

**Minutes of the Meeting of the Investment Committee
May 24, 2018**

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on May 24, 2018 in the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 1:00 PM. Investment Committee members in attendance included: Treasurer Lillard; Honorable Tre Hargett, Secretary of State; Mr. Bill Kemp, Sumner County Clerk. Additional attendees included: Keith Boring, Director of Policy & Research; Richard Newton, F&A Division of Budget; William Wood, Comptroller's Office; Mr. Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; JP Rachmaninoff, Director of Real Estate; Matthew Haitas, Senior Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Jennifer Selliers, Investment Compliance Officer; Stephen Wright, Real Estate Analyst; Austin Monsrud, Junior Investment Analyst.

Treasurer Lillard began the meeting by asking Jeff Dunn to present a strategic lending transaction for approval.

Mr. Dunn recommended a \$125 million commitment to GSO Energy Select Opportunities Fund II. This investment would help increase the portfolios, currently limited, exposure to the energy sector. He stated that TCRS has an existing relationship with this manager through the GSO Credit Alpha, and GSO Credit Alpha II funds, which were committed to in 2015 and 2018, respectively. The strategy will provide flexible capital to energy sector companies to be used for M&A, product development, and occasionally rescue finance. The GSO Energy team has been successfully investing in the energy space since 2005, weathering two cycles with outstanding performance. Mr. Dunn stated this provides the team with confidence in GSO's ability to execute on this strategy.

Mr. Bill Kemp then motioned to approve the transaction and it was seconded by Secretary Hargett. The motion was approved unanimously by voice vote.

The Treasurer then called upon J.P. Rachmaninoff to present a real estate transaction for approval. Mr. Rachmaninoff recommended an increase in commitment of \$10 million to Beacon Capital Strategic Partners VIII. He explained that earlier this year, TCRS's initial investment in Beacon was approved for \$65 million; however, an additional \$10 million would allow for a net reduction in management fees, benefiting the portfolio. Beacon invests in central business district office assets located in key markets such as New York, Chicago, and Los Angeles. These are areas which it would be difficult for TCRS to invest in directly due to the large amount of capital required, Mr. Rachmaninoff continued.

The Treasurer then motioned to approve the transaction and it was seconded by Secretary Hargett. The motion was approved unanimously by voice vote.

Michael Brakebill then discussed overall TCRS performance, stating that TCRS currently sits at \$49.9 billion in assets, which represents 8.4% return fiscal year-to-date. Mr. Brakebill elaborated

on the ongoing manager selection process for both the real estate and international equity portfolios, stating that the committee will be seeing the results soon. As for the overall market, Brakebill noted how the 10-year yield reached 3.1%, having since backed away. He also noted the team is anticipating rate hikes at both the June and September Federal Reserve meetings. Mr. Brakebill then commented on a recent Bridgewater Associates research report that estimates the unwinding of the Fed's balance sheet will equate to a 200 basis point increase in interest rates through the end of 2019. Given the current environment, Brakebill remarked that the team isn't making any significant bets in which direction the market will go and remains close to the strategic asset allocation.

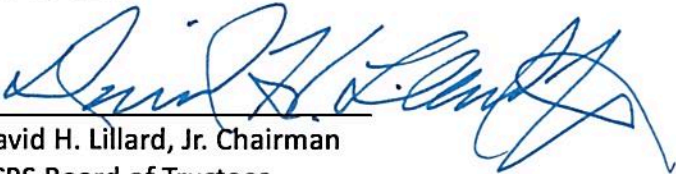
The Treasurer then adjourned the meeting at 1:20 PM.

Respectfully submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



David H. Lillard, Jr. Chairman
TCRS Board of Trustees