

**Investment Committee Meeting
October 21, 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); Mr. Patrick O'Donnell; Ms. Provencher and Mr. Thomas Silvia. Dr. Lisa Shapiro was not in attendance.

NHRS Board Members: Dr. Kate McGovern.

NHRS Staff: Ms. Kim France, Interim Executive Director; Mr. Lawrence Johansen, Director of Investments; Mr. Jack Dianis, Director of Finance; Mr. John Browne, Internal Auditor; Mr. Jeff Gendron, Investment Officer; Mr. Scott Needham, Investment Analyst; and Mr. Greg Richard, Investment Analyst.

NEPC, LLC ("NEPC"): Mr. Erik Knutzen, Chief Investment Officer; 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 September 23, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the September 23, 2011 Investment Committee meeting. As there were no comments, a motion to approve the public and non-public minutes of the September 23, 2011 Investment Committee meeting was made by Mr. O'Donnell and seconded by Mr. Silvia.

Aye: Mr. Janeway, Mr. O'Donnell, Ms. Provencher, and Mr. Silvia
Nay: None

Motion carried.

Comments from the Director of Investments

Mr. Johansen provided an overview of today's meeting which includes a presentation by a private equity general partner; a discussion of the European debt crisis; and two educational presentations by emerging market debt investment managers.

Mr. Johansen referred to the Work Plan and related cover memo dated October 7, 2011, and noted that the third quarter of fiscal year 2012 has been added for the Committee's consideration. He stated that there are two contracts, The Townsend Group and Able/Noser Corp., that are coming due for renewal at calendar year end. Mr. Johansen mentioned that The Townsend Group would be presenting to the Committee in December and that Able/Noser Corp., which provides trading cost analysis, would be presenting in the first quarter of 2012 and annually thereafter. A Committee member suggested revising the Work Plan to include a discussion of volatility.

Motion to approve the work plan, as revised, for the third quarter of fiscal year 2012:

Motion: Mr. Silvia

Second: Mr. O'Donnell

Motion carried unanimously.

Mr. Johansen reviewed the performance of the marketable investments portfolio through September 30, 2011. He referred to the "September 2011 NEPC Flash Report", that was distributed at the meeting and noted that the quarterly return of -12.1% lagged the custom benchmark of -10.7% by 140 basis points as the European debt crisis and the uncertainty of its resolution led to continued market volatility and market decline.

SL Capital European Smaller Funds I

Mr. Johansen provided a brief introduction of SL Capital Partners and their lower middle market growth fund of funds, SL Capital European Smaller Funds I ("ESF I"). He referred to the NHRS "SL Capital European Smaller Funds I – Recommendation" memo, dated October 12, 2011.

Mr. Gill summarized the firm and their strategy and referenced the NEPC memo titled "SL Capital European Smaller Funds I – Fund Review and Evaluation" dated October 12, 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. O'Donnell and seconded by Mr. Silvia to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Mr. O'Donnell, Ms. Provencher, and Mr. Silvia.

Nay: None
Motion carried.

Mr. Stewart Hay, Partner; Mr. Roger Pim, Partner; and Ms. Megan Costa, Investment Director, of SL Capital Partners presented an overview of the firm and SL Capital Partners European Smaller Funds I. They referred to the “Presentation to New Hampshire Retirement System: SL Capital Partners European Smaller Funds I” dated October 21, 2011.

A motion was made by Mr. O’Donnell and seconded by Mr. Silvia to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Mr. O’Donnell, Ms. Provencher, and Mr. Silvia.
Nay: None

Motion carried.

Discussion of European Debt Crisis

Mr. Knutzen provided an overview of the European Debt Crisis which included potential outcomes. He referred to the “European Crisis Update” NEPC memo dated October 2011.

In response to Committee member questions, Mr. Knutzen stated that NEPC has been recommending that its clients continue making short to medium-term tactical investments in Europe as opportunities are presented, rather than deviating from long-term strategic allocations. He noted that the potential NHRS investment in SL Capital European Smaller Funds I does have currency risk, however, given the relatively small investment amount compared to the Total Fund, the expected long draw down period and the long-term lock up period, a currency hedging overlay is not recommended should NHRS move forward with this opportunity.

Mr. Knutzen concluded by stating that it is very expensive to hedge against tail risks such as a Euro break up and reiterated that NEPC is not recommending making tactical changes from long-term strategic allocations to take a risk reduction approach to Europe.

NEPC Introduction to Emerging Market Debt

The Committee continued the structural review of the NHRS fixed income portfolio from related discussions at recent Committee meetings. Mr. Leonard referred to the “Educational Presentations by Emerging Market Debt Managers” NEPC memo dated October 10, 2011. He noted that two Emerging Market Debt Managers, Stone Harbor Investment Partners and Standish, would be presenting educational sessions during the meeting.

Mr. Johansen noted that these presentations are strictly educational and if the Committee requests a manager search, the process will commence with a review and discussion of the complete NEPC Focused Placement List of Emerging Market Debt Managers.

Stone Harbor Investment Partners – Emerging Market Debt Presentation

Mr. David Oliver, Portfolio Manager and Mr. Jonathan Fischer, Client Relationship Manager, of Stone Harbor Investment Partners presented an educational overview of Emerging Market Debt via teleconference. They referred to the “Emerging Markets Local Currency Debt Highlights” dated October 14, 2011.

In response to Committee member questions, Mr. Oliver stated that emerging market countries, such as Brazil, have been able to absorb significant cash inflows due to the growth in their local markets. He noted that while retail cash may be flowing out of such markets, institutional cash continues to flow into the emerging market debt space.

Standish – Emerging Market Debt Presentation

Mr. Alexander Kozhemiakin, Managing Director of Emerging Markets Strategies and Senior Portfolio Manager, and Mr. Daniel Richter, Director of Consultant Relations, of Standish presented an educational overview of Emerging Market Debt. They referred to the “Presentation for: New Hampshire Retirement System” dated October 21, 2011.

In response to a Committee member question, Mr. Kozhemiakin explained that the starting point for the analysis of a given market’s currency is the overall competitiveness of that market’s economy.

Emerging Market Debt Recap

The Committee discussed the emerging market debt space, hedging versus not hedging the currency risk, and how it fits into the overall NHRS portfolio. The Committee concluded that the Committee agenda next month would include a presentation by a qualified investment professional that does not find the emerging market debt space attractive. The Committee also directed Staff to simultaneously initiate an emerging market debt investment manager search.

SL Capital European Smaller Funds I - Continued

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. O’Donnell and seconded by Mr. Silvia to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Mr. Janeway, Mr. O’Donnell, Ms. Provencher, and Mr. Silvia.

Nay: None

Motion carried.

The Committee discussed the opportunity to invest in SL Capital European Smaller Funds I.

A motion was made by Mr. O'Donnell and seconded by Mr. Silvia to conclude non-public session.

Roll call vote:

Aye: Mr. Janeway, Mr. O'Donnell, Ms. Provencher, and Mr. Silvia.

Nay: None

Motion carried.

Draft Comprehensive Annual Investment Report

Mr. Johansen provided an overview of the Draft Comprehensive Annual Investment Report. The Committee provided feedback and suggestions to be incorporated.

Mr. Janeway entertained a motion for approval of the draft Comprehensive Annual Investment Report for Fiscal Year 2011, to be revised based on feedback provided. The Committee directs staff to submit the final report to the Board with a recommendation for approval in November.

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously

Investment Committee Checkpoint Discussion

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

Informational Items:

Investment Performance – FYTD August 2011

Asset Allocation Update

NEPC Performance Reports – June (Final) & August 2011

Motion to adjourn the October 21, 2011 meeting of the NHRS Investment Committee:

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously.

The meeting adjourned at 1:26 pm.