MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
October 13, 2016
MainePERS Board Room
Augusta, Maine
9:00 a.m.

The Board of Trustees met at 9:00 a.m. on October 13, 2016, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Ben Viola, Vice Chair; 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 also was joined for select portions of the meeting by Jim Bennett, Deputy Chief Investment Officer; Rebecca Grant, Deputy Executive Director, Administrative Programs; Jim Dusch, Deputy Executive Director, Service Programs; Gary Emery, Senior Analyst, Investment Operations; Brian McDonnell and Cara Majeski, Cambridge Associates; and Stephen Nesbitt, Gabrielle Zadra, and Mark Johnson, Cliffwater.

CONSIDERATION OF THE CONSENT CALENDAR

The Chair called for consideration of the Consent Calendar.

1. Minutes of September 8, 2016;
2. Dismissal of Teresa Cail Appeal;
3. Dismissal of Cheryl J. Fortin Appeal;
4. Dismissal of Pamela Hetland Appeal;
5. Decision, Steven Hammerton Appeal; and,
6. Decision, Monique Schreiber Appeal.

At Dick Metivier’s request, because of a potential conflict of interest, the Monique Schreiber decision was removed from the Consent Calendar.

Action. Shirrin Blaisdell made the motion, seconded by Dick Metivier, to approve the Consent Calendar as amended. Voted unanimously by eight Trustees.

Action. Terry Hayes made the motion, seconded by Ben Viola to adopt the Hearing Officer's Recommended Decision in the Monique Schreiber appeal. Voted in the affirmative by seven Trustees (Leslie, Viola, Blaisdell, Brookhouse, Hayes, Noyes and Williams) and one abstention (Metivier).
Jim Bennett introduced Gary Emery from MainePERS Investment Operations; as well as Stephen Nesbitt, Gabrielle Zdra, and Mark Johnson from Cliffwater.

**ONCAP IV**

- **Action.** Ben Viola made the motion, seconded by Phil Brookhouse, to enter into executive session pursuant to 1 M.R.S. §405(6)(F); 5 M.R.S. §17957(4). Unanimously voted by eight Trustees.

_The Board moved back into open session._

- **Action.** Brian Noyes made the motion, seconded by Shirrin Blaisdell, that MainePERS make a commitment of up to $25 million to ONCAP IV, 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. Unanimously voted by eight Trustees.

**Trustee Education**

Sandy Matheson shared information on two Board education initiatives that are being implemented. The first is to provide investment education developed in-house on a quarterly cycle to inform Trustees on the different stages of the investment process. The second item is to have regular Board presentations from our external partners who will provide a broader education and updates on the investment environment.

**Investment Environment Update**

Mark Johnson from Cliffwater introduced Stephen Nesbitt the CIO/CEO and founder of Cliffwater; and Gabrielle Zdra who oversees Cliffwater’s private assets research business.

Stephen Nesbitt presented an overview of how the alternatives consulting business has changed over the years. Gabrielle Zdra shared how the private equity industry has changed and how that impacts our portfolio. Stephen and Gabrielle commented on the current market today and economic changes within investments.

Phil Brookhouse congratulated Andrew Sawyer on his and the Investment Team’s nomination for the Innovation Award.
Private Markets Activity

Jim Bennett shared that the Investment Team has scheduled due diligence meetings in the Portland Office for Tuesday, October 25, 2016. EQT is scheduled for 9:00 a.m., followed by Taurus Funds Management at 10:30 a.m. and ONCAP at noon. Jim stated that the investment team is considering an investment with ABRY Senior Equity V. ABRY is expected to attend the November Board meeting and provide an update of their portfolio.

Investment Monthly Review

Jim Bennett presented the monthly investment report, noting the report now incorporates the new investment policy statement. Jim did an overview of those sections with significant changes. Jim shared that within two to three months the Investment Monthly Review will reflect all of the policy statement changes that have been implemented.

Brian Noyes requested clarification of the last sentence of the Investment Objective section of the Board’s Investment Policy. The sentence reads “Additionally, by optimizing investment returns on trust assets, rather than attempting to maximize them, the Board seeks to maintain contribution rate and funding level volatility at acceptable levels.” The issue of whether volatility should be maintained at an acceptable level or minimized was discussed. Jim Bennett agreed that the Investment Team would suggest clarifications to the sentence for the Board’s consideration at an upcoming meeting.

Quarterly Investment Training

Jim Bennett presented the Board Education – Overview. Jim discussed the four phases of the investment management process and that topics from each stage will be presented to the Trustees on a quarterly basis.

LITIGATION SUMMARY

Chris Mann shared that there was no new information not contained in the litigation summary memorandum.
ADMINISTRATION REPORT

Operations Report
Brian Noyes asked for an update on the MainePERS building. Sandy Matheson shared that there are several scenarios under consideration, including renovating the existing building, leasing a building to be built in close proximity to the current location, and leasing elsewhere in Augusta.

Dick Metivier requested more information on the RFP for the contact management and analytics database for Investment staff. The Trustees discussed that RFP in more detail as well as the new content management system that will support providing information to the Trustees.

Disability Retirement Task Force
Sandy Matheson updated the Trustees on the continued work of the Disability Retirement Task Force. Sandy stated that the Task Force will be meeting October 21st, and the two topics of discussion will be the first draft report to the Legislature and an update on the progress in redesigning the disability process.

PLD ADVISORY COMMITTEE UPDATE
Sandy Matheson shared that the PLD Advisory Committee will be meeting on October 18th with the primary discussion of examining the contribution levels and plan provisions for the long-term protection of the fund. Recommended changes will be provided to the Trustees for review. Changes likely would require rulemaking. The Board discussed setting a funding level floor for use in considering plan changes. Sandy will present a funding level floor proposal for the Board to consider at the November board meeting.

Dick Metivier left the Board meeting at 2:15 p.m.

BOARD POLICY REVIEW
Michael Collera provided the Trustees with thirteen policies and recommended amendments to seven of those policies. The Board made additional minor wording changes to the proposed amendments.

Action. Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, that the Board approves amended Board Policies 1.2, 1.3., 1.5, 1.6, 1.7, 3.1 and 4.4 as amended. Unanimously voted by seven Trustees.
BOARD SELF-EVALUATION

Sandy provided the Trustees with a copy of Amy McDuffee’s summary of the board self-evaluation. Overall the evaluation was positive, and Amy’s suggestions were well received.

EXECUTIVE DIRECTOR EVALUATION AND IT SECURITY

➢ Action. Ben Viola made the motion, seconded by Shirrin Blaisdell, to enter into executive session pursuant to 1 M.R.S. §402(3)(M), 405(6)(A). Unanimously voted by seven Trustees.

The Board moved back into open session.

The meeting adjourned at approximately 3:30 p.m.

11-10-16
Date Approved by the Board

Sandra J. Mathieson, Executive Director

11-10-16
Date Signed