

**NOTE:** These minutes were approved and executed at the November 20, 2015 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
October 23, 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. Hersh Sosnoff, *telephonically*.

*NHRS Trustees:* Dr. Richard Gustafson.

*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*; Sean Gill, *Partner*; Jeff T. Markarian, *Senior Research Consultant*; and Phillip R. Nelson, *Director of Asset Allocation*.

Mr. Janeway called the meeting to order at 9:00 a.m.

On a motion by Mr. Jensen, seconded by Mr. O'Donnell, the Committee unanimously approved the public minutes of the September 18, 2015 Investment Committee meeting.

Mr. Johansen discussed the recent acquisition of the majority interest of GTCR by Northstar Asset Management ("Northstar") of The Townsend Group ("Townsend"), NHRS's discretionary real estate manager. He stated that Townsend confirmed that the acquisition does not have an impact on the relationship between NHRS and Townsend and that Townsend's executive management team, strategies, and business models remain unchanged. He stated that Townsend will discuss this with the Committee when they present at the December Committee meeting.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending September 30, 2015. He discussed the returns of various managers and asset classes over multiple time periods. He noted that the Work Plan for the 3rd quarter of Fiscal Year 2016 has been

added to the Work Plan for the Committee's consideration. He commented that the Work Plan remains flexible and subject to change as the Committee deems appropriate.

On a motion by Mr. O'Donnell, seconded by Mr. Jensen, the Committee unanimously approved the Work Plan for the third quarter of Fiscal Year 2016 as presented.

Mr. Johansen referenced the "Proposed 2016 Investment Committee Meeting Schedule" memo dated October 23, 2015. He stated the Committee should review the proposed schedule and prepare to vote at the November Committee meeting to approve or amend as needed.

Mr. Johansen referenced the "Draft Transmittal Letter" for the Fiscal Year 2015 Comprehensive Annual Investment Report ("CAIR"). He asked that the Committee review the draft letter and provide any comments or feedback directly to him in advance of the November meeting. The Committee had a discussion on how much detail to include in the CAIR regarding recent market activity; provided some preliminary thoughts on the content in the draft; and agreed to provide any additional comments directly to Mr. Johansen. Mr. Johansen noted that the Committee will vote to approve the letter at the November Committee meeting for recommendation to the Board of Trustees at the December Board meeting.

Mr. Kevin Leonard, Partner and Senior Consultant of NHRS's investment consulting firm NEPC provided a brief introduction of his colleagues, Mr. Jeff Markarian, Senior Research Consultant; and Mr. Phillip Nelson, Director of Asset Allocation. Mr. Leonard, Mr. Markarian, and Mr. Nelson provided an overview of their Emerging Markets presentation dated October 2015, titled "Emerging Markets Revisited." A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Markarian provided a detailed review of NHRS's emerging markets equity portfolio since its inception in 2011. He discussed the portfolio's performance relative to emerging markets benchmarks over various time periods from inception through September 30, 2015, referring to the NEPC Marketable Investments performance flash report. He reviewed NHRS's current emerging markets equity managers and noted the key strengths of each manager, how their investment strategies and philosophies differ from one another, and relative performance expectations of each manager given various market environments.

Mr. Markarian and Mr. Nelson responded to questions from the Committee regarding the Chinese economy and its current and potential

impact within the emerging markets asset class and in relation to the global economy. Mr. Nelson provided an insight as to the growth expectations in China relative to the U.S. and relative to other emerging market economies within the MSCI EM Index. Mr. Nelson and Mr. Markarian also discussed growth expectations of developed markets relative to emerging markets in both the near term and in the longer term. The Committee's inquiries regarding social and political reform, monetary and fiscal policy, currency fluctuations, industrial and consumer driven economies, and natural resources within the various emerging markets were discussed at length, with emphasis on each of these items in relation to China.

Responding to questions from the Committee, Mr. Nelson discussed several factors that he and his Asset Allocation team at NEPC are considering, including preparing for the U.S. Federal Reserve's inevitable rate hike, the value of the dollar relative to other currencies, expectations for future inflation rates, and expectations on future earnings. He commented that his team focuses on how each of these factors affects each of the different asset classes.

Hersh Sosnoff departed the meeting at 10:55 a.m.

The Committee discussed current market events, including the Chinese economy, U.S. Federal Reserve Policy, and the recent market volatility.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the meeting adjourned at 11:20 a.m.