

Minutes of the TCRS Board of Trustees meeting on June 28, 2013

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 28, 2013 at 10:10 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; Commissioner Rebecca Hunter, Department of Human Resources; Ms. Jill Bachus, Director of TCRS; Mr. Michael Barker, Ms. Patsy Moore, Mr. Bill Kemp, Ms. Traci Jefferson, Mr. Ken Wilber, Mr. Harold Morrison, Mr. Bob Wormsley, and Mr. Alfred Laney.

Approval of the March 22, 2013 Minutes of the Board of Trustees

On a motion by Mr. Kemp and seconded by Mr. Wilber, the minutes of the March 22, 2013 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 mentioned the committee reviewed the audit committee charter. An update on Concord was provided by Ms. Bachus. The audit committee reviewed private equity disclosure listings. Chairman Lillard provided the committee an update on the new hybrid pension plan enacted by the General Assembly.

Chairman Lillard recognized Ms. Bachus to provide the administrative committee report. An update on Concord was provided by Mr. Fred Marshall. The committee reviewed one political subdivision seeking participation in TCRS. Board election results and legislation updates were discussed. Ms. Bachus mentioned that TCRS is on pace for another record year for retirement applications.

Chairman Lillard reviewed the investment committee report. Chairman Lillard mentioned two transactions were considered, one in private equity and the other in strategic lending. Both transactions were approved by the committee.

Political Subdivision Petitioning for Membership in TCRS

Ms. Bachus advised the Board that the administrative committee had reviewed the request for participation in TCRS for the Tri-Cities Airport Authority.

On a motion by Ms. Bachus and seconded by Mr. Kemp, the Board unanimously approved the request for participation in TCRS for Tri-Cities Airport Authority.

TCRS Board of Trustees Appointments

Chairman Lillard noted that Mr. Michael Barker, Mr. Bill Kemp, and Mayor Ken Wilber were reappointed for another term to the TCRS Board of Trustees. The terms for Mr. Dennis Carroll, Ms. Traci Jefferson, and Mr. Greg Elliott expire on June 30, 2013. Chairman Lillard thanked the members for their service on the Board. The new members to the TCRS Board of Trustees effective July 1, 2013 are Commissioner Larry Martin, Ms. Priscilla Bright, Ms. Angie Judish, and Mr. Kevin Fielden.

Investment Committee Appointment

Chairman Lillard nominated Mr. Kemp and Mr. Wormsley to be appointed to the investment committee.

On a motion by Mr. Laney and seconded by Mr. Barker, the Board unanimously approved the appointments to the investment committee.

Investment Report

Chairman Lillard introduced Mr. Michael Brakebill to review the investment report. Mr. Brakebill reviewed the fund's investment performance, which was illustrated in the Investment Report and in the Strategic Investment Solutions (SIS) quarterly performance report. He noted that the 1-year performance of 10.6% beat 66% of funds. The fund outperformed its benchmark by 0.7% for 1-year returns and 0.8% for 3-year returns. The 3-year performance beat 96% of peers (10.5%) and the 5-year performance of the fund beat 78% of peers (5.4%).

Mr. Brakebill noted that staff continued to add to the Emerging Markets Portfolio and fund those purchases by selling domestic equities. He reported that the Emerging Markets Portfolio currently has a value of approximately \$1.2 billion and will continue to increase as it moves towards its 5% target allocation. He noted that the fiscal year returns reached a high of approximately 15% in the spring. However, the expected return would likely be just under 10% due to a decline in markets that resulted after Federal Reserve Chairman Ben Bernanke's comments in May.

Mr. Brakebill provided a brief update on some current key initiatives. He noted that staff continues to proceed with implementing a securities lending program. He stated the portfolio continues to be tactically neutral and that staff continues its due diligence on real estate, private equity and strategic lending managers.

Mr. Brakebill concluded his comments by providing an update on personnel. He noted that a new Real Estate Portfolio Manager will be beginning in August. He stated that Mr. Crisman Boggan recently began as an Equity Portfolio Manager. Mr. Derrick Dagnan, who was previously an Equity Portfolio Manager, will be working with Mr. Andrew Palmer on the strategic lending program. Finally, he indicated that this meeting would be the last Investment Committee meeting for Mr. Lamar Villere and his last day at TCRS before relocating out of state.

State and Teacher Hybrid Plan

Chairman Lillard mentioned the new state and teacher hybrid plan was approved and passed by the General Assembly, and signed by Governor Haslam. The hybrid plan will apply to new hires on or after July 1, 2014.

Other Business

Chairman Lillard updated the Board about the Treasury Department's move to new offices. He reminded Board members that a Board educational session will take place at the next meeting. The experience study will be reviewed at the September meeting and the actuarial study will be reviewed at the November meeting. Chairman Lillard announced that Ms. Janice Cunningham, Chief of Staff, will be retiring on June 30, 2013 after 35 years of service.

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. Laney and seconded by Mr. Barker, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

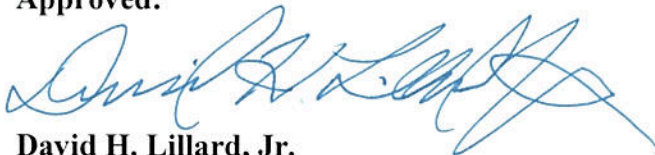
With no other business, the Board of Trustees adjourned at 10:50 a.m. on June 28, 2013.

Respectfully Submitted,



**Jill Bachus
Director, TCRS**

Approved:



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