MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes

Board of Trustees
Regular Board Meeting
November 14, 2013

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

The Board of Trustees met at 9:00 a.m. on November 14, 2013, at the Maine Public Employees Retirement System, Board Room, at 96 Sewall Street, Augusta, Maine. Peter Leslie, Chair presided. Other Trustees present were Shirrin Blaisdell, Neria Douglass, Dick Metivier, Brian Noyes, Catherine Sullivan, Ben Viola (Vice Chair), and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; Naomi Poland, Senior Executive Assistant; 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; Kathy Morin, Manager of Actuarial Affairs; Andrew Sawyer, Chief Investment Officer; John Meier, Strategic Investment Solutions; and Mark Johnson, Cliffwater.

CONSENT CALENDAR

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

1. Minutes of the October 10, 2013, Regular Meeting;
2. Recommended Dismissal of Rhonda Dobson appeal;
3. Recommended Dismissal of Nancy Frost appeal;
4. Recommended Dismissal of Eugene Goss appeal;
5. Recommended Dismissal of Norman Lowell appeal;
6. Recommended Dismissal of Brian Moody appeal; and
7. Recommended Dismissal of Allan Shorey appeal.

➤ Action. Catherine Sullivan made the motion, seconded by Brian Noyes, that the Consent Calendar be approved. Voted unanimously by eight Trustees.

“BOARD DIRECT” PAPERLESS MEETING PROGRAM

Sandy Matheson introduced Michael Zellweger of Upper Valley Consulting and his program “Board Direct” Paperless Meeting Program. Michael presented a demo for the Trustees using iPads. Among the advantages noted were cost savings (labor, paper and delivery costs), consistency with the System’s environmentally-friendly business practices, easy access to reference materials, security of transmissions and the speed of delivery of information to Trustees.
ELECTION OF OFFICERS

Peter Leslie and Ben Viola led a brief discussion outlining time commitments and responsibilities of Board officers.

Sandy Matheson provided a handout prepared by Sandy and Nancy Williams, Hewitt EnnisKnupp, listing a number of data elements the Board should consider monitoring according to industry best standards, the information Trustees need to perform prudent monitoring and the current status of the compilation of the data elements. Trustees discussed adding additional dashboard items specific to MainePERS. Sandy discussed providing a calendar indicating which dashboard items are monitored during each month. Peter Leslie suggested Trustees review the “dashboard” further and continue the discussion at a future Board meeting.

The Chair entertained nominations for the offices of Chair and Vice Chair.

➢ Action. Dick Metivier moved that Peter Leslie be elected as Chair of the Board of Trustees by acclamation. Neria Douglass seconded the nomination. There was no opposition.

➢ Action. Dick Metivier moved that Ben Viola be elected as Vice Chair of the Board of Trustees by acclamation. Catherine Sullivan seconded the nomination. There was no opposition.

Both Peter and Ben expressed thanks to their fellow Trustees for their continued confidence and the Trustees thanked Peter and Ben for their service.

CUSTOMER SERVICE KUDOS

Ben Viola indicated that the recent feedback about the System’s work he had received at a retiree function was “great.” He noted that it is very easy to get information from the MainePERS website and by contacting the System directly. Peter Leslie also noted positive feedback received recently from a retiree.

INVESTMENTS - PRIVATE MARKETS

HIG Middle Market LBO Fund II, L.P.

Andrew Sawyer and Mark Johnson, Clifford, presented the Investment Team’s recommendation that MainePERS make a commitment of up to $60 million to HIG Middle Market LBO Fund II, L.P. Mark noted that Clifford has not completely finalized its recommendation. Andrew assured Trustees that the
investment would not proceed without Cliffwater’s finalized favorable recommendation.

➤ **Action.** Neris Douglass made the motion, seconded by Dick Metivier, that MainePERS make a commitment of up to $60 million to HIG Middle Market LBO Fund II, L.P., 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 effectuate the transaction. Voted unanimously by eight Trustees.

**KKR Real Estate Partners Americas, L.P.**

Andrew Sawyer presented the Investment Team’s recommendation that MainePERS make a commitment of up to $50 million to KKR Real Estate Partners Americas, L.P. Andrew noted that ORG has not completely finalized its recommendation. Andrew assured Trustees that the investment would not proceed without ORG’s finalized favorable recommendation.

➤ **Action.** Dick Metivier made the motion, seconded by Neris Douglass, that MainePERS make a commitment of up to $50 million to KKR Real Estate Partners Americas, L.P., 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 effectuate the transaction. Voted unanimously by eight Trustees.

**INVESTMENTS**

**Quarterly Performance Report – Third Quarter 2013**

John Meier, COO of Strategic Investment Solutions, reviewed an Executive Summary and Third Quarter Investment Report with the Trustees. The plan returned 5.3% in the third quarter of 2013. For one-year, the plan returned 11.9%. The ten-year return was 7.2%.

**Private Markets Forward Calendar**

Andrew Sawyer reviewed the Private Markets Forward Calendar, noting the possibility of establishing a co-investment program for MainePERS’ real estate portfolio and the belief that it is appropriate to start making investments in the agriculture sector and anticipated bringing forward recommendations on both projects in the coming months. He also indicated that the Investment Team was less likely to bring a recommendation regarding Trident.
SUMMARY REPORTS

Dick Metivier provided a summary report on his recent attendance at the International Foundation of Employee Benefits.

Ben Viola provided a summary report on his recent attendance at the Committee on Working Capital.

RULEMAKING ADOPTION – CHAPTER 803

Kathy Morin, Manager of Actuarial and Legislative Affairs, indicated that the System had received no comments on the proposed changes within the written comment deadline period (October 28, 2013) following the public hearing on Chapter 803, Consolidated Plan for Participating Local Districts.

➢ Action. Ken Williams made the motion, seconded by Shirrin Blaisdell, to adopt Chapter 803 and its basis statement. Voted unanimously by eight Trustees.

APPEAL – CINDI COLBY

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. Cindi Colby, Appellant, indicated she would be present but she did not appear for the Board’s consideration. N. Quinn Collins, Esq., MainePERS Representative was present and answered questions posed by Trustees.

➢ Action. Ken Williams made the motion, seconded by Dick Metivier, to accept the report of the Hearing Officer. Voted unanimously by eight Trustees.

APPEAL – MARK BARNEY

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. Appellant’s attorney Charles Priest, Esq. and the Appellant were both present, as was Michael Goldman, Esq., MainePERS Representative. Mr. Priest and Mr. Goldman both made arguments before the Board.

➢ Action. Ken Williams made the motion, seconded by Catherine Sullivan, to table the appeal of Mark Barney until a future meeting. Voted by eight Trustees – 7 in favor (Leslie-Viola-Blaisdell-Douglass-Metivier-Sullivan-Williams), 1 opposed (Noyes). Motion carried.
APPEAL – CRAIG FILLMORE

Chris Mann, Board Counsel, presented an overview of the statutory framework relating to appeals before the Board and the decision by the Hearing Officer. Appellant’s father, Norris Fillmore, and Ann Brandt, Esq., MainePERS Representative were both present and made arguments before the Board.

➢ **Action.** Neria Douglass made the motion, seconded by Shirrin Blaisdell, to accept the report of the Hearing Officer. Voted unanimously by eight Trustees.

LEGISLATION

Sandy Matheson informed the Board of recent legislation that had been introduced regarding disability appeals that will be addressed in the upcoming legislative session in January 2014.

BOARD GOVERNANCE POLICIES

Sandy Matheson reviewed the governance policy manual that has been in development over the last 18 months. The set of policies has been approved policy-by-policy over that time. Nancy Williams also performed a subsequent review following the Board’s approval and the changes shown in the draft were not material. Sandy indicated she would confer with Nancy regarding thoughts and comments that she was going to share with the Board. It was also noted that the Investment Policy is under update and that references to the State’s retiree health insurance trust fund be included in the Policy.

➢ **Action.** Ben Viola made the motion, seconded by Shirrin Blaisdell, to approve the governance policy manual as revised and Policies 5.6, 5.7 and 5.8 as presented or with modifications from Board discussion. Voted unanimously by eight Trustees.

OPERATING REPORT

**Proposed Amendment to 401(a) Plan**

Mike Colleran presented a proposed amendment to the 401(a) Plan in order to incorporate a new provision and to keep the Plan in compliance with federal tax law.
Action. Ken Williams made the motion, seconded by Dick Metivier, to authorize MainePERS’ Executive Director and/or General Counsel and Chief Deputy Executive Director to take any and all necessary actions to cause the amendment to MainePERS’ 401(a) Defined Contribution Basic Plan and Trust Agreement as required by federal tax law to maintain MainePERS’ qualified plan status. Voted unanimously by eight Trustees.

Securities Litigation

John Milazzo circulated to Trustees a draft letter to the U.S. Congress that MainePERS will sign. John indicated there is a movement afoot for corporations to modify their bylaws to require binding arbitration of shareholder disputes, essentially eliminating the availability of class action law suits.

John Milazzo reviewed his operating report, noting:

- The System has hired Bruce Williams as a hearing officer. Mr. Williams was the General Counsel to the Veterans’ Administration at Togus for 26 years.
- Employers can only access their own information through the Employer Self Service portal.

SPECIAL MEETING MINUTES OF OCTOBER 31, 2013

Action. Catherine Sullivan made the motion, seconded by Neria Douglass, to approve the minutes of the Special Board meeting held on October 31, 2013. Voted unanimously by eight Trustees.

PLD REPORT

Sandy Matheson reported to the Board a recent meeting with the PLD Advisory Committee meeting during which a draft comprehensive report written by Mike Colleran, MainePERS Associate General Counsel, was reviewed by committee members and determining the committee’s impression about policy decision makers.

The meeting adjourned at approximately 3:35 p.m.

The next meeting will be a regular Board meeting and is expected to be held December 12, 2013, at MainePERS office located at 96 Sewall Street, Augusta, Maine.

December 12, 2013
Date Approved by the Board

Sandra J. Matheson, Executive Director

December 12, 2013
Date Signed