

**Minutes of the Meeting of the Investment Committee**  
**September 5, 2017**

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on September 5, 2017 in the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 10:30 AM. Investment Committee members in attendance included: Treasurer Lillard; Mr. Bob Wormsley, President/CEO of Local Government Insurance Pool; Mr. Bill Kemp, Sumner County Clerk. Additional attendees included: Richard Newton, F&A Division of Budget; Keith Boring, Director of Policy & Research; William Wood, Comptroller's Office; Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; Carrie Green, Senior Portfolio Manager; Matthew Haitas, Senior Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Jennifer Selliers, Compliance Officer; Andrew Messer, Compliance Analyst; Jay Bullie, Senior Credit Analyst.

Michael Brakebill began the meeting by asking Matthew Haitas to quickly summarize the real estate portfolio's exposure to Hurricane Harvey and the Houston MSA. Mr. Haitas stated that TCRS owned three properties in the Houston market. All three properties were fully operational with limited damage to their exterior and interior structures.

After the Houston property review, Treasurer Lillard called upon Derrick Dagnan to present a recommendation for a separate account manager in the strategic lending portfolio. Mr. Dagnan recommended an allocation of up to \$150 million with a \$500 million maximum allocation to an investment management agreement with Lord Abbett for a US high yield bond portfolio. Staff suggests making a change to terminate the existing manager, Neuberger Berman. Mr. Dagnan stressed that the initial \$150 million investment was a direct transfer of the high yield bond allocation from Neuberger Berman. The request authorized the approval of an additional \$350 million of TCRS capital at a later date based on completion of the management transition and accommodation of expected future growth of the strategic lending portfolio.

The Treasurer then motioned to approve the investment which was seconded by Secretary Hargett. The motion was approved unanimously by voice vote.

Jeff Dunn presented a second recommendation for strategic lending. Mr. Dunn recommended a commitment of up to \$150 million to Berkshire Multifamily Debt Fund II. Berkshire's investment philosophy and process along with the superior risk adjusted returns of the strategy in prior funds were discussed in detail. Mr. Haitas highlighted TCRS's prior experience with Berkshire's real estate investment platform and their long running relationship with TCRS through participation in previous real estate equity funds.

Treasurer Lillard motioned to approve the investment which was seconded by Mr. Bob Wormsley. The motion was approved unanimously by voice vote.

The committee was notified of a commitment of \$50 million to Green Oak Fund III and a \$50 million commitment to Savanna Real Estate Fund IV for the real estate portfolio. Matthew Haitas reviewed investment strategy, return profile, and investment horizon of the two strategies.

Carrie Green presented a recommendation for Charlesbank Equity Fund IX for the private equity portfolio. Staff recommends a commitment of up to \$75 million in the fund, with discretion to invest an

additional \$35 million to an overage fund for potential co-investment opportunities. Recommendation was based on impressive track record of the investment professionals and the diversification benefits of adding a middle-market value-oriented fund to the private equity portfolio. Staff is confident in the firm's expertise, strategy, and risk adjusted returns based on a previous investment in Charlesbank Equity Fund VIII and ongoing monitoring and diligence.

Secretary Hargett then motioned to approve the investment which was seconded by Mr. Bob Wormsley. The motion was approved unanimously by voice vote.

The committee was notified of an investment of up to \$50 million in Institutional Venture Partners XVI, L.P. Daniel Crews stated that the fund is a late stage venture capital fund. This is the third investment with this firm, who has a proven track record in the venture capital sector.

The Treasurer then adjourned the meeting at 11:30 AM.

Respectfully submitted,



Michael Brakebill  
Chief Investment Officer

APPROVED:



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