

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees  
December 16, 2013**

The Investment Committee ("Investment Committee") of the Tennessee Consolidated Retirement System ("TCRS") Board of Trustees met at 8:00 A.M. on December 16, 2013 in Room 31 of the Legislative Plaza. The Honorable David H. Lillard, Jr., State Treasurer; The Honorable Tre Hargett, Secretary of State; Mr. Bill Kemp, Sumner County Clerk; and Mr. Bob Wormsley, Local Government Insurance Pool were present. The Honorable Larry Martin, Commissioner of the Department of Finance and Administration, was unable to attend. Also in attendance were Mr. Bill Abney, Assistant to the Treasurer for Investments; Mr. Michael Brakebill, Chief Investment Officer; Mr. Daniel Crews, Interim Director of Private Equity; Mr. Derrick Dagnan, Senior Portfolio Manager; Mr. Matt Haitas, Interim Director of Real Estate; Mr. Arthur Henderson, Senior Portfolio Manager; Mr. Tim McClure, Director of Cash & Administration; Ms. Rhonda Myers, Executive Assistant; Mr. Andrew Palmer, Deputy Chief Investment Officer; and Ms. Jennifer Selliers, Compliance Officer.

Treasurer Lillard chaired the meeting and called the meeting to order at 8:10 a.m. The Treasurer began by presenting the minutes of the September 27, 2013, October 31, 2013 and November 22, 2013 meetings for discussion. There were no comments regarding the minutes, and Mr. Hargett made a motion to approve the minutes. The motion was seconded by Mr. Wormsley and unanimously approved by the Investment Committee.

Treasurer Lillard then asked Mr. Michael Brakebill to discuss the first agenda item, which was a proposed change to the current investment policy regarding the use of exchange traded funds (ETFs). Mr. Brakebill described to the Investment Committee how ETFs differ from mutual funds and equities and suggested that, because of these differences, equity and bond ETFs purchased by TCRS should not be subject to the current investment policy outstanding share ownership limitation of 4.99%. Treasurer Lillard asked the Investment Committee whether there were any comments. There were no comments, and Mr. Kemp made a motion to approve the change. The motion was seconded by Mr. Wormsley and unanimously approved.

Mr. Brakebill then moved the discussion to the proposed selection of Real Estate Advisors. He described the process that TCRS and its Real Estate Consultant, The Townsend Group, conducted to identify qualified firms to source, acquire, manage and dispose of real estate investments. Mr. Brakebill indicated that TCRS had received preliminary approval from Treasurer Lillard to hire, subject to final approval from the TCRS Board of Trustees, all seven of the identified real estate advisors, five of whom already serve TCRS in this capacity. Treasurer Lillard then made a motion to recommend approval of the proposal to the Board of Trustees. The motion was seconded by Mr. Hargett and then unanimously approved. Mr. Brakebill then introduced Mr. Andy Palmer to discuss proposed strategic lending investments.

Mr. Palmer then provided an overview of TCRS's strategic lending program and strategy. For the portion of the Strategic Lending program targeted to middle market lending staff recommended a co-investment vehicle with CIFC, a publicly traded registered investment

advisor, and GE Capital, the leading originator of middle market loans in the United States. GE Capital will originate loans in which the LLC will be a co-investor through a master participation agreement and CIFC Asset Management will provide related management services. GE Capital will retain a portion of all loans included in the co-investment. Targeted participation by TCRS will be \$500 million with a maximum contribution of up to \$750 million. Treasurer Lillard stated that Strategic Investment Solutions, Inc. had provided a memorandum recommending this proposed investment. Treasurer Lillard made a motion to approve, which was seconded by Mr. Kemp and then unanimously approved by the Investment Committee. Mr. Palmer then introduced Mr. Derrick Dagnan to discuss the second strategic lending investment up for consideration.

Mr. Dagnan then described a proposed investment in the Triton Debt Opportunities I fund (TDO I), which will focus on making non-control investments in the stressed and distressed debt of Northern European middle market companies. Mr. Dagnan mentioned that Triton is a well-respected private equity firm with an established track record for identifying and executing on investment opportunities. Mr. Dagnan requested that the Investment Committee authorize up to €50 million subject to a 10% cap on the total funds raised for TDO I. Treasurer Lillard stated that Strategic Investment Solutions, Inc. had provided a recommendation regarding the proposed investment. Mr. Hargett then motioned for approval. Mr. Wormsley seconded and the motion was unanimously approved. Mr. Dagnan then handed the floor over to Mr. Brakebill.

Mr. Brakebill commented on the progress made with respect to TCRS investments in illiquid asset classes. Specifically, he described the sizeable amount of alternative investment opportunities that the group had reviewed, approved and closed. Mr. Brakebill discussed the Private Equity portfolio structure to demonstrate how funds are currently deployed and where staff will need to focus for the investment of the remaining allocation.

Mr. Brakebill then reviewed the fund's investment performance as of September 30, 2013, which was illustrated in the Investment Report and in the Strategic Investment Solutions (SIS) quarterly performance report. He noted that the size of the fund is now \$38.8 billion and that the fund returned 4.1% for the quarter. The fund outperformed its benchmark by 0.5% for 1-year returns and 0.7% for 3-year returns. Mr. Brakebill also noted that the 3-year performance of 10.2% beat 57% of peers.

Mr. Brakebill then provided an update on key initiatives. He indicated that the investments department had successfully moved into its new office space without any disruption. He mentioned that tactical asset allocation remained neutral as the group implements alternative investment strategies. From a process standpoint, Mr. Brakebill noted that, in addition to investment policy change related to ETFs, the Treasury Department would look to identify other potential policy changes in 2014. He concluded his remarks with a discussion of personnel changes that had occurred in the quarter. He mentioned that both Sarah Angus and Peter Katseff had left the department. Mr. Brakebill noted that a search is currently underway for new Director of Real Estate and a Director of Private Equity, and that, for the moment, Mr. Matt Haitas is currently acting as Interim Director of Real Estate while Mr. Daniel Crews is acting as Interim Director of Private Equity.

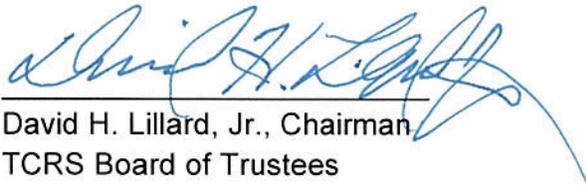
Treasurer Lillard asked if there was any additional business to be discussed. There were no further comments, so Treasurer Lillard made a motion to adjourn. That motion was seconded by Mr. Kemp and unanimously approved. The meeting of the Investment Committee was then adjourned at 8:41 a.m.

Respectfully submitted,



Michael Brakebill  
Chief Investment Officer

APPROVED:



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