

**Investment Committee Meeting  
January 21, 2011**

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

The Investment Committee meeting was called to order at 9:12 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; Mr. Samuel Giarrusso; and Rep. Ken Hawkins.

NHRS Staff: Kim France, Interim Executive Director; Mr. Lawrence Johansen, Director of Investments; Mr. Jack Dianis, Director of Finance; 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:**

Mr. Johansen introduced Ms. Cathy Provencher, State Treasurer, who was appointed to the Committee by the Board Chair at the January meeting of the NHRS Board of Trustees. He welcomed back Mr. Harold Janeway to the Committee as an independent member. Mr. Johansen introduced Ms. Kim France, the NHRS’ Interim Executive Director and Mr. Jack Dianis, Director of Finance for the System.

Motion to nominate Mr. Janeway as Chairman of the Committee:

Motion: Dr. Shapiro  
Second: Mr. Silvia  
Abstain: Mr. Janeway

Motion carried unanimously.

Mr. Janeway thanked former Committee members Mr. David Jensen and Mr. Patrick O’Donnell for their participation and contributions to the Committee.

### Approval of the December 17, 2010 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the December 17, 2010 Investment Committee meeting. As there were none, he requested a motion for approval of the minutes.

Motion for approval of the public and non-public December 17, 2010 Investment Committee meeting minutes:

Motion: Mr. Silvia  
Second: Dr. Shapiro

Motion carried unanimously.

### Comments from the Director of Investments

Mr. Johansen presented an overview of performance for the period ended December 31, 2010 noting that total marketable assets returned 13.2% for the one-year period which outperformed the benchmark of 13.1%.

He provided a brief update on securities lending stating that Northern Trust has decreased the lending cap to zero as of January 13, 2011 and is in the process of recalling all outstanding loans. A full exit from securities lending is anticipated by month-end. A historical earnings analysis of the securities lending program will be prepared and distributed to the Board and Committee upon the program's conclusion.

Mr. Johansen provided a legislative update and mentioned that a summary of legislative items will be distributed to Committee members on a weekly basis.

Mr. Johansen presented the six-month Work Plan to the Committee, which has been updated to include the 4th quarter of fiscal year 2011. He noted the items that have been added under the 4<sup>th</sup> quarter, and also indicated that the items completed through the fiscal year to date have been moved to the end of the document. A Committee member suggested adding a review of the System's fixed income strategy given the current low interest rate environment.

In response to Committee member suggestions, Mr. Johansen outlined a process in which the Committee will make a formal recommendation to the Board on the actuarial assumed rate of return.

Motion to approve the investment Work Plan, to be amended as described above, for the fourth quarter of fiscal year 2011:

Motion: Mr. Silvia  
Second: Dr. Shapiro

Motion carried unanimously.

## Pyramis Global Advisors

Prior to the presentation, Mr. Silvia disclosed to the Committee that Mr. Ford O'Neil is a personal friend.

Mr. Ford O'Neil, Portfolio Manager; and Mr. Bailey Bishop, Institutional Portfolio Manager; presented an overview of their firm and the capabilities of its Core Plus fixed income strategy. They referred to the Pyramis "Core Plus Review - New Hampshire Retirement System January 21, 2011" presentation.

In response to Committee member questions, Mr. O'Neil stated that the Plus sector of the Core Plus product in which the System invests has historically been as high as 23% and as low as 8% but has never decreased to 0%. He noted that the Core Plus product allows the flexibility to tactically allocate assets based on yield curve, sector and security selection. Mr. O'Neil stated that municipal bonds are an option for the Plus sector and that these opportunities are currently being evaluated. He stated that the portfolio holds securities issued by some banks that are incorporated in the United Kingdom, but holds no securities issued by other European financial institutions.

Ms. Provencher departed at this time.

## Non-U.S. Equity Structure - Intro

Mr. Johansen stated that, as requested by the Committee at its December meeting, two large investment firms, AllianceBernstein and BlackRock, will be presenting their thoughts and ideas on the best methods of constructing and implementing a non-U.S. equity portfolio. Mr. Johansen referenced the NEPC memo titled "Research Criteria/Characteristics for Non-U.S. Equity Managers", dated January 10, 2011, which outlined the research criteria and characteristics that investors should consider when evaluating non-U.S. equity managers.

## AllianceBernstein, LP

Mr. Mark Hamilton, Investment Director; Mr. Archan Basu, Senior Quantitative Analyst; and Ms. Elizabeth Smith, Senior Managing Director, presented an overview of the non-U.S. equity market and various approaches to investing in this asset class. They referred to the AllianceBernstein "New Hampshire Retirement System - January 21, 2011" presentation.

In response to Committee member questions, Mr. Basu explained that the capital market assumptions are based on a mean-reversion model combined with approximately twenty-five statistical building blocks including economic and market factors such as inflation, gross domestic product, and yield curvature. Mr. Hamilton stated that AllianceBernstein would not recommend a specific allocation to individual countries but instead would recommend mandates that allow for broader opportunities across the non-U.S. equity allocation.

## BlackRock

Mr. John Pirone, Managing Director; and Ms. Elizabeth Westvold, Managing Director, presented an overview of the non-U.S. equity market and the strategic and implementation considerations associated with investing in this asset class. They referred to the BlackRock “International Equity - New Hampshire Retirement System January 21, 2011” presentation.

In response to a Committee member question, Mr. Pirone stated that BlackRock recommends allocating a portion of the non-U.S. equity allocation to passive indexing in order to obtain inexpensive beta.

## Non-U.S. Equity Structure - Summary

The Committee discussed the AllianceBernstein and BlackRock presentations as well as the next steps in structuring and implementing the non-U.S. equity allocation. The Committee concluded that Staff and NEPC will develop a plan for presentation at the next Committee meeting.

## Private Equity Plan

Mr. Gill presented a brief overview of private equity markets and investment opportunities as well as a proposed calendar year 2011 private equity work plan for approval by the Committee. He referred to the memo titled “Calendar Year 2011 Private Equity Plan”, dated January 11, 2011.

Motion to approve the private equity plan for calendar year 2011:

Motion: Mr. Silvia  
Second: Dr. Shapiro

Motion carried unanimously.

## Investment Committee Checkpoint Discussion

Mr. Johansen informed Committee members that NEPC will be presenting their 2011 capital market assumptions at the February Board meeting. He mentioned once the February Board meeting agenda is finalized, he will forward it to the independent Committee members so that they will be aware of the presentation schedule.

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

## **Informational Matters:**

### Investment Performance – FYTD November 2010

### Financial Statements – November 2010

Asset Allocation Update

NEPC Performance Report – November 2010

Summary Annual Financial Report – FY 2010

Comprehensive Annual Financial Report – FY 2010

Comprehensive Annual Investment Report – FY 2010

Motion to adjourn the January 21, 2011 meeting of the NHRS Investment Committee:

Motion: Mr. Silvia

Second: Dr. Shapiro

Motion carried unanimously.

The meeting adjourned at 12:37 pm.