

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
September 26, 2014**

The Investment Committee (“Investment Committee”) of the Tennessee Consolidated Retirement System (“TCRS”) Board of Trustees met at 9:00 a.m. on September 26, 2014 in Room 31 of Executive Plaza. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 a.m. Investment Committee members in attendance included Treasurer Lillard; Mr. Bill Kemp, Sumner County Clerk; The Honorable Tre Hargett, Secretary of State; and Mr. Bob Wormsley, Local Government Insurance Pool. Additional attendees included Bill Abney, Assistant to the Treasurer for Investments; Michael Brakebill, Chief Investment Officer; Andy Palmer, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; JP Rachmaninoff, Director of Real Estate; Matthew Haitas, Real Estate Analyst; Grant Leslie, Senior Portfolio Manager; Derrick Dagnan, Senior Portfolio Manager; Jennifer Selliers, Compliance; Keith Boring, Director of Policy & Research; Michael Keeler, Equity Director; and Richard Newton, F&A Division of Budget.

Treasurer Lillard began the meeting by requesting approval of the minutes from the Investment Committee meetings on June 27, 2014; July 24, 2014; and August 19, 2014. Secretary Hargett made a motion for approval, which was seconded by Mr. Wormsley, and the minutes were unanimously approved.

Treasurer Lillard then transitioned to the review and approval of a proposed transaction. Michael Brakebill introduced Matthew Haitas to present the proposed \$50 million commitment to Dune Real Estate III.

Mr. Haitas began by addressing the strategy of the fund – notably an opportunistic strategy covering the four principal property types as well as complementary real estate assets focused primarily on gateway markets. Mr. Haitas then addressed how the fund is differentiated from existing TCRS real estate fund investments, enhancing the diversification of the real estate portfolio. Additional points discussed included the strength of the manager’s track record, the sizable investment in the fund by the manager, and the existing assets already held within the fund. Mr. Brakebill concluded the presentation on Dune Real Estate III by reiterating the role of opportunistic funds in complementing the predominantly core real estate holdings within the TCRS portfolio. Given no questions or comments, Treasurer Lillard made a motion to approve the proposed investment, which was seconded by Mr. Kemp. The investment was unanimously approved.

Mr. Brakebill then provided an update covering fiscal year 2014 that included staffing, process, and the portfolio. Staffing changes across the real estate, private equity, equity and fixed income teams were addressed. Regarding process, Mr. Brakebill discussed efforts related to the selection of real estate separate account advisors, to the selection and retention of the existing real estate consultant, to soft dollar procedures, to the transfer of custodians, and to legal procedures to accommodate the increasing transaction volume of the real estate, private equity, and strategic lending programs.

Mr. Brakebill then provided an overview of the portfolio and its performance over the fiscal year ending 2014. Overall, the TCRS portfolio had the fifth best year in its 38 year history with a total return of 16.7% for the fiscal year. The US equity and fixed-income portfolios were both noted for their strong contributions to returns. The developed international portfolio underperformed, and efforts related to the monitoring of the developed international managers were discussed. The construction process for the relatively new emerging markets portfolio was addressed, as was the outperformance of the emerging markets portfolio for its first full fiscal year. While the real estate portfolio lagged its benchmark for the fiscal year, Mr. Brakebill highlighted the relative long-term strength of performance versus peers. Finally, the private equity portfolio was deemed to be performing very well given its relative youth, which makes an assessment of performance less meaningful at this point.


Mr. Brakebill concluded with guidance on areas of current and future focus. First, additional commitment activity in the real estate, private equity, and strategic lending programs is expected. Second, an effort to revise the investment policy is underway with a tentative target for completion in June 2015.

Andy Palmer provided an overview on the strategic lending program. Mr. Palmer highlighted the market conditions that led to the creation of the strategic lending program as well as the strategic goal of the program. Mr. Palmer discussed the risk-return dynamics within the target universe, the initial plan for the implementation of the strategic lending portfolio, and the current positioning of the strategic lending portfolio.

Given no questions on the strategic lending program, Treasurer Lillard highlighted a recent report from Moody's on 25 of the largest public pension plans and the relatively favorable light cast upon TCRS therein. Treasurer Lillard subsequently adjourned the meeting.

The meeting adjourned at 9:55 a.m.

Respectfully submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



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