

NOTE: These minutes were approved and executed at the January 20, 2012 Investment Committee meeting.

**Investment Committee Meeting
December 16, 2011**

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

The Investment Committee meeting was called to order at 9:04 a.m. Present were:

Investment Committee: Mr. Harold Janeway (Committee Chair); Mr. David Jensen; Mr. Patrick O'Donnell; Ms. Cathy Provencher; and Dr. Lisa Shapiro.

NHRS Board Members: Mr. Dean Crombie; Dr. Richard Gustafson; Dr. Kate McGovern and Mr. Hershel Sosnoff.

NHRS Staff: Ms. Kim France, Interim Executive Director; Mr. Lawrence Johansen, Director of Investments; Mr. John Browne, Internal Auditor; Mr. Jeff Gendron, Investment Officer; Mr. Scott Needham, Investment Analyst; and Mr. Greg Richard, Investment Analyst.

NEPC, LLC ("NEPC"): Mr. Kevin Leonard, Partner and Senior Consultant; and Mr. Sean Gill, Partner.

Supporting documentation for the items listed below is maintained on file and available for review at the New Hampshire Retirement System's ("NHRS" or "System") administrative office.

Items requiring Committee discussion or action:

Mr. Janeway welcomed Mr. David Jensen back to the Committee and also welcomed the newest Board member, Mr. Hershel Sosnoff, who was in attendance.

Approval of the November 18, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the November 18, 2011 Investment Committee meeting. There was one minor update suggested by the Committee. A motion to approve the public minutes of the November 18, 2011 Investment Committee meeting, as amended, was made by Dr. Shapiro and seconded by Mr. O'Donnell.

Aye: Mr. Janeway, Mr. O'Donnell, Ms. Provencher, and Dr. Shapiro

Nay: None

Abstain: Mr. Jensen
Motion carried.

Comments from the Director of Investments

Mr. Johansen proposed a 2012 meeting schedule to the Committee. The Committee suggested one minor change to the August meeting date.

Motion to approve the proposed 2012 Committee meeting schedule, as amended:

Motion: Mr. O'Donnell
Second: Ms. Provencher

Motion carried unanimously.

Mr. Johansen provided an overview of the high-level tasks and projects being addressed by the Committee and Staff and referred to the Work Plan and related cover memo dated November 21, 2011. He noted that Staff and NEPC interviewed “go anywhere” unconstrained domestic equity managers in November and that another round of interviews is scheduled in January. He stated that Staff spent considerable time with NEPC developing the 2012 private equity plan which Mr. Gill presented later in the meeting. Mr. Johansen mentioned that the fourth quarter of the fiscal year will be added to the Work Plan for Committee review and approval at its January meeting. He noted that one of the fourth quarter initiatives will be the completion of the asset class guidelines for inclusion in the Investment Manual and that development of these guidelines has begun. Mr. Johansen stated that the domestic equity guidelines will be completed first and then brought to the Committee for discussion and that once any changes are agreed upon, it will be used as a template to develop the remaining asset class guidelines. In response to a Committee member question, Mr. Johansen noted that NEPC will be attending the next meeting of the Board's Governance Committee in January to assist in the discussion of the investment policy and that, based on discussions with the Governance Committee, he thought the policy was close to completion.

In response to a Committee suggestion, Mr. Janeway and Mr. Johansen will work with both NEPC and Gabriel, Roeder Smith & Company, the System's actuary, to generate alternative scenarios for asset allocation and the assumed rate of return based on proposed legislation that would shift new employees to a defined contribution plan instead of the current defined benefit plan. Mr. Johansen confirmed that this information would be part of the December Legislative Committee meeting so that the Board can discuss these materials at its next meeting in January.

The Townsend Group Presentation

Mr. Johansen commented that The Townsend Group (“Townsend”), the System's discretionary real estate manager, would present a six-month update of their fiscal year 2012 real estate Investment Plan to the Committee. He noted that this plan includes the gradual rebalancing of the underlying strategic and tactical real estate portfolios to a 50%/50% target weighting, the opportunistic liquidation of the System's direct property holdings, and the gradual increase of the

real estate portfolio to its 10% target allocation.

Mr. Janeway entertained a motion to convene into non-public session under RSA 91-A:3, II(d) for the purpose of considering the acquisition, sale or lease of real or personal property which, if discussed in public, would likely benefit a party or parties whose interests are adverse to the general community. A motion was made by Mr. O'Donnell and seconded by Ms. Provencher to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Mr. O'Donnell, Ms. Provencher and Dr. Shapiro.

Nay: None

Motion carried.

Mr. Anthony Frammartino, Partner; Ms. Terri Herubin, Principal and Portfolio Manager; and Mr. Tony Pietro, Associate, of Townsend provided an overview of their firm, reviewed the performance of the System's real estate portfolio, and presented an update of their Fiscal Year 2012 Investment Plan. They referred to the "New Hampshire Retirement System Real Estate Portfolio Update" presentation, dated December 16, 2011.

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

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Mr. O'Donnell, Ms. Provencher and Dr. Shapiro.

Nay: None

Motion carried.

The Townsend Group Contract Renewal

Mr. Johansen informed the Committee that the real estate investment management agreement between NHRS and Townsend expires on January 1, 2012 and referenced the memo provided to the Committee from L. Johansen, which recommended that the agreement between the System and Townsend be renewed.

Motion to renew the real estate investment management agreement with Townsend through December 2013:

Motion: Dr. Shapiro

Second: Mr. O'Donnell

Aye: Mr. Janeway, Mr. O'Donnell, Ms. Provencher and Dr. Shapiro.

Nay: None

Abstain: Mr. Jensen

Motion carried.

Private Equity Plan

Mr. Gill presented a brief overview of the status of the NHRS private equity program; private equity markets; and investment opportunities, as well as a proposed calendar year 2012 private equity work plan for approval by the Committee. He referred to the presentation titled “Private Equity Program Review & 2012 Strategic Investment Plan”, dated December 2011.

In response to Committee member questions, Mr. Gill explained that the venture capital strategy is not included in the 2012 private equity plan as NEPC is currently not bullish on this strategy. He noted that the commitment pace has been developed based on generating multiple scenarios using different assumptions to help mitigate the risk of becoming over-funded to this illiquid asset class. Mr. Gill noted that the plan is to diversify across vintage years, strategies and geographic regions and although the 2011 commitment amount appears high, this is relative to prior years in which relatively little if any commitments were made. In addition, Mr. Gill noted that about a third of the 2011 commitments were secondaries, which diversifies across multiple vintage years. He mentioned that the return assumptions for each strategy are reviewed and adjusted accordingly on an annual basis. Mr. Gill described the NEPC process that leads to a preferred manager list which is an ongoing process typically resulting in about 30-40 funds on the list at any one time. He stated that over 60% of the NEPC managers on this preferred list had historical returns in the first quartile with another 25% in the second quartile resulting in approximately 85% of managers on the NEPC preferred list ranking above the median.

Motion to approve the private equity plan for calendar year 2012 which includes a commitment size of \$60 million, +/- \$20 million, to be focused on Energy, Distressed, Growth and Mezzanine strategies:

Motion: Mr. Janeway

Second: Ms. Provencher

Motion carried unanimously.

European Debt Crisis Update

Mr. Leonard provided an update to the overview of the European Debt Crisis which was presented to the Committee at its October meeting. Mr. Leonard referred to the “European Peripheral Debt Crisis Update” NEPC memo dated December 5, 2011. He stated that NEPC’s recommendation to maintain strategic allocations among asset classes have not changed from the October meeting. In response to a Committee member question, Mr. Leonard stated that NEPC is in the process of finalizing the annual asset class risk and return expectations which will assist in the discussion of asset allocation and any potential recommendations to adjust strategic allocations. He provided a brief summary of these preliminary return expectations. The Committee requested that when the final risk and return figures are presented to the Committee, NEPC should fully explain the underlying economic and statistical assumptions as well as how the portfolio can mitigate downside risk.

Emerging Market Debt Recap

The Committee continued the discussion of investment opportunities in the emerging markets debt local currency space from prior meetings, as part of the structural review of the NHRS fixed income portfolio. Mr. Leonard referred to the “Recap of the Actions-to-Date Regarding the Fixed Income Portfolio Review” memo, dated December 6, 2011.

After a brief discussion, the Committee decided to defer any decisions until the risk and return assumptions from NEPC are finalized and more information is presented on capital controls by emerging market countries such as China.

In response to the Committee’s request at its November meeting, Mr. Leonard provided a summary of the currency exposure in the System’s marketable portfolio. He referred to the NEPC memo “NHRS Marketable Portfolio Currency Exposures (9/30/11)”, dated December 6, 2011.

Evaluation of Investment Consultant

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 Mr. Jensen to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Mr. O’Donnell, Ms. Provencher and Dr. Shapiro.
Nay: None

Motion carried.

The Committee briefly discussed the process to be used to evaluate the NHRS investment consultant.

A motion was made by Mr. O’Donnell and seconded by Ms. Provencher to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Mr. Jensen, Mr. O’Donnell, Ms. Provencher and Dr. Shapiro.
Nay: None

Motion carried.

Investment Committee Checkpoint Discussion

The Committee determined that there were no additional items to discuss.

Informational Items:

Investment Performance – FYTD October 2011

Asset Allocation Update

NEPC Performance Report – October 2011

Motion to adjourn the December 16, 2011 meeting of the NHRS Investment Committee:

Motion: Mr. O'Donnell

Second: Mr. Jensen

Motion carried unanimously.

The meeting adjourned at 12:34 pm.