

NOTE: These minutes were approved and executed at the November 19, 2021 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
October 22, 2021**

Public Minutes

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

Committee Members: Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; Tim Lesko; and Mike McMahon.

Staff: Jan Goodwin, *Executive Director*; Tim Crutchfield, *Deputy Director and Chief Legal Counsel (by video conference)*; Larry Johansen, *Director of Investments*; Marty Karlon, *Director of Communication and Legislative Affairs (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*; Pete Keliuotis, *Executive Vice President and Head of Alternatives Consulting*; and Lauren Mathias, *Senior Vice President, Non-U.S. Equity*.

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

On a motion by Ms. Clinton, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the September 24, 2021 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent periods and referred to the final Callan Monthly Review for periods ending June 30, 2021. He noted that the Fund's net-of-fees return of 29.4% for the Fiscal Year-ended June 30, 2021 outperformed the total fund benchmark return of 24.3%. Over the longer-term, the 10-year net-of-fees return of 9.3% outperformed the NHRS assumed rate of return of 6.75%. The portfolio has been structured to outperform its assumed rate of return over longer-term periods. Mr. Johansen also provided an update on asset allocation and liquidity, with particular focus on funding requirements for pension and benefit payments over the next 30 to 90 days. He confirmed that a transfer of \$55 million was made from the NHRS Cash Account to Fixed Income manager IR+M on October 1, 2021, bringing the Fixed Income allocation back within its target allocation range.

Mr. Johansen reviewed the Work Plan with the Committee, noting that the Work Plan has been updated to include the third quarter of Fiscal Year 2022. He reminded the Committee that the Work Plan remains flexible and subject to change as the Committee deems appropriate. On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously approved the Work Plan for the third quarter of Fiscal Year 2022, as presented.

Mr. Johansen referenced the “Proposed 2022 Investment Committee Meeting Schedule” memo dated October 22, 2021 and noted it will be presented for approval at the November Committee meeting.

Mr. Johansen referenced the “Commission Sharing Agreements” presentation and discussed NHRS investment managers’ use of commission sharing agreements.

Mr. Johansen discussed the IR+M contract renewal. On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee unanimously voted to renew the Investment Management Agreement with IR+M through October 31, 2023.

Mr. Johansen referenced the “Draft NHRS Transmittal Letter”; “Draft Callan Letter”; and “Draft GRS Letter” for the Fiscal Year 2021 Comprehensive Annual Investment Report (“CAIR”). He asked the Committee to review each of the letters and provide any comments or feedback directly to him prior to the November meeting, at which time the Committee will vote to approve the full CAIR for recommendation to the Board of Trustees at the December Board meeting.

Mr. Angel Haddad, Senior Vice President; and Ms. Lauren Mathias; of Callan referred to Callan’s “International Small Cap Core Equity Search – Candidate Summary” presentation dated October 2021 and discussed Callan’s manager search process and the structure of the NHRS non-U.S. equity portfolio. They provided an overview of Fidelity and Wellington’s non-U.S. small cap equity strategies and commented upon the ways each strategy could potentially complement the NHRS portfolio.

Mr. Shah Badkoubi, Portfolio Manager; Mr. Nicholas Horn, Institutional Portfolio Manager; and Mr. Arthur Greenwood, Senior Vice President, Sales Relationship Manager; of Fidelity provided a brief introduction of themselves and their firm. They referred to the “FIAM Select International Small Cap” (“SISC”) presentation dated October 22, 2021. A discussion with the Committee followed.

Mr. Horn provided an overview of Fidelity’s global research resources, noting the competitive advantage gained by the firm’s research process. He discussed the investment philosophy and process of the SISC strategy

and the ways in which the firm's bottom-up, fundamental stock research drives performance. Mr. Badkoubi discussed the structure of the SISC team and the responsibilities held by portfolio analysts. He reviewed portfolio positioning and characteristics and highlighted the sector, region, and factor neutral profile of the core portfolio and the team's focus on risk management. Mr. Horn discussed portfolio performance over various periods, noting that the team aims for consistent performance and downside protection.

Ms. Mary Pryshlak, Sr. Managing Director, Partner, and Head of Investment Research; Mr. David DiSilva, Assistant Vice President and Investment Specialist; Mr. Bradford Stoesser, Sr. Managing Director, Partner, and Global Industry Analyst; and Mr. L. Jason Law, Managing Director and Relationship Manager; of Wellington provided a brief introduction of themselves and their firm. They referred to the "International Small Cap Research Equity" ("ISCRE") presentation. A discussion with the Committee followed.

Ms. Pryshlak provided an overview of the analyst-managed portfolio sleeves at Wellington and discussed the advantage gained by using career analysts to perform research on investment opportunities. Mr. DiSilva discussed the similarities between the ISCRE strategy and the U.S. equity Small Cap 2000 strategy in which NHRS currently invests. He reviewed the role of global industry analysts, noting there are currently 18 analysts managing sub-portfolios within the ISCRE strategy. The result is an industry neutral portfolio driven by the best ideas from each analyst. He reviewed the investment objective of the portfolio, noting the firm is looking to provide consistent outperformance over the benchmark with lower tracking error. Ms. Pryshlak discussed the bottom-up research philosophy used when creating the portfolio. Mr. Stoesser closed by providing an overview of his management style within the global real estate sleeve of the ISCRE strategy.

The Committee discussed the non-U.S. equity presentations made by Fidelity and Wellington.

On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously voted to terminate the System's investment in the SBH International Small Cap Strategy ("SBH").

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously voted to invest the terminated assets from SBH in the Wellington ISCRE Strategy, subject to contract and legal review.

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

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The meeting adjourned at 11:15 a.m.