

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
February 10, 2015**

The Investment Committee ("Investment Committee") of the Tennessee Consolidated Retirement System ("TCRS") Board of Trustees met at 2:00 p.m. on February 10, 2015 in Room G-11 on the ground floor of the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 2:00 p.m. Investment Committee members in attendance included Treasurer Lillard; Mr. Bill Kemp, Sumner County Clerk; Mr. Bob Wormsley, Local Government Insurance Pool; and Comptroller Justin Wilson (non-voting). Additional attendees included Michael Brakebill, Chief Investment Officer; Andrew Palmer, Deputy Chief Investment Officer; JP Rachmaninoff, Director of Real Estate; Matthew Haitas, Real Estate Analyst; Grant Leslie, Senior Portfolio Manager; Derrick Dagnan, Senior Portfolio Manager; Daniel Crews, Director of Private Equity; Keith Boring, Director of Policy & Research; Richard Newton, F&A Division of Budget; Shelli King, Communications Director, Treasurer's Office; and Jennifer Selliers, Compliance Officer.

Treasurer Lillard opened the meeting by asking Mr. Crews to address the proposed private equity investments.

Mr. Crews began with a presentation on venture capital investing and TCRS' strategy for investing therein. Addressed in the presentation were the target allocation of venture capital within the TCRS private equity program, the wide dispersion of returns across venture capital firms, the persistence of relative returns by venture capital managers compared to other venture capital managers, an analysis of venture capital fund terms and performance, the landscape of prospective venture capital managers, and the performance of the TCRS venture capital portfolio to date. Comptroller Wilson inquired into the analysis of venture capital fund terms and performance and noteworthy differences with traditional managers. Mr. Crews then asked Mr. Leslie to present the proposed investment in Fairview Volunteer State Special Purpose Fund, L.P.

Mr. Leslie opened by noting that the manager represents an existing relationship for TCRS in the venture capital portfolio. He reported that staff considered the depth of the senior management team, the noteworthy length and strength of the historical track record, the proven investment strategy, and the geographic scope of the fund's investment strategy. One noteworthy concern expressed was currently elevated valuations in later stage venture backed companies. Upon request by Treasurer Lillard, Messrs. Crews and Leslie discussed the role of Fairview in accessing the manager given the manager had previously been accessed via a partnership with TrueBridge Capital Partners. With a motion by Mr. Kemp seconded by Mr. Wormsley, the proposed investment in Fairview Volunteer State Special Purpose Fund, L.P. was unanimously approved.

Mr. Crews then proceeded to present proposed investments in OCM Opportunities X and Xb. Highlighted in the discussion were OCM's role as an existing manager, the firm's strong history and reputation in distressed credit, and the role of distressed credit within the private equity

portfolio. Noteworthy strengths of the offerings included strong leadership, a broad, global mandate, good historical discipline, and a strong track record. Concerns included potential pressure from shareholders to raise excessive amounts of capital given the manager's status as a publicly traded firm. Mr. Wormsley inquired into governance related matters for the fund, and both Messrs. Crews and Brakebill addressed the inquiry. Upon a motion by Treasurer Lillard seconded by Mr. Kemp, the proposed investments in OCM Opportunities X and Xb were approved.

Treasurer Lillard then asked Mr. Rachmaninoff to present the proposed investment in 62 Avenue B.

Mr. Rachmaninoff began by describing the property as an 81-unit multifamily property in the East Village neighborhood of Manhattan in New York City. While the property was originally constructed in 1970, redevelopment in 2013 resulted in a high quality multifamily asset. On top of the quality of the asset, other strengths included the attractiveness of the location, the absence of any rent regulation, and the direct exposure to the New York City market. Upon request by Treasurer Lillard, Mr. Rachmaninoff addressed the proposed loan structure and the potential benefits thereof. With a motion by Mr. Wormsley seconded by Mr. Kemp, the proposed investment in 62 Avenue B was unanimously approved.

Treasurer Lillard then requested that Mr. Palmer address developments in strategic lending.

Mr. Palmer first discussed developments within the more liquid portion of the strategic lending program. When initiated, several manager relationships were designed, with approval of the Treasurer and subsequent disclosure to the Investment Committee, to flex up if market conditions presented more attractive investment prospects. Given the downturn in the high yield markets in the fall, allocations to Beachpoint Capital Management and Brigade Capital Management were increased by \$50 million each at the end of 2014. While only half the increased allocation has been deployed to date, results since the increased allocation have been positive. Next, Mr. Palmer provided an update on the strategic lending portfolio as a whole, highlighting underlying strategies, manager diversification, and the goals of the program. Mr. Palmer then requested that Mr. Dagnan present the proposed investment in ICG Europe Fund VI.

Mr. Dagnan began by introducing ICG as a successful firm with a long history of success in the European market. Thereafter, a brief discussion on the investment strategy of the fund, the firm's resources across national markets within Europe, and current market dynamics ensued. Particular strengths of the proposed investment included strong alignment of interest, off-market sourcing abilities, ability to structure investments flexibly across jurisdictions, and the remarkable track record. Mr. Kemp inquired both into the security underlying the proposed investment as well as into potential risks associated with current developments in Greece. Upon a motion by Treasurer Lillard seconded by Mr. Kemp, the proposed investment in ICG Europe Fund VI was unanimously approved.

Treasurer Lillard then asked Mr. Brakebill to provide a brief update on the TCRS portfolio. First addressed was a rebalancing of the portfolio designed to reduce an underweight to both developed international and emerging market equities. Second, given projected calendar year-end returns for 2014, Mr. Brakebill highlighted the relative strength of TCRS' returns to peers. Treasurer Lillard subsequently adjourned the meeting at 3:10 p.m.

Respectfully submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



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