TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

BOARD OF TRUSTEES MEETING

SEPTEMBER 28, 2018

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TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
SEPTEMBER 28, 2018

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MINUTES OF THE
BOARD OF TRUSTEES MEETING
JUNE 29, 2018

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Minutes of the TCRS Board of Trustees Meeting on June 29, 2018

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 29, 2018 at 10:05 a.m. The meeting was held in House Hearing Room III of the Cordell Hull Building with Chairman David Lillard presiding.

Chairman Lillard asked Mr. Wayman to conduct an attendance roll call. The following members were present: Chairman David Lillard, State Treasurer; Mr. Jamie Wayman, Director of TCRS; Mr. Justin Wilson, Comptroller to the Treasury; Mr. Tre Hargett, Secretary of State; Ms. Deborah Tate, Administrative Director of the Courts; Mr. Michael Barker, Mr. Bill Kemp, Mr. Bob Wormsley, Mr. Ken Wilber, Mr. Alfred Laney, Mr. Paul Varble, Mr. Ed Taylor, Ms. Patsy Moore, and Ms. Vicki Burton.

Approval of the March 23, 2018 Minutes of the Board of Trustees

On a motion by Mr. Wilber and seconded by Ms. Tate, the minutes of the March 28, 2018 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Reports

Chairman Lillard recognized Mr. Wayman to review the administrative committee report. Mr. Wayman mentioned the committee reviewed the political subdivision seeking participation into TCRS. Mr. Wayman mentioned Ms. Joy Harris provided an update on employer participation and member education and Ms. Erica Nale provided an update on operations of the retirement system. The committee reviewed legislation that was passed this session that impacted TCRS.

Chairman Lillard recognized Mr. Barker to review the audit committee report. Mr. Barker mentioned the committee approved the minutes from the previous committee meeting. Mr. Earle Pierce presented several audits recently completed by internal audit, provided an overview of audit project tracker activities that are ongoing, and reviewed the 2019 audit plan. The committee reviewed the private equity disclosure. Mr. Barker mentioned there was one item reported on the Comptroller Hotline. The report was resolved by TCRS staff.

Chairman Lillard provided the investment committee report. Chairman Lillard mentioned the committee approved various investment transactions. Mr. Michael Brakebill provided a report on different investment portfolios.

Investment Report

Chairman Lillard called on Mr. Michael Brakebill to give an overview of the markets and pension fund performance. Mr. Brakebill began with noting the downward revision of GDP growth in the first quarter from 2.2% to 2%. This was weaker than growth in the prior quarter, but the second quarter is expected to be much stronger. He also mentioned that global synchronized growth has tempered since the first quarter with softening in parts of Europe and Asia.

Mr. Brakebill stated that the portfolios has been impacted by monetary tightening. Stocks have come off their January peaks, credit spreads have widened and yields have increased. Mr. Brakebill noted that 30-year mortgage rates in California have increased 70 basis points and borrowing costs are expected to increase for consumers as a result of Federal Reserve policy. Mr. Brakebill also mentioned that as a result, short-term Treasuries are beginning to become more attractive, consequently the portfolios cash allocation is expected to increase after hovering around 0% during the low interest rate environment. Tax cuts are impacting corporate earnings positively and as a result, equities appear more favorable than fixed income.

Moving to long term returns, Mr. Brakebill mentioned that US equities outperformed ten year expectations from 2008 whereas international markets underperformed over the same time period, this being partially due to the strength of the dollar. He then highlighted the different portfolios within the total plan and stated that alternative assets have been slowly increasing as planned. With fiscal year total plan returns expected to finish around 8%, TCRS is expected to outperform its benchmark.

Mr. Brakebill then updated the Board on the international equity manager selection, stating though returns have been good, three relationships will be terminated and replaced with new managers to better align with goals. Real estate managers were due for contract renewal this year as well which resulted in the termination and replacement of three existing relationships.

With plan assets at $49.6 billion and June benefits being paid out to retirees, Mr. Brakebill reiterated the expectation for the one-year return figure to be near 8% for the total plan. Mr. Brakebill then noted that with the rising rate environment, staff will continue to watch the markets closely and monitor how assets react.

Political Subdivision Petitioning for Membership in TCRS

Chairman Lillard introduced Mr. Wayman to review political subdivisions seeking participation into TCRS. Mr. Wayman reviewed the request for participation in TCRS for Red Boiling Springs. Red Boiling Springs selected the regular defined benefit plan.

On a motion by Mr. Wayman and seconded by Mr. Barker, the Board unanimously approved the request for participation in TCRS for Red Boiling Springs.

Other Business

Chairman Lillard announced future meetings. He reminded Board members that a Board educational session will take place after the meeting.

Adjournment

Chairman Lillard announced the completion of the business at hand and asked if there was any other business to come before the Board.

On a motion by Mr. Wormsley and seconded by Mr. Barker, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

With no other business, the Board of Trustees adjourned at 10:37 a.m. on June 29, 2018.

Respectfully Submitted,

Jamie Wayman
Director, TCRS

Approved:

David H. Lillard, Jr.
Chairman of the Board

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COMMITTEE MINUTES

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Minutes of the Administrative Committee

June 29, 2018

The Administrative Committee of the Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, June 29, 2018 at 9:00 a.m. The meeting was held in Conference Room D, Eighth Floor Cordell Hull Building with Director Jamie Wayman presiding.

The following members were present: Mr. Paul Varble, Mr. Alfred Laney, Ms. Patsy Moore, Ms. Deborah Taylor Tate, and Ms. Vicki Burton.

Approval of the March 23, 2018 Minutes of the TCRS Administrative Committee

On a motion by Ms. Moore and seconded by Mr. Laney, the minutes of the March 23, 2018 TCRS Administrative Committee meeting were unanimously approved.

Political Subdivision Update

Mr. Wayman introduced Ms. Joy Harris, Assistant Treasurer for Financial Empowerment, to discuss one employer seeking participation in TCRS. Red Boiling Springs is seeking participation effective July 1, 2018 in the Regular Defined Benefit Plan. The Committee, Mr. Wayman and Ms. Harris discussed education to political subdivisions regarding the costs and obligations of joining TCRS. Current employees of Red Boiling Springs have a choice to participate as of July 1, but new hires for the political subdivision will participate as a condition of their employment.

On a motion by Mr. Varble and seconded by Ms. Moore, the Administrative Committee unanimously recommended to the Board of Trustees that Red Boiling Springs be allowed entry to TCRS.

Operations Update

Ms. Harris discussed the number of phone calls and meetings with participants and employers during the period from January 2018 through May 2018. 77,000 member phone calls were answered and 268 group meetings held during the time period, and there were 179 meetings with Local Education Agency employers. Next Ms. Erica Nale, Assistant Director of TCRS, introduced Sarah Card, new Manager of Financial Services, and Courtney Hess, new Senior Manager of Retirement Policy and Compliance. Ms. Nale updated the Committee that the annual Cost of Living Adjustment that will be 2.1% and notifications will be sent to members at the end of July. Ms. Nale then discussed that the ability for retirees to select multiple beneficiaries for survivorship benefits will go live on July 1, 2018. Mr. Wayman noted that information would be provided on the TCRS website about the new option to select multiple beneficiaries. Ms. Nale then discussed that TCRS intends to roll out the electronic retirement application in the next quarter. The electronic retirement application will allow TCRS to track when a member applies for retirement and reach out to employers for timely certification.

2018 Enacted Legislation

Mr. Wayman provided a summary of five bills enacted in 2018 in the General Assembly impacting TCRS. The first was the TCRS Housekeeping bill which made technical corrections and has no cost. The bill allows TCRS to contract with a disability services firm; clarified that the retirement allowance for members of local government plans in TCRS is limited to 90% of average final compensation; clarified that members with benefits under one more than one plan only file one retirement application; and updated the law for

compliance with Internal Revenue Code Section 414(h). The second was an update to the Stabilization Reserve Trust, clarifying that it could be co-invested with the group trust and it was for the exclusive benefit of members. The third was an update to the Public Employee Defined Benefit Security Act of 2014, clarifying that public pension plans reporting under the Act have to use standards promulgated by the Governmental Accounting Standards Board and that any political subdivision operating a defined benefit plan as of May 22, 2014, must have approval from the state treasurer prior to opening a new defined benefit plan. The fourth bill provides two options for management of assets for closed pension plans being managed by the Treasury Department that do not conform to the TCRS Investment Policy, allowing the assets to be co-invested following approval by the TCRS Board as an exception or in a separate account. The fifth changed the distribution option and vendor requirement for the Optional Retirement Plan and clarified that Tennessee Colleges of Applied Technology can participate, and it transferred administration of higher education 403(b) plans to the Treasury Department.

Following the discussion about legislation, the Committee and Mr. Wayman discussed general information about how cost controls operate in the Hybrid Plan.

Adjournment

With no other business, the Administrative Committee of the Board of Trustees adjourned at 9:45 a.m. on June 29, 2018.

Respectfully Submitted,

Erica Nale

Assistant Director, TCRS

Approved:

James E. Wayman

Administrative Committee Chair

AUDIT COMMITTEE MEETING MINUTES
OF TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)
June 29, 2018

The Tennessee Consolidated Retirement System (TCRS) Audit Committee for the Board of Trustees met on Friday, March 23, 2018. The meeting began at 8:00 a.m. in the Cordell Hull Building, Conference Room C.

The following members were present:

- Chairman Michael Barker
- Ed Taylor, TCRS Board Member
- Rebecca Hunter, Commissioner of DOHR
- Tre Hargett, Secretary of State
- Mayor Ken Wilber, TN Municipal League

Others present were:

- David H. Lillard, Jr., TN State Treasurer
- Earle Pierce, Director of Internal Audit, TN Dept. of Treasury
- Jennifer Selliers, Director of Internal Compliance, TN Dept. of Treasury
- Heather Iverson, Attorney, TN Dept. of Treasury
- Jamie Wayman, Director of TCRS
- Kevin Gentry, Assistant Audit Director, TN Dept. of Treasury
- Michael Brakebill, Chief Investment Officer

Call Meeting to Order

Chairman Barker called the meeting to order and presented the minutes from the March 23, 2018 Audit Committee meeting for approval. Mayor Ken Wilber motioned to accept the minutes as presented and Ed Taylor seconded the motion. The minutes were unanimously approved from the March 2018 Audit Committee meeting.

Internal Audit Results

Earle Pierce presented the final results for the 2017 GASB 68 audit. Discussion included explanation of issues regarding COLA calculations for members who retired early because of a disability. TCRS Director Jamie Wayman informed the Committee the COLA issues noted for this group by Internal Audit had been corrected.

Mr. Pierce reviewed a list of completed audits since the last Audit Committee meeting in March 2018. This included a list of audit analytics completed on a monthly and quarterly basis. Chairman Barker complimented Mr. Pierce and the Internal Auditing staff for their outstanding work in completing a significant number of audits.

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Current Projects for TCRS

Mr. Pierce reviewed a list of current TCRS audit projects as well as those in the design phase.

Fiscal Year 2018 Annual Audit Report and Fiscal Year 2019 Audit Plan

Mr. Pierce reviewed Internal Audit's annual report of audit work completed in fiscal year 2018 and the fiscal year 2019 audit plan. This included a discussion of the high and moderate risk audits outlined in the 2019 plan.

Private Equity Disclosure

Chairman Barker reviewed the Private Equity Disclosure and asked if there were any questions. There were no questions. Mr. Pierce noted certain presentations were marked with asterisks because there were previous meetings which had been left off prior listings provided to the Audit Committee for the 4th quarter of 2017 and the 1st quarter of 2018. He further stated the Director of Internal Compliance, Jennifer Selliers and Investment staff recently reviewed the disclosure listing process noting some meetings were left off prior lists provided to the Audit Committee. Director of Internal Compliance Jennifer Selliers informed the Committee changes to this listing are planned and will be explained to the Committee at a future meeting. Chairman Barker noted how a number of meetings were attended by the same Investments staff. Chief Investment Officer Michael Brakebill explained it was more a function of responsibility for certain Investment operations rather than staff attending because of particular firms making investments presentations.

Comptroller's Hotline

Mr. Pierce informed the Committee there was one hotline submission related to TCRS received by the Comptroller's office since the previous Audit Committee meeting in March 2018. Mr. Pierce provided a summary of the submission including how it was handled by TCRS management and communicated to the Comptroller's hotline staff. The submission is considered closed.

Current Internal Audit Article

Mr. Pierce discussed the article which on internal audit's role as a trusted advisor and investigator and how to balance those competing positions. Commissioner Hunter commented on how the Department of Human Resources is working to takeover conduct investigations from State agencies.

Other Business

No other business was discussed.

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Adjournment

Commissioner Hunter motioned to adjourn and Ed Taylor seconded the motion. The motion to adjourn was unanimously approved. The meeting adjourned at approximately 8:58 a.m.

Meeting minutes documented by

Earle Pierce, CPA, CIA, CRMA
Director of Internal Audit
Tennessee Department of Treasury

Approved by:

Michael Barker
Chairman of the Audit Committee

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Minutes of the Meeting of the Investment Committee
June 29, 2018

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on June 29, 2018 in the Cordell Hall Building. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 AM. Investment Committee members in attendance included: Treasurer Lillard; Honorable Tre Hargett, Secretary of State; Honorable Justin Wilson, Comptroller of the Treasury; Bill Kemp, Sumner County Clerk; Bob Wormsley, President/CEO of Local Government Insurance Pool. Additional attendees included: Keith Boring, Director of Policy & Research; William Wood, Comptroller's Office; Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Michael Keeler, Director of Equity; Thomas Kim, Director of Fixed Income; Carrie Green, Senior Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Matthew Haitas, Senior Portfolio Manager; Stephen Wright, Real Estate Analyst; Jennifer Selliers, Investment Compliance Officer; Austin Monsrud, Junior Investment Analyst; Collin Pounders, Summer Intern; Austin Wheeler, Summer Intern

Treasurer Lillard began the meeting with a motion to approve the minutes from September 5, 2017 (amended), March 23, 2018 and May 23, 2018. The Motion was seconded by Mr. Wormsley and was approved unanimously by voice vote. The Treasurer then asked Derrick Dagnan to present a strategic lending transaction for approval.

Mr. Dagnan recommended an allocation of $1 billion to Antares Separately Managed Account which the Investment Committee was first notified of at the March meeting. Mr. Dagnan outlined the strategy, whereby TCRS would contribute to a diverse portfolio of credit facilities for private equity owned middle market companies. Resulting from a quality existing partnership with Antares via Parthenon Loan Funding LLC, TCRS was presented this opportunity which includes a reduced management fee and attractive risk adjusted return. Though the commitment size is $1 billion, at full maturity the amount expected to be drawn is between $150 million and $400 million. Attesting to this, Mr. Dagnan noted that in the 12 years since 2006, the maximum amount drawn for this strategy has never exceeded 37%. The strategy has a long track record with a low loss ratio.

Treasurer Lillard then highlighted the diligence that he and staff performed in the evaluation of this opportunity including individual meetings with each member of the Investment Committee, discussions with TCRS consultant TorreyCove and reviewing a liquidity stress test with a credit rating agency. Mr. Dagnan elaborated that under the most extreme assumptions, the addition of this strategy to the portfolio would have an insignificant impact on liquidity. Mr. Dagnan continued that as this would be a separate account, staff has the ability to end the investment period upon short notice.

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

The Treasurer called on Mr. Jeff Dunn to provide an update on recent strategic lending transactions. Mr. Dunn began by notifying the committee of an increase in allocation approved by Treasurer Lillard of $50 million to Waterfall Rock Island, which was first committed to in 2014. The increase brings the total commitment to $200 million of the maximum approved commitment of $500 million. Mr. Dunn then informed the Investment Committee that the separately managed account with Brigade Opportunistic Credit Fund 16 is set to expire at the end of August and that staff has decided not to renew. Instead, the allocation to GoldenTree Opportunistic Credit Account which received approval at the March meeting will replace Brigade in the portfolio.

Mr. Michael Brakebill then asked Mr. Matthew Haitas to discuss activity within the real estate portfolio. Mr. Haitas informed the Investment Committee of the recent and purchase of Crabtree Overlook, an office building in Raleigh, North Carolina noting that the investment is off to a great start with occupancy now up to 100%.

Mr. Haitas then updated the Investment Committee on the real estate separate account search that Staff recently completed. During 2018, the contracts for 6 Real Estate Advisors were scheduled to expire. TCRS real estate consultant, Townsend, and the State of Tennessee's legal team issued a request for proposal (RFP) and screened potential managers. Staff sent out 12 questionnaires which yielded 9 responses and the selection of 6 managers. As a result, three existing contracts will expire or be terminated, 3 existing managers will enter into new contracts, and 3 new managers will enter into new contracts. Contracts for Blackrock, Clarion and Barings will be allowed to expire in 2018, and allocations to these managers will be transferred to new contracts with new managers, Heitman, AEW Capital Management, and UBS Realty Investors. Existing managers L&B Realty Advisors, JP Morgan and DWS will begin operating under new contracts.

Mr. Haitas then discussed the REIT portfolio performance which staff strategically allocated $200 million to in March after noticing a dislocation of public market valuations from the private market. Since inception, the strategies 27 mid to large sized REITs have returned over 7% and are performing as expected. Mr. Brakebill then noted that staff noticed a similar distortion in valuations 5 years ago but did not execute on the trade until the opportunity presented again recently.

Mr. Brakebill then called upon Mrs. Carrie Green to discuss the international equity manager selection process. Mrs. Green noted that contracts for 8 managers were scheduled to expire in 2018. These contracts began in 2008 and were extended in 2013. While the international managers have performed well, the selection process was intended to evaluate the environment for potential discovery of managers that may be better suited to accomplish the goals of TCRS.

Mrs. Green continued by reviewing the changes that Staff recommended and the Treasurer approved for each strategy. As a result of the search process by the General Consultant, Verus, and Staff; contracts for 3 existing relationships will expire or be terminated contracts for 5 existing relationships will be renewed under new agreements, and TCRS will enter into new contracts with 2 new managers. Staff will allow the contracts with Barings and Fidelity Institutional Asset Management, and State Street Global Advisors to expire and increase allocations to other managers. Staff recommended entering new contracts with existing managers; Marathon Asset Management, Panagora, Walter Scott, TT International, and American Century. Staff recommended entering new contracts with new managers; Pzena and WCM. Carrie Green then stated that once all contracts have been finalized a transition trade will begin in July with expected completion in August.

Mr. Derrick Dagnan elaborated on the process, noting that TCRS consultant, Verus, screened the environment for institutional quality managers. Staff then evaluated the list and selected managers seen as a good fit, allowing the team to efficiently allocate resources to the evaluation of top quality managers.

Following the discussion of the international manager selection, Mrs. Green introduced the summer interns. Austin Wheeler is pursuing his M.S. in Financial Mathematics and has been focusing on projects within the fixed income and quantitative portfolios. Colin Pounders is pursuing his MBA in Finance and

over the summer has worked on projects involving the IPO market as well as researching CRISPR gene editing for the healthcare sector portfolio.

Secretary Hargett then addressed the investment team concerning the concentration of the international equity portfolio following the implemented changes. Mrs. Green stated that the portfolio is structured to achieve diversification among concentrated managers to help drive higher returns than an index. Mr. Brakebill elaborated that if the portfolio becomes too broad, the result will be equivalent returns to an index with a higher fee burden. Mr. Dagnan continued to describe that through the different strategies of each individual manager, sufficient diversification is able to be achieved.

The Treasurer then asked Mr. Michael Brakebill to update the Investment Committee on the fund and markets. Mr. Brakebill began with noting the downward revision of GDP growth in the first quarter from 2.2% to 2%. This was weaker than growth in the prior quarter, but the second quarter is expected to be much stronger. Key themes in the markets include low unemployment and the introduction of tariffs, mentioning that the effect on the markets has been concentrated. On the topic of monetary tightening, Mr. Brakebill mentioned that the impact has not been very large yet, but it is expected to become more noticeable going forward.

Mr. Brakebill then turned to portfolio allocation, highlighting the growth of the alternatives portfolios and expressed a neutral market standpoint with continued valuation concerns. With fiscal year 2018 ending today, the return number for the total plan is expected to be just shy of 8%, which is expected to outperform the benchmark.

Comptroller Wilson then raised a question regarding the selection of equity manager verses passive indexing that has a lower fee burden and potentially less risk. Mr. Brakebill responded by displaying that the portfolio has had a better experience through these strategies than indexing. Explaining the selection of managers as a tool in a toolbox, staff continues to monitor the risk and reward of paying fees to participate in more active strategies.

With no further questions, the Treasurer adjourned the meeting at 9:58 AM.

Respectfully submitted,

Michael Brakebill
Chief Investment Officer 9-13-2018

APPROVED:

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

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Minutes of the Meeting of the Investment Committee
August 28, 2018

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on August 28, 2018 in the State Capitol. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 1:00 PM. Investment Committee members in attendance included: Treasurer Lillard; Honorable Tre Hargett, Secretary of State; Bill Kemp, Sumner County Clerk; Bob Wormsley, President/CEO of Local Government Insurance Pool. Additional attendees included: 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; Grant Leslie, Senior Portfolio Manager; Carrie Green, Senior Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Andrew Messer, Investment Risk & Compliance Analyst; Austin Monsrud, Junior Investment Analyst

Treasurer Lillard began the meeting by calling on Mr. Jeff Dunn to present a strategic lending transaction for approval. Mr. Dunn recommended an allocation of $100 million to Falko Regional Aircraft Opportunities Fund II. Mr. Dunn outlined the strategy which involves purchasing and maintaining regional aircraft that are in turn leased to airlines. The management team was established at BAE Systems and has been working in regional aircraft leasing together for over twenty-five years. Mr. Dunn noted that the General Partner is a portfolio company in one of Fortress Investment Group's funds however at the end of that funds life, ownership is expected to be transferred back to the GP.

The Treasurer then noted his legal experience with aircraft leasing, agreeing with Mr. Dunn's sentiment toward the strategy, particularly the competitive advantage of Falko's in-house maintenance team. Mr. Dunn discussed the depth of experience and scope of services that Falko delivers as an investment manager that includes significant operational resources and capabilities.

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

The Treasurer then asked Mr. Derrick Dagnan to provide an update on the strategic lending portfolio. Mr. Dagnan stated that staff recently reviewed performance and will update the Investment Committee at the September meeting. With several interesting commitments over the past eighteen months, Mr. Dagnan expressed that the team is excited for the new strategies to roll out.

The Treasurer then called on Mr. Daniel Crews to review the private equity portfolio and present a transaction for approval. Mr. Crews began by notifying the Investment Committee of a recent $35 million commitment to Foundation Capital IX, describing the firm as a blue chip manager and stating that the committee will be formally notified at the September meeting. Mr. Crews continued with an overview of the program, highlighting that it recently passed $1 billion in distributions. Another accolade for the portfolio is that it now constitutes 5% of plan assets.

Mr. Daniel Crews then proposed a $150 million commitment to Freeman Spogli Equity Partners VIII. Mr. Crews described the strategy as consumer focused with a seasoned team and investor friendly terms. He highlighted the generational diversity of the team which includes two partners each in their 30's, 40's, 50's, & 60's. This strengthens comfort in the firm's continuity, both at the strategic and cultural levels. One concern Mr. Crews mentioned was that this commitment would be the second consumer specialist investment in the last twelve months with the other being Roark Capital Group. Staff feels confident in both managers ability to successfully execute their strategies.

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

The Treasurer then called upon Mr. Grant Leslie to present another private equity transaction for approval. Mr. Leslie recommended a $200 million commitment to Hellman and Friedman IX, an existing relationship in the private equity portfolio that has performed very well on both an absolute and relative basis. Mr. Leslie stated that Hellman and Friedman consistently exemplifies its stated mission of being the best large cap buyout firm in the world. Hellman and Friedman focuses on high EBITDA margins, quality growth, and strong management teams in the software, finance, industrial, and energy industries. The Treasurer queried Mr. Leslie regarding the firm's financial statement transparency, to which Mr. Leslie replied that Hellman and Friedman has first rate financial reporting standards.

Mr. Kemp then motioned to approve the transaction which was seconded by Secretary Hargett. The motion was approved unanimously by voice vote.

Mr. Grant Leslie then proposed a $100 million commitment to Triton Fund V which is another existing relationship. Mr. Leslie described the strategy as value oriented with a European industrial sector focus. This is an area that is currently under-allocated in the fund. Concerns that Mr. Leslie mentioned were Triton's proliferation of investment products since the commitment to Triton Fund IV and turnover among upper management. However, Mr. Leslie assured the Investment Committee that diligent monitoring continues, with annual visits to the firms New York and London offices and that the team is confident in Tritons ability to continue to perform well.

Treasurer Lillard motioned to approve the transaction which was seconded by Mr. Kemp. The motion was approved unanimously by voice vote.

The Treasurer then asked Mr. Michael Brakebill to update the Investment Committee on the fund and markets. Mr. Brakebill began by stating that the returns for the plan are up around 1.5% since the beginning of the fiscal year and 3% year-to-date which bring its valuation to $51.1 billion. Mr. Brakebill mentioned that fiscal year numbers are nearly finalized and that the plan is expected to post a one year return of 8.19% which is 79 basis points above the benchmark. However, with a larger allocation to fixed income securities, the plan may have underperformed peers. Mr. Brakebill notified the committee that $1.6 billion in assets has been successfully transitioned to new international equity managers and the real estate manager transition is complete as well. Mr. Brakebill then concluded by announcing one staff member passed Level II and three staff members passed Level III of the CFA exams this summer.

The Treasurer then adjourned the meeting at 1:52 pm.

Respectfully submitted,

Michael Brakebill 9-13-2018
Chief Investment Officer

APPROVED:

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

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TCRS BOARD OF TRUSTEES
APPOINTMENTS

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BILL HASLAM
GOVERNOR
STATE OF TENNESSEE

July 2, 2018

The Honorable David Lillard
Treasurer, State of Tennessee
State Capitol, First Floor
Nashville, TN 37243

Dear Treasurer Lillard,

I have received your letter regarding the appointment to the TCRS Board of Trustees. It is my honor to reappoint Mr. Alfred Laney to the board. I am grateful for his service and for the great work of the TCRS, its director, and its board.

Thank you for your committed service to the State of Tennessee.

Sincerely,

Bill Haslam

cc: Jamie Wayman
Callon Schmid

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MAYOR:
Kenneth Wilber

VICE MAYOR:
Mike Callis

BOARD OF ALDERMEN:
David Andrews
Brian Harbin
Andrew Jennings
John Kerley
Jody McDowell
Beverly Watson

OFFICE OF THE MAYOR
100 SOUTH RUSSELL STREET
PORTLAND, TENNESSEE 37148
Telephone 615/325-6776
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June 29, 2018

Mr. Jamie Wayman
Tennessee Consolidated Retirement System
Andrew Jackson Building, 15th Floor
502 Deaderick Street
Nashville, Tennessee 37243-0201

Mr. Wayman:

This is to inform you that I have decided not to seek re-election to the office of mayor in November.

It has been a pleasure and an honor to serve with you and others on the board of the Tennessee Consolidated Retirement System the last few years. Though I look forward to this next 'chapter' in life, I know I will miss the work that I have been involved in during my time as mayor.

My final meeting with the board will be September 28, 2018. I will also contact Margaret Mahery at TML with the news.

Thank you for the assistance you've provided. I wish you all the best in the future.

Sincerely,

Kenneth Wilber
Mayor

C: Margaret Mahery, TML

This institution is an equal opportunity provider and employer. If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

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Tennessee Municipal League

August 28, 2018

The Honorable David H. Lillard, Jr., Treasurer
Tennessee Department of Treasury
State Capitol
Nashville, TN 37243

Dear Treasurer Lillard,

The Tennessee Municipal League understands Mayor Ken Wilber's last meeting as the representative for TML on the Tennessee Consolidated Retirement System Board of Trustees, will be September 28, 2018. The Tennessee Municipal League appoints Betsy Crossley, Commissioner, City of Brentwood, to fill the remainder of Mayor Wilber's term. Commissioner Crossley's appointment will be October 1, 2018, through June 30, 2019.

Thank you for your consideration and please feel free to contact me if you have questions.

Sincerely,

Margaret

Margaret H. Mahery
TML Executive Director

MHM/jg

c: Ms. Jamie Wayman, Director
Tennessee Consolidated Retirement System

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POLITICAL SUBDIVISIONS SEEKING MEMBERSHIP

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Political Subdivisions Beginning Participation in the Tennessee Consolidated Retirement System October 1, 2018

Political Subdivision	Amount of Service Employer	Amount of Service Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Town of Coopertown	**0**	**0**	**4.4%**	**5.0%**	**$0**	**Excluded**	**Excluded**	**8**

Regular Defined Benefit Plan

Meetings:

May 2018 Explained initial employer costs and participating procedures to the governing body.

October 2018 Will explain reporting procedures to payroll officer(s).

Additional Note:

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Town of Coopertown
Resolution 2018-005
A Resolution to Join Tennessee Consolidated Retirement System
Starting October 1, 2018

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in

the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the _____Town of Coopertown_____ desires to participate in TCRS under the provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

A. TYPE PLAN. The Political Subdivision adopts the following type plan:

(1) [X] Regular Defined Benefit Plan.
(2) [ ] Alternate Defined Benefit Plan.
(3) [ ] Local Government Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).*
(4) [ ] State Employee and Teacher Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).*

B. EMPLOYEE CONTRIBUTIONS. The Employees shall contribute:

(1) [X] 5% of the employees' earnable compensation.
(2) [ ] 2.5% of the employees' earnable compensation.
(3) [ ] 0% of the employees' earnable compensation.

C. COST-OF-LIVING INCREASES FOR RETIREES. The Political Subdivision shall:

(1) [X] NOT provide cost-of-living increases for its retirees.
(2) [ ] PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. The Political Subdivision shall:

(1) [X] NOT allow its part-time employees to participate in TCRS.
(2) [ ] ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

(1) [ ] Purchase ALL years of prior service credit on behalf of its employees.

(2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.

(3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.

(4) [ ] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.

(5) [ ] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on October 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be __4.4__%, which is based on the estimated lump sum accrued liability of $0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Mayor and Aldermen of the Town of Coopertown hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

Date Passed: June 26, 2018

Glen Guyor, Mayor

July 9, 2018
Date

Witnessed:

Kathy Smith, City Recorder

7-9-2018
Date

STATE OF TENNESSEE
COUNTY OF ROBERTSON

TR 9023

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Political Subdivisions Beginning Participation in the Tennessee Consolidated Retirement System October 1, 2018

Political Subdivision	Amount of Service Employer	Amount of Service Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
City of Gallatin	**0**	**0**	**4%**	**5.0%**	**$0**	**Excluded**	**Included**	**409**
Hybrid with Cost Controls								

Meetings:

July 2017 Explained initial employer costs and participating procedures to the governing body.

October 2018 Will explain reporting procedures to payroll officer(s).

Additional Note:

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RESOLUTION NO. R1805-32

Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the **City of Gallatin** desires to participate in TCRS under the provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

A. TYPE PLAN. *(CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4).* The Political Subdivision adopts the following type plan:

(1) [ ] Regular Defined Benefit Plan.
(2) [ ] Alternate Defined Benefit Plan.
(3) [ ] Local Government Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).*
(4) [X] State Employee and Teacher Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).*

B. EMPLOYEE CONTRIBUTIONS. *(CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED).* The Employees shall contribute:

(1) [X] 5% of the employees' earnable compensation.
(2) [ ] 2.5% of the employees' earnable compensation.
(3) [ ] 0% of the employees' earnable compensation.

C. COST-OF-LIVING INCREASES FOR RETIREES. *(CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED).* The Political Subdivision shall:

(1) [ ] NOT provide cost-of-living increases for its retirees.
(2) [X] PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. *(CHECK BOX 1 OR BOX 2).* The Political Subdivision shall:

(1) [X] NOT allow its part-time employees to participate in TCRS.
(2) [ ] ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. *(CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT*

CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

(1) [ ] Purchase ALL years of prior service credit on behalf of its employees.

(2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.

(3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.

(4) [ ] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.

(5) [ ] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. *(COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE)*. For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than N/A_____

_____

; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on October 1, 2018___, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 4 %, which is based on the estimated lump sum accrued liability of $0.00.

NOW, THEREFORE, BE IT RESOLVED That the **City Council** of the **City of Gallatin** hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF Sumner

I, Connie Kittrell, clerk of the City Council of

City of Gallatin, Sumner County,

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 15th day of May, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the City of Gallatin Gallatin, Sumner County, State of Tennessee

Connie Kittrell
As Clerk of the Board, as aforesaid

Seal

IT IS SO ORDERED.

PRESENT AND VOTING

AYE: 5

NAY: 1

DATED: May 15, 2018.

Paige Brown
MAYOR PAIGE BROWN

ATTEST:

Connie Kittrell
CONNIE KITTRELL, CITY RECORDER

APPROVED AS TO FORM:

Susan High-McAuley
SUSAN HIGH-MCAULEY, CITY ATTORNEY

TR 9023

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Political Subdivisions Beginning Participation in the Tennessee Consolidated Retirement System October 1, 2018

Political Subdivision	Amount of Service Employer	Amount of Service Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Watauga River Regional Water Authority	**0**	**0**	**6.5%**	**5.0%**	**$0**	**Excluded**	**Included**	**6**

Regular Defined Benefit Plan

Meetings:

June 2018 Explained initial employer costs and participating procedures to the governing body.

October 2018 Will explain reporting procedures to payroll officer(s).

Additional Note:

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the ___Watauga River Regional Water Authority_____ desires to participate in TCRS under the
(Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

A. TYPE PLAN. *(CHECK BOX 1 OR BOX 2 OR BOX 3 OR BOX 4).* The Political Subdivision adopts the following type plan:

(1) [X] Regular Defined Benefit Plan.
(2) [ ] Alternate Defined Benefit Plan.
(3) [ ] Local Government Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).*
(4) [ ] State Employee and Teacher Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).*

B. EMPLOYEE CONTRIBUTIONS. *(CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED).* The Employees shall contribute:

(1) [X] 5% of the employees' earnable compensation.
(2) [ ] 2.5% of the employees' earnable compensation.
(3) [ ] 0% of the employees' earnable compensation.

C. COST-OF-LIVING INCREASES FOR RETIREES. *(CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED).* The Political Subdivision shall:

(1) [ ] NOT provide cost-of-living increases for its retirees.
(2) [X] PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. *(CHECK BOX 1 OR BOX 2).* The Political Subdivision shall:

(1) [X] NOT allow its part-time employees to participate in TCRS.
(2) [ ] ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. *(CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT*

CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED). For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

(1) [ ] Purchase ALL years of prior service credit on behalf of its employees.

(2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.

(3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.

(4) [ ] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.

(5) [ ] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. *(COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE).* For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than N/A ; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on October 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 6.5%, which is based on the estimated lump sum accrued liability of $ 0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of
(Name of Governing Body)

Watauga River Regional Water Authority hereby authorizes all its employees in all its departments or
(Name of Political Subdivision)

instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF CARTER

I, Jackson Buckles, clerk of the

Board of Directors (Name of Governing Body) Carter, Watauga River Regional Water Authority (County, City Town, etc.)

Tennessee, do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 24th day of July, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the _____ (Name of County, City, Town, etc.)

Established April 9, 2001 WATAUGA RIVER REGIONAL WATER AUTHORITY Serving Carter County, TN With Safe Drinking Water

As Clerk of the Board, as aforesaid

Seal

TR 9023

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Political Subdivisions Beginning Participation in the Tennessee Consolidated Retirement System October 1, 2018

Political Subdivision	Amount of Service Employer	Amount of Service Employee	ER Rate	EE Rate	Accrued Liability	Part Time Coverage	Cost of Living	Number of Employees
Wayne County Emergency Communication District	**0**	**0**	**11.2%**	**0.0%**	**$0**	**Excluded**	**Included**	**3**

Regular Defined Benefit Plan

Meetings:

June 2018 Explained initial employer costs and participating procedures to the governing body.

October 2018 Will explain reporting procedures to payroll officer(s).

Additional Note:

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Tennessee Consolidated Retirement System

A RESOLUTION to authorize a political subdivision's participation in the Tennessee Consolidated Retirement System in accordance with Tennessee Code Annotated, Title 8, Chapters 34 – 37.

WHEREAS, Tennessee Code Annotated, Title 8, Chapter 35, Part 2 allows a political subdivision to participate in the Tennessee Consolidated Retirement System ("TCRS") subject to the approval of the TCRS Board of Trustees; and

WHEREAS, the Wayne County Emergency Communications District desires to participate in TCRS under the
Name of Political Subdivision)

provisions of Tennessee Code Annotated, Title 8, Chapters 34 – 37 and in accordance with the following terms and conditions:

A. TYPE PLAN. The Political Subdivision adopts the following type plan:

(1) [X] Regular Defined Benefit Plan.
(2) [ ] Alternate Defined Benefit Plan.
(3) [ ] Local Government Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees and pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt. The defined contribution plan could provide for employer contributions of 0% to up to 7% of its employees' salaries).*
(4) [ ] State Employee and Teacher Hybrid Plan *(If this Plan is chosen, the Political Subdivision MUST also maintain a defined contribution plan on behalf of its employees whereby the Political Subdivision makes a mandatory employer contribution on behalf of each of its employees participating in the Hybrid Plan equal to 5% of the respective employee's salary subject to the cost controls and unfunded liability controls of the Hybrid Plan. The Political Subdivision must also pass the attached resolution that describes the type of defined contribution plan the Political Subdivision will adopt).*

B. EMPLOYEE CONTRIBUTIONS. *(CHECK BOX 1 OR BOX 2 OR BOX 3 - IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, THE EMPLOYEES MUST CONTRIBUTE 5% OF THEIR EARNABLE COMPENSATION UNDER THAT PLAN AND BOX 1 MUST BE CHECKED).* The Employees shall contribute:

(1) [ ] 5% of the employees' earnable compensation.
(2) [ ] 2.5% of the employees' earnable compensation.
(3) [X] 0% of the employees' earnable compensation.

C. COST-OF-LIVING INCREASES FOR RETIREES. *(CHECK BOX 1 OR BOX 2 – IF EITHER THE LOCAL GOVERNMENT, OR THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE, COST-OF-LIVING INCREASES FOR RETIREES MUST BE GIVEN, SUBJECT TO ANY APPLICABLE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS AND BOX 2 MUST BE CHECKED).* The Political Subdivision shall:

(1) [ ] NOT provide cost-of-living increases for its retirees.
(2) [X] PROVIDE cost-of-living increases for its retirees.

D. ELIGIBILITY OF PART-TIME EMPLOYEES. The Political Subdivision shall:

(1) [X] NOT allow its part-time employees to participate in TCRS.
(2) [ ] ALLOW its part-time employees to participate in TCRS.

E. PRIOR SERVICE. *(CHECK AND COMPLETE BOX 1 OR BOX 2 OR BOX 3 OR BOX 4 OR BOX 5 – CAUTION: IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE AND IF BOX 3 BELOW IS NOT CHOSEN, THE EMPLOYER CONTRIBUTION COULD EXCEED 4% THEREBY CAUSING THE COST CONTROLS AND UNFUNDED LIABILITY CONTROLS TO AUTOMATICALLY APPLY. ACCORDINGLY, PRIOR SERVICE IS NOT RECOMMENDED).* For each employee employed with the Political Subdivision on the effective date of the Political Subdivision's participation in TCRS, the Political Subdivision shall:

(1) [ ] Purchase ALL years of prior service credit on behalf of its employees.

(2) [ ] Purchase NO years of prior service credit on behalf of its employees, but shall accept the unfunded liability should its employees establish ALL years of prior service.

(3) [X] NOT allow its employees to establish any prior service credit with the Political Subdivision.

(4) [ ] Purchase _____ years of prior service credit on behalf of its employees and accept the unfunded liability should its employees establish an additional _____ years of prior service credit.

(5) [ ] Purchase _____ years of prior service credit on behalf of its employees and no additional prior service credit may be established; and

F. MAXIMUM UNFUNDED LIABILITY. *(COMPLETE THIS ITEM F ONLY IF THE STATE EMPLOYEE AND TEACHER HYBRID PLAN IS SELECTED ABOVE).* For purposes of the cost control provisions of Tennessee Code Annotated, Section 8-36-922(d), the Political Subdivision defines "maximum unfunded liability" to mean an unfunded liability of no greater than N/A ; and

WHEREAS, the liability for participation and costs of administration shall be the sole responsibility of the Political Subdivision and not the State of Tennessee; and

WHEREAS, the Political Subdivision has passed a budget amendment appropriating the funds necessary to meet such liability and the same is attached hereto; and

WHEREAS, the effective date of participation shall be on October 1, 2018, or on such later date as determined by the TCRS Board of Trustees, and the initial employer contribution rate shall be 11.2%, which is based on the estimated lump sum accrued liability of $0.00.

NOW, THEREFORE, BE IT RESOLVED That the Board of Directors of the Wayne County Emergency Communications District hereby authorizes all its employees in all its departments or instrumentalities to become eligible to participate in TCRS in accordance with the above terms and conditions subject to the approval of the TCRS Board of Trustees. It is acknowledged and understood that pursuant to Tennessee Code Annotated, Section 8-35-111 the Political Subdivision shall not make employer contributions to any other retirement or deferred compensation plans on behalf of any employee who participates in TCRS pursuant to this Resolution wherein the total combined employer contributions to such plans exceed 3% of the employee's salary, unless the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision for such employee. If either the Local Government Hybrid Plan or the State Employee and Teacher Hybrid Plan is adopted by the Political Subdivision, the Political Subdivision may make employer contributions to the defined contribution plan component of that Plan and to any one or more additional tax deferred compensation or retirement plans on behalf of such employee provided that the total combined employer contributions to such plans on behalf of the employee does not exceed 7% of the employee's salary.

STATE OF TENNESSEE

COUNTY OF WAYNE

I, Frank Quigley, Chairman of the Board of Directors of the Wayne County Emergency Communications District do hereby certify that this is a true and exact copy of the foregoing Resolution that was approved and adopted in accordance with applicable law at a meeting held on the 9th day of August, 2018, the original of which is on file in this office.

IN WITNESS WHEREOF, I have hereunto set my hand, and the seal of the Board of Directors.

Frank Quigley - Chairman

As Chairman of the Board, as aforesaid

Seal

TR 9023

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STATISTICAL REPORTS

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ANALYSIS OF MEMBERS ACTIVELY CONTRIBUTING

	6/30/2015	6/30/2016	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018
Group I Members:							
(State & Higher Ed.)	55,179	45,516	41,731	40,996	40,674	38,617	37,974
Highway Patrol		726	704	692	685	679	668
Wildlife Officers		190	186	183	187	183	180
Teachers	69,975	61,820	58,365	58,202	58,306	56,800	55,712
General Employees of Polisubs	85,531	73,655	73,897	74,966	76,301	73,732	73,484
Firemen & Policemen		7,040	7,350	7,476	7,617	7,480	7,659
General Assembly	113	103	96	94	92	87	89
County Officials	2	1	2	2	2	2	2
Board Members		392	382	378	382	370	373
County Judges	20	17	12	11	10	8	7
Attorneys Gen …	617	574	493	489	488	468	468
Total Group I	211,437	190,033	183,218	183,489	184,744	178,426	176,616
Group II & Prior Class:							
Wildlife Officers	1						
Highway Patrol	1						
Firemen & Policemen-Political Subdivisions	10	10	10	10	9	8	8
Total Group II & Prior Class	12	10	10	10	9	8	8
Group III and Prior Class:							
State Judges	1	1	1	1	1	1	1
County Judges	1	1	1	0	0		
Attorneys General	1	1	1	0	1	1	1
County Officials	2	2	2	2	2	2	2
Total Group III & Prior Class	5	5	5	3	4	4	4
Group IV							
State Judges	128	113	113	111	109	111	112
State & Teacher Hybrid Plan							
State	5,689	10,271	14,869	15,929	17,543	17,407	17,797
General Assembly	15	17	27	28	28	29	30
Teacher	6,189	11,142	15,681	19,099	20,751	19,931	19,601
Attorneys General, Judges	31	37	35	36	37	42	41
Political Subdivisions	85	474	1,244	1,620	1,996	2,052	2,243
Public Safety			222	222	296	306	309
Alcoa			43	43	42	40	40
Local Government Plans							
Alternate DB	14	25	36	40	45	48	49
Hybrid Plan W/O Cost Controls	92	173	267	292	320	371	413
Total Membership Contributing to TCRS	223,697	212,300	215,770	220,922	225,924	218,763	217,251
Teachers Contributing to ORP	10,632	9,609	8,638	8,387	8,213	8,028	8,219
Grand Totals	234,329	222,025	224,408	229,309	234,137	226,791	225,470

RETIRED PAYROLL
STATISTICS
June 30, 2018

	AMOUNT	# OF RETIREES
STATE EMPLOYEES	$ 64,690,041.50	46,960
STATE PAID JUDGES	1,061,309.70	218
COUNTY PAID JUDGES	255,174.40	68
ATTORNEY GENERALS	955,134.45	243
COUNTY OFFICIALS	326,778.64	151
PUBLIC SERVICE COMMISSIONERS	7,463.38	4
POLITICAL SUBDIVISIONS	34,362,732.85	39,737
TEACHERS	106,661,369.66	50,518
LOCAL TEACHERS	3,066,735.07	1,599
GOVERNORS AND WIDOWS	27,727.00	4
AGED TEACHERS	220.19	2
OTHERS	236,173.45	94
TOTAL	**$ 211,650,860.29**	**139,598**

RETIRED PAYROLL STATISTICS
April 1, 2018
THROUGH
June 30, 2018

	AMOUNT	# OF RETIREES
STATE EMPLOYEES	$ 193,672,345.98	46,960
STATE PAID JUDGES	3,189,870.60	218
COUNTY PAID JUDGES	792,293.08	68
ATTORNEY GENERALS	2,868,113.55	243
COUNTY OFFICIALS	979,872.56	151
PUBLIC SERVICE COMMISSIONERS	22,390.14	4
POLITICAL SUBDIVISIONS	102,543,441.20	39,737
TEACHERS	317,227,114.38	50,518
LOCAL TEACHERS	9,255,813.55	1,599
GOVERNORS AND WIDOWS	83,181.00	4
AGED TEACHERS	795.90	2
OTHERS	714,535.27	94
TOTAL	**$ 631,349,767.21**	**139,598**

NOTE: NINETY-NINE PERCENT (99%) OF THE RETIREES ARE ON DIRECT DEPOSIT

NUMBER OF MEMBERS REFUNDEI

Month	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
July	496	475	516	613	512	417	451
August	466	471	782	820	403	425	458
September	447	394	457	586	522	458	343
October	383	375	378	483	364	379	468
November	364	319	314	244	359	321	313
December	257	241	276	338	326	344	373
January	348	338	402	322	386	308	324
February	312	335	310	238	351	380	404
March	262	253	284	331	355	354	332
April	346	311	424	338	347	405	284
May	329	274	866	247	332	347	305
June	339	336	674	383	336	352	328
TOTAL	4,349	4,122	5,683	4,943	4,593	4,490	4,383

REFUND EXPENDITURE
2017-2018 FISCAL YEAF

MONTH	MEMBER'S CONTRIBUTIONS	414(H) CONTRIBUTIONS	MEMBER'S INTEREST	EMPLOYER CONTRIBUTIONS	DEATH PAYMENTS	TOTAL
July	35,548.25	3,211,415.45	1,145,920.84	0.00	526,717.66	$4,919,602.20
August	12,799.99	3,064,728.29	980,946.29	0.00	494,134.94	$4,552,609.51
September	123,840.91	2,095,841.18	699,097.15	93,460.04	387,434.47	$3,399,673.75
October	151,552.51	2,831,483.76	970,052.78	31,545.10	258,476.55	$4,243,110.70
November	70,380.55	1,708,517.99	705,071.03	47,464.65	256,267.83	$2,787,702.05
December	32,525.31	2,684,424.68	996,978.75	0.00	646,164.35	$4,360,093.09
January	31,288.58	2,260,340.28	844,015.16	0.00	342,033.93	$3,477,677.95
February	59,605.93	2,675,499.44	977,108.80	12,831.63	496,607.34	$4,221,653.14
March	72,551.35	2,425,406.20	1,073,060.20	2,133.38	521,750.83	$4,094,901.96
April	33,566.63	1,492,580.72	570,662.17	60,244.18	362,600.69	$2,519,654.39
May	29,193.81	2,334,107.35	1,027,926.47	78,582.37	933,268.66	$4,403,078.66
June	34,593.34	1,866,013.70	681,078.26	5,040.87	347,560.71	$2,934,286.88
TOTAL	687,447.16	28,650,359.04	10,671,917.90	331,302.22	5,573,017.96	$45,914,044.28

PRIOR SERVICE ACTIVITY
April 1, 2018 through June 30, 2018

Legacy State:

Type of Service	No of Members	Years of Service		Amount
Backpayment	2	7	$	17,120
Military	-	-		-
Redeposit	-	-	$	-
Totals	2	7	$	17,120

Legacy Teachers:

Type of Service	No of Members	Years of Service		Amount
Backpayment	7	15	$	50,845
Military	-	-		-
Redeposit	8	33	$	173,441
Totals	15	48	$	224,286

Legacy Higher Education:

Type of Service	No of Members	Years of Service		Amount
Backpayment	7	27	$	401,990
Military	-	-		-
Redeposit	-	-		-
Totals	7	27	$	401,990

Legacy Political Subdivisions:

Type of Service	No of Members	Years of Service		Amount
Backpayment	36	21	$	24,652
Military	-	-	$	-
Redeposit	4	9	$	16,676
Totals	40	30	$	41,328

Hybrid Higher Education:

Type of Service	No of Members	Years of Service		Amount
Backpayment	3	4	$	7,075
Military	-	-	$	-
Redeposit	0	0	$	-
Totals	3	4	$	7,075

Hybrid Teachers:

Type of Service	No of Members	Years of Service		Amount
Backpayment	1	8	$	27,950
Military	-	-	$	-
Redeposit	1	1	$	1,505
Totals	2	8	$	29,455

Hybrid Political Subdivisions:

Type of Service	No of Members	Years of Service		Amount
Backpayment	1	1	$	-
Military	-	-	$	-
Redeposit	0	0	$	-
Totals	1	1	$	-

Hybrid State:

Type of Service	No of Members	Years of Service		Amount
Backpayment	1	6	$	11,779
Military	-	-	$	-
Redeposit	0	0	$	-
Totals	1	6	$	11,779

Grand Totals:

Type of Service	No of Members	Years of Service		Amount
Backpayment	58	88	$	541,411
Military	-	-		-
Redeposit	13	43		191,622
Totals	71	131	$	733,033

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DISABILITY RETIREMENT REPORT

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Disability Statistical Report

Fourth Quarter 2017-2018

Disability Applications Received	April		20
	May		18
	June		17
		TOTAL	55
Initial Claims Approved	April		14
	May		12
	June		10
		TOTAL	36
Initial Claims Disapproved	April		08
	May		09
	June		00
		TOTAL	17

Initial Claims Approved after Reconsideration	02
Initial Claims Disapproved after Reconsideration	05
Re-Evaluation Claims Approved	52
Re-Evaluation claims Disapproved	01

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APPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	AFC	MO. BEN.	DISABILITY SUMMARY
ORD.	NO	NO	59	TEACHER	TEACHER	$ 46,796	$1,022	SPINA BIFIDA DEPENDENT ON A WHEELCHAIR STAGE 4 DECUBITUS ULCER UROSTOMY PRESENT
ORD.	NO	NO	54	TEACHER	ASSIST PRINCIPAL	$ 84,148	$2,070	CHF/ LVFF/AFIB/ PE/ AORTIC DISSECTION
ORD.	NO	NO	45	POL SUB	PATROL OFFICER	$ 38,843	$843	UTERAL STRICTURE, RENIAL FAILURE, COLON CANCER, HYDRONEPHROSIS,
SS-ORD	NO	NO	52	POL SUB	CLERK	$ 29,625	$758	CAD/ CHRONIC KIDNEY DISEASE/ DIABETES MELLITUS
ORD.	NO	NO	53	POL SUB	SCRETARY	$ 23,930	DECEASED	STAGE IV OVARIAN CANCER
SS-ORD	NO	NO	53	POL SUB	JANITOR	$ 14,124	$207	AUTOIMMUNE ENCEPHALITIS/ MEMORY LOSS/ DEPRESSION/ DM
ORD.	NO	NO	52	TEACHER	TEACHER	$ 48,476	$1,145	A FIB CAD DIABETIES TYPE 2 HX OF LYMPHOMA
ORD.	NO	YES	56	STATE	OR NURSING ASSISTANT	$ 32,317	$887	CAD/CHRONIC ANGINA, EXTENSIVE CAD WITH MULTIPLE STENTS.

APPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	AFC	MO. BEN.	DISABILITY SUMMARY
ORD.	NO	NO	54	STATE	FIREFIGHTER	$ 38,875	$1,236	HERNIATED NUCLEUS PULPSUS LY-5 RIGHT, TRAUMATIC HERNIATED NUCLEUS PULPOSUS
ORD.	NO	NO	52	POLI SUB	FACILITIES MANAGER	$ 39,856	$545	CVA
ORD.	YES	NO	55	POLI SUB	ATTENDANCE CLERK	$ 18,185	$464	CHF/CERVICAL & LUMBAR HNP
ORD.	YES	NO	44	TEACHER	TEACHER	$ 52,290	$1,159	OVARIAN CANCER/ SECONDARY MALIGNANT NEOPLASM DIGESTIVE ORGAN
ORD.	NO	NO	59	STATE	AREA SPECIALIST 2	$ 35,074	$511	LOW BACK RADICULOPATHY, CERVICAL PAIN
ORD.	NO	YES	56	TEACHER	TEACHER ASSISTANT	$ 12,583	$216	CERVICAL FACET SYNDROME/CERVICALGIA & TRAPEZIUS MUSCLE SPASM
ORD.	NO	NO	49	POL SUB	PROBATION OFFICER	$ 28,275	$668	BIPOLAR DISORDER
ORD.	NO	NO	52	STATE	CORRECTIONS OFFICER	$ 35,701	$1,004	ANXIETY/ DEPRESSION/ PANIC ATTACKS

APPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	AFC	MO. BEN.	DISABILITY SUMMARY
ORD.	NO	NO	48	TEACHER	TEACHER	$ 64,790	$1,516	CHRONIC RENAL FAILURE, END-STAGE RENAL DISEASE.
ORD.	NO	NO	57	STATE	CUSTODIAL WORKER 1	$ 22,948	$562	UNCONTROLLED DM, DIABETIC NEUROPATHY, HTN AND GASTROPARESIS
ORD.	NO	NO	33	STATE	ADMIN SECRETAR Y	$ 27,197	$631	LOSS OF VISION/ SARCOID UVEITIS & SECONDARY CATARACT
ORD.	NO	NO	46	TEACHER	TEACHER	$ 46,252	$ 1,006	METASTATIC APPENDIX CANCER
ORD.	YES	NO	50	POL SUB	EMT	$ 50,052	$1,527	MS/ UNSTEADY GAIT/ POOR VISION
ORD.	NO	NO	56	STATE	FACULTY	$ 49,827	$671	Brown Sequad upper extremidy bilateral weakness and bowel problems
ORD.	NO	YES	40	POL SUB	FIRE CAPTAIN	$ 41,806	$987	LUMBAR WOUND INCISION AND DRAINAGE, REVISION LUMBAR FUSION
ORD.	NO	NO	56	POL SUB	TEACHER AID	n/a	n/a	DIABETES MELLITUS WITH NEUROPATHY/ CAD/ SLEEP APNEA

APPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	AFC	MO. BEN.	DISABILITY SUMMARY
ORD.	NO	NO	54	STATE	HWY RESP OPERATOR 2	$ 44,333	$920	ISCHEMIC STROKES, WEAKNESS
ORD.	NO	NO	57	STATE	SANITATAIO N WORKER	$ 30,276	$635	DX CHRONIC NEUTOPATHIC PAIN,RENAL FAILURE DIVERTICULITIS WITH PARTIAL COLECTOMY
SS-INACT.	YES	NO	34	POL SUB	MAINTENAN CE	$ 12,976	$322	DIABETES/ CHRONIC HEP C/ MAJOR DEPRESSION/ OBSESSIVE DISORDER
ORD.	YES	YES	50	STATE	HABILITATI ON THERAPIST	$ 39,469	$1,262	LEFT BREAST CANCER, INTRADUCTAL CARCINOMA IN SITE OF LEFT BREAST
INACT.	NO	NO	52	STATE	PRIVATE DUTY NURSING	$ 22,330	$198	CAD S/P CABG, HTN ALONG WITH MULTIPLE OTHER DIAGNOSIS.
ORD.	YES	NO	49	STATE	TROOPER	$ 58,041	$1,287	CHRONIC PTSD, MAJOR DEPRESSIVE DISORDER, SINGLE EPISODE & MARITAL DISCORD.
ORD.	YES	NO	46	TEACHER	TEACHER	$ 42,546	$1,026	MORBID OBESITY/ PERIPHERAL NEUROPATHY/ DEPRESSION
INACT.	NO	NO	53	STATE	VEHICLE OPERATOR	$ 23,671	$456	BACK/ LEG PAIN NERVE DAMAGE

APPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

TYPE	RE-E	RE-C	AGE	EMPLOYER	POSITION	AFC	MO. BEN.	DISABILITY SUMMARY
ORD.	YES	NO	49	STATE	SECURITY OFFICER	$ 24,394	$514	POLYCYSTIC KIDNEY DISEASE
SS-ORD	NO	NO	51	TEACHER	TEACHER	$ 41,737	$986	CHRONIC BACK PAIN/ PTSD/ MAJOR DEPRESSION W/ PSYCHOTIC FEATURES
SS-ORD	NO	NO	49	STATE	Account Tech II	$ 32,491	$767	G/P STROKE WITH DYSARTHIA, L HEMIPARESIS, CHF,HTN, CARDIOMYOPATHY
ORD.	YES	NO	49	STATE	SECRETARY	$ 22,598	$462	COPD & OXYGEN DEPENDANT/ PNEUMONIA

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DISAPPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

Type	Re-C	Age	Employer	Employer-Generic	Position	Yrs.Srv.	Dis-Sum1	Reason Denied
ORD.	NO	46	DICKSON COUNTY BOARD OF EDUCATION	TEACHER	Teacher	6	FIBROMYALGIA, CHRONIC FATIGUE SYNDROME & IDIOPATHIC PERIPHERAL NEUROPATHY	LIMITED TO SEDENTARY WORK.
INACT.	NO	41	WEST TN HOMES	STATE	HAB TECH	17	DDD/ C5/C6 NEUROPATHY/	CAPABLE OF PERFORMING LIGHT WORK
ORD.	NO	54	SMITH CO. HWY DEPT.	POL SUB	HEAVY EQUIP OPERATOR	15	FAILED BACK SURGERY/ CHRONIC LUMBAR RADICULOPATHY/ CHRONIC PAIN	LIMITED TO SEDENTARY WORK
ORD.	NO	51	CORRECTIONS	STATE	CORRECTIONS OFFICER	15	MAJOR DEPRESSION, PTSD	CAPABLE OF SENDENTARY WORK
ORD.	NO	53	COLLEGEDALE CITY OF	POL SUB	MACHINE OPERATOR	10	LUMBAR RADICULOPATHY, LUMBAR SPONDYLOSIS, R/ TROCH BURSITIS, LUMBAR DDD	CAPABLE OF SEDETARY WORK
ORD.	NO	52	CLARKSVILLE MONTGOMERY SCHOOLS	POL SUB	FOOD SERVICE	15	OSTEOARTHRITIS IN UPPER AND LOWER EXTREMETIES	LIGHT TO SEDENTARY WORK
ORD.	NO	33	CORRECTIONS	STATE	SERGEANT	6	PTSD	CAPABLE OF SEDENTARY WORK.
ORD.	YES	40	HUMAN SERVICES	STATE	ELEGIBILITY COUNSELOR	13	DDD C SPINE, HYPERSOMINOLENCE CHRONIC PAIN , HTN, PHYCHIATRIC ISSUES.	CAPABLE OF SEDENTARY WORK
ORD.	YES	51	GREEN VALLEY DEV. CENTER	POL SUB	DIRECT CARE TECH	22	LUNBAR DJD/ RT. LEG RADICULOPATHY/ OBESITY/ HTN	LIMITED TO SEDENTARY WORK
ORD.	NO	48	CITY OF COOKVILLE	POL SUB	FIREFIGHTER	16	MVA/ LEG AMPUTATION/ DEPRESSION/ ANXIETY/ PTSD	LACK OF MEDICAL EVIDENCE

DISAPPROVED FOR DISABILITY
FOURTH QUARTER
2017-2018

Type	Re-C	Age	Employer	Employer-Generic	Position	Yrs.Srv.	Dis-Sum1	Reason Denied
ORD.	NO	58	WASHINGTON CO. SCHOOLS	TEACHER	TEACHER	20	CHEMICAL SENSITIVITY/ PNEUMONITIS	CAPABLE OF SEDENTARY WORK
ORD.	NO	49	DEPARTMENT OF CHILDRENS SERVICES	STATE	CASE MANAGER	9	CHRONIC ANXIETY/ DEPRESSION/ PANIC DISORDER/ SLE/ CARPAL TUNNEL SYNDROME	LIMITED TO SEDENTARY WORK
ORD.	NO	51	RUTHERFORD CO.	POL SUB	SERGANT	22	PTSD/ DEPRESSION/ INSOMNIA	LIMITED TO LIGHT WORK
ORD.	NO	41	CONSERVATION	STATE	ACCOUNT CLERK	17	ANXIETY	LIMITED TO SEDENTARY WORK
ACC.	NO	52	TDOT	STATE	OP. TECH 2	4	LUMBAR FUSION SURGERY/LOW BACK PAIN	LIMITED TO LIGHT TO SEDENTARY WORK
ORD.	YES	49	HUMAN SERVICES	STATE	CHILDCARE SPEC	8	MODERATE RESTRICTIVE LUNG DISEASE/ CERVICAL DISC DISORDER W/ RADICULOPATHY	LIMITED TO LIGHT SEDENTARY WORK

FINANCIAL STATEMENTS

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TENNESSEE RETIREE GROUP TRUST
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018

ASSETS		
Cash and cash equivalents	$	633,630,577.20
Cash collateral for securities on loan		5,512,015,430.00
Receivables		
Investment income receivable		169,747,991.82
Derivative instruments receivable		58,077,214.04
Investments sold		114,398,857.56
Total receivables		342,224,063.42
Investments at fair value		
Government securities		9,746,782,259.94
Corporate securities		5,734,562,694.79
Corporate stocks		25,028,878,184.97
Strategic lending		2,253,657,864.84
Private equities		2,675,077,005.60
Real estate		3,859,670,357.51
Total investments		49,298,628,367.65
TOTAL ASSETS		55,786,498,438.27
LIABILITIES AND NET POSITION		
LIABILITIES		
Investments purchased		477,727,412.76
Other investments payables		17,863,848.90
Derivative instrument payable		57,845,016.26
Cash collateral for securities on loan		5,512,015,430.00
TOTAL LIABILITIES		6,065,451,707.92
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$	49,721,046,730.35

See Accompanying Notes to the Financial Statements

UNAUDITED

TENNESSEE RETIREE GROUP TRUST
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED JUNE 30, 2018

OPERATIONS

INVESTMENT INCOME	
Net appreciation in fair value of investments	$ 2,680,349,567.01
Income on securities	1,246,698,106.26
Total investment income	3,927,047,673.27
Less: investment expense	114,844,899.44
Net income (loss) from investing activities	3,812,202,773.83
Securities lending activities	
Securities lending income	101,917,277.86
Less: securities lending expense	64,761,826.66
Net income from securities lending activities	37,155,451.20
NET INVESTMENT INCOME	3,849,358,225.03
CAPITAL SHARE TRANSACTIONS	
Net shares sold	1,433,771,894.17
Net shares redeemed	2,568,056,198.07
TOTAL INCREASE FROM CAPITAL SHARE TRANSACTIONS	(1,134,284,303.90)
NET INCREASE IN FIDUCIARY NET POSITION	2,715,073,921.13
NET POSITION RESTRICTED FOR PARTICIPANTS	
NET POSITION, BEGINNING OF PERIOD	47,005,972,809.22
NET POSITION, END OF PERIOD	$ 49,721,046,730.35

See Accompanying Notes to the Financial Statements

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Tennessee Retiree Group Trust
Notes to Financial Statements
June 30, 2018

A: Summary of Significant Accounting Policies

Reporting entity: The Tennessee Retiree Group Trust (TRGT) is an external investment pool sponsored by the State of Tennessee. The external portion of the TRGT consists of funds belonging to entities outside of the State of Tennessee Financial Reporting Entity, and has been included as a separate investment trust fund in the *Tennessee Comprehensive Annual Financial Report.* The internal portion, consisting of funds belonging to the State and its component units, has been included in the various participating funds and component units in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Cash and cash equivalents: Cash and cash equivalents includes cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included as cash. Cash received that cannot be immediately invested in securities, or that is needed for operations, is invested in either the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer or in the State Street Government Money Market Fund, a short-term, open-end mutual fund under the contractual arrangement for master custody services.

Method used to report investments and participant shares: The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

The fair value of assets of the TRGT held at March 31, 2018 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants

B: Deposits and Investments

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated* (TCA) Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts,

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custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as "Retirement Assets"). The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. That policy allows the Trust to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the trust.

b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the trust.

c. Within the restrictions in (a) and (b) above, fifteen percent (15 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries. However upon action of the TCRS Board of Trustees with subsequent approval by the Council on Pensions and Insurance, limit has been authorized at an amount not to exceed twenty-five percent (25 percent).

d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.

e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.

f. The total sum invested in alternative assets shall not exceed forty percent (40 percent) of the market value of total assets.

State statute also authorizes the TRGT to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed ten percent (10 percent) of the market value of the TRGT's total assets. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

Investment policy: The TRGT investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TRGT. The investment policy may be amended by the Board. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS.

Securities Lending: The TRGT is authorized to engage in securities lending agreements by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives collateral as either cash or securities. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral. Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%)

of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested. Cash Collateral is held in the TRGT name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TRGT.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. Our securities lending agent manages the average maturities of securities on loan against the average maturities of securities on collateral invested. The maturity gap has a limit of 33 days. This is monitored by investment staff on a periodic basis to ensure compliance.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. At June 30, 2018, the TRGT had market value of securities on loan totaling $5,399,600,047 and received $5,512,015,430 in collateral.

The TRGT has the ability to sell the collateral securities only in the case of a borrower default.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality distribution for the TRGT's investments in fixed income securities at year end is included in the schedule below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

TRGT's investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

As noted below, the TRGT does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the State of Tennessee Treasurer's Report. That report is available on the state's website at *http://www.tn.gov/treasury/.*

Interest Rate Risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The investment policy for the TRGT states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price.

Asset-Backed Securities: The TRGT invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment policy limits the asset allocation for international investments to twenty-five percent of total assets.

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***Custodial Credit Risk*:** Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. At June 30, 2018 the TRGT had uninsured and uncollateralized cash deposits of foreign currency held by our master custodian, State Street Bank, in State Street's name. These deposits were used for investments pending settlement.

Derivatives:

Futures - The TRGT may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on futures hedge losses (gains) produced by any deviation from the TRGT target allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date.

Foreign Currency Forward Contracts - The international securities expose the TRGT to potential losses due to a possible rise in the value of the US dollar. The TRGT investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. Foreign currency forward contracts expose the TRGT to foreign currency risk as they are denominated in foreign currency. Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

Mortgages - The TRGT is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TRGT enters into agreements to purchase pools of mortgage backed securities prior to the actual security being identified. The TRGT will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for the mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable. The TRGT invests in these derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

Options - The TRGT is authorized to enter into option contracts and any income earned on option contracts has been included in investment income in the financial statements.

The fair values of foreign currency forward contracts are estimated based on the present value of their estimated future cash flows. Futures, Options and TBA mortgage backed securities are exchange traded and their price is based on quoted market prices at year end. It is the TRGT policy to conduct derivative transactions through the custodian bank and high quality money center banks or brokerage firms. The credit risk of foreign currency forward contracts is managed by limiting the term of the forward contracts and restricting the trading to high quality banks. The credit risk of futures contracts is managed by maintaining a daily variation margin.

Alternative Investments: The TRGT has investments in strategic lending, private equity funds and real estate. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. Title to real property invested in by TRGT is held by real estate investment holding companies.

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Commitments:

Standby Commercial Paper Purchase Agreement: The TRGT has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TRGT receives an annual fee of 25 basis points on the $350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TRGT would be called upon to purchase the commercial paper, the TRGT would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

Alternative Investments: The TRGT had unfunded commitments in private equity, strategic lending, and real estate commitments at year end.

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TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018

ASSETS	
Cash and Cash Equivalents	**$24,670,476.26**
Cash collateral for securities on loan	**$5,506,029,183.73**
Receivables	
Member receivable	**36,408,544.99**
Employer receivable	**84,975,670.15**
Total receivables	**121,384,215.14**
Investments, at fair value	
Tennessee Retiree Group Trust	**49,585,608,675.62**
Capital Assets (net)	**20,606,232.23**
TOTAL ASSETS	**55,258,298,782.98**
LIABILITIES	
Death benefits and refunds payable	**4,505,303.84**
Federal withholding payable	**16,099,699.27**
Retiree insurance premium payable	**9,050,786.76**
Other	**22,374.56**
Cash collateral for securities on loan	**5,506,029,183.73**
TOTAL LIABILITIES	**5,535,707,348.16**
NET POSITION RESTRICTED FOR PENSIONS	**$49,722,591,434.82**

See Accompanying Notes to the Financial Statements

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TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE PERIOD ENDED JUNE 30, 2018

ADDITIONS	
Contributions	
Member contributions	**$341,430,171.79**
Employer contributions	**1,092,454,197.73**
Other contributions	**2,604,190.68**
Total contributions	**1,436,488,560.20**
Investment income	
Total investment income	**3,879,465,674.81**
Less: Investment expense	**(62,273,777.07)**
Net income (loss) from investing activities	**3,817,191,897.74**
Securities lending activities	
Securities lending income	**101,639,315.59**
Less: securities lending expense	**(64,585,199.65)**
Net income from securities lending activities	**37,054,115.94**
Net investment income	**3,854,246,013.68**
TOTAL ADDITIONS	**5,290,734,573.88**
DEDUCTIONS	
Annuity benefits	**2,514,935,060.42**
Death benefits	**5,368,116.51**
Refunds	**41,159,512.60**
Administrative expenses	**20,932,086.93**
TOTAL DEDUCTIONS	**2,582,394,776.46**
NET INCREASE	**2,708,339,797.42**
NET POSITION RESTRICTED FOR PENSIONS	
BEGINNING OF YEAR	**$47,014,251,637.40**
END OF PERIOD	**$49,722,591,434.82**

See Accompanying Notes to the Financial Statements

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Tennessee Consolidated Retirement System
Notes to Financial Statements
June 30, 2018

The Tennessee Consolidated Retirement System (TCRS) is a public employee retirement system comprised of defined benefit pension plans covering Tennessee state employees, employees of the state's higher education systems, teachers, and employees of political subdivisions in Tennessee. The TCRS was established in 1972 by a statutory enactment of the Tennessee General Assembly. The provisions of the TCRS are codified in *Tennessee Code Annotated* Title 8, Chapters 34-37. In accordance with Tennessee Code Annotated Title 8, Chapter 34, Section 202, all funds invested, securities, cash, and other property of the TCRS are held in trust and can be expended only for the purposes of the trust. Although the assets for all pension plans within the TCRS are commingled for investment purposes, the assets of each separate plan may legally be used only for the payment of benefits to the members of that plan and for its administration, in accordance with the terms of the plan.

A: Summary of Significant Accounting Policies

Reporting entity: The TCRS is included in the State of Tennessee financial reporting entity. Because of the state's fiduciary responsibility, the TCRS has been included as a pension trust fund in the *Tennessee Comprehensive Annual Financial Report*.

Measurement focus and basis of accounting: The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

Plan member and employer contributions are recognized in the period of time for which they are due, in accordance with legal provisions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Cash and cash equivalents: Cash and cash equivalents includes cash, short-term investments with a maturity date within three months of the acquisition date, cash management pools, and cash invested in a short-term, open-end mutual fund under the contractual arrangement for master custody services. Cash received by the TCRS, that cannot be invested immediately in securities or is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer.

Method used to value investments: Assets of the TCRS are invested in the Tennessee Retiree Group Trust (TRGT). As of June 30, 2018, the TCRS owns 99.73 percent of the investments in the TRGT. The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, the State had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

The fair value of assets of the TRGT held at June 30, 2018 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

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Capital assets: Capital assets consist of internally generated computer software, reported at historical cost less any applicable amortization. Capital assets are defined by the state as assets with an initial individual cost of $5,000 or more and an estimated useful life in excess of two years. The computer software was valued at $20.6 million at year end and is being amortized using the straight line method over the ten year estimated life of the system. The amortization expense for the current year was $3.7 million.

B: Plan Descriptions

Plan administration: The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS.

At June 30, 2018, there were three defined benefit pension plans within the TCRS. The Public Employee Retirement Plan is an agent, multiple-employer defined benefit pension plan for state government employees and for political subdivisions electing to participate in the TCRS. The Teacher Legacy Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan for teachers of local education agencies (LEAs). The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost sharing, multiple employer defined benefit pension plan.

The general administration and responsibility for proper operation of the TCRS plans are vested in a 20 member Board of Trustees, consisting of 18 voting members and two non-voting members. The Board has nine ex-officio members, two of whom are non-voting. The seven voting ex-officio members are the State Treasurer, Secretary of State, Comptroller of the Treasury, Commissioner of Finance and Administration, Commissioner of Human Resources, Director of the TCRS, and the Administrative Director of the Courts. The two non-voting ex-officio members are the chair and vice-chair of the Legislative Council on Pensions and Insurance.

Three active teacher members, one from each grand division of the state, and a retired teacher member are selected for three year terms by the Speaker of the House of Representatives and the Speaker of the Senate. Two active state employee members, who are from departments other than those represented by ex-officio members, are elected by state employees for three year terms. A board member is appointed for a two year term by each of the following organizations: Tennessee County Services, Tennessee Municipal League, and the Tennessee County Officials Association. Two members, a public safety employee and a retired state employee, are appointed by the Governor for two year terms. All members must be vested members of the TCRS, except for ex-officio members.

Benefits provided: The TCRS provides retirement, disability, and death benefits. The benefits of the TCRS are established by state law (Tennessee Code Annotated, Title 8, Chapters 34-37). In general, the benefits may be amended prospectively by the General Assembly for employees becoming members of the TCRS after June 30, 2014. Amendments of benefits for employees becoming members before July 1, 2014 can be restricted by precedent established by the Tennessee Supreme Court.

Teacher Legacy Pension Plan

Members of the Teacher Legacy Pension Plan are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change

in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

Teacher Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. The Teacher Retirement Plan includes provisions to control employer contributions and unfunded liabilities. As such, plan provisions are automatically changed when employer contributions and unfunded liabilities exceed statutory limits.

Public Employee Retirement Plan

For state employees, there are two major tiers of benefits and eligibility requirements. State employees becoming members before July 1, 2014 are eligible to retire at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. State employees becoming members after June 30, 2014 are eligible to retire at age 65 with five years of service or pursuant to the rule of 90 where age and years of service total 90. Plan members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees that include state judges, elected members of the general assembly, and public safety officers which have different benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the state employee membership.

For political subdivision employees, there are various tiers of benefits and eligibility requirements. Each political subdivision adopts the benefit structure that the entity provides to its employees. Unreduced service retirement benefits are determined using a multiplier of the member's highest 5 consecutive year average compensation multiplied by the member's years of service credit. Plan members are eligible for service related disability benefits regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. If adopted as a benefit provision by the political subdivision, member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. There are additional classes of employees, local judges, elected officials, and public safety officers, which may have different

benefit structures and eligibility requirements. These classifications represent an immaterial percentage of the political subdivisions' membership.

Contributions: Pursuant to *Tennessee Code Annotated* Title 8, Chapter 37, the Board of Trustees adopted an actuarially determined contribution (ADC) for each participating employer, as recommended by an independent actuary following an actuarial valuation.

For the Teacher Legacy Pension Plan, LEAs are required by statute to contribute the ADC. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the year ended June 30, 2017, the required ADC for LEAs was 9.08 percent of covered-employee payroll.

For the Teacher Retirement Plan, LEAs are required by statute to contribute greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, the unfunded accrued liability, and the cost of administration. Teachers are required by statute to contribute 5 percent of salary. For the year ended June 30, 2017, the required ADC for LEAs was 1.63 percent of covered-employee payroll while actual contributions were 4 percent of covered-employee payroll.

For the Public Employee Retirement Plan, each governmental entity is required by statute to contribute the ADC except that the contribution rate for state employees hired after June 30, 2014 is the greater of the ADC or 4 percent. The ADC is the estimated amount necessary to finance the costs of benefits earned by plan members during the plan year, the unfunded accrued liability, and the cost of administration. For the year ended June 30, 2018, the required ADC varied for each participating employer, with approximately ninety-six percent of all employer rates less than twenty (20) percent and contributions from these same employers accounting for over ninety percent of the contributions for this plan. By statute, state employees hired before July 1, 2014 are noncontributory while employees hired after June 30, 2014 contribute 5 percent of salary. As adopted by the governmental entity, political subdivision employees may be noncontributory, contribute 2.5 percent of salary, or contribute 5 percent of salary.

Reserves: The statute governing the Teacher Retirement Plan and certain employers in the Public Employee Retirement Plan provide for a minimum employer contribution rate of 4 percent. The statute further provides that the amount of the employer contributions in excess of the actuarially determined contribution rate is deposited into a stabilization reserve for each plan. The statute may be amended by the Tennessee General Assembly. Assets in the stabilization reserve are commingled for investment purposes and receive a pro rata share of investment earnings. The amount in the stabilization reserve is not considered in calculating the actuarially determined employer contribution rate for each plan. The statute provides that the assets in the stabilization reserve will be utilized should the actuarially determined contribution rate exceed 4 percent. In such case, the required employer contribution in excess of 4 percent will be transferred from the stabilization reserve to the account of the Teachers Retirement Plan or certain Public Employee Retirement Plan employers. By statute, the Board of Trustees may adopt a policy to suspend the deposits into the stabilization reserve in any given year when the stabilization reserve reaches a certain level that is determined by the Board. If deposits are suspended, then the employer contribution will be the actuarially determined contribution rate for that year rather than the higher 4 percent. The Board has not adopted a policy at this time. At June 30, 2018, there was $51,563,464 in the stabilization reserve on behalf of the Teachers Retirement Plan and $47,399,831 in the various stabilization reserves on behalf of the Public Employee Retirement Plan.

C: Deposits and Investments

Statutory Authority: The Tennessee Retiree Group Trust (TRGT) was established in 2015 by a statutory enactment of the Tennessee General Assembly. The provisions of the TRGT are codified in *Tennessee Code Annotated* (TCA) Title 8, Chapters 34-37. Pursuant to this statute the Tennessee Consolidated Retirement System (TCRS) and its board of directors with the State Treasurer (Treasurer) as custodian, authorized by TCA 8-37-104 adopted this group trust for the purpose of pooling funds of TRGT with other assets in the custody of the Treasurer, solely for investment purposes. The assets invested consist exclusively of assets of exempt pension and profit sharing trusts and individual retirement accounts, custodial accounts, retirement income accounts, governmental plans and tax-exempt trusts under the Internal Revenue Code of 1986 and Rev. Rul. 81-100, as modified by Rev. Ruls. 2004-67, 2008-40 and 2011-1 (referred to herein as "Retirement Assets").

The Custodian shall be responsible for the managing and directing the investment of the Group Trust Funds in the same manner as it invests funds of the TCRS. As of June 30, 2018, the TCRS owns 99.73 percent of the investments in the TRGT.

The TRGT is authorized to invest in securities in accordance with the investment policy of the TCRS. That policy allows the Trust to invest in bonds, debentures, preferred stock and common stock, real estate and in other good and solvent securities subject to the approval of the Board of Trustees, but further subject to the following statutory restrictions and provisions:

a. The total sum invested in common and preferred stocks shall not exceed seventy-five percent (75 percent) of the total of the funds of the trust.

b. The total sum invested in notes and bonds or other fixed income securities exceeding one year in maturity shall not exceed seventy-five percent (75 percent) of the total funds of the trust.

c. Within the restrictions in (a) and (b) above, an amount not to exceed twenty-five percent (25 percent) of the total of the funds of the retirement system may be invested in securities of the same kinds, classes, and investment grades as those otherwise eligible for investment in various approved foreign countries, provided that such percentage may be increased by the board with the subsequent approval of the council on pensions and insurance.

d. Within the restrictions in (a) and (b) above, funds may be invested in Canadian securities which are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment.

e. The total amount of securities loaned under a securities lending program cannot exceed thirty percent (30 percent) of total assets.

f. The total sum invested in real estate shall not exceed ten percent (10 percent) of the market value of total assets.

g. The total sum invested in private equities shall not exceed ten percent (10 percent) of the market value of total assets.

State statute also authorizes the TRGT to invest in forward contracts to hedge its foreign currency exposure and to purchase or sell domestic equity index futures contracts for the purpose of asset allocation relating to the domestic equity portfolio. The total amount of the financial futures contract obligation shall not exceed ten percent (10 percent) of the market value of the TRGT's total assets. Gross exposure to approved fixed income financial instruments will be limited to ten percent (10 percent) of the market value of the Trust's total assets for risk mitigating positions and 10 percent (10 percent) for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.

Investment policy: The TRGT investment authority is established pursuant to Tennessee Code Annotated Title 8, Chapter 37. The statute provides the Board of Trustees with the responsibility to establish the investment policy of the TRGT. The investment policy may be amended by the Board. The TRGT assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the TCRS. The following was the Board's adopted asset allocation policy as of June 30, 2018:

Authorized Asset Class	Target Allocation
U.S. equity	31%
Canadian equity	2%
Developed market international equity	13%

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Emerging market international equity	4%
Private equity	7%
U.S. fixed income	25%
Strategic lending	7%
Real estate	10%
Short-term securities	1%
Total	100%

Securities Lending: The TRGT is authorized to invest in securities lending investments by TCA 8-37-104(a)(6) with the terms established in the investment policy whereby TRGT loans securities to brokers and dealers (borrower) and in turn, TRGT receives collateral as either cash or securities. TRGT pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Loans are limited to no more than thirty percent (30%) of the market value of the total assets in the TRGT portfolio and provided further that such loans are secured by collateral. Securities received as collateral hereunder shall have a market value equal to at least one hundred two percent (102%) of the market value of the loaned domestic security or one hundred five percent (105%) of any foreign security. Cash received as collateral shall equal at least one hundred percent (100%) of the market value of the loaned securities and may be invested by or on behalf of the TRGT in any instrument the TRGT may be directly invested. Cash Collateral is held in the TRGT name and is not subject to custodial credit risk. During the year there were no violations of legal or contractual provisions by the TRGT.

The TRGT securities lending program is managed by a third party lending agent, Deutsche Bank AG. The TRGT may loan any debt or equity securities which is owned by TRGT. At June 30, 2018, the TRGT had market value of securities on loan totaling $5,521,087,022.00 and received $5,506,029,183.73 in collateral.

The TCRS has the ability to sell the collateral securities only in the case of a borrower default.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit quality distribution for the TRGT's investments in fixed income securities at year end is included in the schedule below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale. The State Pooled Investment Fund has not obtained a credit quality rating from a nationally recognized credit ratings agency.

TRGT's investment policy specifies that bond issues subject for purchase are investment grade bonds rated by one of the Nationally Recognized Statistical Rating Organizations (NRSROs). There is no requirement to divest an asset if it is downgraded after purchase. For short-term investments, the investment policy provides for the purchase of only the highest quality debt issues. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper, with a minimum of two ratings required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. The investment policy also requires preparation of a credit analysis report on the corporation prior to purchasing commercial paper.

As noted below, the TRGT does not utilize its own bank accounts but invests in the State Pooled Investment Fund for its operating cash purposes. Required risk disclosures relative to the State Pooled Investment Fund are presented in the State of Tennessee Treasurer's Report. That report is available on the state's website at *http://www.tn.gov/treasury/.*

Interest Rate Risk: Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes. The investment policy for the TRGT states that the maturity of its debt securities may range from short-term instruments, including investments in the State Pooled Investment Fund, to long-term bonds, with consideration of liquidity needs. However, the policy does not specifically address limits on investment maturities. Duration is a measure of a debt investment's exposure

to fair value changes arising from changing interest rates. It uses the present value of cash flows weighted for those cash flows as a percentage of the investment's full price.

Asset-Backed Securities: The TRGT invests in various collateralized mortgage obligations (CMOs) which are mortgage-backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages and could therefore be more sensitive to prepayments by mortgagees as a result of a decline in interest rates.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The investment policy limits the asset allocation for international investments to twenty-five percent of total assets.

***Custodial Credit Risk*:** Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the TRGT deposits may not be returned to TRGT. The TRGT does not have an explicit policy with regards to Custodial Credit Risk for deposits. At June 30, 2018, the TRGT had uninsured and uncollateralized cash deposits of foreign currency held by our master custodian, State Street Bank, in State Street's name. These deposits were used for investments pending settlement.

Derivatives:

Futures - The TRGT may buy or sell fixed income and equity index futures contracts for the purposes of making asset allocation changes in an efficient and cost effective manner and to improve liquidity. Gains (losses) on futures hedge losses (gains) produced by any deviation from the TRGT target allocation. The gains and losses resulting from daily fluctuations in the fair value of the outstanding futures contract are settled daily, on the following day, and a receivable or payable is established for any unsettled gain or loss as of the financial statement date. As of June 30, 2018, the TRGT was under contract for fixed income and equity index futures and the resulting payable is reflected in the financial statements at fair value.

Foreign Currency Forward Contracts - The international securities expose the TRGT to potential losses due to a possible rise in the value of the US dollar. The TRGT investment managers can reduce foreign currency exposure by selling foreign currency forward contracts, at agreed terms and for future settlement, usually within a year. The manager will reverse the contract by buying the foreign currency before the settlement date. A gain (loss) on this transaction pair will hedge a loss (gain) on the currency movement of the international security. The TRGT can sell up to 80% of its foreign currency exposure into US dollars. Foreign currency forward contracts expose the TCRS to foreign currency risk as they are denominated in foreign currency.
Any unrealized gain on foreign currency forward contracts has been reflected in the financial statements as an investment. The notional amount of the foreign currency forward contracts has been reflected in the financial statements as a receivable and a payable. Any unrealized loss on foreign currency forward contracts has been included in the payable established for the contracts.

Mortgages - The TRGT is authorized to invest in To Be Announced (TBA) mortgage backed securities similar to the foreign currency forward contracts. The TRGT enters into agreements to purchase pools of mortgage backed securities prior to the actual security being identified. The TRGT will roll this agreement prior to settlement date to avoid taking delivery of the security. Any unrealized gain on TBA mortgage backed securities has been reflected in the financial statements as an investment. Any unrealized loss on TBA mortgage backed securities has been included in the payable established for the mortgages. The notional amounts of these agreements have been included in the financial statements as a receivable and a payable. The TRGT invests in these derivatives to adjust its exposure to mortgage coupon risk and to replicate the return on mortgage backed securities portfolios without actually purchasing the security.

Options - The TRGT is authorized to enter into option contracts and any income earned on option contracts has been included in investment income in the financial statements.

The fair values of foreign currency forward contracts are estimated based on the present value of their estimated future cash flows. Futures, Options and TBA mortgage backed securities are exchange traded and their price is based on quoted market prices. It is the TRGT policy to conduct derivative transactions through the custodian bank and high quality money center banks or brokerage firms. The credit risk of foreign currency forward contracts is managed by limiting the term of the forward contracts and restricting the trading to high quality banks. The credit risk of futures contracts is managed by maintaining a daily variation margin.

Alternative Investments: The TRGT has investments in strategic lending, private equity funds and real estate. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. Title to real property invested in by TRGT is held by real estate investment holding companies.

Commitments:

Standby Commercial Paper Purchase Agreement: The TRGT has agreed to serve as standby commercial paper purchaser for commercial paper issued by the Funding Board of the State of Tennessee. By serving as a standby commercial paper purchaser, the TRGT receives an annual fee of 25 basis points on the $350 million maximum issuance under this agreement during times when both Moody's and Standard and Poor's investment ratings assigned to the State of Tennessee's general obligation bonds are Aaa and AAA respectively, 40 basis points during times when either Moody's or Standard and Poor's has assigned ratings of Aa and AA respectively, or 55 basis points during times when either Moody's or Standard and Poor's has assigned ratings lower than Aa and AA respectively. In the unlikely event that the TRGT would be called upon to purchase the commercial paper, the TRGT would receive interest at a rate equal to prime plus 75 basis points during the first 30 consecutive days, plus an additional 50 basis points for each consecutive 30 days thereafter, up to a maximum rate allowed by state law.

Alternative Investments: The TRGT had unfunded commitments in private equity, strategic lending, and real estate commitments at June 30, 2018.