TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

EXECUTIVE SUMMARY

MARCH 31, 2014

STRATEGIC INVESTMENT SOLUTIONS, INC.

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Capital Market Review

First Quarter 2014

- Federal Reserve policy uncertainty and inclement weather in the US led to a volatile first quarter in the S&P 500, but the index ended the period with a gain of 1.8%.

- In addition to policy uncertainty, geopolitical risk limited gains in equity markets as the MSCI EM Net Return Index fell 0.4% in the first quarter. However, geopolitical risk and global growth concerns also helped boost demand for U.S. Treasuries.

- Hope for quantitative easing by the European Central Bank has helped drive down peripheral European financing costs and improve equity sentiment. Europe ex-UK equities rose 3.5% on a net return basis.

- The People's Bank of China announced a wider daily currency trading band in March, which has allowed the renminbi to depreciate. The prospects for increased exports and the potential for reform efforts conducive to growth in India and Indonesia may have limited the decline in the MSCI EM Asia Net Return Index.

- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. With confidence rising among North American institutions, the Global ICI increased 24.4 points during the quarter to 120.2 in March, remaining well above the neutral level of 100.

- For the period ending 3/31/14, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 10.0% and 2.5%; one-year, 4.2% and 11.0%; three-year, 10.7% and 11.9% and five-year, 28.2% and 5.7%.

- A drop in the 10-year Treasury during Q1 2014 resulted in a rally in the US REIT market, resulting in REITs doing well in comparison with the broader equity markets. The REIT dividend yield of 3.9% was 199 basis points higher than the 10-year US Treasury yield.

- Following the US REIT market, global REITs finished Q1 2014 with a total return of 4.0%; the UK at 6.7% and Canada at 5.5% were regional leaders.

Market Indices Review

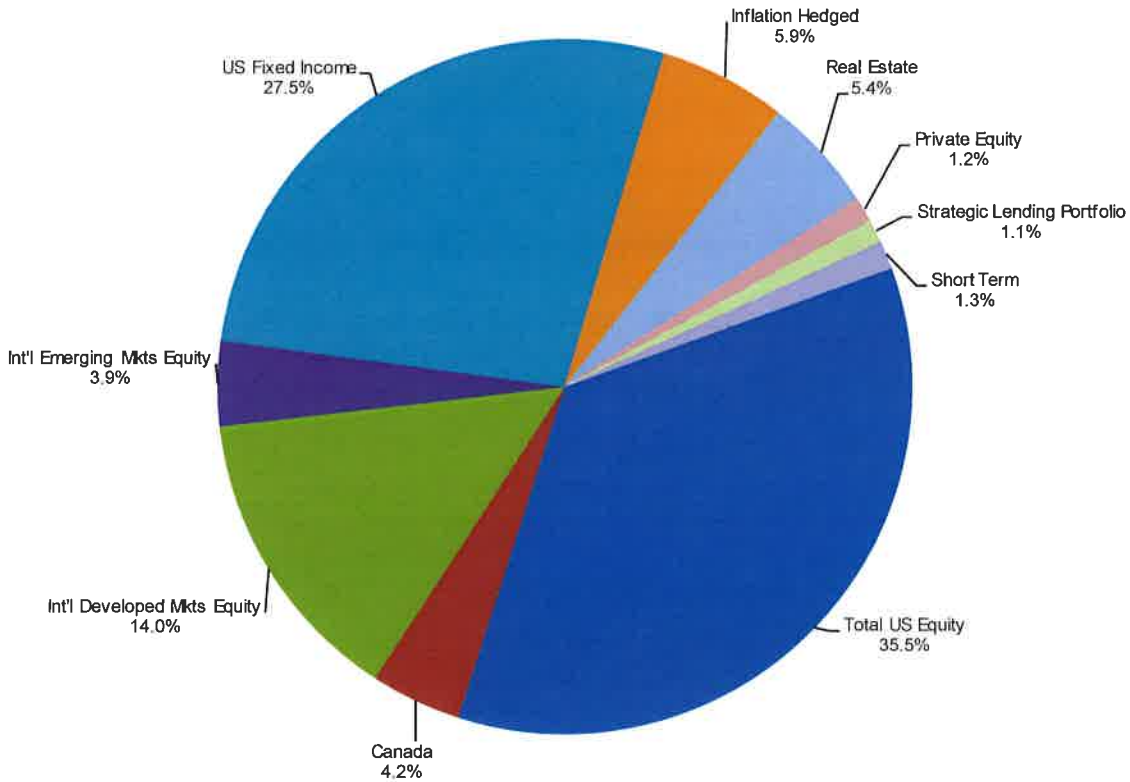
Periods Ending March 31, 2014

INDEX	STYLE	1 QTR	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR
NORTH AMERICAN EQUITY INDICES							
S&P 1500	Large Cap Broad	1.88	22.02	14.59	21.63	6.59	7.74
S&P 500	Large Cap Core	1.81	21.86	14.66	21.16	6.31	7.42
S&P MidCap 400	Mid Cap Broad	3.04	21.24	13.37	24.86	8.80	10.14
S&P Small Cap 600	Small Cap Broad	1.13	27.81	15.95	26.21	8.53	10.11
Russell 3000 Growth	Large Cap Growth	1.07	23.53	14.53	21.94	8.26	7.95
Russell 3000 Value	Large Cap Value	2.92	21.65	14.63	21.88	4.83	7.62
NASDAQ Composite	Large Cap Core	0.83	30.11	16.09	23.76	9.33	8.76
DJIA	Large Cap Core	-0.15	15.66	13.05	19.85	7.04	7.47
S&P/T SX 60	Canadian Large Cap Broad	1.57	6.53	-0.74	15.34	4.76	10.21
INTERNATIONAL INDICES							
MSCI EAFE NET	International Equity	0.66	17.56	7.21	16.02	1.29	6.53
MSCI AC World -ex US	International Equity	0.51	12.31	4.15	15.52	1.70	7.12
MSCI Emerging Markets	Emerging Markets	-0.37	-1.07	-2.53	14.83	3.70	10.46
Citigroup World Gov't	Global Fixed	2.66	1.37	1.91	3.84	4.90	4.23
Citigroup World Gov't ex US	International Fixed	3.22	2.43	1.36	4.15	4.95	4.27
US FIXED INCOME INDICES							
3-Month Treasury Bills	Cash	0.01	0.04	0.05	0.08	0.70	1.54
Barclays Aggregate	Core Fixed	1.84	-0.10	3.75	4.80	4.96	4.46
Barclays Gov't/Credit	Core Fixed	1.98	-0.26	4.21	5.07	5.06	4.41
Barclays Mortgage	Mortgages	1.59	0.20	2.76	3.57	4.80	4.58
NAR Equity REIT	Real Estate	9.98	4.16	10.65	28.20	2.61	8.22
NCREIF Property - One Qtr lag	Real Estate	2.53	10.99	11.92	5.68	5.23	8.63

Asset Allocation Analysis - Total Plan

As of March 31, 2014

CURRENT ALLOCATION BY ASSET CLASS



	Actual $	Actual %
Total US Equity	14,607,056,430	35.5%
Canada	1,727,061,362	4.2%
Int'l Developed Mkts Equity	5,764,040,854	14.0%
Int'l Emerging Mkts Equity	1,623,444,761	3.9%
US Fixed Income	11,296,047,993	27.5%
Inflation Hedged	2,446,789,475	5.9%
Real Estate	2,206,998,984	5.4%
Private Equity	483,033,983	1.2%
Strategic Lending Portfolio	434,365,580	1.1%
Short Term	539,176,264	1.3%
TOTAL	41,128,015,686	100.0%

	TARGET	ACTUAL	DIFF
Total US Equity	33.0%	35.5%	2.5%
Canada	4.0%	4.2%	0.2%
Int'l Developed Mkts Equity	13.0%	14.0%	1.0%
Int'l Emerging Mkts Equity	5.0%	3.9%	-1.1%
US Fixed Income	25.0%	27.5%	2.5%
Inflation Hedged	4.0%	5.9%	1.9%
Real Estate	7.0%	5.4%	-1.6%
Private Equity	3.0%	1.2%	-1.8%
Strategic Lending Portfolio	5.0%	1.1%	-3.9%
Short Term	1.0%	1.3%	0.3%

	12/31/13	03/31/14	DIFF
Total US Equity	36.5%	35.5%	-1.0%
Canada	4.2%	4.2%	0.0%
Int'l Developed Mkts Equity	14.2%	14.0%	-0.2%
Int'l Emerging Mkts Equity	3.9%	3.9%	0.0%
US Fixed Income	26.8%	27.5%	0.7%
Inflation Hedged	5.9%	5.9%	0.0%
Real Estate	5.2%	5.4%	0.2%
Private Equity	1.0%	1.2%	0.2%
Strategic Lending Portfolio	1.0%	1.1%	0.0%
Short Term	1.3%	1.3%	0.1%

Performance Summary

Periods Ending March 31, 2014

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Total Fund	**2.47**	**10.02**	**9.65**	**13.10**	**5.64**	**6.34**
Policy Index[1]	*2.70*	*11.11*	*9.56*	*13.56*	*6.03*	*6.80*
Excess Return	-0.23	-1.09	0.09	-0.46	-0.39	-0.46
Allocation Index[2]	*2.56*	*9.81*	*8.90*	*13.14*	--	--
North American Equity	**2.06**	**19.98**	**13.02**	--	--	--
N.A. Equity Custom[3]	*1.85*	*20.28*	*12.74*	--	--	--
Excess Return	0.21	-0.30	0.28			
US Equity	**2.09**	**21.63**	**14.80**	**21.31**	**6.55**	**7.74**
US Equity Custom[4]	*1.88*	*22.02*	*14.59*	*21.63*	*6.59*	*7.74*
Excess Return	0.21	-0.39	0.21	-0.32	-0.04	0.00
Index	1.73	21.70	14.64	21.11	6.38	--
S&P 500	*1.81*	*21.86*	*14.66*	*21.16*	*6.31*	*7.42*
Excess Return	-0.08	-0.16	-0.02	-0.05	0.07	
Quant	1.47	20.35	14.34	20.37	6.57	7.74
S&P 500	*1.81*	*21.86*	*14.66*	*21.16*	*6.31*	*7.42*
Excess Return	-0.34	-1.51	-0.32	-0.79	0.26	0.32
Sector	2.55	21.63	14.78	20.82	6.38	7.54
S&P 500	*1.81*	*21.86*	*14.66*	*21.16*	*6.31*	*7.42*
Excess Return	0.74	-0.23	0.12	-0.34	0.07	0.12

1 Effective 1/1/13, the Policy Index is 33% S&P 1500/ 4% S&P TSX 60/ 13% MSCI EAFE IMI net/ 5% MSCI Emerging Markets net/ 25% Citigroup LPF/ 4% Citigroup TIPS/ 7% NCREIF 1Q Lag/ 3% S&P 500 + 3% 1Q Lag/ 1% 91 Day T-Bill / 5% Strategic Lending.

2 Effective 1/1/14, the Total Fund Allocation Index is 34.2% S&P 1500/ 4.1% S&P TSX 60/ 13.5% MSCI EAFE IMI net/ 5.2% MSCI Emerging Markets net/ 27.6% Citigroup LPF/ 7.2% Citigroup TIPS/ 5.2% NCREIF 1Q Lag/ 1.0% S&P 500 + 3% 1Q Lag/ 1.0% Strategic Lending/ 1.0% 91 Day T-Bill.

3 Effective 1/1/13, benchmark is 89.19% S&P 1500/ 10.81% S&P TSX 60; linked to 87.5% S&P 1500/ 12.5% S&P TSX 60 Index.

4 Effective 7/1/04, benchmark is S&P 1500; linked to 100% S&P 500 Index.

Performance Summary

Periods Ending March 31, 2014

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Mid Cap [5]	3.74	22.68	14.22	24.16	7.99	9.59
S&P MidCap 400 [5]	*3.04*	*21.24*	*13.37*	*24.86*	*8.36*	*9.78*
Excess Return	0.70	1.44	0.85	-0.70	-0.37	-0.19
Small Cap [6]	**1.08**	**27.66**	**14.56**	--	--	--
S&P 600 SmallCap	*1.13*	*27.81*	*15.95*	*26.21*	*8.53*	*10.11*
Excess Return	-0.05	-0.15	-1.39			
Canada	**1.77**	**6.90**	**-0.40**	--	--	--
S&P/TSX 60	*1.57*	*6.53*	*-0.74*	*15.34*	*4.76*	*10.21*
Excess Return	0.20	0.37	0.34			
International Equity	**0.38**	**13.57**	**7.80**	**17.17**	**3.36**	**8.01**
Int'l Equity Custom [7]	*1.31*	*12.48*	*5.10*	*15.09*	*0.75*	*6.04*
Excess Return	-0.93	1.09	2.70	2.08	2.61	1.97
Int'l Developed Mkts Equity	**0.36**	**18.43**	**9.66**	**18.38**	**4.12**	**8.56**
MSCI EAFE IMI net	*0.99*	*18.24*	*7.48*	*16.65*	*1.72*	*6.75*
Excess Return	-0.63	0.19	2.18	1.73	2.40	1.81
American Century	4.88	32.45	14.44	23.57	--	--
MSCI EAFE Small Cap	*3.36*	*23.26*	*9.40*	*21.70*	*2.79*	*8.56*
Excess Return	1.52	9.19	5.04	1.87		

5 Effective 7/1/08, strategy was changed from SMID Cap. Benchmark is linked to 100% S&P 1000 Index.

6 Use 100% Russell 2000 Futures returns January 2011-June 2012. Use weighted blend of Russell 2000 Futures and Small Cap Fund returns July 2012- October 2012. Use 100% Small Cap Fund returns November 2012-present.

7 Effective 1/1/13, benchmark is 72.22% MSCI EAFE IMI net/ 27.78% MSCI Emerging Mkts net; linked to 100% MSCI EAFE IMI net (10/08-12/12) and 100% MSCI EAFE net Index (7/04-9/08).

Performance Summary

Periods Ending March 31, 2014

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Baring Asset Mgmt	-0.90	15.61	8.48	17.15	--	--
MSCI EAFE	*0.66*	*17.56*	*7.21*	*16.02*	*1.29*	*6.53*
Excess Return	-1.56	-1.95	1.27	1.13		
GE Asset	0.12	20.56	8.33	17.36	--	--
MSCI Europe	*2.10*	*24.50*	*8.37*	*17.47*	*1.67*	*7.41*
Excess Return	-1.98	-3.94	-0.04	-0.11		
Marathon	1.24	21.31	10.79	19.19	5.22	10.17
MSCI EAFE net	*0.66*	*17.56*	*7.21*	*16.02*	*1.29*	*6.80*
Excess Return	0.58	3.75	3.58	3.17	3.93	3.37
Pacific Indexed Portfolio[8]	-2.30	4.72	4.83	12.73	0.68	4.61
MSCI Pacific net[9]	*-2.51*	*5.06*	*5.12*	*13.43*	*0.68*	*4.63*
Excess Return	0.21	-0.34	-0.29	-0.70	0.00	-0.02
PanAgora Asset Mgmt	2.84	19.87	9.74	18.54	3.11	8.21
MSCI EAFE	*0.66*	*17.56*	*7.21*	*16.02*	*1.29*	*6.53*
Excess Return	2.18	2.31	2.53	2.52	1.82	1.68
Pyramis Global	2.22	24.02	11.46	22.79	--	--
MSCI EAFE Small Cap	*3.36*	*23.26*	*9.40*	*21.70*	*2.79*	*8.56*
Excess Return	-1.14	0.76	2.06	1.09		

8 Effective 9/4/10, internally managed by TCRS staff. Amundi Pacific terminated.

9 Effective 7/1/04. Benchmark is linked to MSCI ACWI Asia Pacific Free.

Performance Summary

Periods Ending March 31, 2014

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
TT International	-1.32	24.13	9.32	16.82	--	--
MSCI EAFE	*0.66*	*17.56*	*7.21*	*16.02*	*1.29*	*6.53*
Excess Return	-1.98	6.57	2.11	0.80		
Walter Scott	-1.51	7.13	8.13	16.94	5.36	9.75
MSCI EAFE net [10]	*0.66*	*17.56*	*7.21*	*16.02*	*0.85*	*6.95*
Excess Return	-2.17	-10.43	0.92	0.92	4.51	2.80
Int'l Emerging Mkts Equity	**0.35**	**-2.18**	--	--	--	--
MSCI Emerging Markets Net Custom	*2.00*	*-1.63*	--	--	--	--
Excess Return	-1.65	-0.55				
US Fixed Income	**4.02**	**-0.36**	**6.92**	**8.55**	**6.43**	**5.53**
Citigroup LPF [11]	*4.06*	*-1.22*	*5.93*	*5.86*	*6.03*	*5.20*
Excess Return	-0.04	0.86	0.99	2.69	0.40	0.33
Corporate	**5.16**	**2.10**	**9.51**	**13.29**	**8.17**	**6.68**
Citigroup LPF Credit [12]	*5.10*	*0.96*	*7.93*	*10.07*	*7.03*	*5.94*
Excess Return	0.06	1.14	1.58	3.22	1.14	0.74

10 Effective 3/1/09. Benchmark is linked to MSCI Europe Index.

11 Effective 9/1/11. Benchmark is linked to 50% Citigroup BIG/ 50% Citigroup LPF (4/1/11-8/31/11) and 100% Citigroup BIG (8/1/05-3/31/11).

12 Effective 7/1/11. Benchmark is linked to 50% Citigroup BIG Credit/ 50% Citigroup LPF (4/1/11-6/30/11) and 100% Citigroup BIG Credit Index (1/1/01-3/31/11).

Performance Summary

Periods Ending March 31, 2014

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Gov't 1-5	**5.43**	**-1.53**	**9.49**	**9.06**	**7.01**	--
Citigroup LPF Treas/Govt Spons[13]	*5.14*	*-3.86*	*6.26*	*5.29*	*5.62*	*4.94*
Excess Return	0.29	2.33	3.23	3.77	1.39	
Gov't 5 Plus	**4.93**	**-3.64**	**7.14**	**7.20**	**5.96**	--
Citigroup LPF Treas/Govt Spons[14]	*5.14*	*-3.86*	*6.87*	*5.39*	*6.52*	--
Excess Return	-0.21	0.22	0.27	1.81	-0.56	
MBS	**1.61**	**0.04**	**3.07**	**4.43**	**4.21**	**4.20**
Citi BIG Mortgage	*1.61*	*0.11*	*2.77*	*3.57*	*4.84*	*4.62*
Excess Return	0.00	-0.07	0.30	0.86	-0.63	-0.42
Inflation Hedged	**2.22**	**-6.86**	**3.43**	**4.66**	**5.24**	--
Citi TIPS	*2.21*	*-6.78*	*3.52*	*4.94*	*5.23*	*4.54*
Excess Return	0.01	-0.08	-0.09	-0.28	0.01	
Real Estate	**5.46**	**10.73**	**10.36**	**4.87**	**3.86**	**7.85**
NCREIF 1Q Lag	*2.53*	*10.99*	*11.92*	*5.68*	*5.23*	*8.63*
Excess Return	2.93	-0.26	-1.56	-0.81	-1.37	-0.78
Private Equity*	**8.13**	**19.21**	**13.76**	--	--	--
S&P 500 +3% 1Q Lag	*11.12*	*35.39*	*19.20*	*20.95*	*9.22*	*10.47*
Excess Return	-2.99	-16.18	-5.44			

13 Effective 9/1/11. Benchmark is linked to Citi 1-7 Govt (7/1/11-8/31/11), 50% Citigroup 1-5 Govt/ 50% Citigroup 1-7 Govt (4/1/11-6/30/11), and 100% Citigroup 1-5 Govt (9/1/09-3/31/11).

14 Effective 7/1/11. Benchmark is linked to 50% Citigroup Core 5+ Gov't/ 50% Citigroup 7+ Govt (4/1/11-6/30/11),100% Citigroup Core 5+ Govt (9/1/09-3/31/11), and 100% Citigroup Govt (7/1/04-8/31/09).

* Effective 4/1/12. One quarter lagged IRR returns are provided by Cambridge Associates.

Performance Summary

Periods Ending March 31, 2014

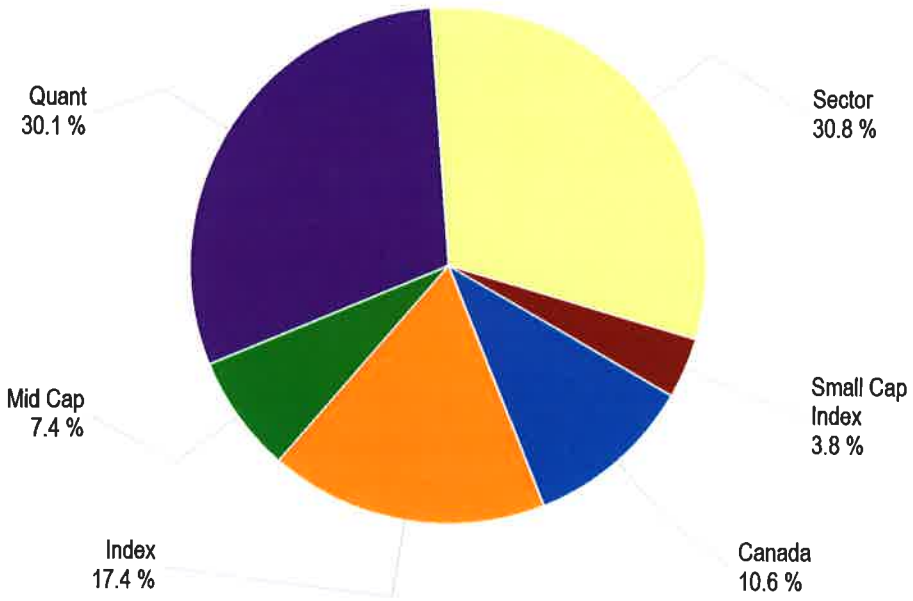
	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Strategic Lending Portfolio [15]	**2.60**	--	--	--	--	--
Strategic Lending [16]	*2.14*	*6.29*	--	--	--	--
Excess Return	0.46					
Short Term	**0.17**	**0.65**	**1.20**	**1.58**	--	--
91 Day T-Bills	*0.01*	*0.04*	*0.05*	*0.08*	*0.70*	*1.54*
Excess Return	0.16	0.61	1.15	1.50		
Short Duration	0.33	1.20	1.51	2.52	--	--
Citi 6 Month T-Bill	*0.02*	*0.09*	*0.18*	*0.20*	*1.00*	*1.71*
Excess Return	0.31	1.11	1.33	2.32		
Cash	**0.10**	**0.36**	**1.49**	**1.29**	**2.02**	**2.39**
91 Day T-Bills	*0.01*	*0.04*	*0.05*	*0.08*	*0.70*	*1.54*
Excess Return	0.09	0.32	1.44	1.21	1.32	0.85

15 Funded 8/1/13. Reported net of fees.

16 Effective 1/1/13, benchmark is 50% Barclays HY 2% Issuer Capped/ 50% Credit Suisse Leveraged Loans.

Manager Allocation Analysis - North American Equity

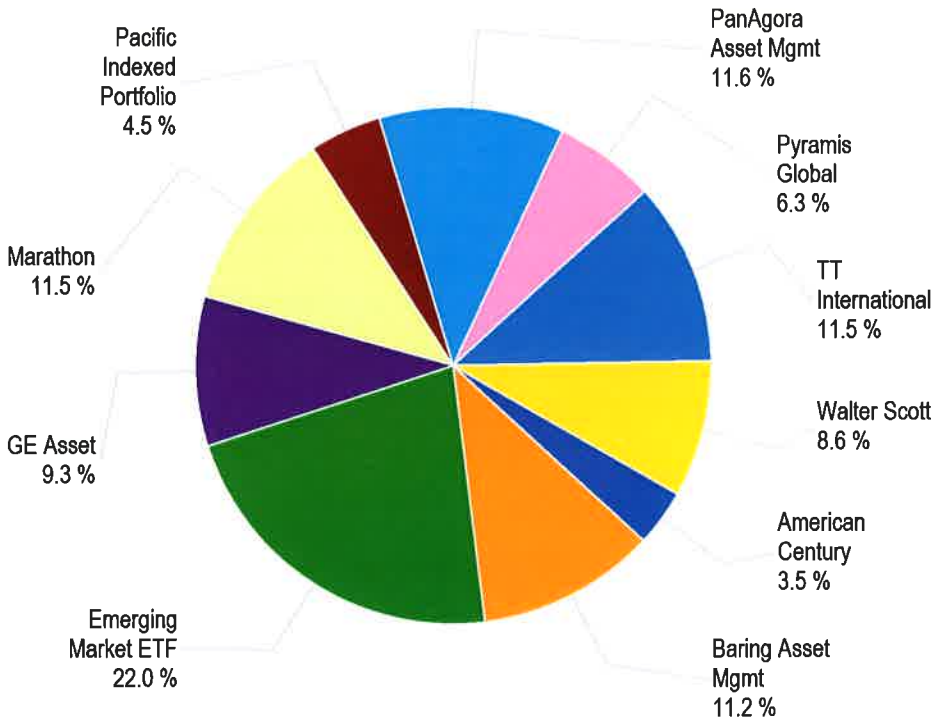
As of March 31, 2014



	Actual $	Actual %
Canada	$1,727,061,362	10.6%
Index	$2,848,378,544	17.4%
Mid Cap	$1,204,512,005	7.4%
Quant	$4,912,505,714	30.1%
Sector	$5,024,699,747	30.8%
Small Cap Index	$616,960,420	3.8%
Total	$16,334,117,792	

Manager Allocation Analysis - International Equity

As of March 31, 2014

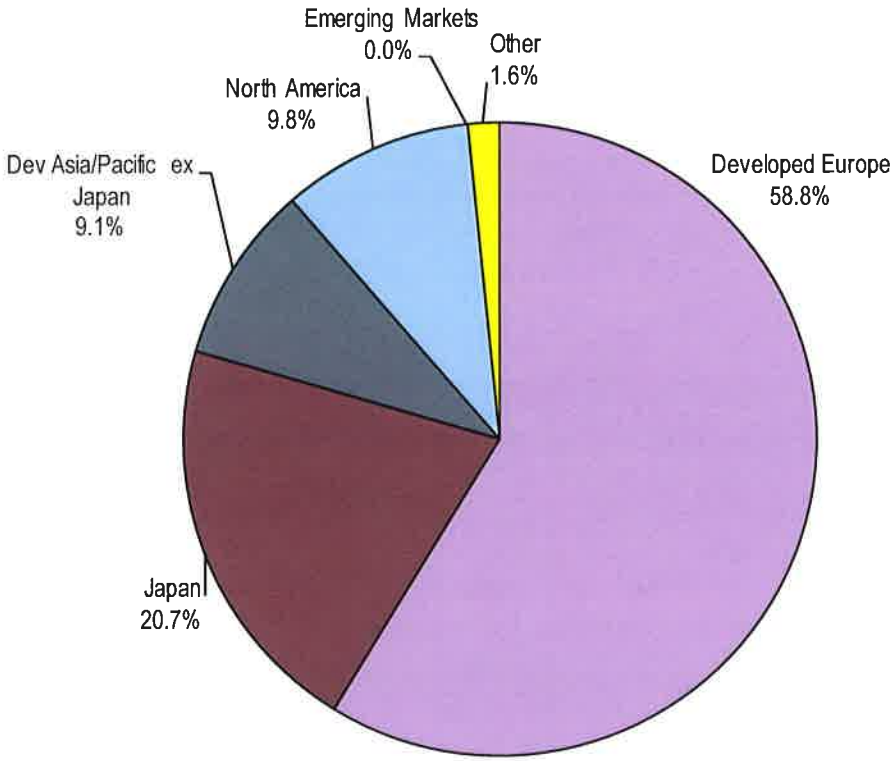


	Actual $	Actual %
American Century	$261,945,290	3.5%
Baring Asset Mgmt	$825,868,676	11.2%
Emerging Market ETF	$1,623,444,761	22.0%
GE Asset	$690,303,103	9.3%
Marathon	$852,475,985	11.5%
Pacific Indexed Portfolio	$331,847,193	4.5%
PanAgora Asset Mgmt	$856,222,902	11.6%
Pyramis Global	$465,107,832	6.3%
TT International	$847,638,297	11.5%
Walter Scott	$632,631,576	8.6%
Total	$7,387,485,615	

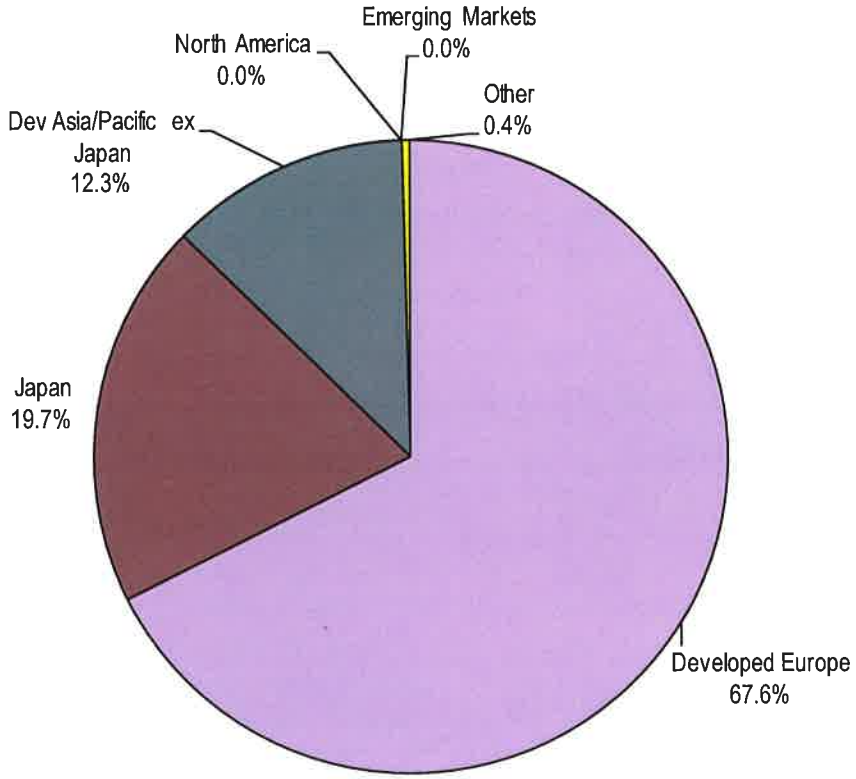
Developed International Equity Portfolio Regional Weights

As of March 31, 2014

Developed International Equity



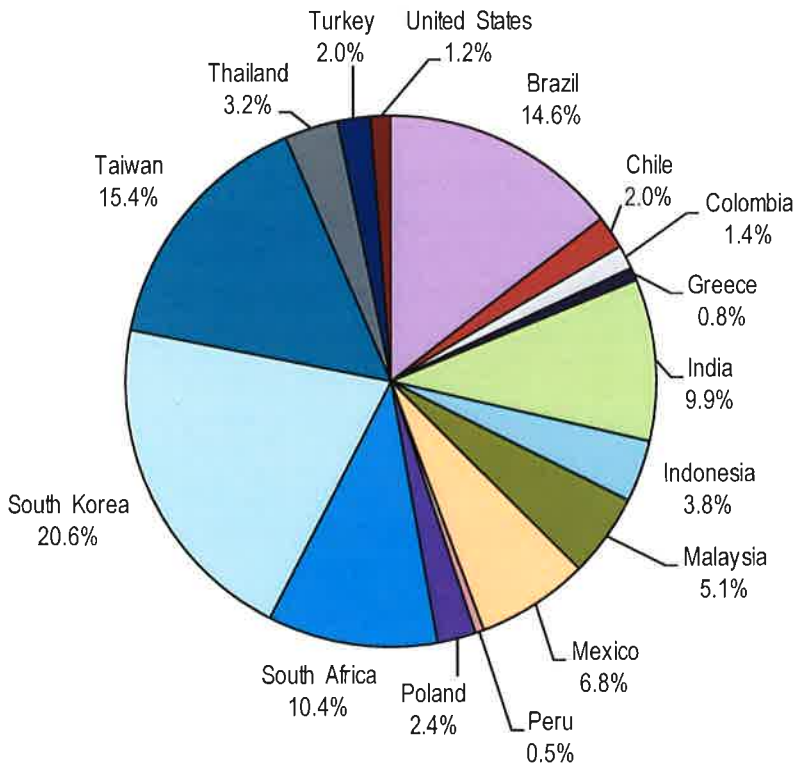
MSCI EAFE Index



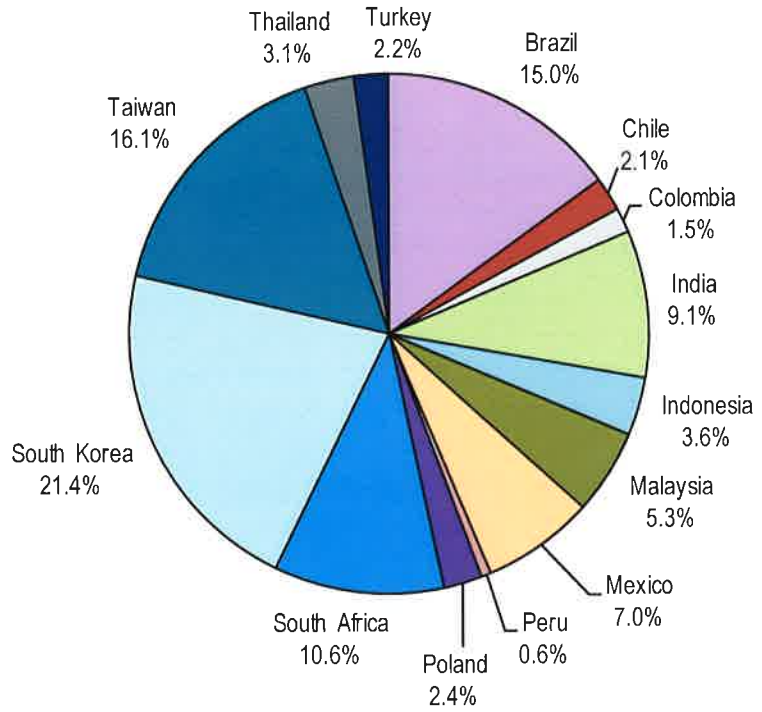
Emerging Market ETF Portfolio Regional Weights

As of March 31, 2014

Emerging Market ETF

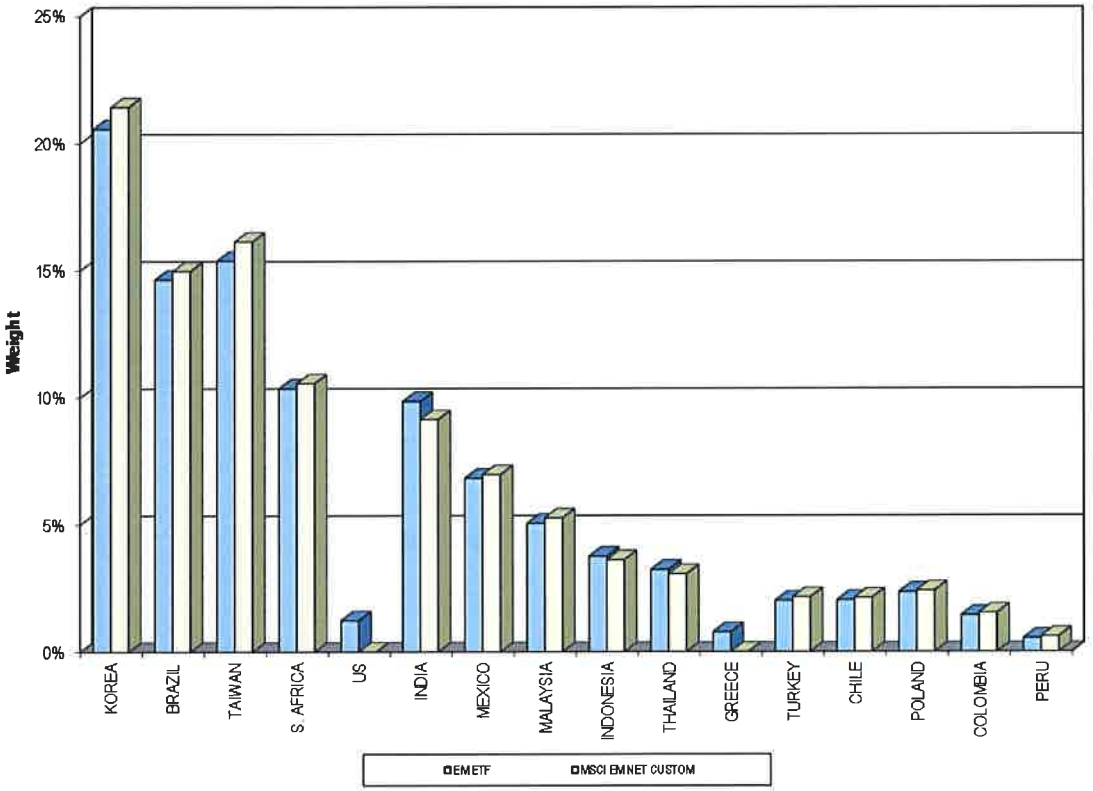


MSCI Emerging Market Net Custom Index



Portfolio Country Weights - Emerging Market ETF

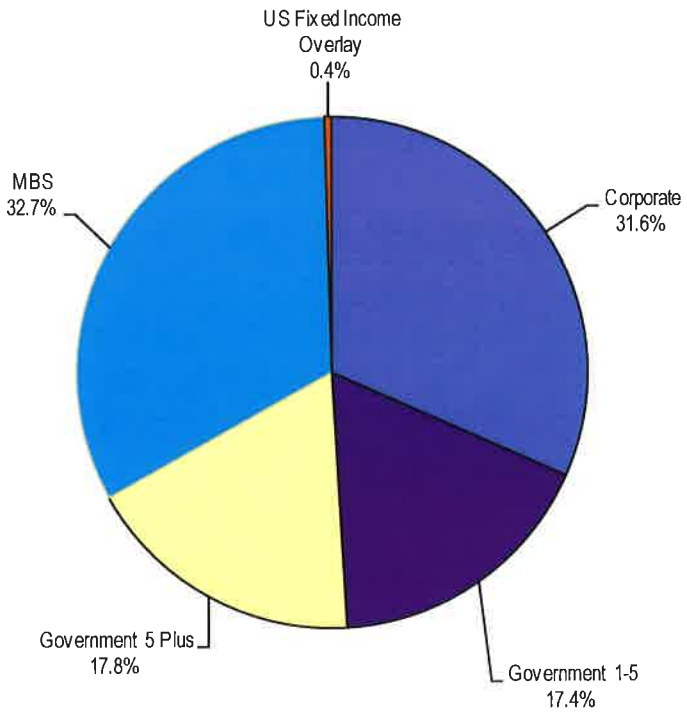
As of March 31, 2014



COUNTRY	MARKET VALUE ($ 000)	EM ETF	MSCI EM NET CUSTOM	DIFF
KOREA	$ 334,013	20.6%	21.4%	-0.9%
BRAZIL	$ 236,207	14.6%	15.0%	-0.3%
TAIWAN	$ 249,768	15.4%	16.1%	-0.8%
S. AFRICA	$ 168,231	10.4%	10.6%	-0.2%
US	$ 20,045	1.2%	0.0%	+1.2%
INDIA	$ 159,965	9.9%	9.1%	+0.7%
MEXICO	$ 110,899	6.8%	7.0%	-0.1%
MALAYSIA	$ 82,161	5.1%	5.3%	-0.2%
INDONESIA	$ 61,067	3.8%	3.6%	+0.1%
THAILAND	$ 52,530	3.2%	3.1%	+0.2%
GREECE	$ 12,658	0.8%	0.0%	+0.8%
TURKEY	$ 32,656	2.0%	2.2%	-0.1%
CHILE	$ 33,068	2.0%	2.1%	-0.1%
POLAND	$ 38,195	2.4%	2.4%	-0.1%
COLOMBIA	$ 23,386	1.4%	1.5%	-0.1%
PERU	$ 8,596	0.5%	0.6%	-0.1%
	$ 1,623,445	100.0%	100.0%	0.0%

Manager Allocation Analysis - US Fixed Income

As of March 31, 2014



	Actual $	Actual %
Corporate	3,572,097,350	31.6%
Government 1-5	1,970,273,595	17.4%
Government 5 Plus	2,012,949,248	17.8%
MBS	3,690,744,427	32.7%
US Fixed Income Overlay	49,983,373	0.4%
TOTAL	11,296,047,993	100.0%