MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Minutes
Board of Trustees
Regular Board Meeting
August 10, 2017
MainePERS Board Room
Augusta, Maine
9:00 a.m.

The Board of Trustees met at 9:00 a.m. on August 10, 2017, at the Maine Public Employees Retirement System, 96 Sewall Street, Augusta, Maine. Ben Viola, Vice-Chair, presided. Other Trustees present were Shirrin Blaisdell, Phil Brookhouse, Terry Hayes, Dick Metivier, and Ken Williams. Joining the Trustees were Sandy Matheson, Executive Director; 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 Andrew Sawyer, Chief Investment Officer; Jim Bennett, Deputy Chief Investment Officer; Rebecca Grant, Deputy Executive Director; Jim Dusch, Deputy Executive Director; Kathy Morin, Manager, Actuarial and Legislative Affairs; Brian McDonnell and Cara Majeski, Cambridge Associates; Mark Johnson, Cliffwater; and Mirella Lang and Scott Metchick, AQR Capital.

CONSIDERATION OF THE CONSENT CALENDAR

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

1. Minutes of July 13, 2017
2. Decision, Linda Lacroix Appeal;
3. Decision, Sharon Leahy-Lind Appeal;
4. Dismissal of Richard Kempton Appeal; and,
5. Dismissal of Susan Noonan Appeal.

Action. Ken Williams made the motion, seconded by Shirrin Blaisdell to approve the July 13, 2017 minutes and approve the Consent Calendar. Voted unanimously by six Trustees.

Ben Viola introduced Bill MacDonald, Lead Member, Political & Legislative Coordinator for MSEA, attending the Board meeting as an observer.

COST OF LIVING ADJUSTMENT

Sandy Matheson shared that the proposed COLA for all plans based on the CPI-U as of June 30th is 1.6%

Action. Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, that the Board “adopt” a cost of living adjustment (“COLA”) of 1.60% to
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retirement benefits being paid to eligible recipients of the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program and the Participating Local District Retirement Program effective September 2017. Voted unanimously by six Trustees.

RISK DIVERSIFIERS

Andrew Sawyer introduced Scott Metchick and Mirella Lang from AQR Capital. Mirella presented AQR’s views on risk premia strategies, and Scott shared his work around risk diversifiers. Scott, Mirella and the Trustees had a discussion about risk diversifiers and how it would impact MainePERS’ portfolio.

INVESTMENT QUARTERLY REVIEW

Cara Majeski, Cambridge Associates, presented the dashboard report and fiscal year-end performance summary to the Board. She reported that the fund returned 12.5% net of fees and 13.0% gross of fees for the fiscal year ending June 30, 2017. Cara also reported that the fund outperformed the Policy Index and a Simple 60% MSCI ACWI/40% BC Agg Index on a risk adjusted basis over the trailing three and five year periods.

INVESTMENT MONTHLY REVIEW

Andrew Sawyer presented the monthly investment report to the Board. Andrew reported that as of July 31, the MainePERS fund was valued at $13.5 billion with a preliminary return of 1.3% fiscal year to date. Mark Johnson and the Trustees discussed the private markets investment summary. Sandy Matheson suggested using green, yellow and red indicators on the summary chart rather than fund-to-date details to provide a better indicator of how each fund is doing. The staff monitors each fund closely throughout each month and is in the best position to provide a more reliable status of each investment. Andrew Sawyer stated he would provide a new summary sheet for review at next month’s meeting. Shirrin Blaisdell asked if a report could be created for those funds that are “complete.” Sandy shared that a report reflecting those that are complete is being developed and will be available in the future.

EXECUTIVE SESSION

➢ Action. Ken Williams 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 six Trustees.

The Board moved back into open session.
Tennenbaum Capital Partners

- **Action.** Shirrin Blaisdell made the motion, seconded by Phil Brookhouse, that MainePERS make a commitment of up to $100 million to TCP Direct Lending Fund VIII, subject to final due diligence, legal review and negotiations, and authorize the Executive Director, Chief Investment Officer, and General Counsel as signatories to execute documents in connection with this commitment. Voted unanimously by six Trustees.

PRIVATE MARKETS REVIEW

**Private Markets Activity**

Jim Bennett reviewed the table of private markets funds that had closed during the past 12 months. He also reminded the Board that the next investment manager meeting is scheduled for Tuesday, August 22, 2017, with presentations by Stonepeak at 9:00 a.m.; GTCR at 10:30 a.m.; and Water Street Capital at 12:15 p.m.

Andrew Sawyer stated that the Investment Team has had discussions with Cliffwater and Cambridge Associates regarding consulting work on risk diversifiers asset classes. Andrew shared that Cambridge Associates currently allows for that provision in their contract; therefore, they will provide those services.

LEGISLATIVE UPDATE

Kathy Morin provided a summary of the bills that were followed during the recently adjourned legislative session. Kathy also shared that rulemaking changes precipitated by recently-passed legislation will be brought before the Board in the near future.

RULEMAKING

**Amendment of Rule Chapter 803**

Kathy Morin provided an overview of the proposed amendment. The changes made to the amendment would eliminate disincentives for participation in the Plan.

- **Action.** Ken Williams made the motion, seconded by Dick Metivier, that the Board adopt amended Rule Chapter 803 and its basis statement. Voted unanimously by six Trustees.
ADMINISTRATION REPORT

Operations Report

Jim Dusch provided an update on the disability process. He shared that the new process has been in place for one month. Twenty-two formal intakes were provided to members during this one-month period. Four of those discontinued their application based on information learned during the intake process, indicating that they were able to determine it was not yet the appropriate time to apply. Jim shared that the comments they received have been very positive.

Rebecca Grant stated that work continues on the new building. She also updated the Board on V3 Version 10, stating the security testing is half way complete. The implementation date will be determined on those testing results.

PLD Plan Update

Sandy Matheson shared that a presentation will be provided to PLD members and employers beginning in the fall. The presentation will give them the proposed changes under consideration. Sandy stated the presentation will be brought before the Board next month for review.

LITIGATION SUMMARY

Chris Mann clarified information regarding the Bodge case.

The meeting adjourned at approximately 1:05 p.m.

9-14-17
Date Approved by the Board

Sandra J. Matheson, Executive Director

9-14-17
Date Signed