

**NOTE:** These minutes were approved and executed at the April 26, 2019 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
March 22, 2019**

**Public Minutes**

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

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

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

*NEPC:* Kevin Leonard, *Partner and Senior Consultant*; Sean Gill, *Partner*; and Lynda Dennen Costello, *Senior Research Consultant*.

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

On a motion by Ms. Clinton, seconded by Mr. Quinton, the Committee unanimously approved the public minutes of the February 22, 2019 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Marketable Investments performance flash report for periods ending February 28, 2019. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He provided an update on the liquidation status of the GAM Fund and added that GAM still plans to return 100 cents on the dollar for liquidated assets, with an upcoming distribution of assets from the Fund to take place in early April.

The Committee discussed the presentations made by non-U.S. small cap equity manager Segall Bryant & Hamill (“SBH”) and fixed income manager Manulife at the February Committee meeting.

On a motion by Mr. Quinton, seconded by Mr. LaPlante, the Committee unanimously agreed to extend the relationship as it pertains to the non-

U.S. small cap equity mandate managed by SBH through January 31, 2021.

On a motion by Mr. LaPlante, seconded by Mr. Quinton, the Committee unanimously agreed to extend the relationship with Manulife through February 28, 2021.

Mr. Lesko arrived at 9:20 a.m.

Mr. Francis Sempill, Head of Client Service; of Walter Scott provided a brief introduction of himself and the firm. He referred to the “Investment Review: New Hampshire Retirement System” presentation dated March 22, 2019. A lengthy discussion with the Committee followed.

Mr. Sempill provided an overview of the firm’s stock selection process, noting that the team maintains its focus on strong cash-generative businesses with minimal debt. He discussed the opportunity to invest in various countries and sectors, noting that the investment team reviews available opportunities and adds companies to the portfolio that meet the firm’s rigorous stock selection guidelines. Mr. Sempill provided a thorough overview of the portfolio’s top and bottom performers over calendar year 2018, noting that underperformance for bottom performers was largely stock-specific. He reviewed the portfolio’s purchase and sale activity over the calendar year and confirmed that the portfolio’s long-term investment thesis of picking high quality names remains the same. Mr. Sempill confirmed that the companies within the NHRS portfolio continue to undergo a constant, rigorous review, noting that names within the portfolio are expected to maintain strong balance sheets with minimal debt and expressed optimism pertaining to the current portfolio structure despite market uncertainty. Responding to questions from the Committee, Mr. Sempill discussed the implications of Brexit on the firm, noting that Walter Scott continues to maintain its current operating structure.

Ms. Lynda Dennen Costello, Senior Research Consultant; and Mr. Kevin Leonard, Partner and Senior Consultant; of NEPC, referred to NEPC’s presentation titled “Asset Allocation Review” dated March 22, 2019. A lengthy discussion with the Committee followed.

Ms. Dennen Costello opened with an overview of NEPC’s Capital Market Assumptions, Asset Liability Study, and Liquidity Study presentations to the Committee and the ways in which those presentations are used to determine and provide Asset Allocation recommendations for the NHRS portfolio. She reviewed calendar year 2019 themes and their impact on NEPC’s return forecasts for the coming year. She discussed the System’s current Asset Allocation relative to its Target Allocation and the important factors to consider when reviewing and proposing a revised Target Asset Allocation. Ms. Dennen Costello highlighted the mature status of the

System's Private Equity program and the opportunity to increase allocation to the sub-asset class as funds within the class begin to mature.

The Committee reviewed and discussed the current asset class benchmarks and determined that the current asset class benchmarks are appropriate for the NHRS portfolio. The Committee reviewed and discussed the manager-specific benchmarks as they relate to manager investment style and agreed manager benchmarks within the NHRS portfolio should be revised to be measured relative to their style-specific benchmarks, as of July 1, 2019.

Ms. Dennen Costello reviewed the System's current Target Asset Allocation and NEPC's recommended Target Asset Allocation. The Committee engaged in a robust discussion regarding the Target Allocation options presented by NEPC.

On a motion by Mr. Quinton, seconded by Ms. Clinton, the Committee unanimously agreed to revise the Alternative Investment and Fixed Income Guidelines, effective July 1, 2019 (next fiscal year) to eliminate 2.5% of the Short Duration Fixed Income Target Allocation, as needed, for cash flow to pay benefits and/or capital calls; increase Core Bond Target Allocation by 2.5% with the understanding that reallocation to Core bonds may not be necessary depending on market conditions and rebalancing requirements; and eliminate 5% of the Opportunistic Target Allocation and reallocate to the Private Equity Target Allocation. In association with the increased allocation to Private Equity, the Committee agreed to update the associated Alternative Investments benchmark to 66.7% Private Equity (S&P 500 + 3%) and 33.3% Private Debt (S&P LSTA Leveraged Loan 100 Index.)

On a motion by Mr. LaPlante, seconded by Mr. Quinton, the meeting adjourned at 10:58 a.m.