

**Investment Committee Meeting
June 24, 2011**

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

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

Investment Committee: Mr. Harold Janeway (Committee Chair); Ms. Cathy Provencher; and Mr. Thomas Silvia. Dr. Lisa Shapiro was not in attendance. There is currently one vacant seat on the Committee.

NHRS Board Members: Mr. Samuel Giarrusso and Dr. Kate McGovern.

NHRS Staff: Ms. Kim France, Interim Executive Director; Mr. Lawrence Johansen, Director of Investments; 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. Joel Paula, 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 May 20, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the May 20, 2011 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 minutes of the May 20, 2011 Investment Committee meeting:

Motion: Mr. Silvia

Second: Ms. Provencher

Motion carried unanimously.

Comments from the Director of Investments

Mr. Johansen provided a brief overview of the meeting agenda, which includes presentations by current NHRS fixed income managers and the System's discretionary real estate manager. He noted that each of the recently retained non-U.S. equity managers will be either completely or substantially funded by June 30, 2011. Mr. Johansen noted that NHRS closed on the following three private equity investments since the May Committee meeting: Avenue Special Situations Fund VI; Industry Ventures VI; and Siguler Guff Distressed Opportunities Fund IV. He briefly reviewed the performance of the NHRS Marketable Investments portfolio for the fiscal year-to-date through May 31, 2011 period, citing that the portfolio has returned 25.2% over that time, outperforming its custom benchmark which returned 24.1%.

Mr. Johansen referred to the Legislative Update, dated June 23, 2011, and presented a brief update of proposed legislation that impacts the NHRS. The Committee briefly discussed the potential of proposed legislation possibly changing the composition of the NHRS Board of Trustees.

Contract Renewal: Income Research & Management ("IR&M")

Mr. Johansen informed the Committee that the investment management agreement between NHRS and IR&M is due for renewal and acknowledged IR&M's presentation at the May 2011 Committee meeting. He noted that at its July 2010 meeting, the Committee requested that NEPC provide a recommendation with regard to such manager agreement renewals when they come due. He referenced memos provided to the Committee from L. Johansen and NEPC, which recommended that the agreement between the System and IR&M be renewed.

Mr. Johansen discussed the favorable rankings of IR&M's performance returns compared to those of their peers as measured by the Independent Consultants Cooperative universe for periods ranging from one to five years ending March 31, 2011.

Motion to renew the investment management relationship with IR&M through July 2013:

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously.

Loomis Sayles & Company

Mr. Bob McManama, Vice President and Client Portfolio Manager; and Ms. Elaine Stokes, Vice President and Fixed Income Portfolio Manager, of Loomis Sayles & Company ("Loomis") provided an overview of their firm and the capabilities of its Multisector Full Discretion strategy. They referred to the "New Hampshire Retirement System" presentation, dated June 24, 2011.

In response to benchmark related questions from the Committee, Mr. McManama commented that there is not a perfect benchmark for the portfolio, given its ability to hold significant non-

benchmark securities. He noted that the portfolio is typically benchmarked against the BC Government/Credit Index, but that the NHRS portfolio is benchmarked against a blended BC Aggregate/High Yield benchmark. Mr. Leonard noted Loomis' strong rankings relative to their peers as measured by the Independent Consultants Cooperative universe.

Responding to questions about the future plans of lead portfolio manager Dan Fuss, Ms. Stokes commented that Mr. Fuss' role in the daily management of the firm has evolved over the past 10 years to the point where he is now solely focused on portfolio management. She noted that Mr. Fuss has not indicated any plans to retire and that he has built out the investment team significantly over the past 10 years, which will assist in the event of any eventual portfolio management transition.

In response to Committee member questions, Ms. Stokes noted that the portfolio currently holds approximately 8% in cash so that they can take advantage of opportunistic pricing when it is presented. She commented that the portfolio has no exposure to European banks or insurance companies, but that they have been adding corporate debt exposure in Portugal and sovereign debt exposure in Ireland, based on attractive pricing and competitive advantages in those respective markets. Ms. Stokes added that she views Loomis' corporate resources and research staff as competitive advantages, noting that the firm's Latin America analysts and corporate distressed debt analysts have assisted in monitoring European markets through the current debt crisis.

Responding to questions about the current portfolio investment guidelines, Mr. McManama commented that the NHRS guidelines are not restrictive and are in line with the firm's model guidelines for this portfolio. Ms. Stokes remarked that her only requested changes would be to completely remove any duration restrictions and to re-word the non-dollar exposure guidelines from the current 80% U.S./Canada and 20% non-U.S./Canada to a proposed 60% U.S and 40% non-U.S.

The Committee discussed the Loomis portfolio's composition and the appropriateness of the current portfolio benchmark.

Brandywine Global Investment Management

Mr. Stephen Smith, Managing Director and Portfolio Manager; Ms. Nedra Hadley, Senior Vice President; and Mr. Brian Giuliano, Client Services Associate, of Brandywine Global Investment Management ("Brandywine") provided an overview of their firm and the capabilities of its Global Opportunistic Fixed Income strategy. They referred to the "New Hampshire Retirement System – Global Opportunistic Fixed Income" presentation, dated June 24, 2011.

In response to questions from the Committee, Mr. Smith noted his concern with the projected levels of U.S. government spending in comparison to historical tax revenue levels. He also indicated that he has no current plans to retire.

The Townsend Group

Mr. Kevin Lynch, Principal and co-founder; Mr. Anthony Frammartino, Partner; Ms. Terri Herubin, Principal and Portfolio Manager; and Mr. Tony Pietro, Financial Analyst, of The Townsend Group (“Townsend”) provided an overview of their firm, reviewed the performance of the System’s real estate portfolio, and presented their Fiscal Year 2012 Manager Investment Plan for the Committee’s consideration. They referred to the “New Hampshire Retirement System Real Estate” presentation, dated June 24, 2011.

In response to questions from the Committee, Ms. Herubin confirmed that three individual property sales that Townsend is overseeing on behalf of NHRS have occurred during fiscal year 2011 with an additional three properties expected to close within the next three months. She also commented on the characteristics that help Townsend distinguish strategic investments from tactical investments. Additionally, Ms. Herubin remarked that Townsend is seeking to take advantage of opportunistic pricing to sell the System’s existing direct property holdings, rather than retaining these properties for the portfolio.

Responding to a question from the Committee about how the System’s 10% real estate target allocation compares to other public pension funds, Mr. Frammartino commented that 10% is a reasonable target for NHRS. He added that many of the larger public pension funds are currently increasing their exposure to core real estate, which benefits the NHRS portfolio which is selling its core direct property holdings and redeploying sale proceeds into noncore funds where there is currently a dearth of investment capital.

Motion to approve The Townsend Group’s Fiscal Year 2012 Manager Investment Plan:

Motion: Mr. Silvia

Second: Ms. Provencher

Motion approved unanimously.

Fixed Income Discussion

Mr. Leonard and Mr. Paula referenced the “Role of Fixed Income in an Institutional Portfolio” NEPC memo, dated June 15, 2011.

The Committee discussed the need to determine the role of fixed income in the context of the overall NHRS portfolio, in addition to the risks and benchmarking decisions associated with fixed income investing. They talked about existing NHRS fixed income mandates and ways to best optimize the overall fixed income portfolio. Mr. Leonard noted that the existing NHRS fixed income structure has performed well in the recent past. Mr. Johansen commented that a pension plan’s funded ratio impacts the way in which a given plan utilizes fixed income.

The Committee agreed to continue discussing the role and structure of fixed income in the context of the overall NHRS portfolio at its next meeting.

Investment Committee Checkpoint Discussion

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

Informational Items:

Investment Performance – FYTD April 2011

Asset Allocation Update

NEPC Performance Report – April 2011

Private Equity Waterfall Example

Motion to adjourn the June 24, 2011 meeting of the NHRS Investment Committee:

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously.

The meeting adjourned at 12:55 pm.