

**NOTE:** These minutes were approved and executed at the March 19, 2021 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
February 19, 2021**

**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*.

*Callan (by video conference):* Angel Haddad, *Senior Vice President*; Britton Murdoch, *Vice President*; Pete Keliuotis, *Executive Vice President and Head of Alternatives Consulting*; Lauren Mathias, *Senior Vice President*; David Zee, *Senior Vice President*; Dario Buechi, *Senior Analyst*; Ho Hwang, *Vice President*; Jay Kloepfer, *Executive Vice President and Director of Capital Markets Research Group*; and Sweta Vaidya, *Senior Vice President and Consultant*.

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

On a motion by Mr. Quinton, seconded by Ms. Clinton, the Committee approved the public minutes of the January 22, 2021 Investment Committee meeting, as presented, by roll call vote. Mr. LaPlante abstained from the vote as he did not attend the January Committee meeting.

Mr. Johansen reviewed investment returns through recent periods and referred to the Callan Monthly Review for periods ending January 31, 2021. He discussed the returns of various managers and asset classes over multiple time-periods. Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He 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 discussed the Fidelity and Segall Bryant & Hamill (“SBH”) contract extensions, noting that the recommendation to extend the SBH

contract is contingent upon the results of Callan's Asset Allocation Study and Portfolio Structure Review analysis this spring.

On a motion by Mr. Lesko, seconded by Ms. Clinton, the Committee voted to extend the investment relationship with Fidelity through January 2023, by roll call vote. Mr. LaPlante abstained from the vote as he did not attend the January Committee meeting.

On a motion by Mr. Quinton, seconded by Ms. Clinton, the Committee voted to extend the relationship as it pertains to the non-U.S. small cap equity mandate managed by SBH through January 2023, by roll call vote. Mr. LaPlante abstained from the vote as he did not attend the January Committee meeting.

Mr. Ian Leverich, Managing Director; of Abel Noser Solutions ("Abel Noser") provided a brief introduction of himself, his firm, and the services Abel Noser provides to the System. He referred to the "New Hampshire Retirement System Transaction Cost Analysis" presentation for calendar year 2020. A discussion with the Committee followed.

Mr. Leverich opened with an overview of the services Abel Noser provides for the System and a history of the firm's relationship with NHRS. He reviewed trading cost analysis for periods through December 31, 2020, noting the System's active U.S. equity managers, active non-U.S. equity managers, and passive U.S. equity manager achieved favorable trading costs over the year. Responding to questions from the Committee, Mr. Leverich discussed trends in trading cost analysis and the impacts of MiFID II on trading costs.

Mr. John Bowman, Managing Director; Mr. Mark DeVincentis, Managing Director and Head of Strategic Partnerships and Product Solutions; and Mr. Michael Rogers, Managing Director; of Crescent Capital Group ("Crescent") provided a brief introduction of themselves, their firm, and its direct lending fund. They referred to the "Crescent Direct Lending Fund III Update" presentation dated February 19, 2021. A lengthy discussion with the Committee followed.

Mr. DeVincentis discussed Crescent's partnership with Sun Life Financial, noted the benefits associated with the partnership, and added that both firms will continue to operate independently. Mr. Bowman provided a review of Crescent's investment process which targets private equity-backed lower middle-market sized borrowers. He noted Crescent's selective lending process ensures that the businesses with which they invest can weather market downturns. Mr. Bowman provided a review of fund performance and industry exposure as it relates to Crescent Direct Lending Levered Fund I and Crescent Direct Lending Levered Fund II, the strategy's predecessor funds in which NHRS invests. He then reviewed

fund terms for Crescent Direct Lending Fund III (“Fund III”). He closed with an overview of the differences and similarities between Funds I, II and III and highlighted the differences between the Fund’s levered and unlevered structures.

Mr. Pete Keliuotis, Executive Vice President and Head of Alternatives Consulting; of Callan provided an overview of Crescent and discussed NHRS’s investments in previous Crescent funds. He discussed Callan’s conviction in Crescent and Fund III.

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

Mr. Thomas Goggins, Senior Managing Director and Senior Portfolio Manager; Mr. David Zielinski, Managing Director and Client Portfolio Manager; and Mr. Mark Flinn, Managing Director of Relationship Management; of Manulife, presented a brief introduction of themselves and an overview of their firm. They referred to the “Strategic Fixed Income” presentation dated February 19, 2021. A lengthy discussion with the Committee followed.

Mr. Zielinski reviewed the organizational structure of the Global Multi-Sector Fixed Income team. He discussed the fund’s fundamentally driven philosophy and process, noting the goal of providing downside protection while also minimizing risk and providing liquidity. Mr. Goggins discussed the firm’s approach to ESG and the ways in which ESG analysis is factored into security selection. Mr. Zielinski provided an overview of the macro environment and highlighted interest rates, credit spreads, and currencies as main drivers of the fund’s return. Further, he noted the challenges associated with the environment over the past 12 months and its impact on portfolio performance. Mr. Zielinski reviewed key investment themes within the portfolio, the firm’s market outlook, and the ways in which their views on these themes have influenced portfolio positioning.

Mr. Jay Kloepfer, Executive Vice President and Director of Capital Markets Research Group; and Ms. Sweta Vaidya, Senior Vice President and Consultant; of Callan referred to the “2021 Capital Markets Assumptions” and “2021 Long-Term Capital Market Assumptions” presentations. A lengthy discussion with the Committee followed.

Mr. Kloepfer provided an overview of the objectives and process associated with creating Callan’s Capital Markets Assumptions. He noted the important role of interest rates, inflation and economic assumptions when making longer-term projections. He reviewed Callan’s Capital Market Assumptions by asset class for the next ten years, noting that the

dislocation caused by the coronavirus has been enough to bring down assumptions. Mr. Kloefer reviewed long-term assumptions for NHRS in detail, noting an assumed geometric return of 6.10% for the next ten years and an assumed geometric return of 7.30% for the next 30 years. Ms. Vaidya noted that these assumptions will be used in Callan's asset allocation and portfolio structure review expected to take place over the coming months.

Mr. Angel Haddad, Senior Vice President; and Mr. Britton Murdoch, Vice President; of Callan referred to the "Fourth Quarter 2020 Executive Summary" presentation. Mr. Haddad reviewed the structure of the report and discussed total fund metrics for the quarter ending December 31, 2020. Mr. Murdoch highlighted notable developments within the public market portfolio over the quarter.

Mr. Quinton departed the meeting at 11:51 am.

Mr. Johansen and the Committee congratulated Mr. Lagos on his upcoming retirement and thanked him for his years of service to the 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 12:02 p.m.