

**NOTE:** These minutes were approved and executed at the September 18, 2020 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
August 21, 2020**

**Public Minutes**

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

*Committee Members (by video conference):* Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; Tim Lesko; Michael McMahon; and Keith Quinton.

*Staff (by video conference):* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shana Bilech, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

*NEPC (by video conference):* Kevin Leonard, *Partner and Senior Consultant*; and Sean Gill, *Partner and Director of Private Markets Research*.

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

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the July 24, 2020 Investment Committee meeting, as presented, by roll call vote.

Mr. Johansen reviewed investment returns through recent periods and referred to the NEPC Marketable Investments performance flash report for periods ending July 31, 2020. He discussed the returns of various managers and asset classes over multiple time-periods. Mr. Johansen also provided an update on asset allocation and liquidity, with particular focus on funding requirements for pension and benefit payments over the next 30 to 90 days.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He explained that the transition of assets from the LSV U.S. Equity account to the BlackRock S&P 500 account with the assistance of a transition manager is now complete. He provided an update on the investment consultant RFP process, noting that two finalists will be selected to present to the Committee at the September meeting.

Ms. Claire Lewis, Vice President and Investment Director; Mr. Fayyaz Mujtaba, Managing Director and Global Industry Analyst; and Ms. Elizabeth O'Hara, Managing Director and Client Service Manager; of Wellington Management Company provided a brief introduction of themselves and their firm. They referred to the "Small Cap 2000" presentation dated August 21, 2020. A discussion with the Committee followed.

Ms. O'Hara provided an overview of Wellington's team, process, and strategy and discussed the private firm's unique boutique structure. She added that the purposeful absence of a Chief Investment Officer from the firm provides investment managers with the autonomy necessary to make investment decisions. Ms. Lewis discussed characteristics of the Small Cap 2000 portfolio in which NHRS invests, outlining the industry neutral approach both the team and individual global industry analysts take within the portfolio. She highlighted the importance of analysts' fundamental analysis and the collaborative efforts associated with managing the small cap portfolio. She provided an overview of the firm's ESG process and the ways in which ESG is evaluated and integrated into portfolio construction. Mr. Mujtaba provided an overview of his role as a global industry analyst and the philosophy and process of researching and adding new names to the portfolio. Ms. Lewis reviewed performance and discussed the expected impact of various market environments on portfolio performance, adding that analysts avoid making style or sector bets and instead focus on bottom-up stock selection and diversification within sectors. She closed with an overview of some of the names and industries in which the portfolio's analysts see value.

Mr. Nichols Caldwell, Manager, Institutional Markets; and Mr. Kenneth Scott, Co-Chief Executive Officer; of Boston Trust Walden Company provided a brief introduction of themselves and their firm. They referred to the "New Hampshire Retirement System" presentation dated August 21, 2020. A discussion with the Committee followed.

Mr. Caldwell opened with an overview of the firm's ownership structure, investment philosophy and process, investment performance over recent periods, and market outlook as it relates to sector allocation within the current portfolio. Mr. Scott provided further detail on the strategy's objectives and discussed the factors associated with an attractive investment in the small cap strategy. He discussed the structure of the small cap team and the vast resources available to the firm to create a well-structured portfolio. Mr. Caldwell discussed performance expectations over various market environments, noting that the firm strives to participate in favorable environments and preserve returns in poor market environments. Mr. Scott closed with an overview of performance over previous market cycles, the team's expectations for the current market, and valuation metrics of the small cap portfolio as

compared to the Russell 2000 index. Mr. Caldwell and Mr. Scott provided a thorough discussion of the firm's ESG process and the ways in which ESG is evaluated and integrated into portfolio construction.

Mr. Jeffrey Paulis, Principal, Senior Portfolio Manager; and Mr. Clark Koertner, Principal, Director of Institutional Sales; of Segall Bryant & Hamill ("SB&H") provided a brief introduction of themselves and their firm. They referred to the "A Differentiated Approach to ROIC Small Cap Investing" presentation dated August 21, 2020. A discussion with the Committee followed.

Mr. Koertner opened with a discussion on the current market environment and the expected impact on performance of the small cap portfolio in which NHRS invests. He discussed the firm's ESG process and the ways in which ESG is evaluated and integrated into portfolio construction. Mr. Paulis discussed SB&H's investment philosophy, process, and the firm's key differentiators as it relates to selecting niche investments within the small cap market. He provided a thorough overview of SB&H's proprietary due diligence models and the ways in which they can uncover favorable investment opportunities. A thorough discussion took place regarding the portfolio construction process, including the investment team's conviction in specific sectors due to the historical nature of favorable niche investments found within those sectors. Mr. Paulis reviewed performance over various time periods and offered his expectations for future portfolio performance in the current market environment.

Mr. Kevin Leonard, Partner and Senior Consultant; of NEPC provided an overview of the System's asset allocation and historical performance returns of the marketable assets of the NHRS portfolio at June 30, 2020, referring to the "Public Market Review" presentation dated August 2020. A lengthy discussion with the Committee followed.

Mr. Leonard opened with a review of the System's marketable investments portfolio and highlighted absolute and relative returns as compared to public fund peers over various time periods. Mr. Leonard discussed the portfolio's overweight allocation to value versus growth, as well as the overweight to small and mid-cap stocks within the domestic equity portfolio. The non-U.S. equity portfolio continues to demonstrate a tilt towards growth stocks and small-cap holdings relative to its benchmark. He noted that NEPC has conviction in the current U.S. and non-U.S. equity portfolio structure, and as such, no structural changes are recommended. He discussed the structure of the Fixed Income portfolio and Staff and NEPC recommended the Committee consider lowering the minimum core target allocation within fixed income from 75% core assets to a minimum of 60% core assets. The Committee discussed Staff and NEPC's recommendation.

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On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously voted to lower the Fixed Income Investment Guidelines from a minimum allocation of 75% core fixed income to a minimum allocation of 60% core fixed income, by roll call vote.

On a motion by Mr. LaPlante, seconded by Mr. Quinton, the Committee unanimously voted to adjourn the meeting, by roll call vote.

The meeting adjourned at 12:10 p.m.