

NOTE: These minutes were approved and executed at the April 20, 2012 Investment Committee meeting.

**Investment Committee Meeting
March 23, 2012**

**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); Mr. David Jensen; Mr. Patrick O'Donnell; Ms. Cathy Provencher; and Mr. Hershel Sosnoff.

NHRS Board Members: Mr. Dean Crombie and Dr. Kate McGovern.

NHRS Staff: Mr. George Lagos, Executive Director; Mr. Lawrence Johansen, Director of Investments; Mr. Jack Dianis, Director of Finance; 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; and Mr. Sean Gill, Partner.

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 February 24, 2012 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the February 24, 2012 Investment Committee meeting. As there were none, a motion to approve the minutes of the February 24, 2012 Investment Committee meeting was made by Mr. Jensen and seconded by Mr. Sosnoff.

Motion carried unanimously.

Comments from the Director of Investments

Mr. Johansen provided an overview of the high-level tasks and projects being addressed by the Committee and Staff and referred to the Work Plan and related cover memo dated February 29, 2012. He commented that staff had met recently with NEPC and modeled various asset allocation scenarios, which will be presented for discussion at the Committee's April meeting.

The goal is for the Committee to reach an asset allocation decision at its May meeting for a recommendation for the Board's consideration.

Mr. Johansen noted that the System's liquidity needs have recently been met from the NTI Aggregate Bond Index Fund, as directed by the Committee in December. The System's current liquidity needs will require the full redemption of the NTI Aggregate Bond Index Fund. He asked that the Committee formally approve this final redemption. A motion to fully redeem the NTI Aggregate Bond Index Fund to meet current liquidity needs was made by Mr. Jensen and seconded by Mr. O'Donnell.

Motion carried unanimously.

Mr. Johansen briefly reviewed the performance of the Marketable Assets composite through February 29, 2012. In response to questions from the Committee, he and NEPC commented that there are no areas of immediate concern within the portfolio at this time, and that staff would continue to hold performance review discussions with managers. Mr. Johansen referenced recent media articles regarding organizational restructuring at AllianceBernstein and SEC civil accounting fraud charges against Thornburg Mortgage, Inc. Mr. Johansen commented and NEPC confirmed that the changes at AllianceBernstein do not negatively impact the portfolio that the firm manages on behalf of NHRS, and that Thornburg Mortgage was operated as a separate business from Thornburg Investment Management and neither Mr. Thornburg nor Thornburg Investment Management are a subject of the SEC lawsuit. He added that staff and NEPC will continue to monitor each of these situations, but that no further action is required at this time. Mr. Johansen noted that staff recently reviewed the Real Estate portfolio and recent portfolio activity with the System's discretionary Real Estate manager, The Townsend Group (Townsend), and he provided a brief update on the fiscal year 2012 Real Estate work plan to the Committee.

Mr. Johansen informed the Committee that the Board's Governance Committee approved the Investment Policy, the Securities Lending Policy, and the Accountability Matrix at its last meeting for recommendation to the full Board. He referenced the draft Real Estate Investment Guidelines, which were presented for the Committee's consideration. The Committee discussed the Guidelines, and suggested revisions. Mr. Johansen agreed to review the Committee's revisions with Townsend and NEPC, and bring the revised Guidelines back to the Committee at its April meeting for review and potential approval.

LSV Asset Management Presentation

Mr. Bhaskaran Swaminathan, Partner and Director of Research; and Mr. Peter Young, Partner and Director of Client Portfolio Services, of LSV Asset Management (LSV) presented an overview of their firm and a review of the Large Cap Value Domestic Equity portfolio that the firm manages on behalf of the System. They referred to the "New Hampshire Retirement System" presentation, dated March 23, 2012.

In response to Committee questions, Mr. Young indicated that there are no pending retirements among the senior professionals at LSV at this time. Mr. Swaminathan indicated that LSV's

definition of value is much more comprehensive and is based on many more metrics than Russell's, which is based solely on price-to-book valuation. Mr. Young indicated that some of the smaller holdings in the portfolio are fractional holdings that are either on their way into or out of the portfolio, and that some represent positions in much smaller companies. He noted that these smaller positions are not in the portfolio to dampen volatility, but that these holdings have historically added value over time and tend to contribute to portfolio volatility.

Mr. Swaminathan indicated that LSV's quantitative model does not forecast dividend growth but does attempt to quantify a company's ability to sustain its dividend yield. He also commented that LSV's model factors multiple cash flow metrics, including aggregate cash flow and free cash flow.

Asset Liability Monitoring Study/Asset Allocation Review: Liquidity Study

Mr. Leonard and Mr. Gill referred to the "New Hampshire Retirement System Liquidity Study" presentation, dated March 23, 2012. Mr. Leonard summarized that NHRS has a very healthy liquidity profile.

In response to Committee questions, Mr. Leonard indicated that based on NEPC's 2012 capital market expectations, private equity offers more attractive returns among the less liquid asset classes. The Committee agreed that based on the System's liquidity profile and the current low-yield environment, it makes sense to review potential asset allocation mixes that increase the allocation to equities and/or less liquid asset classes, in addition to those that offer opportunistic debt allocations.

Currency Hedging Example

Mr. Leonard referred to the "New Hampshire Retirement System Currency Hedging Analysis" presentation, dated March 23, 2012.

The Committee concluded that they would not pursue a Total Fund currency hedging overlay program at this time as the costs and related considerations are not worth the minimal impact that this program would likely have on the portfolio. The Committee requested that it be presented with a brief summary of each of the System's current non-U.S. managers' position on currency management.

Portfolio Hedging Strategies & Market Volatility Discussion

Mr. Leonard referred to NEPC's "Looking into the Future Casts Shadows: A Perspective on Portfolio Theory, Fat Tails, and Risk Management" research paper. The Committee expressed an interest in hearing from the author of the research paper, NEPC's John Minahan, at a future meeting.

Mr. Johansen recapped the System's search for an unconstrained "go-anywhere" manager, and referenced a particular product on which staff and NEPC are currently performing due diligence, which utilizes an un-levered approach across multiple asset classes.

Investment Committee Checkpoint Discussion

Ms. Provencher thanked Mr. Johansen and Mr. Dianis for assistance that they've recently provided to the Treasurer's Office.

Informational Items:

Investment Performance – FYTD January 2012

Asset Allocation Update

NEPC Performance Report – January 2012

A motion was made by Mr. Jensen and seconded by Mr. O'Donnell to adjourn the March 23, 2012 meeting of the NHRS Investment Committee.

Motion carried unanimously.

The meeting adjourned at 11:53 am.