NOTE: These minutes were approved and executed at the May 29, 2015 Independent Investment Committee meeting.

Independent Investment Committee Meeting
April 24, 2015

Public Minutes

New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301

Committee Members: Harold Janeway, *Chair*; Maureen Kelliher; Patrick O'Donnell; and Hersh Sosnoff. David Jensen, *absent.*

Staff: George Lagos, *Executive Director;* Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Scott Needham, *Investment Officer*; and Greg Richard, *Investment Officer.*

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

Mr. Janeway called the meeting to order at 9:00 a.m.

On a motion by Mr. O'Donnell, seconded by Mr. Sosnoff, the Committee unanimously approved the public minutes of the March 20, 2015 Investment Committee meeting, as amended by the Committee.

Mr. Johansen referenced NEPC's "Request for Reinstatement of Investment Period and Amendments to the Limited Partnership Agreement" memo with regard to the System's partnership interest in CCMP Capital Investors III ("Fund III"). He noted NEPC's recommendation that clients approve the proposed amendments and reinstate Fund III's Investment Period. The Fund III Investment Period has been reinstated without any dissenting vote by a Limited Partner.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Total Fund performance flash report for periods ending March 31, 2015. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen provided an overview of the Work Plan and updated the Committee on several initiatives. Mr. Johansen noted that the work plan for the 1st quarter of Fiscal Year 2016 has been added to the Work Plan for the Committee's consideration. He commented that the work plan remains flexible and subject to change as the Committee deems appropriate. The Committee discussed the efforts involved in monitoring the structure of the public market asset classes. On a motion by Mr. O'Donnell, seconded by Mr. Sosnoff, the Committee unanimously approved the work plan for the first quarter of Fiscal Year 2016 as presented.

The Committee discussed potential topics of discussion for their July meeting, including: managers with non-standard viewpoints; Greece; the Asian Infrastructure Investment Bank; negative interest rates; and the impact of low interest rates on savers.

Mr. Gill provided a brief introduction of Coller Capital ("Coller") and Coller International Partners VII ("Fund VII"). He discussed the significant involvement in the firm and its investment process of Jeremy Coller, the firm's founder, Chief Investment Officer and Executive Chairman.

Mr. Frank Morgan, President of Coller's U.S. operation and Partner; and Mr. Eric Foran, Principal, of Coller presented a brief introduction of themselves and the firm. They referred to the "Coller International Partners VII" presentation dated April 2015. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Morgan and Mr. Foran discussed the slow pacing of deal flow with regard to bank liquidation of their private equity partnership interests on the secondary market. Mr. Morgan noted the significant remaining outstanding volume of bank-owned private equity interests. Mr. Foran discussed the significant amount of 2005-08 vintage partnership interests that became available via general partner-initiated transactions, given the lack of liquidity available in the market during the Great Financial Crisis.

Responding to questions from the Committee, Mr. Morgan indicated that the firm's prior fund, Coller International Partners Fund VI ("Fund VI"), in which NHRS is a limited partner, has called 82% of committed capital. He noted that he expects Fund VI to have called 100% of committed capital by summer or fall of this year. Mr. Morgan indicated that the firm's investment team includes one former auditor and Mr. Foran commented that the Finance team includes several people with auditing experience. He discussed how Coller works with sellers to facilitate the completion of complex partnership transactions.

In response to questions from the Committee, Mr. Morgan and Mr. Foran discussed how Coller utilizes psychological testing in its hiring process.

Mr. Morgan expressed that the firm is not run in an autocratic fashion by Jeremy Coller.

Mr. Roy Leckie, Director and co-leader of the investment management group, of Walter Scott presented a brief introduction of himself and the firm. He referred to the "Review presentation for New Hampshire Retirement System" dated April 24, 2015. A lengthy discussion with the Committee followed.

In response to a question from the Committee, Mr. Leckie discussed the fine paid recently by Walter Scott's parent company, BNY Mellon, to the Financial Conduct Authority ("FCA") with regard to custody rules requiring entity-specific records and accounts. He indicated that while BNY Mellon owns Walter Scott, the firm remains completely autonomous with regard to its investment process and operations, and it was not impacted by the FCA's findings against BNY Mellon. Mr. Johansen stated that detail of the BNY Mellon settlement agreement had previously been communicated to the Committee.

Responding to questions from the Committee, Mr. Leckie discussed the commentary included in Walter Scott's 1st quarter investment report regarding passive investing. He explained how Walter Scott's active investment approach that focuses on companies' growth, profitability, balance sheet strength, and valuation, will add alpha over the return of the benchmark index over market cycles. He explained that in addition to utilizing data screens based on the criteria referenced above, Walter Scott analyzes company reports in order to source investment ideas.

In response to questions from the Committee, Mr. Leckie indicated that the portfolio remains fully-invested and its currency exposure is currently unhedged. He noted that Walter Scott does maintain the ability to hedge the portfolio's currency exposure, but has only done so four times in the firm's history.

Mr. William Conlin, President and Chief Executive Officer; and Mr. Ian Leverich, Vice President, of Abel/Noser Corporation ("Abel") presented a brief introduction of themselves and the firm. They referred to the "New Hampshire Retirement System Transaction Cost Analysis" presentation for calendar year 2014. A lengthy discussion with the Committee followed.

In response to a question, Mr. Conlin explained that the trading data related to the BlackRock S&P 500 portfolio includes all trades BlackRock placed on NHRS' behalf, including trades that were internally crossed. The Committee requested that on future reports, the non-U.S. equity manager trading costs be translated from basis points into cents per share. Mr. Conlin explained how commission costs associated with U.S. equities have come down from five cents per share 15 to 20 years ago to 2.5 cents per share, but have leveled off at that level. He discussed how equity trading in foreign markets differs from and is less efficient than equity trading in the U.S. Mr. Leverich addressed manager-specific trading questions and indicated that Abel and NHRS staff review trading cost results quarterly and raise any concerns that may arise directly with investment managers as needed.

The Committee discussed the Coller presentation and the opportunity to invest in Fund VII. They discussed firm-level key man and succession planning concerns with regard to Jeremy Coller, who is the firm's sole owner. Mr. Gill indicated that the senior investment professionals at Coller are compensated with carried interest, and are directly involved in the investment process. On a motion by Mr. Sosnoff, seconded by Mr. O'Donnell, the Committee unanimously agreed to commit $50 million to Coller International Partners VII Series A, subject to contract and legal review.

Mr. Johansen referred to the NHRS Investment Policy and discussed the proposed changes to certain asset class benchmarks and asset allocation ranges that were being presented for the Committee's consideration. He explained that the proposed changes represent an attempt to update these sections of the Policy to coincide with the evolution of the portfolio since the Policy was adopted in September 2012. On a motion by Ms. Kelliher, seconded by Mr. O'Donnell, the Committee unanimously agreed to recommend the revised Investment Policy to the Board of Trustees, as presented.

Mr. Johansen referred to NEPC's "Restructuring of the NHRS Traditional Fixed Income Portfolio" memo, dated April 24, 2015. In response to a question from the Committee, he expressed his opinion that the sizes of the respective individual fixed income manager portfolios are appropriate. Mr. Leonard recapped the efforts of the Committee, NEPC, and staff to restructure the System's fixed income portfolio to its current positioning, and confirmed NEPC's opinion that NHRS fixed income portfolio is structured appropriately.

Mr. Leonard referred to NEPC's "Domestic Equity Managers' Response to Recent Events in the Energy Sector" memo, dated April 24, 2015. The Committee discussed the impact of the dramatic fall in oil prices on the respective manager portfolios.

Mr. Johansen discussed a recent analysis performed by NEPC with regard to the System's active U.S. equity managers, which concluded that these managers had high active share ratios, which indicate that none of the managers, individually or collectively, are simply holding the index. He noted that the NEPC analysis will be sent to the Committee.

The Committee discussed the Total Fund's slight under allocation to non-U.S. equity and the potential for foreign markets to potentially outperform U.S. stocks.

Mr. Leonard referred to the "Investment Summary" presentation for the quarter-ending December 31, 2014. He reviewed the Total Fund's performance returns in comparison to the peer universe. Mr. Johansen referred to the "Private Markets Report" dated December 31, 2014.

On a motion by Mr. Sosnoff, seconded by Ms. Kelliher, the meeting adjourned at 11:55 a.m.