Minutes of the Meeting of the Investment Committee
February 14, 2019

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on February 14, 2019 in the State Capitol. 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; Bill Kemp, Sumner County Clerk; Bob Wormsley, President/CEO of Local Government Insurance Pool. Additional attendees included: Lauren Topping, Assistant General Counsel; William Wood, Comptroller's Office; Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Daniel Crews, Director of Private Equity; JP Rachmaninoff, Director of Real Estate; Jeff Dunn, Senior Portfolio Manager; Grant Leslie, Senior Portfolio Manager; Matthew Haitas, Senior Portfolio Manager; Jennifer Selliers, Director of Internal Compliance; Heather Iverson, Assistant General Counsel; Stephen Wright, Senior Real Estate Analyst; Austin Monsrud, Junior Investment Analyst.

Treasurer Lillard began the meeting by asking Mr. Matt Haitas to present a real estate transaction for approval.

Mr. Matt Haitas recommended a $100 million commitment to Exeter Core Industrial Fund III. Mr. Haitas noted that Exeter is an existing relationship for TCRS, having invested in Fund II of this strategy along with Exeter Industrial Value Funds III and IV, a relationship the real estate team would like to continue. The strong performance of industrial real estate has provided tailwinds in recent years for Exeter, which specializes in industrial investments. With offices in each of the fourteen markets the firm focuses on, Exeter generates a significant amount of proprietary deal flow leading to attractive return expectations.

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

The Treasurer then asked Mr. Daniel Crews to present a private equity transaction for approval. Mr. Crews recommended a $125 million commitment to Harvest Partners VIII. He stated that during a review of the private equity portfolio with TCRS consultant TorreyCove, Harvest Partners was selected as an ideal fit for the program. Two years later, the private equity team has been given the opportunity to partner with the firm. Harvest seeks stable businesses with high quality revenue streams and management teams. The strategy has been a top quartile performer and brandishes a low loss ratio. The firm specializes in the business services, healthcare, and industrial sectors, which would help diversify the private equity portfolio.

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

Mr. Grant Leslie then presented another private equity transaction for approval. Mr. Leslie proposed a $150 million commitment to Trident Fund VIII. This is an existing relationship for TCRS, having committed to fund VI in 2014 and VII in 2016. Mr. Leslie stated that Stone Point, the general partner, has executed the same strategy in the financial sector for the past twenty years and has exhibited a low loss ratio even through tough times such as the financial crisis. Mr. Michael Brakebill further explained the diversification benefits of investing with sector specialists.

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

Mr. Grant Leslie then notified the Investment Committee of a potential co-investment platform to be proposed at a later date. The platform would outsource diligence to a third party and allow for TCRS to invest more with current managers in deals with a lower fee burden. Mr. Brakebill added this is an evolution

of the alternative investment program as the portfolios become more sophisticated. Mr. Derrick Dagnan also noted that co-investment has been offered across all three of the TCRS alternative portfolios; however, there is no solution in place to access the opportunities at the individual deal level.

Treasurer Lillard asked Mr. Grant Leslie about the increased discretion and monitoring of investments that would be in this portfolio. Mr. Leslie stated staff would be able to put controls in place including limits on specific exposures or potential veto rights. Mr. Crews added that TCRS could implement guidelines much like how separately managed accounts are structured, which would be able to be revised over time. Treasurer Lillard stated he is looking forward to learning more about the opportunity when diligence has concluded.

The Treasurer then called on Mr. Michael Brakebill to review the TCRS portfolio and current state of the financial markets. Mr. Brakebill highlighted private equities 23% return for calendar year 2018 as well as the long term performance numbers. He stated while the total fund performance for the quarter was poor on an absolute basis, relatively it outperformed 70% of peers. Following the equity market selloff in the quarter, staff purchased stocks in December and January. As the markets recovered, this asset allocation decision helped increase the total plans value by $3.3 billion since the market bottomed. Mr. Brakebill also explained the denominator effect that alternative assets experience in volatile times as the public assets decline sharply in value, the private assets are typically only valued quarterly. The difference in this timing results in the alternative assets growing as a percent of total fund assets.

Seeing no further comments, Treasurer Lillard adjourned the meeting at 9:47 am.

Respectfully submitted,

/s/Michael Brakebill
Michael Brakebill
Chief Investment Officer

APPROVED:

/s/ David H. Lillard, Jr. 3.29.19
David H. Lillard, Jr. Chairman
TCRS Board of Trustees