

**Investment Committee Meeting
May 20, 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; Dr. Lisa Shapiro; and Mr. Thomas Silvia. 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; Ms. Nancy Miller, Director of Member Services; 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:

Approval of the April 22, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the April 22, 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 April 22, 2011 Investment Committee meeting:

Motion: Mr. Silvia

Second: Ms. Provencher

Motion carried unanimously.

Comments from the Director of Investments

Mr. Johansen provided an update on Aberdeen Asset Management; Batterymarch Financial Management; and Wellington Management Company, the three emerging market equity managers retained by the Committee at its April meeting. He noted that the contracts for all three of these managers are finalized and that the funding schedules are in place with the funding source to be determined at today's meeting.

Mr. Johansen mentioned that the documentation for the additional commitment to Lexington Capital Partners VII, LP, approved by the Committee in April, closed on May 18th and that both Avenue Special Situations Fund VI, LP and Siguler Guff Distressed Opportunities Fund IV, LP are expected to close next week. In response to a Committee member question, Mr. Johansen stated the contract negotiations have included modifications to the legal documents related to the exit provision.

Mr. Johansen provided a brief overview of the meeting agenda, which includes a review of portfolio performance through 3/31/11, presentations by a private equity general partner; a global equity manager; international small cap equity portfolio managers; and a fixed income manager. He noted that the transition of fixed income portfolio assets from Pyramis Global Advisors to Pacific Investment Management Company was completed in late April.

Mr. Johansen briefly summarized the most recent performance returns for the period ending April 30, 2011 noting that the fiscal year to date return for Marketable Assets was 26.3% which exceeded its benchmark of 25.0% by 130 basis points.

Mr. Johansen referred to the Legislative Update, dated May 11, 2011, and presented a brief update of proposed legislation that impacts the NHRS noting that the Sudan Divestment Act was repealed. He also referred to the Work Plan and related cover memo dated April 25, 2011. In addition, based on conversations with Mr. Silvia and Mr. Janeway and subsequent conversations with NEPC, Mr. Johansen recommended the discussion of Fixed Income be deferred until the June meeting.

Total Fund Performance for the Period Ended March 31, 2011

Mr. Leonard referred to the "First Quarter 2011 Investment Performance Analysis" presentation. He provided a brief market overview and summarized the performance of asset classes and investment managers for periods through March 31, 2011. He reviewed sector performance for the first quarter ended March 31, 2011 and described the economic conditions during that time. He noted that the fiscal year to date Total Fund return of 21.8% outperformed its benchmark of 20.8% by 100 basis points resulting in a top quartile ranking in the comparative universe.

Mr. Markarian provided an overview of the strategies and performance of the two existing global equity managers, Templeton Investment Counsel ("Templeton") and Walter Scott & Partners Ltd. He noted that Templeton is not on NEPC's Focused Placement List and explained why. Mr. Johansen stated that from a portfolio construction standpoint, the opportunities in international small cap and emerging markets are more attractive than global equity.

Responding to a Committee question, Mr. Leonard stated that part of today's discussion will include whether or not the two global equity managers fit into the non-U.S. equity portfolio structure.

Responding to Committee member questions, Mr. Johansen stated that The Townsend Group will make a presentation at the June Committee meeting which will include a performance overview of the real estate investments. Mr. Johansen noted that the Watch List will be discussed at a future meeting.

Industry Ventures Fund VI, L.P. ("Fund VI")

Mr. Gill provided a brief introduction of Industry Ventures, LLC and Industry Ventures Fund VI, L.P. He referred to the "Private Equity Investment Recommendation – Industry Ventures Fund VI, L.P." memo dated May 6, 2011.

Mr. Gill described how a commitment to Fund VI would fit into the System's Private Equity Work Plan referring to the "Private Equity Status" memo dated May 20, 2011.

Mr. Janeway entertained a motion to convene into non-public session under RSA 91-A:3, II(d) for the purpose of considering the acquisition, sale or lease of real or personal property which, if discussed in public, would likely benefit a party or parties whose interests are adverse to the general community. A motion was made by Mr. Silvia and seconded by Ms. Provencher to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Ms. Provencher, Dr. Shapiro, and Mr. Silvia.
Nay: None

Motion carried.

Mr. Hans Swildens, Founder and Managing Director of Industry Ventures, LLC presented an overview of the firm and the Industry Ventures Fund VI, L.P. He referred to the "Industry Ventures Fund VI, L.P." presentation.

The Committee discussed the opportunity to invest in Industry Ventures Fund VI, LP. Mr. Johansen also provided an update to the Committee on contract negotiations related to Avenue Specials Situations Fund VI, LP noting the exit provisions that will be modified.

A motion was made by Mr. Silvia and seconded by Ms. Provencher to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Ms. Provencher, Dr. Shapiro, and Mr. Silvia.
Nay: None

Motion carried.

Mr. Janeway entertained a motion to commit \$20 million to Industry Ventures Fund VI, subject to contract and legal review.

Motion: Dr. Shapiro

Second: Ms. Provencher

Motion carried unanimously.

Templeton Investment Counsel (“Templeton”)

Mr. Neil Devlin, Executive Vice President and Portfolio Manager and Mr. Christopher Morgan, Senior Vice President of Client Service, presented an overview of their firm, portfolio performance, and the capabilities of its global equity strategy. They referred to the Templeton “New Hampshire Retirement System – May 20, 2011” presentation.

In response to Committee member questions, Mr. Devlin indicated that pricing generally drives the sector over/under weights as compared to the index. He noted that the investment process is bottom up and that the strategy will lag the index in a rising market in which fundamentals do not matter.

International Small Cap Equity Manager Introductions

Mr. Johansen briefly described the search process that led to today’s international small cap equity manager presentations. He referred to the “International Developed Small Capitalization Manager Search” memo dated May 6, 2011.

Mr. Markarian spoke to the opportunities presented in the international small cap equity space and provided a brief introduction of the presenting managers. In response to questions from the Committee, he described the different attributes and qualities of candidate managers.

Copper Rock Capital Partners, LLC (“Copper Rock”)

Mr. Tucker Walsh, Chief Executive Officer and Head of Portfolio Management; Mr. Stephen Dexter, Principal and Chief Investment Officer; and Mr. Peter Hadelman, Principal and Head of Relationship Management, of Copper Rock provided an overview of their firm and the capabilities of its international small cap equity strategy. They referred to the “International Small Cap” presentation, dated May 20, 2011.

In response to Committee member questions, Mr. Dexter noted that the preferred benchmark for the strategy is the S&P Developed Ex-U.S. Small Cap Index, despite the portfolio’s benchmark agnostic profile. Mr. Dexter stated that the team is small and can remain small as the portfolio managers consider themselves analysts so that a large analyst team is not necessary.

GMO, LLC (“GMO”)

Mr. Toby Rodes, Portfolio Manager; Mr. Drew Spangler, Head of the International Active Division; and Mr. Drew Tamoney, responsible for new business development and client service, of GMO provided an overview of their firm and the capabilities of its international small cap equity strategy. They referred to the “GMO” presentation, dated May 20, 2011.

In response to Committee member questions, Mr. Rodes stated that in establishing target country weights, the strategy compares countries to one another on a relative basis but also adjusts country valuations for industry mix to get an apples-to-apples comparison. Mr. Rodes attributed long-term portfolio performance approximately 33%/67% between top-down country selection and bottom-up security selection. He acknowledged that more recently these percentages have changed to 20% country selection and 80% security selection.

International Small Cap Equity Manager Recap

Mr. Janeway entertained a motion to enter into non-public session under RSA 91-A:3, II(c) to discuss matters which, if discussed in public, would likely adversely affect the reputation of a person, other than a member of the public body itself. A motion was made by Ms. Provencher and seconded by Mr. Silvia to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Ms. Provencher, Dr. Shapiro, and Mr. Silvia
Nay: None

Motion carried.

The Committee discussed the international small cap equity manager candidates and the non-U.S. equity portfolio structure.

A motion was made by Ms. Provencher and seconded by Mr. Silvia to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Ms. Provencher, Dr. Shapiro, and Mr. Silvia
Nay: None

Motion carried

Motion to retain GMO, LLC to manage an international small cap equity mandate of \$100 million for an initial 2-year term, subject to contract and legal review and to use the portfolio assets of Templeton Investment Counsel and the Northern Trust ACWI ex-US index fund to fund this mandate and the following mandates: Aberdeen Asset Management (\$50 million); Batterymarch Financial Management (\$125 million); and Wellington Management Company (\$75 million).

Motion: Mr. Silvia
Second: Dr. Shapiro

Motion carried unanimously.

Income Research and Management (“IR&M”)

Mr. Jack Sommers, Managing Principal, Co-Founder and Senior Portfolio Manager and Mr. Stephen Weiss, Principal of IR&M provided an overview of their firm and the capabilities of its fixed income strategy. They referred to the “Income Research & Management” presentation, dated May 20, 2011.

In response to Committee member questions, Mr. Sommers stated that the portfolio has never been overweight to Treasuries but was neutral in 2007. Mr. Weiss noted that the portfolio does hold some century bonds and that the duration risk is not much different than thirty year bonds but includes an additional spread. Mr. Sommers expressed his view that the U.S. fiscal issues need to be resolved rather than face a technical default on U.S. government debt. He then provided an update on hiring additional staff, and increasing technology to build the organization for the next generation. Mr. Sommers concluded by stating that the portfolio has been shifted to a higher quality in today’s uncertain world.

Discussion of Passive Fixed Income

This item was deferred until the June 2011 Investment Committee meeting.

Investment Committee Checkpoint Discussion

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

Informational Matters:

Investment Performance – FYTD March 2011

Private Monitor Report – March 2011

Asset Allocation Update

Actuarial Assumed Rate of Return Press Release

Investment Committee Minutes – May 20, 2011

NEPC Performance Report – March 2011

Top 50 Holdings Report

Motion to adjourn the May 20, 2011 meeting of the NHRS Investment Committee:

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously.

The meeting adjourned at 2:41 pm.