

**NOTE:** These minutes were approved and executed at the July 19, 2019 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
June 21, 2019**

**Public Minutes**

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

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

*NHRS Trustees:* Dr. Richard Gustafson.

*Staff:* Larry Johansen, *Director of Investments*; 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 9:00 a.m.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the May 31, 2019 Investment Committee meeting, as presented.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He provided an update on the liquidation status of the GAM Fund and added that GAM still plans to return 100 cents on the dollar for liquidated assets, with a final distribution expected to take place in the third quarter of 2019.

Mr. Johansen notified the Committee that legislation to add an active NHRS member to the Independent Investment Committee as a non-voting member, SB28, was signed into law by the Governor effective August 4, 2019. He noted that a non-voting member has not yet been appointed; he added that, by law, all IIC members are required to have substantial experience in the field of institutional investment or finance.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Marketable Investments performance flash report for periods ending May 31, 2019. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen provided an overview of the NHRS Fixed Income Portfolio and referenced the “Fixed Income Portfolio Review” document provided by NEPC. The Committee discussed the allocation within the Fixed Income portfolio. In an effort to reduce volatility and credit risk, the Committee agreed to rebalance allocation within the Fixed Income portfolio by completing a partial redemption of \$180 million from Loomis Sayles and a partial redemption of \$90 million from Brandywine; the funds will be transferred to the existing account at Income Research & Management. A full redemption of approximately \$60 million from DoubleLine, along with remaining assets at GAM totaling approximately \$46 million, will be liquidated and \$100 million will be transferred to the existing account at Fidelity; the remaining funds of approximately \$6 million will be used for liquidity purposes.

On a motion by Mr. Lesko, seconded by Mr. Quinton, the Committee unanimously agreed to rebalance the Fixed Income Portfolio in accordance with the plan as presented by Staff/NEPC.

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously agreed to renew the Investment Management Agreement with Brandywine through August 31, 2021.

On a motion by Mr. Quinton, seconded by Ms. Clinton, the Committee unanimously agreed to renew the Investment Management Agreement with Loomis Sayles through August 31, 2021.

Mr. Anthony Frammartino, Principal; Mr. Tony Pietro, Principal and Portfolio Manager; and Mr. Joe Davenport, Vice President; of The Townsend Group (“Townsend”) provided a brief introduction of themselves and their firm, an update on the Fiscal Year 2019 Investment Plan, and presented the Fiscal Year 2020 Investment Plan for the Committee’s consideration. They referred to the “New Hampshire Retirement System” presentation dated June 2019. A lengthy discussion with the Committee followed.

Mr. Pietro provided an update of the discretionary Real Estate portfolio the firm manages on behalf of the System, noting that the portfolio has exhibited favorable performance and remains in compliance with its guidelines. He discussed the transformation of the program since its inception in 2009 and commented upon the variety of funds held within the portfolio, noting the program now represents a highly diversified portfolio of investments. He reviewed progress of the three goals set forth for the NHRS Fiscal Year 2019 Investment Plan, confirming the firm has achieved or exceeded each goal over the course of the year, adding that the rebalance of the strategic portfolio initiated in 2018 is on schedule and nearly completed. Mr. Davenport provided a detailed overview of a

selection of recently initiated investments and reviewed performance over various periods, adding that the NHRS portfolio outperformed the benchmark over every measurable time period. Mr. Pietro reviewed the portfolio's current investment profile and upcoming goals for FY 2020, noting that he expects no significant changes to the program. He closed with an overview of the markets in which Townsend expects to find the most investment opportunity and their relation to the strategies within the portfolio.

The Committee discussed the presentation made by Townsend. On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously agreed to approve The Townsend Group's Fiscal Year 2020 Investment Plan.

Mr. Sean Gill, Partner; of NEPC referred to the "Private Equity & Private Debt Portfolio Review" presentation dated June 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 December 31, 2018. He discussed NEPC's private market thoughts and recommendations for each of the private market strategies, supported by recent themes observed in fundraising, deal and exit volume, and relative returns at December 31, 2018 over various periods.

Mr. Gill reviewed returns over various periods, highlighting favorable performance experienced since the private equity & private debt program's restart in 2009. He provided a review of a handful of outlier funds that are off to a slower start than anticipated, noting the reasons for underperformance and long-term expectations for each of the funds. He reviewed valuations and fund rankings by vintage year, noting that a majority of funds are meeting or exceeding expectations. He discussed the expected pacing schedule of the private debt and private equity portfolio and the revisions made to that pacing schedule following the increased private equity commitment target from 5% to 10%.

Mr. Gill discussed target allocations for the portfolio's private debt and private equity assets and discussed the relationship and returns of the portfolio's assets relative to its peers, noting that the portfolio continues to exceed expectations and add value to the Total Fund. He presented a comprehensive analysis of commitments within the portfolio, highlighting performance metrics and factors affecting performance. Mr. Gill provided NEPC's strategy and outlook for the near future, adding that he does not expect significant changes to the portfolio at this time.

On a motion by Mr. Quinton, seconded by Mr. LaPlante, the meeting adjourned at 10:34 a.m.