

Minutes of the TCRS Board of Trustees Meeting on November 30, 2018

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, November 30, 2018 at 10:10 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 of the Treasury; Mr. Tre Hargett, Secretary of State; Ms. Deborah Tate, Administrative Director of the Courts; Mr. Michael Barker, Ms. Vicki Burton, Mr. Bill Kemp, Mr. Bob Wormsley, Mr. Paul Varble, Mr. Ed Taylor, Mr. Alfred Laney, Ms. Patsy Moore, and Mr. Kevin Fielden.

Announcements

Chairman Lillard mentioned Ms. Carrie Green from the investment division has been named Director of Equity for the Tennessee Department of Treasury. Chairman Lillard mentioned Ms. Green is the first woman to manage an asset class in the Treasury Department.

Chairman Lillard mentioned Ms. Jill Bachus will be retiring. Chairman Lillard mentioned Ms. Bachus served as Director of TCRS during her time and she retires with the rank of Assistant Treasurer of Financial Strategies and Analysis.

Approval of the September 28, 2018 Minutes of the Board of Trustees

On a motion by Comptroller Wilson and seconded by Mr. Barker, the minutes of the September 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 discussed Knox County Emergency Communications District participation into TCRS. Ms. Mary Beth Franklyn provided an update on employer participation. She also provided updates on various meetings held during the quarter. Ms. Erica Nale provided an update on operations in the retirement system. Ms. Nale mentioned the retirement applications increased by 14% from last year.

Chairman Lillard mentioned the audit committee did not meet.

Chairman Lillard reviewed the investment committee report. The investment committee approved several private equity transactions and real estate transaction. The committee received an overview from Mr. Michael Brakebill on the investment report.

Investment Report

Chairman Lillard called on Mr. Michael Brakebill to give an overview of the investment report. Mr. Brakebill reviewed the Verus Executive Summary Report, which showed the fund ended the first quarter of fiscal year 2019 with \$50.8 billion in assets. The TCRS portfolio returned 2.71% for the quarter, with small cap and domestic equities posting strong relative returns to their respective benchmarks. On an absolute basis, the international developed and emerging markets portfolios showed weakness compared to US stocks but continue to add value in relation to their benchmarks. Mr. Brakebill continued by mentioning that since the end of the quarter on the 30th of September, performance has been challenging due to the selloff in the equity markets.

Mr. Brakebill highlighted the strong recent and long term performance in private equity and real estate, both on a relative and absolute basis. Mr. Brakebill then discussed the negative impact of rising interest rates on returns in the fixed income portfolios and mentioned that Federal Reserve Chairperson Powell recently stated that the rate hike cycle may be slowing as the federal funds rate approaches neutrality. Investments staff will continue to monitor the interest rate environment and its impact on asset classes.

Political Subdivision Petitioning for Membership in TCRS

Chairman Lillard introduced Mr. Wayman to review political subdivision seeking participation into TCRS. Mr. Wayman reviewed the request for participation in TCRS for the Knox County Emergency Communications District. The Knox County Emergency Communications District have selected the hybrid plan without cost controls. The employer rate will be 1.06% and the employees will contribute 5%. The employer will pay \$1.4 million of their unfunded liability off prior to participation. The effective date of participation in TCRS is January 1, 2019.

On a motion by Mr. Wayman and seconded by Mr. Barker, the Board unanimously approved the requests for participation in TCRS for the Knox County Emergency Communications District.

Actuarial Valuation Presentation

Chairman Lillard introduced Mr. Justin Thacker from Findley to review the actuarial valuation presentation for the Legacy plan for state employees and teachers. Mr. Thacker noted the purpose of the actuarial valuation is to determine employer contribution rates for legacy pension plans and examine financial health of plan. He also mentioned that there is a separate process and reporting for GASB 67/68 information.

As determined by June 30, 2018 actuarial valuation, the employer contribution rates for the Legacy plan will be as follows: the contributory teachers rate will be 10.63%; the consolidated state rate will be 19.80%; and state judges and attorneys general will be 25.55%.

On a motion by Chairman Lillard and seconded by Mr. Barker, the Board unanimously approved the new employer contribution rates for the Legacy plan.

Other Business

Chairman Lillard announced future meetings.

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 Comptroller Wilson and seconded by Ms. Tate, the Board unanimously approved the TCRS Board of Trustees motion to adjourn.

With no other business, the Board of Trustees adjourned at 11:20 a.m. on November 30, 2018.

Respectfully Submitted,

**Jamie Wayman
Director, TCRS**

Approved:

**David H. Lillard, Jr.
Chairman of the Board**