

**NOTE:** These minutes were approved and executed at the June 22, 2018 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
May 18, 2018**

**Public Minutes**

**New Hampshire Retirement System  
54 Regional Drive  
Concord, NH 03301**

*Committee Members:* Maureen Kelliher, *Chair*; Christine Clinton; David Jensen; Tim Lesko; and Keith Quinton.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

*NEPC:* Kevin Leonard, *Partner and Senior Consultant*; and Sean Gill, *Partner*.

Ms. Kelliher called the meeting to order at 9:00 a.m.

On a motion by Mr. Jensen, seconded by Ms. Clinton, the Committee unanimously approved the public minutes of the April 20, 2018 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Marketable Investments performance flash report for periods ending April 30, 2018. He discussed the returns of various managers and asset classes over multiple time periods. He also reviewed the Work Plan and updated the Committee on several initiatives, including the current composition of the System's domestic equity portfolio. He advised that the domestic equity asset class is the only liquid asset class that continues to be above target and that the domestic equity asset class has been the primary source of liquidity when needed for monthly member benefits or private market capital calls. Specifically, the BlackRock S&P 500 index fund has been the source of that liquidity. However, as the passive portfolio is approaching the lower end of its target range, Mr. Johansen recommended that the source of future liquidity come from the active domestic equity managers until the passive portfolio is rebalanced closer to its target. This approach would also accomplish the goal of shifting the domestic equity asset class toward its large-cap target. A general discussion followed and the Committee agreed with the recommendation.

Mr. Lagos advised the Committee on HB 1603, noting that the bill was recently voted by the Senate as inexpedient-to-legislate (“ITL”).

The Committee discussed the presentations made by core non-U.S. equity managers Causeway Capital Management (“Causeway”) and Fisher Investments (“Fisher”) at the April Committee meeting.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously agreed to renew the Investment Management Agreement with Causeway through August 31, 2020.

On a motion by Mr. Lesko, seconded by Mr. Jensen, the Committee unanimously agreed to renew the Investment Management Agreement with Fisher through July 31, 2020.

Mr. Johansen reminded the Committee that, at their March Committee meeting, they agreed to waive the need for BlackRock to present in conjunction with the two-year contract renewal process, given that the BlackRock portfolio is passively managed. On a motion by Mr. Quinton, seconded by Mr. Jensen, the Committee unanimously agreed to renew the Investment Management Agreement with BlackRock through July 31, 2020.

Mr. Mark Yockey, Managing Director and Portfolio Manager; and Mr. Jamie Sandison, Managing Director of Institutional Sales and Client Services; of Artisan Partners (“Artisan”) provided a brief introduction of themselves and their firm. They referred to the “New Hampshire Retirement System” presentation. A lengthy discussion with the Committee followed.

Mr. Yockey provided an overview of the firm’s investment philosophy and process, highlighting the growth team’s preference for equities that are believed to offer sustainable profitability growth over the long-term at a reasonable price. Criteria such as the presence of a competitive advantage, healthy free cash flow generation, and use of earnings are significant considerations during the portfolio construction process.

Mr. Yockey offered his thoughts on today’s market environment and current global themes including U.S. monetary policy tightening expectations and the impact that this activity would have on global equity markets. He discussed his outlook on several foreign markets, including European countries such as the U.K., Spain, and Italy. He reviewed the investment thesis behind some of the portfolio’s current holdings and also explained the attraction to the sectors which are overweight relative to benchmark and the avoidance of sectors to which the portfolio is underweight relative to the benchmark. He addressed the Committee’s inquiries surrounding underweight allocations to the

Consumer Discretionary and Energy sectors, currency management, portfolio turnover, and risk controls.

Mr. Robert Dollard, Managing Director and Segment Head of Public Funds; and Mr. Matthew Coburn, Vice President and Relationship Executive; of The Bank of New York Mellon (“BNYM”, “the Bank”) provided a brief introduction of themselves, their firm, and their firm’s custodial banking business. They referred to the “New Hampshire Retirement System Independent Investment Committee” presentation dated May 18<sup>th</sup>, 2018. A lengthy discussion with the Committee followed.

Mr. Dollard began the presentation explaining the Bank’s relationship with NHRS, in which BNYM primarily provides asset servicing functions such as custody, safekeeping, record-keeping, and accounting. Additionally, he noted the System’s subscription to several of the Bank’s Alternative Investment Services as well as indirect exposure to BNYM’s Investment Management business through the System’s investment relationship with Walter Scott & Partners Limited, a boutique firm wholly-owned by the Bank. Mr. Dollard also offered an overview of internal changes that have occurred within BNYM’s Investment Services business since the Bank’s original hiring by NHRS in 2013, including segmentation by institutional client type.

Mr. Coburn further elaborated on the Bank’s custodial services provided to NHRS, describing functions, several of which require working closely with the System’s investment managers and service providers, such as class action filing, foreign market documentation and registration, accounting services and data, private market accounting and cash flow management, performance measurement and risk analytics, and technological tools such as its Enterprise Reporting System (“ERS”), which enables NHRS Investment staff to generate and obtain data as needed. Mr. Coburn closed his comments with an overview of the sizable team at BNYM that supports the functioning of the NHRS relationship and highlighted the entire team’s continued commitment to excellence in servicing and partnering with the System as it works to achieve its operational and investment objectives. Mr. Dollard offered a discussion on the Bank’s investments in Technology and Innovation and explained how such investments in these capabilities will benefit NHRS and positively position BNYM going forward.

The Committee discussed the presentation made by BNYM. On a motion by Mr. Jensen, seconded by Mr. Quinton, the Committee unanimously agreed to renew the Custody Agreement with the Bank of New York Mellon for a term of five years with the ability to extend the contract for two additional two-year periods, subject to contract and legal review.

NHRS Independent Investment Committee  
May 18, 2018

On a motion by Mr. Jensen, seconded by Mr. Lesko, the meeting adjourned at 11:01 a.m.