

NOTE: These minutes were approved and executed at the January 22, 2021 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
December 18, 2020**

Public Minutes

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

Committee Members (by video conference): Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; Tim Lesko; Mike McMahon; and Keith Quinton.

Staff (by video conference): George Lagos, *Executive Director*; Tim Crutchfield, *Deputy Director and Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Ashley Lloyd, *Investment Officer*; and Shana Bilech, *Junior Investment Officer*.

NEPC (by video conference): Kevin Leonard, *Partner and Head of Public Fund Practice Group*; Sean Gill, *Partner and Director of Private Markets Research*.

Ms. Kelliher called the meeting to order at 9:00 a.m.

On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee approved the public minutes of the November 20, 2020 Investment Committee meeting, as presented, by roll call vote. Mr. Quinton abstained from the vote as he did not attend the November Committee meeting.

Mr. Johansen reviewed investment returns through recent periods and referred to the NEPC Marketable Investments performance flash report for periods ending November 30, 2020. He discussed the returns of various managers and asset classes over multiple time-periods. Mr. Johansen also provided an update on asset allocation and liquidity, with particular focus on funding requirements for pension and benefit payments over the next 30 to 90 days.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives, adding that the termination of the LSV International Large Cap Value Fund and the hiring of Lazard and Aristotle had been finalized in early December.

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee voted to extend the investment relationship with BlackRock through

December 2022, by roll call vote. Mr. Quinton abstained from the vote as he did not attend the November Committee meeting.

On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee voted to renew the Investment Management Agreement with AllianceBernstein through November 30, 2022, by roll call vote. Mr. Quinton abstained from the vote as he did not attend the November Committee meeting.

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee voted to renew the Investment Management Agreement with Thompson, Siegel & Walmsley through November 30, 2022, by roll call vote. Mr. Quinton abstained from the vote as he did not attend the November Committee meeting.

Mr. Sean Gill, Partner; of NEPC introduced Monroe Capital (“Monroe”) and provided an overview of NHRS’s investments in previous Monroe funds. He discussed NEPC’s conviction in Monroe and the Monroe Capital Private Credit Fund IV (“Fund IV”).

Mr. Zia Uddin, Partner, Managing Director & Portfolio Manager; Mr. Chris Lund, Director & Assistant Portfolio Manager; and Mr. Jon Olstein, Managing Director; of Monroe provided a brief introduction of themselves and their firm. They referred to the “Monroe Capital Private Credit Fund IV” presentation dated December 18, 2020. A discussion with the Committee followed.

Mr. Lund provided an overview of Monroe’s strategy and the factors which differentiate the firm from other direct lending firms. He provided a detailed overview of the firm’s prescreening and rigorous due diligence process which results in sourcing highly selective, favorable and reliable investment opportunities. Mr. Uddin discussed the roles of various individuals on the investment team, adding that segmenting roles into teams allows the firm to consistently monitor and execute deals effectively. He explained that Monroe is typically the sole lender on a majority of deals, noting loan terms generally do not last longer than five years. Mr. Uddin discussed terms for Fund IV and provided an overview of the prior funds in which NHRS is invested, Monroe Capital Senior Secured Direct Loan Fund, and Monroe Capital Private Credit Funds II and III. Mr. Uddin closed by discussing the impact of Covid-19 on the companies held within the Monroe portfolios.

The Committee discussed the presentation made by Monroe and the opportunity to invest in Fund IV. On a motion by Ms. Clinton, seconded by Mr. Lesko, the Committee unanimously voted to commit \$50 million to Fund IV, subject to contract and legal review, by roll call vote.

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 2020. 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 the services it provides. 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 over \$600 million in value, achieving an 11.6% 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 2021. Mr. Davenport offered an overview of investments 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 portfolio performance, drivers of return and expected changes to the portfolio.

Mr. Sean Gill, Partner; of NEPC referred to the “Private Equity & Private Debt Portfolio Review” presentation dated December 2020 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, 2020.

Mr. Gill discussed program pacing, noting that the portfolio is performing favorably. He reviewed internal rate of returns for periods ending June 30, 2020; Since the program restart in 2009, the since inception program has returned 8.4%, with a trailing five-year return of 7.7%. He noted that investments in the full program are performing as expected or better than expected, adding that the investments underperforming their target should 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 add value to the total portfolio.

Mr. Quinton departed the meeting at 10:51 a.m.

Mr. Johansen and the Committee thanked NEPC for their many years of service to NHRS.

On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee unanimously voted to adjourn the meeting, by roll call vote.

The meeting adjourned at 11:00 a.m.