

**NOTE:** These minutes were approved and executed at the December 18, 2015 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
November 20, 2015**

**Public Minutes**

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

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

*NHRS Trustees:* Dr. Richard Gustafson; Dean Crombie.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Greg Richard, *Senior Investment Officer*; and Shari Crawford, *Junior Investment Officer*.

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

Mr. Janeway called the meeting to order at 9:02 a.m.

On a motion by Mr. Jensen, seconded by Mr. O'Donnell, the Committee unanimously approved the public minutes of the October 23, 2015 Investment Committee meeting.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending October 31, 2015. He discussed the returns of various managers and asset classes over multiple time periods. Mr. Johansen also reviewed the Work Plan and updated the Committee on several initiatives.

Mr. Johansen referenced the "Proposed 2016 Investment Committee Meeting Schedule" memo dated October 23, 2015. On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously approved the 2016 Investment Committee meeting schedule, as presented.

Mr. Johansen reviewed the System's relationship with current proxy voting service provider Institutional Shareholder Services ("ISS") and the services ISS provides. On a motion by Mr. Jensen, seconded by Ms.

Kelliher, the Committee unanimously agreed to provide a recommendation to the Board of Trustees to renew the Master Services Agreement with ISS through November 2018 with the option to extend two additional years.

Mr. Janeway entertained a motion to convene into non-public session under RSA 91-A:3, II(c) for the purpose of discussing a matter which, if discussed in public, would likely affect adversely the reputation of a person other than a member of the public body. A motion was made by Mr. O'Donnell and seconded by Ms. Kelliher to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Ms. Kelliher, Mr. O'Donnell, and Mr. Sosnoff.

Nay: None

Motion carried.

The Committee discussed the opportunity to renew the Investment Consulting Services Agreement with current consultant NEPC.

A motion was made by Ms. Kelliher and seconded by Mr. Jensen to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Ms. Kelliher, Mr. O'Donnell, and Mr. Sosnoff.

Nay: None

Motion carried.

On a motion by Ms. Kelliher, seconded by Mr. Jensen, the Committee unanimously agreed to provide a recommendation to the Board of Trustees to renew the Investment Consulting Services Agreement with NEPC through December 2018 with the option to extend two additional years.

The Committee reviewed the Draft Comprehensive Annual Investment Report ("CAIR") for the Fiscal Year Ended June 30, 2015. On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously approved the Comprehensive Annual Investment Report for the Fiscal

Year Ended June 30, 2015, subject to the minor grammatical revisions to the transmittal letter and to NEPC's letter, as agreed upon by the Committee. The Committee directed Staff to submit the Report to the Board at the Board's December meeting, with a recommendation for approval.

Mr. Brett Gordon, Managing Director; Mr. Jeffrey Keay, Managing Director; and Ms. Aris Hatch, Managing Director of HarbourVest Partners presented a brief introduction of themselves and an overview of their firm and its private equity fund, Dover Street IX L.P. ("Dover IX"). They referred to the "New Hampshire Retirement System" presentation dated November 2015. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Ms. Hatch described the firm's executive management and ownership structures and confirmed the stability of both. She also provided a brief overview of HarbourVest's geographic presence, stating their worldwide presence in the private equity space continues to grow as demonstrated by the upcoming openings of offices in Tel Aviv, Israel and South Korea in 2016.

Responding to questions from the Committee, Mr. Gordon elaborated on HarbourVest's presence in the secondaries market with respect to both traditional and complex deal types, their unique investment platform and approach to portfolio construction, and the firm's competitive advantages. He described several benefits of secondary investing, such as J-curve mitigation, near-term liquidity, swift deployment of capital, diversification, and the potential for strong returns. He cited the firm's pro-active portfolio management approach, their experience as demonstrated by completing over 400 transactions since their founding in 1982, and the strength of their relationships with limited partners and management teams as their largest competitive advantages.

Responding to questions from the Committee, Mr. Keay and Mr. Gordon reviewed the characteristics and performances of several investments in their Dover Street VIII fund, in which the NHRS is currently a limited partner. They described the unique, niche structures of some of their prior transactions, and noted that their prior experience with complex transactions has been mutually beneficial in their GP/LP relationships.

Mr. Keay reviewed HarbourVest's current offering, Dover Street IX, and its terms while addressing the Committee's inquiries regarding prior investment themes that had proved successful in their experience as well as those themes that were more challenging. Mr. Keay and Mr. Gordon stated that Dover IX's first close will be held in December 2015 and that most subscriptions were anticipated to be re-up's from current or prior LP's.

Mr. Mike Heinz, Managing Partner; Mr. Chuck Yates, Managing Partner; and Ms. Andrea Bollyky, Partner and Senior Managing Director of Kayne Anderson Capital Advisors presented a brief introduction of themselves and an overview of their firm and its energy fund, Kayne Anderson Energy Fund VII, L.P. (“Fund VII”). They referred to the “New Hampshire Retirement System” presentation dated November 20, 2015. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Ms. Bollyky described the firm’s strategical focus on middle-market oil and gas companies in North America. She also highlighted the collaborative structure of the firm’s engineering and corporate finance sleeves, discussing the benefits the firm receives by employing both experienced private equity investment professionals and professional engineers. She noted the firm’s extremely successful low rate of turnover, having never lost an on-staff engineer since they began investing in energy private equity in 1992.

Responding to questions from the Committee, Mr. Yates provided a brief review of the firm’s energy investment track record and performance in Energy Funds I through VI. Further, he provided a review of the energy investment environment as it is today, both domestically and globally. He discussed contributors to the current supply and demand imbalance with emphasis on the role that technological advances have played with respect to drilling and fracking techniques.

In response to questions from the Committee, Mr. Heinz elaborated on Kayne Anderson’s disciplined investment approach, noting how the investment team positions each drilling program to generate returns based on pessimistic assumptions of price movements. He emphasized that the investment team has not positioned the fund to be dependent on oil price increases in order to generate returns. He attributed the success of the prior energy funds to their unique ability not only to receive information quickly but to analyze information quickly as a result of employing highly-trained in-house engineering staff. Mr. Heinz discussed prior experiences observed during the Fund VI investment cycle. He provided a brief review of Fund VI’s investment profile and stated that it is expected that Fund VII will have a similar profile.

Ms. Bollyky reviewed the terms of the firm’s current offering, Fund VII, and stated that the fund has already raised \$600 million as of its first close in October. She stated Fund VII has the same target size as Fund VI of \$1.6 billion.

The Committee discussed the HarbourVest presentation and the opportunity to invest in Dover Street IX which is a re-up to Dover Street

VIII. On a motion by Ms. Kelliher, seconded by Mr. Jensen, the Committee unanimously agreed to commit \$50 million to Dover IX, subject to contract and legal review. Mr. Johansen confirmed that NHRS has been offered a seat on the Advisory Board.

The Committee discussed the Kayne Anderson presentation and the opportunity to invest in Energy Fund VII. On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously agreed to commit \$50 million to Fund VII, subject to contract and legal review. Mr. Johansen confirmed that NHRS is in discussions regarding a seat on the Advisory Board.

Mr. Kevin Leonard, Partner and Senior Consultant of NEPC provided an overview of the System's asset allocation of the marketable assets of the NHRS portfolio at June 30, 2015. Mr. Leonard entertained topics for the Committee's consideration in conjunction with the upcoming discussions regarding capital markets assumptions, including possible rebalancing, the overweight allocation to U.S. equities and specifically small and mid-cap U.S. equities, the portfolio's allocation to emerging markets, and the portfolio's bias toward value.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the meeting adjourned at 12:23 p.m.