MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
September 10, 2015

The Board of Trustees met at 9:00 a.m. on September 10, 2015, at the Maine Public Employees Retirement System, One City Center, 8th Floor, Portland, Maine. Peter Leslie, Chair, presided. Other Trustees present were Ben Viola, Vice Chair, and Shirrin Blaisdell, Terry Hayes, Dick Metivier, Brian Noyes, and Ken Williams. Joining the Trustees were John Milazzo, General Counsel and Chief Deputy Executive Director; Chris Mann, Assistant Attorney General and Board Counsel; Naomi Martin, Executive Secretary to the Board of Trustees, and Karen Belaire, Executive Secretary to the Investment Team. The Board also was joined for select portions of the meeting by Andrew Sawyer, Chief Investment Officer; Jim Bennett, Deputy Chief Investment Officer; Michael Colleran, Associate General Counsel; Mark Johnson, Cliffwater; and Brian McDonnell and Cara Majeski, Cambridge Associates.

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 August 13, 2015;
2. Adoption of Hearing Officer’s Recommended Final Decision in Sheila M. Wallace appeal;
3. Adoption of Hearing Officer’s Recommended Final Decision in Louise Hewett appeal;
4. Adoption of Hearing Officer’s Recommended Final Decision in Jennifer Neumeyer appeal;
5. Adoption of Hearing Officer’s Recommended Final Decision in Jonathan Longley appeal;
6. Recommended Dismissal of Robert W. Collinson appeal; and
7. Recommended Dismissal of Karl E. Swenson appeal.

It was noted that the first full sentence on the top of page 2 of the August 13, 2015 Minutes should read: “This increase is applied to that portion of the benefit that does not exceed $20,000 as adjusted.”

It also was noted that there was a typo in the Recommended Dismissal of Karl E. Swenson. The name “Collinson” was replaced with “Swenson.”
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➤ **Action.** Ben Viola made the motion, seconded by Shirrin Blaisdell, that the Consent Calendar be approved as amended. Voted unanimously by seven Trustees.

**APPOINTMENT OF BOARD SECRETARY**

➤ **Action.** Ben Viola made the motion, seconded by Shirrin Blaisdell, that the appointment of Naomi Martin as Board Secretary be approved. Voted unanimously by seven Trustees.

**GOVERNANCE**

Michael Colleran presented an overview of a draft Board Meeting Policy. The draft documents current Board practice and would serve as a reference for Board members, staff, and the public. The Board discussed introducing members of the public, receiving public comment, obtaining Board materials, revising the agenda during a Board meeting, requesting an agenda item, and making presentations to the Board. A revised draft will be presented for approval at the next Board meeting.

**INVESTMENTS – PRIVATE MARKETS**

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

**EXECUTIVE SESSION**

➤ **Action.** Dick Metivier made the motion, seconded by Brian Noyes, to enter into Executive Session pursuant to 1 M.R.S. § 405(6)(C) and (F); 5 M.R.S. § 17057(4). Voted unanimously by seven Trustees.

_The Board moved back into open session._

**PRIVATE MARKET ACTION**

**Riverside Micro-Cap Fund IV**

➤ **Action.** Brian Noyes made the motion, seconded by Dick Metivier, that MainePERS make a commitment of up to $60 million to Riverside Micro-Cap Fund IV, subject to final legal due diligence and negotiations, and authorize the Executive Director, General Counsel and Chief Deputy Executive Director, and Chief Investment Officer as signatories to execute the
documents necessary to complete the transaction. Voted unanimously by seven Trustees.

**KKR Real Estate Partners Europe**

- Action. Shirrin Blaisdell made the motion, seconded by Brian Noyes, that MainePERS make a commitment of up to $50 million to KKR Real Estate Partners Europe, subject to final due diligence, legal review and negotiations, and authorize the Executive Director, General Counsel and Chief Deputy Executive Director, and Chief Investment Officer as signatories to execute the documents necessary to complete the transaction. Voted unanimously by seven Trustees.

**Secondary Transactions**

- Action. Dick Metivier made the motion, seconded by Terry Hayes, that the Board confirm that the Executive Director, General Counsel and Chief Deputy Executive Director, and Chief Investment Officer are authorized to execute on behalf of MainePERS the documents necessary to complete secondary transactions selected by Cliffwater. Voted unanimously by seven Trustees.

**Private Market Activity**

Jim Bennett updated the Board on recent and upcoming closings of private market funds and the ongoing due diligence regarding KKR North America Fund, Rubenstein Properties Fund III, Stone Peak Infrastructure Fund II, Laguna Bay Agricultural Fund, Thoma Bravo Discover Fund I and a U.S. managed timber fund. The Investment Team has scheduled due diligence meetings in the Portland Office for Tuesday, September 22, 2015, with KKR North America Fund, Rubenstein Properties Fund III and Stone Peak Infrastructure Fund II for 9:30 a.m., 11:00 a.m., and 12:45 p.m. respectively.

Andrew Sawyer discussed the pacing of Private Equity investments and reviewed the issues involved in moving toward a fully funded allocation. He discussed a chart showing pacing goals for future years and commented that this year would see a reduction in commitments to Private Equity relative to last year. He advised the Board that the Investment Team expected to increase the level of investments made via the Co-Investment program.

The Board expressed an interest in having a review of the Private Equity program and its allocations.
Investment Review

Andrew Sawyer presented the monthly investment report. Andrew reported that the MainePERS fund was currently valued at $12.180 billion and reported a preliminary FYTD return of -3.3%. Andrew explained revisions the Investment Team had made to the Monthly Investment Review reflecting our current relationships, pacing charts, management fees and private equity goals.

Portfolio Risk

Andrew Sawyer discussed the current energy industry market environment and reported on feedback received from several private market managers that the current environment was providing attractive investment opportunities. Brian McDonnell, Cambridge Associates, provided an overview of varying factors contributing to the fluctuations in the current market.

Brian McDonnell and Cara Majeski, Cambridge Associates, presented to the Board their strategy and timeline for reviewing the Board’s Investment Policy. Their primary focus will be on reviewing investment objectives, asset allocation, risk management, asset class definitions, allocations, rebalancing policies, implementation and governance.

LITIGATION SUMMARY

Chris Mann reviewed the litigation summary.

ADMINISTRATION

Operating Report

John Milazzo reviewed the Operating Report noting:

- Total gross benefits payroll for August 2015 was $71,256,448.20.
- The Regional Employer Trainings has been completed and went extremely well. A third training is scheduled for September 18th in Orono. We anticipate incorporating more electronic feeds, video, satellite, etc. in the future.
- Collective bargaining sessions for a successor supervisory unit agreement are expected to begin this month. The current contract expires October 31, 2015.
Discussions have begun regarding the upcoming GASB requirements, employer and employee rate changes as of July 1, 2015. They update every year.

- RFP’s will be issued in September for a governance consultant and for an audit of our actuarial services. This will be the first actuarial audit MainePERS has conducted. The audit will occur in December and January, with a final presentation to the Audit Committee and Board at the February 2016 Audit Committee meeting.

Disability Task Force

John Milazzo updated the Board on the continuing work of the Disability Task Force. The preliminary results of the survey of plan employers indicate that there are inconsistencies in the availability of employer sponsored short and long term disability insurance as well as confusion among employers about the MainePERS Long Term Disability Retirement program. It was agreed that more education is needed for the employers and employees. Legislation would be required before MainePERS would be able to administer a short term or long term disability program or offer an outsourced plan through UNUM or a similar company, and funding would have to be determined. It was also clarified that the Task Force is not mandated by the Legislature, and its work is not required to be ratified by the Board. The Board is providing feedback only. The Task Force will make final edits to its report and then discuss how and to whom the report should be distributed.

The meeting adjourned at approximately 2:05 p.m.

10-8-15
Date Approved by the Board

John Milazzo, General Counsel and
Chief Deputy Executive Director

10/3/15
Date Signed