

NOTE: These minutes were approved and executed at the January 24, 2020 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
December 20, 2019**

Public Minutes

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

Committee Members: Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; and Keith Quinton. Tim Lesko; *absent*.

NHRS Trustees: Dr. Richard Gustafson.

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Greg Richard, *Senior Investment Officer*; Shana Bilech, *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 9:25 a.m.

On a motion by Mr. Quinton, seconded by Ms. Clinton, the Committee unanimously approved the public minutes of the November 22, 2019 Investment Committee meeting, as presented.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives, including upcoming meetings and the completed fixed income rebalancing. He added that the Board of Trustees voted at its December meeting to accelerate its experience study by one year at the recommendation of the System's actuary, GRS. As such, at the February meeting, the Committee will hear from presenters regarding their Capital Market Expectations and the expected long-term rate of return based on the NHRS asset allocation targets, and will recommend an assumed rate of return to the Board at a subsequent Committee meeting.

Mr. Johansen reviewed investment returns through recent periods, referring to the summary page of the NEPC Marketable Investments performance flash report for periods ending November 30, 2019. He discussed the returns of various managers and asset classes over multiple periods.

Mr. Johansen referred to the “Abel Noser Contract Renewal Memo” and briefly discussed the System’s relationship with current trading cost analysis provider Abel Noser Solutions (“Abel Noser”). He explained that the trading cost monitoring agreement is up for renewal upon completion of the trading cost analysis for the quarter ending December 31, 2019, which Abel Noser will present to the Committee at the February meeting.

On a motion by Mr. Quinton, seconded by Mr. LaPlante, the Committee unanimously approved to renew the trading cost analysis agreement with Abel Noser through December 31, 2021.

Mr. Anthony Frammartino, Partner; Mr. Tony Pietro, Partner; and Mr. Joe Davenport, Associate Partner; 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 20, 2019. A lengthy discussion with the Committee followed.

Mr. Frammartino opened with an overview of the System’s decade-long relationship with Townsend, the firm’s assets under management and services it provides, as well as the firm’s merge with Aon in 2018. Mr. Pietro provided an update of the NHRS real estate program as well as the composition and positioning of assets within the portfolio. Since Townsend was awarded discretion over the NHRS real estate program in 2009, the portfolio has created nearly \$600 million in value, achieving a 12.7% net annualized return and a 1.5x equity multiple. He discussed the progress of the program, including the portfolio’s compliance and adherence to guidelines, and the status of all three goals established at the beginning of Fiscal Year 2020. Mr. Davenport offered an overview of new investments to be initiated over the Fiscal Year, discussing investment theses, expected returns, Townsend’s market outlook, and the investments’ fit within the overall NHRS real estate program. Mr. Pietro closed by discussing strong portfolio performance, drivers of return, and expected changes to the portfolio.

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously agreed to renew the real estate investment management agreement with The Townsend Group through December 31, 2021.

Mr. Sean Gill, Partner; of NEPC referred to the “Private Equity & Private Debt Portfolio Review” presentation dated December 20, 2019 and provided a detailed overview of the System’s asset allocation of the private debt and private equity assets of the NHRS portfolio as of June 30, 2019. He discussed NEPC’s private equity market thoughts and recommendations for the private equity and debt strategies held within the NHRS portfolio.

Mr. Gill discussed program pacing, noting that the portfolio is performing favorably. He reviewed returns for periods ending June 30, 2019; Since the program restart in 2009, the since inception program has returned 10.6%, with a trailing five-year return of 9.8%. He noted that investments in the full program are performing as expected or better than expected, adding that there are a small number of investments underperforming their target which will continue to be monitored. He provided a thorough overview of the portfolio, discussing performance over each vintage year and the changes made to the program over the year, noting the program continues to perform as expected and continues to add value to the total portfolio.

Mr. Gill discussed commitment pacing, noting an expected increased commitment to private debt investments over the near term due to the rapid deployment and disbursement of invested capital in debt funds. Mr. Gill discussed general assumptions for the private debt and equity portfolio as well as the program's strategic plan for upcoming vintage years. He noted that the plan remains flexible to allow for participation in favorable opportunities and avoidance of unfavorable opportunities and closed by providing his market outlook and the expected impact on funding and performance.

On a motion by Mr. LaPlante, seconded by Mr. Quinton, the Committee unanimously agreed to approve the private debt & private equity strategic plan for calendar year 2020.

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the meeting adjourned at 11:11 a.m.