

**Minutes of the Meeting of the Investment Committee
September 30, 2016**

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met at 9:00 AM on September 30, 2016 in Room 31 of Legislative Plaza. 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; and Bill Kemp, Sumner County Clerk. Additional attendees included: Mrs. Margaret Jadallah, Managing Director, Verus; Mr. Jeff McLean, CEO, Verus; Mr. Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Michael Keeler, Director of Equities; Grant Leslie, Senior Portfolio Manager; Carrie Green, Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Stephen Wright, Senior Real Estate Analyst; David Bradbury, Portfolio Manager; and Jennifer Sellers, Compliance Officer.

Treasurer Lillard began the meeting with a motion to approve the June 24, 2016 minutes. The motion was approved unanimously.

The Treasurer then asked Carrie Green to present Private Equity transactions. Mrs. Green discussed a recommendation by Staff to invest up to \$120 million in Trident VII, L.P. The presentation focused on operational and investment due diligence of Staff, prior fund performance, and the due diligence of the outside investment consultant, Torey Cove Capital Partners. Treasurer Lillard then asked for any comments or questions from the Committee. A motion was then made by Treasurer Lillard to approve the commitment to Trident VII, L.P. The motion was seconded and approved unanimously.

Mr. Grant Leslie was asked to review the Private Equity strategy for investing in emerging markets. Currently, the TCRS Private Equity Portfolio is underweight emerging markets. Staff is reviewing a number of acceptable approaches for investing in emerging market private equity.

Mr. Brakebill further commented on the Private Equity allocation and performance recently. Based on an internal analysis, the TCRS Private Equity fund was ranked second out of twenty-four public pension peer portfolios for recent periods. He then introduced Ms. Margaret Jadallah, who is the lead consultant at Verus for TCRS.

Ms. Jadallah reviewed the Fiscal Year 2016 results and discussed the Verus five-year asset allocation review, which will be considered by the Board at a future meeting. From a macro standpoint, 2016 was marked by heightened volatility and low interest rates. TCRS returns are in the top 6% of similar funds for the fiscal year and are generally in the top quartile for most measurement periods. Private Equity, Real Estate, and Fixed Income were the key drivers of this performance. Staff and Verus have worked together to review the International Equity manager line-up and are in the final stages of engaging a number of new fund managers. The overall risks going forward to TCRS are rising interest rates and market uncertainty.

Mr. Brakebill then added his thoughts about recent results and strategy for moving forward. Over the next three to five years, TCRS will grow its allocation to Real Estate, Private Equity, and Strategic Lending. He reviewed recent Private Equity and Real Estate transactions and highlighted their performance. Mr. Brakebill mentioned succession planning efforts regarding Mr. Michael Keeler and that TCRS will be recruiting for a new Director of Equities.

Switching to a macro view, Mr. Brakebill noted the nominal GDP growth rate is a good approximation for top-line corporate revenues. With low inflation and low real GDP growth, the global economy is not strong enough to support higher interest rates. In addition, growth was negatively affected by the rise in the dollar. Many leading indicators are mixed regarding the economy and employment indicators continue to show strength, while consumption and investment appear weaker.

Upon seeing no further questions or comments, Treasurer Lillard adjourned the meeting at 9:50 AM.

Respectfully submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



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