

NOTE: These minutes were approved and executed at the July 22, 2016 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
June 24, 2016**

Public Minutes

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

Committee Members: Harold Janeway, *Chair*; David Jensen; Maureen Kelliher; Patrick O'Donnell; and Hersh Sosnoff.

NHRS Trustees: Dr. Richard Gustafson.

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *Junior Investment Officer*; Ashley Lloyd, *Junior Investment Officer*.

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

Mr. Janeway called the meeting to order at 9:00 a.m.

On a motion by Mr. Jensen, seconded by Mr. O'Donnell, the Committee unanimously approved the public minutes of the May 20, 2016 Investment Committee meeting, as presented.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He provided an overview of the upcoming July Committee meeting and offered various potential macroeconomic topics of discussion. Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending May 31, 2016. He discussed the returns of various managers and asset classes over multiple time periods. He apprised the Committee of recent organizational changes implemented at non-U.S. small-cap equity manager GMO, noting that staff will continue discussions with NEPC regarding the changes.

The Committee discussed the presentation made by S&P 500 Index portfolio manager BlackRock at the May Committee meeting. On a motion by Mr. Sosnoff, seconded by Mr. Jensen, the Committee voted

unanimously to extend the Investment Management Agreement with BlackRock through July 31, 2018.

The Committee discussed the presentation made by non-U.S. equity manager Fisher Investments (“Fisher”) at the May Committee meeting. On a motion by Ms. Kelliher, seconded by Mr. Jensen, the Committee voted unanimously to extend the Investment Management Agreement with Fisher through July 31, 2018.

Mr. Anthony Frammartino, Principal; Mr. Tony Pietro, Principal and Portfolio Manager; and Mr. Joe Davenport, Vice President; of The Townsend Group (“Townsend”) provided a brief introduction of themselves and their firm, an update on the Fiscal Year 2016 Investment Plan, and presented the Fiscal Year 2017 Investment Plan for the Committee’s consideration. They referred to the “New Hampshire Retirement System” presentation dated June 24, 2016. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Frammartino discussed Townsend’s recent merger with NorthStar Asset Management Group, Inc. (“NSAM”), reaffirming that the merger would not have a significant impact on Townsend’s business strategy or operating structure. He then provided an overview of the recently announced merger between NSAM, NorthStar Realty Finance, and Colony Capital and noted that the merger is expected to close in the first quarter of 2017. Mr. Pietro commented on Townsend’s investment strategy, discussing long term drivers of performance and portfolio positioning. He provided a brief overview of the goals associated with the Fiscal Year 2016 Investment Plan, confirming that the firm achieved each of the goals. Mr. Davenport discussed the NHRS portfolio’s Fiscal Year 2017 commitment and funding status and highlighted the firm’s goals and projections for the upcoming year.

Responding to questions from the Committee, Mr. Frammartino provided an overview of the markets in which Townsend sees the most investment opportunity and their relation to each of the strategies within the portfolio. He discussed the impact of current low interest rates on investment opportunities and the firm’s plan to take advantage of mispricing. He explained the firm predicts a majority of favorable high quality and liquid investment opportunities will be found in the U.S. and U.K., stating that Asia and other low growth economies offer fewer opportunities at this time.

The Committee discussed the presentation made by Townsend. On a motion by Ms. Kelliher, seconded by Mr. Jensen, the Committee

unanimously agreed to approve The Townsend Group's Fiscal Year 2017 Investment Plan.

Mr. Sean Gill, Partner; of NEPC referred to the "Private Equity & Private Debt Mid-Year Portfolio Review" presentation dated June 24, 2016 and provided a detailed overview of the System's asset allocation of the private debt and private equity assets of the NHRS portfolio as of December 31, 2015. He discussed NEPC's private equity market thoughts and recommendations for each of the private equity strategies, supported by recent themes observed in fundraising, deal and exit volume, and relative returns at December 31, 2015 over various time periods.

In response to questions from the Committee, Mr. Gill discussed target allocations for the portfolio's private debt and private equity assets and discussed the relationship and performance of the portfolio's assets to its peers. He provided a comprehensive performance analysis of commitments within the portfolio, highlighting performance metrics and factors affecting underperformance or outperformance as needed. Mr. Gill discussed investment opportunities and portfolio positioning for the near-term, indicating that he does not expect significant changes to the portfolio at this time.

Mr. Johansen and the Committee discussed the portfolio's current sources of liquidity. Mr. Johansen reminded the Committee of the cash management account established with Income Resource and Management ("IR+M") in February 2015 as an additional source of liquidity primarily for the purposes of funding the System's pension benefit obligations and for funding private market capital calls. The Committee engaged in a robust discussion of the current volatile market and the appropriateness of the current allocation to tactical cash and agreed to continue the discussion at a subsequent meeting.

On a motion by Mr. Jensen, seconded by Mr. O'Donnell, the meeting adjourned at 11:16 a.m.