

**NOTE:** These minutes were approved and executed at the November 22, 2019 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
September 20, 2019**

**Public Minutes**

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

*Committee Members:* Maureen Kelliher, *Chair*; Christine Clinton; Tim Lesko; and Keith Quinton. Daniel LaPlante; *absent*.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shana Bilech, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

*NEPC:* Kevin Leonard, *Partner and Senior Consultant*; and Sean Gill, *Partner*.

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

On a motion by Mr. Lesko, seconded by Mr. Quinton, the Committee unanimously approved the public minutes of the July 19, 2019 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Marketable Assets performance flash report for periods ending August 31, 2019. He discussed the returns of various managers and asset classes over multiple time periods and advised the Committee that final Fiscal Year 2019 performance is nearing finalization. He updated the Committee on several initiatives, including the status of the rebalance of the fixed income portfolio as agreed upon by the Committee at its June meeting. Mr. Johansen mentioned that GAM visited the NHRS office recently and thanked the staff for their patience throughout the liquidation event. Mr. Johansen concluded his remarks by reviewing the agenda for upcoming meetings.

Mr. Bill O'Malley, Managing Principal and Senior Portfolio Manager; Mr. Jim Gubitosi, Principal and Senior Portfolio Manager; and Mr. Matt Drasser, Client Portfolio Manager and Senior Vice President of IR+M provided a brief introduction of themselves and their firm. They referred to the "New Hampshire Retirement System" presentation dated September 20, 2019. A lengthy discussion with the Committee followed.

Mr. Drasser opened the discussion by thanking the Committee for their continued relationship with IR+M, noting the Retirement System's long-standing relationship with IR+M dating back to September 1987. He provided a brief overview of the firm, highlighting their focus on investment grade markets. Mr. O'Malley spoke of the firm's effort to promote individuals from within as well as attract talented individuals. As a result, the team has a low turnover. Mr. O'Malley then reviewed IR+M's investment strategy.

Mr. Gubitosi discussed performance attribution, characteristics and positioning for the portfolio, noting that the team tends to take a duration-neutral approach. He emphasized that security selection has driven performance year-to-date. He discussed areas of the fixed income universe that the team views favorably. Mr. Gubitosi also commented on the team's ability to remain patient and take advantage of weakness in the markets when possible.

In response to a question from the Committee, Mr. Gubitosi shared his views on repurchase agreements, discussing Treasury issuance and challenges surrounding bond market liquidity. He noted that the Government Credit portfolio in which the Retirement System invests continues to maintain high levels of liquidity by investing in higher quality bonds.

Mr. O'Malley answered a question from the Committee regarding the benchmark's relatively high year-to-date performance. He noted that the portfolio tends to outperform by a higher margin in choppy markets. Mr. Gubitosi emphasized the team's focus on the long-term investment opportunities.

Mr. Gubitosi answered a final question from the Committee surrounding bond market volatility during the month of August in particular. He replied that when liquidity is lower, the Federal Reserve's actions can have a greater impact on the global financial markets.

Mr. Kevin Leonard, Partner and Senior Consultant of NEPC provided an overview of the System's asset allocation and historical performance returns of the marketable assets of the NHRS portfolio at June 30, 2019, referring to the "Investment Summary (Preliminary)" presentation dated September 2019. A lengthy discussion with the Committee followed.

Mr. Leonard opened the discussion by commenting on the System's absolute and relative returns as compared to public fund peers over various time periods. He reviewed the characteristics of the System's public market portfolio and noted the challenges that diversified

portfolios face in the current market environment. He answered a question from the Committee, touching on how the performance of the fixed income portfolio is measured relative to its benchmark. On this note, he highlighted the strong second quarter performance of the total NHRS portfolio relative to its peer group, while also emphasizing the importance of taking a long-term view. Mr. Leonard then reviewed the relative overweight to value versus growth stocks, as well as small and mid-cap stocks within the domestic equity portfolio. The non-US portfolio continues to demonstrate a tilt towards growth stocks and small-cap holdings relative to its benchmark.

Mr. Leonard discussed the Retirement System's current fixed income rebalance and the shift towards more investment-grade credit. He noted that NEPC is finalizing its annual Global Market Outlook. He then reviewed the System's Compliance check. Upon completing the fixed income rebalance underway, NEPC expects the NHRS' compliance to be in line.

Mr. Leonard noted NEPC's conviction in the current allocation, adding that he does not expect the annual Asset Allocation study to significantly alter the NHRS portfolio's current asset allocation.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the meeting adjourned at 10:24 a.m.