

Minutes of the TCRS Board of Trustees meeting on March 23, 2018

The Board of Trustees of the Tennessee Consolidated Retirement System met on Friday, March 23, 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; Ms. Deborah Tate, Administrative Director of the Courts; Commissioner Rebecca Hunter, Department of Human Resources; Mr. Michael Barker, Mr. Bill Kemp, Mr. Harold Morrison, Mr. Bob Wormsley, Mr. Ken Wilber, Mr. Alfred Laney, Mr. Paul Varble, Mr. Ed Taylor and Ms. Patsy Moore.

Approval of the November 30, 2017 Minutes of the Board of Trustees

On a motion by Mr. Varble and seconded by Chairman Lillard, the minutes of the November 30, 2017 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 subdivisions seeking participation into TCRS. Mr. Wayman mentioned the committee was given an update from the Director of Employer Reporting and Customer Service related to the phone calls and services provided to members through meetings. Ms. Erica Nale provided an update on retirement operations. The administrative committee also received an update on legislation.

Chairman Lillard recognized Mr. Barker to review the audit committee report. Mr. Barker mentioned the committee approved minutes from the previous meeting. Mr. Earle Pierce provided reports on several different projects. He also provided the committee audit reports that have been successfully completed by internal audit. The committee reviewed four opinion letters from state audit but no findings were reported. Next the committee reviewed the private equity disclosure and the Comptroller hotline no submissions were reported. Mr. Barker mentioned the committee reviewed an article regarding internal audit. The audit committee recognized Ms. Jennifer Selliers promotion in the department.

Chairman Lillard provided the investment committee report. Chairman Lillard mentioned the committee approved two strategic lending transactions and a third transaction is under advisement for further consideration. Mr. Brakebill reviewed the investment performance and Verus executive summary performance report.

Investment Report

Chairman Lillard called on Mr. Michael Brakebill and Mrs. Margaret Jadallah of Verus Investments to give an overview of the Investment Report. Mrs. Jadallah reviewed the Verus Executive Summary Report, which showed the fund ended 2017 with just over \$50 billion in

assets under management. The review began by describing the key characteristics of 2017 within the markets which included globally synchronized growth, low inflation, and low equity market volatility. Mrs. Jadallah then stated the TCRS portfolio returned 16.27% for the year, beating its benchmark by 0.70% and significantly beating the actuarial rate of return. International Equities was the best performing portfolio for the plan, returning 29.47%.

Mr. Brakebill then discussed performance since the end of the year. TCRS assets had reached a value over \$52 billion, but have since fallen to \$49.5 billion, representing a 5% correction. Mr. Brakebill noted staff continues to see high valuations across the capital markets and have been assessing risk accordingly. Mr. Brakebill then highlighted that the 10-year annualized return figure of 6.32% outperformed 78% of peers.

Mr. Brakebill concluded by reviewing key initiatives for the year. This included continuing to deploy capital in to the alternative asset portfolios as they build toward their target allocations as well as the expiration of international equity manager contracts. Accordingly, manager selection and contract renewals are underway.

Political Subdivisions Petitioning for Membership in TCRS

Chairman Lillard introduced Mr. Wayman to review political subdivisions seeking participation into TCRS. Mr. Wayman reviewed the requests for participation in TCRS for the Bolivar-Hardeman County Library, Town of Halls, Obion County Emergency Communications District, and Upper Cumberland Regional Airport. The Bolivar-Hardeman County Library and Upper Cumberland Regional Airport selected the legacy pension plan. The Town of Halls and Obion County Emergency Communications District selected the hybrid plan without cost control.

On a motion by Mr. Wormsley and seconded by Mr. Barker, the Board unanimously approved the requests for participation in TCRS for the Bolivar-Hardeman County Library, Town of Halls, Obion County Emergency Communications District, and Upper Cumberland Regional Airport.

Actuarial Valuation Presentation

Chairman Lillard introduced Mr. Justin Thacker from Bryan, Pendleton, Swats, and McAllister to review the actuarial valuation presentation on the Hybrid plan. Mr. Thacker noted the purpose of the actuarial valuation is to determine the actuarially determined contribution rates and the total employer contribution rates for the defined benefit component of the Hybrid plan and examine the financial health of the plan. He also mentioned that there is a separate process and reporting for GASB 67/68 information.

As determined by the July 1, 2017 actuarial valuation, the actuarially determined contribution rates and the total employer contribution rates for the defined benefit component of the Hybrid plan will be as follows: for the state general employee the rate will be 1.66%, the public safety bridge rate will be .85%, state judges rate will be 7.43% and the rate for teachers will be 1.94%. The overall total weighted average employer rate will be 4.00%. The total employer contribution rate will be broken down as follows: the state general employee rate will be 3.95%, the public

safety bridge rate will be .85%, state judges rate will be 7.43%, and the rate for teachers will be 4.00%. The new employer contribution rates will go into effect July 1, 2018

On a motion by Mr. Varble and seconded by Commissioner Hunter, the Board unanimously approved the new employer contribution rates.

Other Business

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

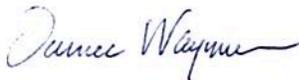
Adjournment

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 Ms. Taylor Tate and seconded by Commissioner Hunter, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

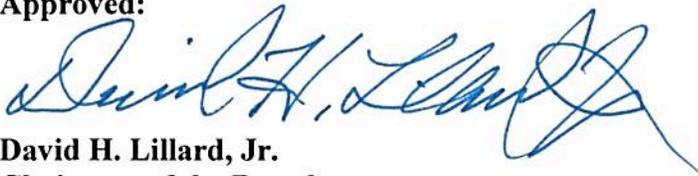
With no other business, the Board of Trustees adjourned at 10:58 a.m. on March 23, 2018.

Respectfully Submitted,



Jamie Wayman
Director, TCRS

Approved:



David H. Lillard, Jr.
Chairman of the Board