

Minutes of the TCRS Board of Trustees meeting on June 27, 2014

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 27, 2014 at 10:06 a.m. The meeting was held in Room 30 of the Legislative Plaza with Chairman David Lillard presiding.

Chairman Lillard asked Ms. Bachus to conduct an attendance roll call. The following members were present: Chairman David Lillard, State Treasurer; Mr. Tre Hargett, Secretary of State; Mr. Bill Young, Administrative Director of the Courts; Ms. Jill Bachus, Director of TCRS; Ms. Rebecca Hunter, Department of Human Resources; Mr. Michael Barker, Ms. Patsy Moore, Mr. Bill Kemp, Mr. Ken Wilber, Mr. Harold Morrison, Ms. Angie Judish, Mr. Alfred Laney, and Mr. Bob Wormsley.

Approval of the March 28, 2014 Minutes of the Board of Trustees

On a motion by Mr. Wilber and seconded by Mr. Laney, the minutes of the March 28, 2014 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Reports

Chairman Lillard recognized Mr. Barker to provide the audit committee report. Mr. Barker noted the committee reviewed the audit committee charter. Mr. Barker also mentioned there was discussion concerning the Comptroller's Hotline on Fraud, Waste, and Abuse. Ms. Bachus provided an update on Concord. The committee discussed the disclosure of privacy equity contacts and the installment of the new hybrid plan.

Chairman Lillard recognized Ms. Bachus to review the administrative committee report. Ms. Bachus noted Mr. Fred Marshall provided an update on Concord. The committee was given a legislative update. Ms. Bachus mentioned a TCRS funding policy is being developed. The Board will review the funding policy and vote on it at the next meeting. Ms. Bachus informed the members about a vacancy on the Board and the procedure that will be used to appoint a new board member. The administrative committee also discussed nomination for the executive committee that will take place at the next meeting.

The committee reviewed the following political subdivisions seeking participation in TCRS and recommended approval: City of Harrogate, Arlington Community Schools, Bartlett City Board of Education, Collierville Schools Board of Education, Germantown Board of Education, and Board of Education of Millington City Schools. Ms. Bachus mentioned the Lakeland School System is currently participating in TCRS through the City of Lakeland.

On a motion by Ms. Bachus and seconded by Mr. Barker, the Board unanimously approved the City of Harrogate, Arlington Community Schools, Bartlett City Board of Education, Collierville Schools Board of Education, Germantown Board of Education, and Board of Education of Millington City Schools participation into TCRS.

Chairman Lillard reviewed the investment committee report. The committee considered and approved a private equity and two real estate transactions. The committee reviewed the performance report.

Investment Report

Mr. Michael Brakebill began the investment report by reporting that Mr. Pete Keliuotis from Strategic Investment Solutions (“SIS”) would be leaving SIS. Mr. Keliuotis thanked the Board of Trustees and the Treasurer for the opportunity to serve TCRS over many years. Chairman Lillard thanked Mr. Keliuotis for his years of excellent service. Mr. Keliuotis then introduced Mr. Patrick Thomas as his successor covering TCRS from SIS. Mr. Thomas thanked the Board of Trustees for the opportunity to serve TCRS and began by noting several firm-level initiatives at SIS as a result of Mr. Keliuotis’ departure, including re-engaged efforts from SIS’ founders to bolster leadership in the time of transition, a review of compensation for staff, and the likelihood of introducing teams of consultants dedicated to individual clients.

Mr. Thomas then provided a brief review of developments in the capital markets and the performance of the TCRS portfolio over the course of the first quarter of 2014. The 2.5% return generated by TCRS in the first quarter of 2014 was deemed strong relative to large, public plan peers. Furthermore, Mr. Thomas noted that TCRS’ risk-adjusted returns over both 3- and 5-year horizons were within the top 20% of the peer group.

Mr. Brakebill then provided fiscal year-to-date performance figures and statistics. With two trading days left in the fiscal year, the 15.8% return produced by TCRS in fiscal year 2014 represented the fifth best year in TCRS’ thirty-eight year history. Total assets currently measure \$42.7 billion versus \$37.5 billion at the outset of the fiscal year.

Mr. Brakebill then addressed recent key initiatives at TCRS including the following: staffing to address both frictional turnover and new positions, elevated activity in the private equity portfolio, and process improvements in areas including the cash fund, the collateral pool, legal processes, and securities lending. Other noteworthy efforts included requests for proposal for both a real estate consultant and a custodian and the Tennessee Promise program.

At the conclusion of Mr. Brakebill’s presentation, Mr. Bill Young inquired into any concerns concerning the domestic equity market. Mr. Brakebill noted surprise by the strength of the equity markets, discussed numerous factors leading to current valuation levels and recent performance, and highlighted the relatively neutral positioning of the TCRS portfolio.

Chairman Lillard thanked Mr. Brakebill, Deputy Chief Investment Officer Andy Palmer and the remainder of the TCRS investment staff for their efforts.

Other Business

Chairman Lillard announced future meetings. He reminded Board members that a Board educational session will take place after the meeting.

Adjournment

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the Board.

On a motion by Mr. Barker and seconded by Commissioner Hunter, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

With no other business, the Board of Trustees adjourned at 10:48 a.m. on June 27, 2014.

Respectfully Submitted,



**Jill Bachus
Director, TCRS**

Approved:



**David H. Lillard, Jr.
Chairman of the Board**