

NOTE: These minutes were approved and executed at the December 15, 2017 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
November 17, 2017**

Public Minutes

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

Committee Members: Maureen Kelliher, *Chair*; David Jensen; Patrick O'Donnell; and Keith Quinton.

NHRS Trustees: Dr. Richard Gustafson; Germano Martins.

Staff: Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *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. Jensen, seconded by Mr. Quinton, the Committee unanimously approved the public minutes of the October 20, 2017 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending October 31, 2017. He discussed the returns of various managers and asset classes over multiple time periods. Mr. Johansen also reviewed the Work Plan and updated the Committee on several initiatives, including a brief overview of the efforts of the Decennial Commission.

Mr. Johansen reviewed the tentative agenda for the Committee's upcoming December 2017 and January 2018 Committee meetings, reminding the Committee that December's meeting will consist of NEPC's annual review of the NHRS Private Equity and Private Debt portfolio and a presentation from the System's discretionary real estate manager, The Townsend Group, providing an update of the NHRS real estate portfolio. He noted that the Committee will also consider renewing Townsend's Investment Management Agreement at the December Committee meeting. He advised that representatives from BlackRock, Manulife, and

AberdeenStandard would present and discuss broad macroeconomic topics of interest and that NEPC would provide a presentation regarding their annual capital market assumptions at the January 2018 Committee meeting.

Mr. Johansen referenced the “Proposed 2018 Investment Committee Meeting Schedule” memo dated October 24, 2017. On a motion by Mr. Jensen, seconded by Mr. Quinton, the Committee unanimously approved the 2018 Investment Committee meeting schedule, as presented.

The Committee reviewed and discussed the Draft Comprehensive Annual Investment Report (“CAIR”) for the Fiscal Year Ended June 30, 2017. On a motion by Mr. Quinton, seconded by Mr. Jensen, the Committee unanimously approved the CAIR for the Fiscal Year Ended June 30, 2017, with one minor revision. The Committee directed Staff to submit the CAIR to the Board at its December meeting, with a recommendation for approval.

Mr. Johansen provided a brief overview of the day’s agenda, advising that one general partner with which the System currently has an investment relationship, Riverstone Holdings (“Riverstone”), would present an opportunity to invest in its subsequent private debt fund offering. Mr. Johansen reminded the Committee that a prior commitment to Riverstone’s predecessor fund was made at the February 2016 Investment Committee meeting and that should a commitment be made today, it would constitute a re-up. He advised the Committee that following Riverstone, NEPC would make a presentation providing an overview of the current composition of the System’s Public Markets portfolio.

Mr. Christopher A. Abbate, Managing Director; Mr. Jamie M. Brodsky, Managing Director; and Mr. Patrick J. Connell, Principal; of Riverstone provided a brief introduction of themselves and an overview of their firm and its energy-focused credit strategy, Riverstone Credit Partners II, L.P. (“RCP II”). They referred to the “Riverstone Credit Partners II, L.P.” presentation dated November 17, 2017. A lengthy discussion with the Committee followed.

Mr. Abbate began the presentation stating that subsequent fund RCP II will aim to replicate similar success experienced in the first fund utilizing the same investment strategy of underwriting primarily floating-rate, direct loans to small and mid-sized conventional energy companies. He described their deals as typically short-term in nature, ranging from one to three-year maturities, minimizing the potential impact of full cycle commodity downturns. He and Mr. Brodsky offered an overview of Riverstone’s asset-based lending approach and conservative underwriting criteria, discussing maximum acceptable LTVs of 60% of any asset’s fair

market value, healthy liquidity as determined by thorough cash flow analysis of target investments, and extensive research and reasonable confidence regarding exit strategy possibilities prior to closing any deals.

Responding to questions from the Committee, Mr. Brodsky provided an overview of Riverstone's credit team and their plans to add two to three individuals during 2018. He commented that the candidates have experience in M&As, asset sales, and restructuring and that such experience would be valuable to Riverstone's credit platform. He added that the credit team also has the advantage of utilizing resources across Riverstone's other investment platforms, which include private equity investments in the conventional and renewable energy markets.

Mr. Abbate and Mr. Brodsky discussed the general investment environment as it relates to energy, stating that attractive opportunities exist partially due to modified banking regulations and partially attributable to being a small, conservative lender in what is considered a "specialty" market. They addressed the Committee's questions regarding interest reserve terms and liquidity covenants, near and mid-term commodity market expectations, and competition. The presentation closed with a recap of the first fund's performance results, a summary of fund terms for investing in RCP II, and a brief overview of opportunities within the RCP II pipeline.

The Committee discussed the presentation made by Riverstone and the opportunity to invest in RCP II. On a motion by Mr. Jensen, seconded by Mr. Quinton, the Committee unanimously agreed to commit \$50 million to Riverstone Credit Partners II, subject to contract and legal review. Mr. Johansen stated that NHRS is in discussions with Riverstone regarding a seat on the RCP II Advisory Board.

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 September 30, 2017, referring to the "Preliminary Investment Summary" and the "Public Market Review" presentation dated November 2017. He facilitated a discussion regarding the System's absolute and relative performance returns compared with its public fund peers of similar size over recent and longer-term time periods. He reviewed with the Committee the characteristics of the domestic equity, non-U.S. equity, and fixed income portfolios, discussing relative market capitalizations of the equity portfolios relative to their respective broader benchmarks as well as relative sector and regional allocations for all three asset classes. He reminded the Committee that the overweight to small and mid-cap equities within the domestic equity portfolio is partially the result of revising the benchmark from the Russell 3000 Index to the S&P 500 Index effective July 1, 2015. Mr. Leonard reminded the Committee of the

value tilt that is present within the domestic equity portfolio, reflected in its sector allocation. Conversely, he pointed out the non-U.S. equity portfolio's growth tilt, also as reflected in the sector allocation. A brief overview of the 2014 restructuring of the fixed income portfolio was presented, with Mr. Leonard commenting on the thematic shift from core-bonds in favor of more flexible, multi-sector fixed income investment approaches. He closed noting the importance of periodically reviewing investment objectives, such as whether the Committee still favors value as a style and whether conviction still exists with respect to a meaningful small-cap overweight relative to respective equity benchmarks.

Ms. Kelliher entertained a motion to convene into non-public session under RSA 91-A:3, II(c) for the purpose of discussing matters which, if discussed in public, would likely affect adversely the reputation of any person, other than a member of the public body itself. A motion was made by Mr. O'Donnell and seconded by Mr. Jensen to enter into non-public session, in accordance with the aforementioned provision.

Roll call vote:

Aye: Ms. Kelliher, Mr. Jensen, Mr. O'Donnell, and Mr. Quinton.

Nay: None

Motion carried.

Succession planning and the terms of the members of the Independent Investment Committee were discussed.

A motion was made by Mr. O'Donnell and seconded by Mr. Jensen to conclude non-public session.

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