

Private Markets Disclosure Policy Revisions approved at the June 13, 2017, NHRS Board meeting.

I. Purpose and Intent

The New Hampshire Retirement System (“NHRS”) is committed to providing the highest degree of public disclosure and transparency of its financial operations not in conflict with its paramount fiduciary duty to act solely in the interest of its members and beneficiaries and to prudently maximize a risk-adjusted return on NHRS assets for their exclusive benefit. With respect to those private market investments (including these asset types: all private equity, absolute return, and non-direct real estate funds) in which NHRS is invested, and recognizing its general public obligation to be transparent and accountable subject to that fiduciary duty of loyalty it owes to its members and beneficiaries, NHRS’s disclosure policy is guided by the following principles:

1. The fiduciary duty of NHRS is to prudently maximize a risk-adjusted return on fund assets solely in the interest of and for the exclusive benefit of its members and beneficiaries.
2. NHRS’s Board of Trustees and Independent Investment Committee (IIC) manage NHRS’s investments with as much transparency as possible, recognizing it is a public body accountable in the first instance to its members and then also to the general public.
3. However, when the general policy favoring transparency is seen to conflict with the Board’s and IIC’s express fiduciary duty to act solely in the interest of and for the exclusive benefit of its members, it must act in the best interests of its members.

II. Policy

A. Quarterly Disclosure. On balance, and upon careful consideration, the Board has concluded that public disclosure of the periodic investment performance by asset type of those private market investment funds in which NHRS is invested would neither interfere with the operation of those funds nor impede the fiduciary duty owed to NHRS’s members and beneficiaries. Accordingly, NHRS, on a quarterly basis, shall compile, post on its website, and make available for public inspection a report disclosing private market investment information, as outlined below:

1. Date of commitment and the total amount committed for each fund;
2. The type of fund (e.g. buyout, mezzanine, venture, real estate);
3. A column for relationship disclosure (any connection that investment staff or any Trustee or investment committee member has with a partnership or the general partners will be disclosed in detail in footnotes);

4. The asset type internal rate of return (IRR);
5. The asset type contribution amount;
6. The asset type distribution amount; and
7. The asset type market value.

These disclosures will provide substantial relevant information to members, their beneficiaries, and the public. They provide the financial extent of NHRS's private market program, and of each asset type, their scale relative to the total portfolio, the names and numbers of partnerships in which NHRS is invested, their type, whether NHRS is invested in more than one generation of a fund, where the program for each asset type stands relative to its allocation (over-invested or under-invested), how much over-commitment has been made to achieve the invested target (potential liability), what the quarterly cash flows are with regard to the program, the return (success, or lack thereof) of the program, and whether cash is being paid out (invested) or received, on balance. If any funds are bought or sold, that will also be apparent. All transactions, including other important information, are reported through the IIC and captured in the meeting minutes.

B. Nondisclosure. The following information will not be regularly disclosed by NHRS, subject to the exception provided below:

NHRS does not provide information publicly on the internal rates of return on individual partnerships in the portfolio and does not provide sufficient detail for the public to calculate it. This is consistent with the fact that NHRS does not provide returns on individual public investments such as common stocks or bonds held in portfolios. This level of detail is not needed for our constituents to evaluate the performance of the portfolio, or the program, and it distracts attention from the information NHRS does provide which is sufficient to assess success, risks and other relevant program metrics.

As to that additional information specifically concerning underlying investments or portfolio companies in NHRS private market investment portfolios, NHRS recognizes a material adverse effect on the ability of such funds to succeed in their investment activities, objectives, and negotiations that would result from public disclosure of such confidential and proprietary financial information. The business impairment of such compromised funds of course would immediately translate to a direct and negative impact on the economic interests of NHRS, its members and beneficiaries.

In addition to causing substantial harm to the competitive position of those funds and portfolio companies in which NHRS is invested, such public disclosure would likely result in degraded reporting to NHRS of that financial information and reduced opportunities to participate in future private market investments. Therefore, such confidential and proprietary information as may detail a fund's portfolio companies,

underlying investments, investment management and sponsor fees, or otherwise exist outside the scope of those items included in the quarterly report described above are exempt from public inspection and may not be disclosed.

Exception: In the event of a valid Right to Know request submitted to NHRS pursuant to RSA 91-A, the Board of Trustees may authorize NHRS staff, after consultation with the IIC, to disclose any information that would otherwise not be subject to disclosure (as noted above) if NHRS staff either previously has or, in response to such an information request, subsequently does confirm and document through direct communication with the private market investment sponsor/manager that such information may be disclosed by NHRS.