. made presentations before the Board. Dana Trattner was present.
Ken Williams made the motion, seconded by Ben Viola to accept the final report of the Hearing Officer. Voted in favor by seven Trustees; one Trustee recused. (Sullivan).

EXECUTIVE SESSION

- Ben Viola made the motion, seconded by Catherine Sullivan, to enter into executive session pursuant to 1 M.R.S. § 405(6)(A) and (E). Voted unanimously by eight Trustees.

The Board moved back into open session.

ADMINISTRATION REPORT

John Milazzo reviewed his Operating Report.

DISABILITY TASK FORCE

Sandy Matheson updated the Board on the recent progress of the Disability Task Force.

ESG TASK FORCE

Sandy Matheson provided an update to the Board regarding the Environmental, Social and Governance (ESG) Task Force. She indicated she has identified seven Task Force members and that the work on a potential policy is in process. There will be a meeting with the members next month to discuss the principles that will guide the work of the Task Force.

Peter Leslie left the meeting at approximately 2:45 p.m. Ben Viola assumed the Chair.

The meeting adjourned approximately 3:00 p.m.

The next meeting will be a regular Board meeting and is expected to be held on September 11, 2014 at the MainePERS Augusta Office located at 96 Sewall Street, Augusta, Maine.

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Date Approved by the Board

Sandra J. Matheson, Executive Director

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Date Signed