

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees  
June 27, 2014**

The Investment Committee (“Investment Committee”) of the Tennessee Consolidated Retirement System (“TCRS”) Board of Trustees met at 9:00 a.m. on June 27, 2014 in Room 31 of Legislative Plaza. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:03 a.m. Investment Committee members in attendance included The Honorable Tre Hargett, Secretary of State; Treasurer Lillard; and Mr. Bill Kemp, Sumner County Clerk. Additional attendees included Michael Brakebill, Chief Investment Officer; Andy Palmer, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; JP Rachmaninoff, Director of Real Estate; Pete Keliuotis, Strategic Investment Solutions; Patrick Thomas, Strategic Investment Solutions; Carrie Green, Senior Portfolio Manager; Jennifer Selliers, Compliance; Derrick Dagnan, Senior Portfolio Manager; and Grant Leslie, Senior Portfolio Manager.

Treasurer Lillard began the meeting by requesting a motion for the approval of the Investment Committee minutes from the March 28, 2014; April 23, 2014; and May 28, 2014 meetings. Secretary Hargett made a motion to approve, which was seconded by Mr. Kemp, and the motion was unanimously approved.

Treasurer Lillard then requested that Daniel Crews present a recommended commitment of up to \$35 million in Venrock Associates VII. Mr. Crews began by introducing two new hires to the TCRS private equity team, Carrie Green and Grant Leslie. Mr. Crews then provided a history of the Venrock platform, addressed TCRS’ history as an investor in Venrock VI, highlighted the strength of Venrock’s leadership and of several noteworthy Venrock investments. Treasurer Lillard made a motion to approve the recommended commitment, which Mr. Kemp seconded, and the motion was unanimously approved.

Treasurer Lillard then requested that JP Rachmaninoff present two real estate investment opportunities.

Mr. Rachmaninoff first presented a prospective investment in a Bolingbrook, IL industrial property. Mr. Rachmaninoff highlighted the relative underweighting to industrial properties and the limited exposure of the Midwest region in the real estate portfolio. Thereafter, Mr. Rachmaninoff addressed the strength of the submarket, the quality of construction and location, healthy current occupancy, and the attractiveness of the purchase price. Treasurer Lillard commented favorably on the quality of the asset and made a motion to approve, which was seconded by both Mr. Kemp and Secretary Hargett. The recommended investment was unanimously approved.

Mr. Rachmaninoff then presented a proposed investment in a grocery-anchored retail center in the Minneapolis metropolitan statistical area. Mr. Rachmaninoff addressed the relative underweight of retail properties in the TCRS portfolio in relation to the benchmark as well as very limited exposure to grocery-anchored retail and the attractiveness of adding additional grocery-anchored centers to the portfolio. Mr. Rachmaninoff then highlighted the strengths of

the submarket and limited potential for development therein, the presence of Minneapolis' dominant grocer within the property, and the limited vacancy in the property. The most noteworthy risk addressed was a significant lease expiration in 2017. Staff discussed the risks associated with the lease expiration along with mitigating factors. Treasurer Lillard then made a motion to approve the investment, which was seconded by Secretary Hargett and unanimously approved.

Treasurer Lillard then requested that Michael Brakebill provide a performance update on the TCRS portfolio.

Mr. Brakebill began by noting that TCRS' consultant from Strategic Investment Solutions ("SIS"), Pete Keliuotis, would be leaving SIS to join a competing investment consulting firm.

Mr. Keliuotis thanked the Investment Committee and Treasurer Lillard for the opportunity to work with TCRS over the years and introduced Patrick Thomas of SIS as his successor for the TCRS portfolio.

Mr. Thomas 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, and securities lending. Other noteworthy efforts underway in 2014 included selection of a real estate consultant, selection of a custodian, and the creation of the Tennessee Promise program.

Treasurer Lillard subsequently thanked Mr. Brakebill, Mr. Palmer and the remainder of the TCRS investment staff for their efforts and made a motion to adjourn. Mr. Kemp and Secretary Hargett seconded and unanimously approved.

The meeting adjourned at 9:48 a.m.

Respectfully submitted,



Michael Brakebill  
Chief Investment Officer

APPROVED:



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