

**NOTE:** These minutes were approved and executed at the February 22, 2019 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
January 25, 2019**

**Public Minutes**

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

*Committee Members:* Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; and Keith Quinton. Tim Lesko; *absent*.

*NHRS Trustees:* Dr. Richard Gustafson.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Greg Richard, *Senior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

*NEPC:* Kevin Leonard, *Partner and Senior Consultant*; and Tim McCusker, *Chief Investment Officer*.

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

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously approved the public minutes of the December 14, 2018 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Total Fund performance flash report for periods ending December 31, 2018. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen reviewed the Work Plan and noted that the System's fixed income mandates to BlackRock and Fidelity were successfully funded in December and January, respectively. He provided an update on the liquidation status of the GAM Fund and added that GAM still plans to receive 100 cents on the dollar for liquidated assets. Mr. Johansen updated the Committee on several initiatives, adding that NEPC will present an Asset/Liability and Liquidity Analysis at the February Committee meeting and an Asset Allocation review at the March Committee meeting. He noted that the Work Plan for the fourth quarter of Fiscal Year 2019 had been added for the Committee's consideration and

approval, clarifying that the Work Plan remains flexible and subject to change as the Committee deems appropriate. On a motion by Mr. LaPlante, seconded by Mr. Quinton, the Committee unanimously approved the Work Plan for the fourth quarter of Fiscal Year 2019, as presented.

Mr. Mark Flinn, Managing Director; and Ms. Megan Greene, Global Chief Economist of Manulife Asset Management (“Manulife”) provided a brief introduction of themselves and their firm. They referred to the “Is Recession Nigh?” presentation dated January 25, 2019. A lengthy discussion with the Committee followed.

Ms. Greene opened the presentation with a discussion of the state of the global economy and the economic impact of fiscal stimulus, housing activity, real wage growth, and rising interest rates. She discussed possible factors that could lead to improved global economic growth and offered her opinion on the likelihood of those scenarios coming to fruition. In her discussion of recession risks, Ms. Greene highlighted the Fed, trade with China, non-financial corporate debt, Italy, and Brexit as potential recession risks over the near term, however, despite these risks, she still believes a recession this year is unlikely. Responding to questions from the Committee, she closed by discussing the perceived economic impact of the current US government shutdown.

Mr. Tim McCusker, Chief Investment Officer of NEPC, referred to NEPC’s presentations titled “Themes and Opportunities” and “Asset Class Assumptions” dated January 2019. A lengthy discussion with the Committee followed.

Mr. McCusker opened with a discussion of NEPC’s key market themes including late cycle dynamics, tightening global liquidity, China transitions, and globalization backlash. He reviewed the ways in which the referenced market themes varied over past years and discussed their impact as they relate to asset allocation and performance. He discussed the late cycle theme and the importance of diversification, as well as the role of tightening global liquidity on markets. Mr. McCusker provided a thorough overview of NEPC’s return expectations by asset class over a 5-7 year horizon as well as over the longer-term 30-year horizon. Mr. McCusker concluded his remarks by discussing the referenced assumptions as they relate to key themes and current opportunities in the current market cycle.

Mr. Kevin Leonard, Partner and Senior Consultant of NEPC provided an overview of the System’s asset allocation and historical performance returns of the marketable assets of the NHRS portfolio at September 30, 2018, referring to the “Public Market Review” presentation dated January 2019. A lengthy discussion with the Committee followed.

Mr. Leonard opened the discussion by commenting on the System's absolute and relative returns as compared to public fund peers over various periods. He reviewed the characteristics of the System's public market portfolio and noted the benefit of reviewing the structure of the portfolio prior to the Asset/Liability and Asset Allocation reviews to be completed at the February and March Committee meetings, respectively. He offered a brief history of the structure of the public market portfolio and the importance of taking a long-term view when reviewing and constructing the portfolio.

In his response to questions from the Committee, Mr. Leonard explained that the relative overweight to small and mid-cap equities within the domestic equity portfolio is partially the result of revising the benchmark from the Russell 3000 Index to the S&P 500 Index effective July 1, 2015. He reviewed sector allocation by asset class and noted the intentional value tilt exhibited within the domestic equity portfolio as compared to the non-U.S. equity portfolio's growth tilt and discussed the importance of the tactical approach maintained in the fixed income portfolio. Mr. Leonard noted NEPC's conviction in the current allocation, adding that he does not expect the Asset Allocation study to significantly alter the NHRS portfolio's current asset allocation.

On a motion by Mr. Quinton, seconded by Mr. LaPlante, the meeting adjourned at 11:30 a.m.