

**Investment Committee Meeting
February 18, 2011**

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

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

Investment Committee: Mr. Harold Janeway, Ms. Cathy Provencher; Dr. Lisa Shapiro; and Mr. Thomas Silvia. There is currently one vacant seat on the Committee.

NHRS Board Members: Mr. Dean Crombie; and Mr. Samuel Giarrusso.

NHRS Staff: Ms. Kim France, Interim Executive Director; Mr. Lawrence Johansen, Director of Investments; Mr. Jack Dianis, Director of Finance; Ms. Nancy Miller, Director of Member Services; Mr. Timothy Crutchfield, Chief Legal Counsel; 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; Mr. Sean Gill, Partner; and Mr. Jeff Markarian, Research Consultant.

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:

Approval of the January 21, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the January 21, 2011 Investment Committee meeting. As there were none, he requested a motion for approval of the minutes.

Motion for approval of the January 21, 2011 Investment Committee meeting minutes:

Motion: Mr. Silvia

Second: Ms. Provencher

Motion carried unanimously.

Mr. Janeway entertained a motion to temporarily adjourn the meeting to consult with legal counsel under RSA 91-A:2, I(b).

Motion: Mr. Silvia

Second: Ms. Provencher

Motion carried unanimously.

On a motion by Ms. Provencher and seconded by Dr. Shapiro, the Committee reconvened its meeting by unanimous vote.

Mr. Janeway entertained a motion to accept the letter of resignation submitted by Pyramis Global Advisors (“Pyramis”) relative to the fixed income portfolio that firm manages on behalf of the System:

Motion: Ms. Provencher

Second: Dr. Shapiro

Motion carried unanimously.

Comments from the Director of Investments

Given the resignation of Pyramis, Mr. Johansen noted that staff will begin work immediately with NEPC to conduct a search for a replacement Core Plus fixed income manager.

Mr. Johansen acknowledged that NHRS had completely exited its securities lending program by the end of January. He cited that after Northern Trust (“Northern”) had accepted the System’s request in early January to exit securities lending, Northern began systematically recalling all outstanding loans and completed this process by month-end. Net income for the securities lending program since its inception, inclusive of payments made to Northern, totaled \$18.25 million.

Mr. Johansen noted that the current legislative session in New Hampshire featured several proposed bills regarding the System. In response to a question from the Committee, Ms. France indicated that there are no proposed bills this session regarding the composition of the Investment Committee.

Mr. Johansen commented that meetings have been scheduled with NEPC to continue working on the 2011 private equity plan. He noted that the Audax Mezzanine Fund III, L.P. closed in January and that NHRS is not participating in the Fund as the general partner and NHRS were unable to negotiate the System’s exit strategy should the general partner fail to comply with certain NHRS policies. In response to questions from the Committee, Mr. Johansen and Mr. Gill indicated that the general partner’s concerns focused not so much on compliance with the policies, but with the return of capital requirements in the event of a policy violation. Mr. Gill confirmed that an expedited return of capital would not be of such concern to larger general partners who offer more liquid funds.

Mr. Johansen noted that the NHRS Board of Trustees approved a revised Indemnification Policy at its February meeting. He indicated that the revisions provide the same coverage under the Policy for the independent members of the Investment Committee and the Board members. He also commented that at its January meeting, the Board voted to increase the limits on its fiduciary liability insurance.

Mr. Johansen referred to the Work Plan and related cover memo dated January 28, 2011, and provided a brief update to the Committee.

Total Fund Performance for the Period Ended December 31, 2010

Mr. Leonard referred to the “Fourth Quarter 2010 Investment Performance Analysis” presentation. He provided a brief market overview and summarized the performance of asset classes and investment managers for periods through December 31, 2010.

The Committee acknowledged the top decile performance of the Marketable Investments portfolio over the two-year period ended December 31, 2010. They also noted that the Total Fund return over the same period was in line with the universe median.

Walter Scott & Partners, Ltd. (“Walter Scott”)

Mr. Markarian provided a brief introduction of Walter Scott, noting the firm’s bottom-up, long-term investment strategy. He commented that Walter Scott seeks to invest in companies that are capable of generating internal growth rates of at least 20%. He noted that Walter Scott has a low level of direct emerging market exposure, relative to the portfolio benchmark.

Mr. Charles Macquaker, Director of Walter Scott presented an overview of his firm and a review of the global equity portfolio that the firm manages on behalf of the System. He referred to the “Global Equity Presentation for New Hampshire Retirement System”, dated February 18, 2011.

In response to questions from the Committee, Mr. Macquaker commented that Walter Scott’s research responsibilities are organized geographically. He noted that the firm will inevitably miss potential investment opportunities, but that these stocks will land on the firm’s radar screen if they consistently feature metrics that the firm finds attractive. Regarding currency considerations, Mr. Macquaker said that Walter Scott seeks companies that can provide a steady course through currency headwinds and in general will not seek to hedge currencies.

Further responding to questions from the Committee, Mr. Macquaker indicated that he is cautious at the moment regarding further investment in emerging market companies due to current market characteristics and the volume of recent investor cash flows into these markets. He commented that there are many developed market companies that tap into emerging market opportunities and that the portfolio has indirect emerging markets exposure through such companies.

Ms. Provencher departed at this time.

Non-U.S. Equity Structure Discussion

Mr. Leonard presented a summary of NEPC's non-U.S. equity portfolio structural recommendations to the Committee. He referred to the memo titled "Traditional Non-U.S. Equity Portfolio Structure Recommendation", dated February 9, 2011.

The Committee discussed various options regarding the inclusion of global equity mandates within the non-U.S. equity portfolio structure and agreed that the exposure to international equities should increase as a result of the portfolio restructuring process. The Committee agreed that the next step in the process is to receive presentations from international small cap and emerging market managers who offer less constrained investment strategies.

Discussion of GRS Assumed Rate of Return

Mr. Johansen referred to the pages that were provided to the Committee from the "5-Year Experience Study – July 1, 2005 to June 30, 2010" presentation made by the System's actuarial consultant, Gabriel Roeder Smith & Company ("GRS"), at the February 8, 2011 NHRS Board of Trustees meeting.

The Committee disagreed with GRS' projected fixed income returns, feeling that they are too optimistic and based entirely on historical results. The Committee agreed to discuss the assumed rate of return further at its March meeting with the goal of providing a recommendation to the Board for discussion and consideration at the April Board meeting.

Siguler Guff Distressed Opportunity Fund IV

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 Dr. Shapiro and seconded by Mr. Silvia to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Dr. Shapiro, Mr. Janeway, and Mr. Silvia.

Nay: None

Motion carried.

The Committee discussed its May 21, 2010 decision to commit \$20 million to the Siguler Guff Distressed Opportunity Fund IV.

A motion was made by Dr. Shapiro and seconded by Mr. Silvia to conclude non-public session.

Roll call vote:

Aye: Dr. Shapiro, Mr. Janeway, and Mr. Silvia.

Nay: None

Motion carried.

The Committee agreed to request that representatives of Siguler Guff make a presentation at the March Committee meeting.

Investment Committee Checkpoint Discussion

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

Informational Matters:

Investment Performance – FYTD December 2010

Financial Statements – December 2010

Private Monitor Report – December 2010

Asset Allocation Update

NEPC Performance Report – December 2010

Top 50 Equity, Fixed Income, and Active Commingled Holdings as of December 31, 2010

Motion to adjourn the February 18, 2011 meeting of the NHRS Investment Committee:

Motion: Mr. Silvia

Second: Dr. Shapiro

Motion carried unanimously.

The meeting adjourned at 12:12 pm.