

NOTE: These minutes were approved and executed at the January 25, 2019 Independent Investment Committee meeting.

Independent Investment Committee Meeting
December 14, 2018

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*; Greg Richard, *Senior 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. LaPlante, seconded by Mr. Lesko, the Committee approved the public minutes and the non-public minutes of the November 16, 2018 Investment Committee meeting, as presented. Mr. Quinton abstained from the vote as he did not attend the November Committee meeting.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives, including the GAM and AberdeenStandard GARS liquidations and added that liquidation of fund-of-funds manager Arden is expected to conclude by the end of 2018. He provided an update of upcoming meetings, noting that NEPC will complete a thorough review of the System's Asset Liability and Asset Allocation in the coming months. He reviewed the returns of the system's private equity and private debt portfolio versus public indices over one, three, and five-year periods.

The Committee discussed the presentations made by domestic smid-cap equity managers Thompson, Siegel & Walmsley ("TSW") and AllianceBernstein at the November Committee meeting.

On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously agreed to renew the Investment Management Agreement with TSW through November 30, 2020.

On a motion by Ms. Clinton, seconded by Mr. Lesko, the Committee unanimously agreed to renew the Investment Management Agreement with AllianceBernstein through November 30, 2020.

Mr. Anthony Frammartino, Principal; Mr. Tony Pietro, Portfolio Manager; and Mr. Joe Davenport, Vice President; of The Townsend Group (“Townsend”) provided a brief introduction of themselves and their firm. They referred to the “New Hampshire Retirement System” presentation dated December 14, 2018. A lengthy discussion with the Committee followed.

Mr. Frammartino opened with an overview of the System’s lengthy relationship with Townsend, the firm’s assets under management and services it provides, as well as the firm’s recent merge with Aon, which has proceeded favorably. Mr. Pietro provided an update of the NHRS real estate program as well as the composition and positioning of assets within the portfolio, adding that since Townsend was awarded discretion over the NHRS real estate program in 2009, the portfolio has achieved a 13.4% net annualized return and a 1.5x equity multiple. He discussed the progress of the program and the achievement of all three goals established at the beginning of Fiscal Year 2018. Mr. Pietro highlighted a recent rebalancing initiative of strategic and tactical investments, which is expected to increase value, reduce fees, and manage risk; he added that the initiative is expected to be finalized by mid-2019. Mr. Davenport offered a thorough overview of four new investments within the portfolio, discussing investment thesis, expected return, market outlook, and the investments’ fit within the overall NHRS real estate program.

Mr. Sean Gill, Partner; of NEPC referred to the “Private Equity & Private Debt Annual Portfolio Review” presentation dated December 14, 2018 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 June 30, 2018. 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 June 30, 2018 over various time periods.

Mr. Gill discussed program pacing, noting that the portfolio is performing very well, adding that, because of the volume of commitments made over previous years, pacing is expected to slow in the coming years. He reviewed returns over various periods, noting a return of 13.4% for the one-year period ending June 30, 2018. He added that investments in the full program are performing as expected or better than expected, adding that there are a small number of investments underperforming their target. He confirmed that relative underperformance of these investments is not significantly concerning and added that the investments will

continue to be monitored. He provided a thorough overview of the portfolio, discussing performance over each vintage year and the changes made to the program over the year, noting the program continues to perform as expected and continues to add value to the total portfolio.

In his response to questions from the Committee, Mr. Gill discussed the program's strategic plan for the coming year and reviewed projected return assumptions by strategy, assumed net growth rate, and cash flow expectations. He noted that the plan remains flexible to allow for participation in favorable opportunities and avoidance of unfavorable opportunities and closed by providing his market outlook and the expected impact on funding and performance.

On a motion by Mr. Quinton, seconded by Mr. LaPlante, the Committee unanimously agreed to approve the private debt & private equity strategic plan for calendar year 2019.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the meeting adjourned at 10:52 a.m.