

**Investment Committee Meeting
September 23, 2011**

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

The Investment Committee meeting was called to order at 9:06 a.m. Present were:

Investment Committee: Mr. Harold Janeway (Committee Chair); Mr. Patrick O'Donnell; Dr. Lisa Shapiro and Mr. Thomas Silvia. Ms. Provencher arrived shortly after the meeting began.

NHRS Board Members: Mr. Dean Crombie and 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. 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 August 12, 2011 Investment Committee Minutes

Mr. Janeway surveyed the Committee for comments regarding the draft minutes of the August 12, 2011 Investment Committee meeting. As there were no comments, a motion to approve the public and non-public minutes of the August 12, 2011 Investment Committee meeting was made by Mr. Silvia and seconded by Dr. Shapiro.

Aye: Mr. Janeway, Dr. Shapiro, and Mr. Silvia

Nay: None

Abstain: Mr. O'Donnell

Motion carried.

Ms. Provencher joined the meeting at this time.

Comments from the Director of Investments

Mr. Johansen commented on the volatility of capital markets during the month of August, and reviewed the performance of the marketable investments portfolio through August 31, 2011. He referred to the “August 2011 NEPC Flash Report”, that was distributed at the meeting. He noted that the returns of the marketable investments composite lagged those of the custom benchmark index for the month of August and the calendar year-to-date period, however the composite’s returns over longer periods met or exceeded those of the benchmark index.

In response to questions from the Committee, Mr. Leonard commented that the majority of active managers had underperformed their respective benchmark indices during August, given the market volatility. The Committee discussed potential strategies that an investor could employ in an attempt to mitigate portfolio risk during volatile markets, and the costs associated with those strategies. They also discussed the importance of ensuring that the System’s investment managers maintain their investment discipline during such times.

Edgewater Growth Capital Partners Fund III, LP

Mr. Johansen provided a brief introduction of Edgewater Growth Capital Partners (“Edgewater”) and their middle market buyout / growth equity fund, Edgewater Growth Capital Partners Fund III, LP (“EGCP III”). He referred to the “Edgewater Growth Capital Partners III, LP – Recommendation” memo, dated September 9, 2011.

Mr. Gill referenced the NEPC memo titled “Edgewater Growth Capital Partners III, LP – Fund Review and Evaluation” dated August 18, 2011. He and the Committee discussed the current market environment in the growth equity space.

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 Ms. Provencher to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

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

Nay: None

Motion carried.

Mr. James Gordon, Managing Partner, and Mr. David Tolmie, Partner, of Edgewater presented an overview of the firm and EGCP III. They referred to the “Edgewater Growth Capital Partners III, LP – September 2011” presentation.

The Committee discussed the opportunity to invest in EGCP III.

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

Roll call vote:

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

Nay: None

Motion carried.

Mr. Janeway entertained a motion to commit \$20 million to Edgewater Growth Capital Partners Fund III, LP, subject to contract and legal review.

Motion: Mr. Silvia

Second: Mr. O'Donnell

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

Nay: None

Motion passed unanimously.

Preliminary Total Fund Performance for the Period Ended June 30, 2011

Mr. Silvia temporarily excused himself from the meeting.

In response to questions from the Committee, Mr. Leonard remarked that the NEPC research staff constantly meets with investment managers to ensure that they are adhering to their philosophies and investment processes. Mr. Leonard and Mr. Gill identified those NHRS managers that are on NEPC's Focused Placement List ("FPL"), and those that are not. Mr. Leonard acknowledged that all of the System's managers are in communication with NEPC, and that NEPC meets with each of the NHRS managers at least annually, whether or not they are on the FPL. He commented that there are no managers on the NHRS roster that NEPC has concerns with from organizational, performance, or peer universe ranking perspectives.

Mr. Silvia rejoined the meeting at this time.

Mr. Leonard referred to the "Preliminary Second Quarter 2011 Investment Performance Analysis" presentation. He provided a brief market overview and summarized the preliminary performance returns of asset classes and investment managers for periods through June 30, 2011.

Investment Policy Discussion

Mr. Johansen introduced the draft Investment Policy Statement ("ISP") for the Committee's review and recommendation to the Board. In response to questions from the Committee, Mr. Johansen acknowledged that approval of the Investment Manual's Accountability Matrix is the responsibility of the System's Board of Trustees. The Committee requested several revisions to

the ISP.

Mr. Janeway entertained a motion to recommend the Investment Policy Statement, as revised, to the Board for its approval:

Motion: Ms. Provencher

Second: Mr. O'Donnell

Motion carried unanimously.

Mr. Johansen solicited the Committee for comments on the draft Securities Lending Policy, and there were none.

Mr. Janeway entertained a motion to recommend the Securities Lending Policy to the Board for its approval:

Motion: Ms. Provencher

Second: Mr. Silvia

Motion carried unanimously.

Fixed Income Discussion

The Committee continued the structural review of the NHRS fixed income portfolio from related discussions at recent Committee meetings. Mr. Leonard referred to the "Potential Fixed Income Portfolio Allocations" NEPC memo, dated September 14, 2011 and the "Research Report: Emerging Markets Debt Local Currency" presentation, dated summer 2011.

The Committee discussed the importance and nature of fixed income benchmarks, and what the considerations should be for defining the benchmark of the System's fixed income portfolio and underlying portfolio mandates. Mr. Johansen noted that the current NHRS fixed income managers have the flexibility to invest outside of their portfolio benchmarks, which provides them with an increased opportunity set where they can better employ their respective skills.

The Committee requested to hear manager presentations at its October meeting regarding opportunities in emerging markets debt local currency.

Investment Committee Checkpoint Discussion

The Committee discussed the potential for dedicating future meeting agendas to specific areas of interest that they would like to discuss.

Informational Items:

Investment Performance – FYTD July 2011

Asset Allocation Update

NEPC Performance Report – July 2011

Private Monitor Report – June 2011

NEPC Loomis Sayles Memo

Motion to adjourn the September 23, 2011 meeting of the NHRS Investment Committee:

Motion: Mr. Silvia

Second: Mr. O'Donnell

Motion carried unanimously.

The meeting adjourned at 12:31 pm.