

**NOTE:** These minutes were approved and executed at the June 24, 2016 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
May 20, 2016**

**Public Minutes**

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

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

*NHRS Trustees:* Dr. Richard Gustafson.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; 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 Ms. Kelliher, the Committee unanimously approved the public minutes of the April 22, 2016 Investment Committee meeting, as amended by the Committee.

Mr. Johansen referenced the Wall Street Journal article addressing succession planning at Collier Capital ("Collier"). Mr. Gill indicated that Collier's team, thesis, and investment process remains sound and that NEPC will continue to monitor Collier and succession planning uncertainty associated with Jeremy Collier.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending April 30, 2016. He discussed the returns of various managers and asset classes over multiple time periods. Mr. Johansen provided an overview of the Work Plan and updated the Committee on several initiatives. He noted that Townsend will provide a fiscal year-end real estate presentation to the Committee in June and opened the conversation to the Committee regarding potential topics of macroeconomic discussion for the July Committee meeting.

Mr. Johansen updated the Committee on the Board of Trustees' decision to decrease the assumed rate of return to 7.25% at their May Board meeting. He referenced the "Investment Policy Update" memo dated May 16, 2016, noting that the Policy has been revised to reflect the System's new assumed rate of return. On a motion by Mr. O'Donnell, seconded by Mr. Jensen, the Committee voted unanimously to recommend the revised Investment Policy to the Board of Trustees for approval.

The Committee discussed the presentations made by large cap U.S. equity managers LSV Asset Management ("LSV") and Institutional Capital ("ICAP") at the April Committee meeting. On a motion by Ms. Kelliher, seconded by Mr. Jensen, the Committee voted unanimously to extend the Investment Management Agreements with ICAP and LSV through June 30, 2018.

Mr. Aaron Anderson, Senior Vice President of Research; and Mr. Roman Knysh, Vice President and Portfolio Specialist, of Fisher Investments ("Fisher") provided a brief introduction of themselves and their firm. They referred to the "All Foreign Equity" presentation. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Knysh stated that Damian Ornani will be appointed as CEO of Fisher as of July 1, 2016 and discussed current CEO Kenneth Fisher's efforts in relation to the retail and institutional investment groups, noting that he will continue his duties as Executive Chairman and Co-CIO of Fisher. Mr. Knysh reviewed assets under management, noting that the firm had seen positive inflows for 2015 and for the current year-to-date. He reviewed recent portfolio performance over various time periods and confirmed there were no other significant changes to staff or investment strategy to comment upon.

Responding to questions from the committee, Mr. Anderson discussed the volatility of the macroeconomic environment and its impact on the portfolio. He discussed uncertainty associated with China, affirming that the country is proving to be more economically stable and that Fisher does not view it as a fundamental concern at this time. Mr. Anderson explained that while the country's high debt levels do pose a long-term risk, he does not see China as a short-term risk to the macroeconomic environment. He commented upon the impact of the stressed energy sector, noting that resource-intensive economies will be most impacted by the struggling sector.

In response to questions from the Committee, Mr. Anderson confirmed that Fisher does not hedge currencies but that currency risk is

considered when country allocations are made. He discussed the impact of monetary policy within the current economic environment and noted that the current environment remains accommodative as a result of continued central bank measures. Mr. Anderson discussed Fisher's investment strategy and commented upon contributors and detractors to performance over the past year, indicating that he expects near-term relative performance to improve.

Mr. Akiva Dickstein, Managing Director; Mr. Douglas McNeely, Managing Director; and Mr. Hadi Tabbaa, Director, of BlackRock provided a brief introduction of themselves and their firm. They referred to the "Negative Interest Rate Discussion" presentation dated May 20, 2016. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Tabbaa discussed the significance of negative interest rates and provided a broad overview of the implications of low rates over long periods of time. Mr. Dickstein provided a brief summary of the factors that led to and continue to encourage the current low interest rate environment and explained that markets are forecasting lower interest rate growth for the near future. He discussed the three channels of negative rate stimulation and their intended results, commenting that current outcomes do not necessarily reflect the results intended.

Responding to questions from the Committee, Mr. Dickstein reviewed challenges associated with measuring the validity of interest rate cuts and provided potential downside factors associated with maintaining a low interest rate environment. He indicated low global inflation and China's excessive corporate debt pose the biggest threats to the global economy over the long-run and that a return of productivity is the most significant opportunity to improve the global economy.

In response to questions from the Committee, Mr. Dickstein discussed the role of productivity in association with aging and declining populations in the sustained low interest rate environment. He explained that excess savings held by the risk-averse population will perpetuate a low-rate environment and result in a decrease in investments. Mr. Dickstein described the challenge the current environment poses for investors seeking higher returns and the sustainability of the resulting search for yield in riskier assets.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the meeting adjourned at 11:42 a.m.