

**Minutes of the Meeting of the Investment Committee  
November 18, 2016**

The Investment Committee of the Tennessee Consolidated Retirement System (TCRS) met on November 18, 2016 in the WRS Tennessee Tower. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 8:30. Investment Committee members in attendance included: Treasurer Lillard, Honorable Tre Hargett, Secretary of State, and Bill Kemp, Sumner County Clerk. Additional attendees included: Mr. Michael Brakebill, Chief Investment Officer; Derrick Dagnan, Deputy Chief Investment Officer; Michael Keeler, Director of Equities; Thomas Kim, Director of Fixed Income; JP Rachmaninoff, Director of Real Estate; Grant Leslie, Senior Portfolio Manager; Carrie Green, Portfolio Manager; Jeff Dunn, Senior Portfolio Manager; Stephen Wright, Senior Real Estate Analyst; and David Bradbury, Portfolio Manager.

Treasurer Lillard began the meeting with a motion to approve the minutes from September 30, 2016. The motion was approved unanimously by voice vote.

The Treasurer then asked Grant Leslie to present a Private Equity transaction for approval. Mr. Leslie recommended a \$100 million commitment to the Great Hill Equity Fund VI. This fund is a tech focused growth equity fund with an experienced management team, which is US-focused, and employs modest leverage. Great Hill would likely allocate to 18-20 deals in Fund VI. TCRS's experience with other Great Hill funds has been favorable. 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 Great Hill Equity Fund VI. The motion was seconded and approved unanimously.

Next, Mr. Leslie updated the committee on the valuation and fund raising environment for Private Equity.

Mr. Jeff Dunn then presented a recommendation for approval in the Strategic Lending fund. Mr. Dunn suggested a managed account with Christofferson Robb and Company; a dominant player in European Structured Credit Lending. The allocation provides European banks liquidity to alleviate regulatory burdens and free up capital for reinvestment in higher credit loans. Most of these banks are located in Germany, Italy, and Austria. Participating banks retain the first loss piece. CRC targets 8-14% returns. The initial allocation would be for \$100 million with a maximum allocation of \$300 million.

Chairman Lillard then commented that he had looked closely at the fund and proposal. This activity facilitates the debt market in Europe. He acknowledged the risk involved, but stated that their track record indicates their ability to perform. Mr. Brakebill then commented that due to the differences in European and US debt markets, these transactions help banks improve their capital ratios. The due diligence supports Christofferson Robb because they have interacted with these banks frequently and understand the market. A motion was then made by Treasurer Lillard to approve the allocation to Christofferson Robb. The motion was seconded and approved unanimously.

Mr. Brakebill presented a proposal to alter the Investment Policy which would increase the asset allocation for Real Estate, Private Equity, and Strategic Lending. It would also reduce TIPS exposure. This would occur in two steps, an intermediate target allocation and a final target allocation. The intermediate target allocation would occur over the next three to five years while the final allocation is intended to be a long-term road map. With an intermediate target allocation, TCRS performance should

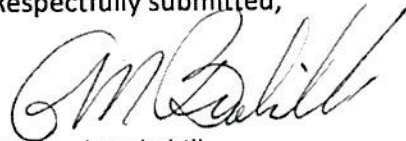
improve 30 basis points per year. It was noted that this change was reviewed and approved by Senator Randy McNally, Chairman of the Council on Pensions and Insurance. A motion was then made by Treasurer Lillard to approve this change and submit it to the Board of Trustees. The motion was seconded and approved unanimously.

Mr. Brakebill then reviewed TCRS performance. The one-year returns of 10.95% outperformed 94% of its peers, and were helped by a market drawdown a year ago. Various drivers of performance during that period are: changes in the quantitative model used in the Quant fund, strong performance by international managers, increasing the diversity of fund managers, and reducing TIPS exposure while increasing allocation to the strategic lending portfolio. At Q1, TCRS performance returned 3.41% and YTD the fund has returned 1.47% (unaudited). During this time, the fund was neutrally weighted and roughly 2% underallocated in international equities. Unaudited YTD figures have the TCRS fund down slightly from the end of Q1 attributed to increased volatility.

Then, Mr. Rachmaninoff spoke about the Real Estate fund and recent events. A recent investment in an industrial-focused real estate has seen strong returns. This is largely due to the strong demand from e-commerce firms that require new distribution warehouses.

Upon seeing no further questions or comments, Treasurer Lillard adjourned the meeting at 9:30 am.

Respectfully submitted,



Michael Brakebill  
Chief Investment Officer

APPROVED:



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