

NOTE: These minutes were approved and executed at the February 11, 2022 Special Independent Investment Committee meeting.

**Independent Investment Committee Meeting
January 21, 2022**

Public Minutes

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

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

NHRS Trustees: Mr. Germano Martins (*by video conference*).

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

Callan (by video conference): Angel Haddad, *Senior Vice President*; Britton Murdoch, *Vice President*; and Pete Keliuotis, *Executive Vice President and Head of Alternatives Consulting*.

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

Ms. Kelliher reviewed her proposed amendment to the December 17, 2021 public minutes.

On a motion by Ms. Clinton, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the December 17, 2021 Investment Committee meeting, as amended, by roll call vote.

Mr. Johansen reviewed investment returns through recent periods and referred to the Callan Monthly Review for periods ending December 31, 2021. He discussed the returns of various managers and asset classes over multiple periods. Mr. Johansen also provided an update on asset allocation and liquidity.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives, including upcoming meetings. He noted that the Work Plan for the fourth quarter of Fiscal Year 2022 was 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. Hammond, the Committee unanimously approved the Work Plan for the fourth quarter of Fiscal Year 2022, as presented, by roll call vote.

Mr. Tim Strakosch, Assistant Vice President and Client Service Advisor; Ms. Liz Smith, Senior Managing Director; and Mr. Eric Winograd, Senior Economist; of AllianceBernstein provided a brief introduction of themselves and their firm. They referred to "The Global Economy Post-COVID" presentation dated January 21, 2022. A discussion with the Committee followed.

Mr. Winograd reviewed the impact of the COVID-19 virus on global GDP. He discussed supply chain challenges and labor force shortages resulting in increased prices. He then discussed the Fed's reaction by tightening U.S. monetary policy. Mr. Winograd concluded his prepared remarks by sharing AllianceBernstein's global economic forecast. In response to questions from the Committee, Mr. Winograd discussed trends in the growth of the U.S. money supply and AllianceBernstein's views on the manufacturing sector.

Mr. Erik Knutzen, Managing Director and Co-Head of the Quantitative and Multi-Asset Class investment team and Multi-Asset Class Chief Investment Officer; Mr. Hakan Kaya, Managing Director; Mr. Christopher Crevier, Managing Director; Ms. Amy Kraynak, Senior Vice President; and Mr. Tyler Dziama, Vice President; of Neuberger Berman provided a brief introduction of themselves and their firm. Mr. Knutzen and Mr. Kaya referred to the "Inflation Risk – Asset Allocation Perspectives" presentation dated January, 2022. A discussion with the Committee followed.

Mr. Knutzen reviewed Neuberger Berman's outlook for the year ahead. He outlined key themes across fixed income, equities and alternative investments. Mr. Kaya discussed the potential for inflation-sensitive and uncorrelated strategies to provide diversification benefits. Mr. Kaya and Mr. Knutzen concluded their prepared remarks by detailing the firm's positioning in fixed income. In response to questions from the Committee, they discussed Neuberger Berman's views on the housing and commodities sectors.

Ms. Jennifer Chruszcz, Director; and Ms. Gargi Pal Chaudhuri, Managing Director; of BlackRock provided a brief introduction of themselves and their firm. They referred to the "Inflation" presentation dated Q4, 2021. A discussion with the Committee followed.

Ms. Chaudhuri discussed the factors contributing to rising inflation. She then detailed BlackRock's inflation outlook over the short and medium-term. She concluded her prepared remarks by sharing ways to address inflation within fixed income, equities and real asset classes. In response to a question from the Committee, Ms. Chaudhuri detailed BlackRock's views on infrastructure, U.S. TIPs and municipal bonds.

Mr. Angel Haddad, Senior Vice President; Mr. Britton Murdoch, Vice President; and Mr. Pete Keliuotis, Executive Vice President and Head of Alternatives Consulting of Callan referred to the "NHRS Total Fund Performance Analysis" presentation dated January 21, 2022. A discussion with the Committee followed.

Mr. Haddad discussed Callan's analysis of why the total fund performed slightly below its benchmark during the trailing ten-year period ending June 30, 2021. The performance differential was explained by the domestic equity and alternatives portfolios. Mr. Haddad and Mr. Keliuotis then detailed performance attribution of each portfolio. The domestic equity portfolio utilized the S&P 500 Index as the domestic equity composite benchmark for a period of time prior to 2021. The System's deliberate bias to smaller capitalization stocks caused a performance differential. The System adopted the Russell 3000 all-cap Index effective July 1, 2021. Relative tracking error is expected to be smaller going forward. Additionally, the restart of the private debt and equity programs in 2011 led to an implementation period with a J-curve effect. The portfolios are now more mature and producing positive cash flows. The Committee and Staff directed Callan to conduct a benchmarking study that evaluates the use of a secondary custom alternatives benchmark.

Ms. Jan Goodwin, Executive Director; of NHRS discussed potential models for the NHRS Investments Division following Mr. Johansen's planned retirement on September 1, 2022. The Committee agreed to continue the discussion at a subsequent special public meeting.

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

The meeting adjourned at 12:03 p.m.