

NOTE: These minutes were approved and executed at the January 22, 2016 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
December 18, 2015**

Public Minutes

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

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

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Marty Karlon, *Public Information Officer*; Nancy Cone, *Internal Auditor*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *Junior Investment Officer*; Ashley Lloyd, *Junior Investment Officer*.

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

Mr. Janeway called the meeting to order at 9:03 a.m.

On a motion by Mr. Jensen, seconded by Mr. O'Donnell, the Committee unanimously approved the public minutes and the non-public minutes of the November 20, 2015 Investment Committee meeting, subject to one minor revision.

Mr. Johansen made brief introductions of two recent hires at the System, Ms. Nancy Cone, Internal Auditor; and Ms. Ashley Lloyd, Junior Investment Officer; both of which are replacements due to a recent retirement and a recent departure, respectively.

Mr. Johansen and Mr. Lagos notified the Committee of a potential sale of the property that houses the NHRS office. They confirmed that the System is actively involved in discussions with the current owner and the realtor and reminded the Committee that the System holds a right of first refusal as part of its current lease agreement. Mr. Lagos stated that several options will be considered before any decisions are made and that the Committee will be kept apprised of all progress.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He noted that the Board approved the Committee's recommendation for approval of the Comprehensive Annual Investment Report ("CAIR") for the Fiscal Year ended June 30, 2015 at its December 8, 2015 Board meeting. Mr. Johansen added that the Board also approved the Committee's recommendations to renew the contract agreements with investment consultant NEPC and with proxy voting services provider ISS.

Mr. Johansen provided an overview of the upcoming January and February Committee meetings, stating that NEPC, GMO, AB (formerly AllianceBernstein), and J.P. Morgan will present at the January meeting to discuss each of their capital markets assumptions. He continued that February's meeting will include presentations from private equity manager Thoma Bravo and private debt manager Clareant, formerly known as Alcentra, with which NHRS currently has an investment relationship. Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending November 30, 2015. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen briefly discussed the System's relationship with current trading cost analysis provider Abel/Noser Corp., noting a longstanding relationship and reasonable annual fee. He added that Abel/Noser Corp. will also make a presentation to the Committee at the February meeting.

On a motion by Mr. Jensen, seconded by Mr. Sosnoff, the Committee unanimously approved the renewal of the trading analysis agreement with Abel/Noser Corp. through December 2017.

Mr. Anthony Frammartino, Principal; Mr. Tony Pietro, Assistant Portfolio Manager; and Mr. Joe Davenport, Associate; of The Townsend Group ("Townsend") provided a brief introduction of themselves and their firm. They referred to the "New Hampshire Retirement System" presentation dated December 18, 2015. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Frammartino provided an organizational update of the firm, noting the impending sale of The Townsend Group from its current owner, private equity firm GTCR, LLC ("GTCR") to NorthStar Asset Management Group Inc. ("NorthStar"). He stated that NorthStar will acquire an 85% equity interest in Townsend and that the transaction is expected to close in the spring of 2016. Mr. Frammartino confirmed that there will be no changes to Townsend's business strategy, management team, or operating structure and that the primary change as a result of this transaction is that Townsend will

have access to a permanent capital source, further facilitating Townsend's investment goals and capabilities on behalf of their clients.

Responding to questions from the Committee, Mr. Pietro provided a review of the Fiscal Year 2015 Real Estate Investment Program as of June 30, 2015, highlighting significant accomplishments of the Program during the last fiscal year. He further provided a review of the progress of the Fiscal Year 2016 Investment Plan, noting the dollar amount of commitments made on NHRS's behalf, notable distributions received, and the Plan's objectives in the calendar year 2016. Mr. Pietro also discussed the portfolio's current and expected style sector weights regarding strategic and tactical holdings.

In response to questions from the Committee, Mr. Davenport provided an update on the real estate portfolio's performance for the trailing 5-year period ending June 30, 2015, the same time period that reflects the length of NHRS's relationship with Townsend as its discretionary real estate consultant which was awarded in 2009. He reviewed significant contributors to the portfolio's relative outperformance during this time, including types of investments made; prudent portfolio positioning into diversified funds as well as focused, tactical funds; and significant fee discounts as a result of the relationship with Townsend.

In response to questions from the Committee, Mr. Frammartino provided a summary of Townsend's real estate investment outlook for the upcoming calendar year, highlighting those sectors within the asset class that exhibit favorable investment conditions. He also noted several geographic regions within the U.S. real estate market in which Townsend plans to pursue. He added that some foreign developed markets also exhibit favorable investment opportunities. He described in detail Townsend's competitive advantage relative to its competitors, and how it uses this advantage in its investment platform.

The Committee discussed the presentation made by Townsend. On a motion by Mr. Jensen, seconded by Mr. Sosnoff, the Committee unanimously agreed to renew the real estate investment management agreement with The Townsend Group through December 2017.

Mr. Sean Gill, Partner; of NEPC provided a detailed overview of the System's asset allocation of the private debt and private equity assets of the NHRS portfolio at June 30, 2015. He noted NEPC's private equity market thoughts and recommendations for each of the private equity strategies, supported by recent themes observed in fundraising, deal and exit volume, and relative returns at June 30, 2015 over various time periods.

Responding to questions from the Committee, Mr. Gill provided a thorough review of the performance of NHRS's private markets portfolio as of June 30, 2015 with respect to the legacy program (those private equity investments made prior to 2009), since the private markets portfolio restart in 2009, and the full program (legacy assets and those investments made since 2009 in aggregate), noting portfolio characteristics such as total commitments made, the market exposure as a percentage of the Total Fund, and net IRR. He also discussed the performance of NHRS's private markets portfolio relative to its peers. Mr. Gill offered a high-level performance analysis of each private equity and private debt asset, highlighting factors that affected underperformance or outperformance as needed.

Mr. Gill discussed NEPC's assumptions and recommendations for the successful positioning of the System's private markets portfolio going forward into 2016.

On a motion by Ms. Kelliher, seconded by Mr. Sosnoff, the Committee approved the private debt & private equity strategic plan for calendar year 2016.

Mr. Johansen provided a reminder to the Committee of the upcoming discussions regarding NHRS's assumed rate of return and capital markets assumptions which will take place in the spring of 2016.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the meeting adjourned at 11:54 a.m.