

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
September 25, 2015**

The Investment Committee ("Investment Committee") of the Tennessee Consolidated Retirement System ("TCRS") Board of Trustees met at 9:00 a.m. on September 25, 2015, in Room 31 of Legislative Plaza. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 a.m. Investment Committee members in attendance included Treasurer Lillard; Mr. Bill Kemp, Sumner County Clerk; and Mr. Bob Wormsley, Local Government Insurance Pool. Additional attendees included Michael Brakebill, Chief Investment Officer; JP Rachmaninoff, Director of Real Estate; Thomas Kim, Director of Fixed Income; Daniel Toomey, Portfolio Manager; Derrick Dagnan, Senior Portfolio Manager; Daniel Crews, Director of Private Equity; Michael Keeler, Director of Equities; Grant Leslie, Portfolio Manager; Carrie Green, Portfolio Manager; Tim McClure, Director of Cash Management; Keith Boring, Director of Policy & Research; Shelli King, Communications Director, Treasurer's Office; Jennifer Selliers, Compliance Officer; Michael Barker, TCRS Board of Trustees; Gillian Johnson; and Ashley Humphrey. Non-Treasury staff in attendance included Barry Dennis of Strategic Investment Solutions (SIS) and Tom Martin of Torrey Cove.

Treasurer Lillard opened the meeting by seeking approval of the minutes from the Investment Committee meeting on June 26, 2015. On a motion by Treasurer Lillard, which was seconded by Mr. Kemp, the aforementioned minutes were unanimously approved.

Mr. Brakebill introduced Mr. Dennis from SIS to review the fund's performance for fiscal fourth quarter 2015, and fiscal year 2015, both ending June 30, 2015. Before discussing the fund's performance highlights, Mr. Dennis noted interest rates rose significantly during the June quarter after falling dramatically in the March quarter. Also noteworthy was the decline in the value of the U.S. dollar after a significant rally in the first calendar quarter. With respect to fund performance, Mr. Dennis noted that the fund was essentially flat at -0.7% in the June quarter, beating the index by 0.1%, although relative to peers the fund was in the 98th percentile. For the fiscal year, the fund returned 3.3%, beating its index by 0.7%, and outperforming a majority of its peers, placing in the 43rd percentile. He proceeded to highlight returns by asset class, noting that exceptional performance came from the international equities and private equity. Mr. Dennis concluded by saying that September quarter returns to date had been lagging due to significant weakness in global equity markets, stemming from softness in China and in emerging market currencies. Action by the Fed remains a topic of debate and speculation given the current state of the U.S. economy, which appears healthy.

Treasurer Lillard asked Mr. Dennis whether he would recommend changes to the fund in light of the macro environment described. Mr. Dennis stated that he feels the market volatility caused by increased ETF trading may argue for higher allocations to less volatile asset classes including Real Estate and Private Equity. Mr. Dennis also suggested an increased weighting to non-U.S. equity markets may be prudent given the multi-year underperformance relative to the U.S. and current market valuations, particularly in Europe.

Mr. Brakebill then reviewed key initiatives for TCRS this quarter. The list included hiring a new member of the Real Estate team, ongoing recruiting for a new Deputy CIO to replace Andy Palmer, initiating a search process for an additional member of the fixed income team and the recent promotion of Thomas Kim to Director of Fixed Income. Additionally, TCRS has been busy conducting a general consulting RFP. This includes implementing a new relationship management software platform, engaging international managers, and making TCRS available as an investment option for defined contribution participants as of July 1, 2015.

Mr. Brakebill then introduced Mr. Crews to discuss recent investments made in the Private Equity portfolio. Mr. Crews notified the investment committee of three private equity transactions approved by the Treasurer in the quarter: OrbiMed Private Investments VI L.P. (\$30,000,000), Livingbridge Enterprise 2 LP (£15,000,000), and Denham Oil & Gas Fund (\$50,000,000). For each of these three commitments, he listed the attributes of the investment and described its role in the portfolio. Mr. Crews then transitioned to discussing the new TCRS private equity consultant, TorreyCove. He introduced Mr. Martin, Managing Director and co-founder of TorreyCove, as the lead consultant on the TCRS account.

Mr. Martin presented an overview of the firm, including the size of the staff, location of offices, and scale of the private equity platform. He listed additional public pension fund clients advised by TorreyCove. Mr. Martin reviewed the transition process, noting it had gone smoothly and that the June 30, 2015 performance reports for private equity and strategic lending would be provided soon. Mr. Martin ended his discussion of the private equity consulting mandate by referencing the need to conduct a strategic review of the program.

Mr. Brakebill then introduced Mr. Rachmaninoff to update the committee regarding two disclosure items relating to the Real Estate portfolio. The first was the recommended sale of a 50% JV interest in Fountain Glen at Anaheim Hills, an age restricted multi-family property located in Orange County, CA. Mr. Rachmaninoff indicated that the marketing process went very well, with several bidders offering pricing in excess of the recommended minimum price, resulting in the selection of a Seattle-based group with deep experience operating affordable housing as the prospective purchaser. Closing was expected to occur in approximately 60 days.

The second item was the recommended termination of TA Realty as a separate account adviser. The decision was based upon the firm's long-term underperformance relative to the NCREIF benchmark combined with recent turnover at senior levels within the organization, including two members of the TCRS portfolio team.

Mr. Brakebill closed the meeting with some comments regarding market performance and his investment outlook. He noted the U.S. appears to be doing well outside the industrial manufacturing sector as evidenced by the diverging stock performance of Amazon.com and Caterpillar which is uniquely exposed to weakness in both energy and mining as a result of low commodity prices. He expressed cautious optimism over the strong employment data and signs of wage growth which has remained elusive for the last several years. Finally, Mr. Brakebill

noted the fund has a small exposure to weakness in shares of Volkswagen in two of its international equity portfolios following the recent emissions fraud revelations.

Upon seeing no further questions for Mr. Brakebill, Treasurer Lillard subsequently adjourned the meeting at 9:57 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "M. Brakebill", written in a cursive style.

Michael Brakebill

Chief Investment Officer

APPROVED:

A handwritten signature in blue ink, appearing to read "David H. Lillard, Jr.", written in a cursive style.

David H. Lillard, Jr. Chairman

TCRS Board of Trustees