

NOTE: These minutes were approved and executed at the December 14, 2018 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
November 16, 2018**

Public Minutes

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

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

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 9:04 a.m.

On a motion by Mr. Lesko, seconded by Ms. Clinton, the Committee unanimously approved the public minutes of the October 19, 2018 Investment Committee meeting, as presented.

Mr. Johansen advised the Committee that Mr. Greg Richard, Senior Investment Officer and long-tenured NHRS Investment Staff member, was recently named one of 2018's top 30 Public Pension Institutional Investors by Trusted Insight. He also advised the Committee that Ms. Shari Crawford was leaving the NHRS for another opportunity later this month. The Committee members thanked Ms. Crawford for her service to the Retirement System.

Mr. Johansen referenced the proposed 2019 Investment Committee meeting schedule, originally presented to the Committee at the October meeting for informational purposes. On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee unanimously agreed to approve the 2019 Investment Committee meeting schedule, as presented.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives, including the Domestic Equity rebalancing, GAM liquidation and Arden sale. He also reviewed investment returns through recent periods, referring to the summary page of the NEPC Marketable Investments performance flash report for periods ending October 31,

2018. He discussed the returns of various managers and asset classes over multiple periods.

On a motion by Mr. Lesko, seconded by Ms. Clinton, the Committee unanimously agreed to renew the Investment Management Agreement with Boston Trust through October 31, 2020.

On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee unanimously agreed to renew the Investment Management Agreement with DoubleLine through October 31, 2020.

Ms. Kelliher entertained a motion to convene into non-public session under RSA 91-A:3, II(c) for the purpose of discussing a matter which, if discussed in public, would likely affect adversely the reputation of a person other than a member of the public body.

The vote on the motion was conducted by roll call.

Roll call vote:

Aye: Ms. Kelliher, Ms. Clinton, Mr. LaPlante, and Mr. Lesko.

Nay: None

Motion carried.

The Committee discussed its participation in the Global Absolute Return Strategy (“GARS”), an opportunistic investment mandate managed by AberdeenStandard. The Committee also discussed the opportunity to extend the Investment Consulting Services Agreement with current investment consultant NEPC.

A motion was made by Mr. LaPlante and seconded by Mr. Lesko to conclude non-public session.

Motion carried.

On a motion by Mr. Lesko, seconded by Ms. Clinton, the Committee unanimously agreed to terminate the Investment Management and Subscription Agreement with AberdeenStandard as it pertains to the GARS portfolio. The Committee agreed that \$200 million of the assets shall be moved in equal proportions into the accounts of recently retained fixed income managers, Fidelity and BlackRock, with the remaining proceeds to be held in cash to support benefit payments and other liquidity needs.

On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously agreed to provide a recommendation to the Board of Trustees to extend the Investment Consulting Services Agreement with NEPC through December 31, 2020.

The Committee reviewed and discussed the Draft Comprehensive Annual Investment Report (“CAIR”) for the Fiscal Year Ended June 30, 2018. On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee unanimously approved the CAIR for the Fiscal Year Ended June 30, 2018, 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. Matthew Coburn, Relationship Executive; and Mr. Nicholas Fohl, Managing Director and Head of Technology; of The Bank of New York Mellon (“BNYM”; “the Bank”) provided a brief introduction of themselves and their firm. They referred to a document titled “Cybersecurity Risk Management Program.” A lengthy discussion with the Committee followed.

Mr. Fohl apprised the Committee of the Bank’s approach to cybersecurity, explaining that the endeavor is primarily one of risk management. He spoke of a general outline that could assist in the development of a risk program for an organization, which included identifying assets, monitoring activity, and preparing an appropriate response and recovery should a cybersecurity event occur. Responding to questions from the Committee, Mr. Fohl also touched upon common risks that firms face, including data management challenges, weaknesses that arise from the occurrence of natural disasters, and security threats that appear as solicitations to internal employees such as phishing and social engineering. Mr. Fohl addressed a question regarding how the Bank interacts with third parties such as government entities and industry peer groups to monitor criminal activities or threats.

Ms. Tracy Musser, Senior Institutional Relationship Manager; and Mr. Brett Hawkins, Chief Investment Officer and Co-Portfolio Manager (*telephonically*) of Thompson, Siegel & Walmsley (“TSW”) provided a brief introduction of themselves and their firm. They referred to the “Account Review” presentation dated November 16, 2018. A lengthy discussion with the Committee followed.

Ms. Musser provided an overview of TSW’s relationship with the System, which began when this portfolio was funded in late 2010. She commented upon the firm’s culture, ownership structure, and investment philosophy. Mr. Hawkins elaborated further, stating that TSW is a traditional, individual stock focused value manager that seeks to find relatively inexpensive stocks that possess a catalyst for

improvement. He also provided a brief overview of TSW's investment process, including the opportunity set and screening, selection, and monitoring activity, all at both the individual stock level and at the aggregate portfolio level.

Responding to questions from the Committee, Mr. Hawkins reviewed the portfolio's performance in both absolute and relative terms across various periods ended September 30, 2018. He commented that the firm's value-style tilt had been a headwind across several various periods but that stock selection continues to be successful. Addressing an inquiry from the Committee, Mr. Hawkins spoke of the volatility that returned to the equity markets during the month of October and shared his expectations of how the markets may behave in the near-term.

Ms. Elizabeth Smith, Senior Managing Director of Public Funds; and Mr. Nelson Yu, Portfolio Manager, Head of Blend Strategies, and Head of Equity Quantitative Research; of AllianceBernstein ("AB") provided a brief introduction of themselves and their firm. They referred to the "New Hampshire Retirement System" presentation dated November 16, 2018. A lengthy discussion with the Committee followed, which began with the topic of AB's relocation of its headquarters from New York to Nashville. Ms. Smith and Mr. Yu addressed concerns over an anticipated cultural shift that is likely to take place within the firm as a result of the relocation.

Mr. Yu provided an overview of the U.S. SMID Style Blend, the investment product in which the System has been invested since late 2010. He explained that the blend portfolio was designed to reduce volatility while adding value by delivering consistent alpha across market cycles. He reviewed the advantages of having two separate style sleeves, growth and value, and thoroughly discussed the importance of monitoring and implementing a disciplined rebalancing approach with respect to risk exposure. Mr. Yu also reviewed the unique investment philosophies associated with each style, including value's emphasis on normalized cash earnings and stable free cash flow yield while the growth team is attracted to the prospect of strong earnings growth and positive earnings revisions and surprises.

Mr. Yu briefly reviewed the portfolio's absolute and relative performance returns for periods ended September 30, 2018. He acknowledged that much of the portfolio's relative outperformance during both the trailing one-year and trailing three-year periods is attributable to strong stock selection. He explained how the influences of style and size also contributed to relative outperformance. The effects of implementing the portfolio's guidelines with respect to rebalancing were also discussed, especially as they relate to the NHRS-initiated domestic equity portfolio rebalance.

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Mr. Johansen requested from the Committee macroeconomic topics of interest in conjunction with the January 2019 Investment Committee meeting.

On a motion by Mr. Lesko, seconded by Mr. LaPlante, the meeting adjourned at 11:48 a.m.