

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
March 7, 2013**

The Investment Committee of the TCRS Board of Trustees ("Investment Committee") met at 10:00 a.m. on March 7, 2013 in the G-11 Conference Room on the Ground Floor of the State Capitol. A quorum of the Investment committee participated in the meeting which included The Honorable David H. Lillard, Jr., State Treasurer, The Honorable Tre Hargett, Secretary of State, Commissioner Mark Emkes, and Mr. Greg Elliott. Mr. David Seivers was unable to attend. Also in attendance were Ms. Janice Cunningham, Mr. Rick Newton, Mr. Bill Abney, Mr. Michael Brakebill, Chief Investment Officer, Mr. Andy Palmer, Deputy Chief Investment Officer, Mr. Lamar Villere, Director of Private Equity, Mr. Daniel Crews, Private Equity Portfolio Manager, and Mr. Matthew Haitas, Real Estate Analyst.

The Honorable David H. Lillard, Jr., State Treasurer, called the meeting of the Investment Committee to order. The first order of business was to approve the minutes of the meetings of the Investment Committee of the on September, 28, 2012, October 18, 2012, and January 16, 2013. Commissioner Emkes made a motion to approve the minutes. The motion was seconded by Greg Elliott and unanimously approved. The Treasurer next asked Mr. Lamar Villere to present two Private Equity transactions.

Mr. Lamar Villere began by presenting the proposed investment in Bain Capital Fund XI, an operations focused buyout fund. Mr. Villere noted that the \$6 billion fund would focus its investments primarily in North America. He noted that TCRS is a current investor in one other Bain fund. The employees of Bain will be making a substantial contribution to the \$6 billion fund. Mr. Villere stated that this level of participation by the employees is not common and showed a stronger than usual alignment of interests between the GP and its LPs. TCRS staff recommended making a \$75 million commitment to this fund.

Treasurer Lillard made a motion to approve the investment in Bain Capital Fund XI by TCRS. The motion was seconded by Commissioner Emkes and unanimously approved.

Mr. Villere next presented the proposed investment in KPS Fund V, a fund that focuses on the turnaround of underperforming businesses. TCRS staff recommended making a \$100 million commitment to this fund. However, Mr. Villere noted that TCRS may not receive a full \$100 million allocation to the fund.

Mr. Greg Elliott asked why TCRS may be unable to invest their full recommendation into the fund. Mr. Villere noted that demand to invest in the fund will likely be greater than the fund's targeted size.

Mr. Greg Elliott made a motion to approve the investment in KPS Fund V by TCRS. The motion was seconded by Commissioner Emkes and unanimously approved.

Mr. Brakebill next took a moment to introduce Daniel Crews to the members of the Investment Committee. Daniel joined TCRS in 1999 and started with the cash management department and subsequently moved into the equity department. Mr. Brakebill stated that he asked Daniel to move again to the private equity department.

Mr. Brakebill provided a brief update on the portfolio. He noted that it is nearly the four year anniversary of the bottom of the financial markets. He noted that the fund has grown from approximately \$24 billion to approximately \$38 billion over this time period. The total return for this time period has been approximately 70% with an annualized return of approximately 14.5%.

Mr. Brakebill next moved to the current key initiatives. He noted that the new allocation that was recently approved became effective on December 31, 2012. He further noted that the fund remains neutral to the allocation targets. He stated that securities lending is currently moving through the legal process. He reported that private equity and strategic lending due diligence continues to be a key focus. He noted that the entire investments team will be moving from the 11th floor to the 13th floor of the Andrew Jackson building this spring.

Mr. Brakebill provided an update on personnel changes in the fund. He noted that an assistant cash manager left TCRS and that position was replaced internally from another operations position that remains open. He noted that Ken McDowell, a real estate portfolio manager, left TCRS and a search is underway to replace him. He noted that Daniel Crews moved to private equity from assisting with the mid-cap portfolio and will be replaced by Carrie Green, a member of the sector fund in the equity department. Mr. Brakebill stated that a search is underway to hire a new domestic equity analyst to fill the open position in the sector fund.

The members of the Investment Committee had no additional questions and the meeting of the Investment Committee was adjourned.

Respectfully Submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



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