

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
December 12, 2014**

The Investment Committee (“Investment Committee”) of the Tennessee Consolidated Retirement System (“TCRS”) Board of Trustees met at 9:00 a.m. on December 12, 2014 in Room 31 of Legislative Plaza. The Honorable David H. Lillard, Jr., State Treasurer, called the meeting to order at 9:00 a.m. Investment Committee members in attendance included Treasurer Lillard; Mr. Bill Kemp, Sumner County Clerk; and Mr. Bob Wormsley, Local Government Insurance Pool. Additional attendees included Bill Abney, Assistant to the Treasurer for Investments; Michael Brakebill, Chief Investment Officer; Andrew Palmer, Deputy Chief Investment Officer; JP Rachmaninoff, Director of Real Estate; Matthew Haitas, Real Estate Analyst; Grant Leslie, Senior Portfolio Manager; Derrick Dagnan, Senior Portfolio Manager; Carrie Green, Senior Portfolio Manager; Daniel Crews, Director of Private Equity; Michael Keeler, Director of Equities; Rhonda Myers; Keith Boring, Director of Policy & Research; Richard Newton, F&A Division of Budget; Michael Barker, TCRS Board of Trustees; Shelli King, Communications Director, Treasurer’s Office; and Patrick Thomas, Strategic Investment Solutions.

Treasurer Lillard opened the meeting by seeking approval for the minutes from the Investment Committee meetings on September 26, 2014 and October 27, 2014. On a motion by Treasurer Lillard seconded by Mr. Wormsley, the aforementioned minutes were unanimously approved.

Mr. Crews then provided a review of the private equity program. The discussion covered a historical timeline of the private equity program, the strategic goals of the program, an overview of the private equity team, a review of the management and oversight of the program, private equity portfolio projections, a review of the current portfolio positioning, and an assessment of performance over both the trailing year and since inception.

Treasurer Lillard acknowledged the private equity team for their noteworthy efforts in managing the program and addressed the initiative to institute CRM / portfolio management software to enhance TCRS staff’s ability to manage programs in private equity, real estate, and strategic lending.

Mr. Rachmaninoff then provided a strategic overview of the real estate program. First, the following strategic goals of the program were noted: diversify the TCRS portfolio, provide competitive risk adjusted returns and an inflation hedge, and exploit inefficiencies in the real estate markets. Second, a timeline covering the history of the real estate program was provided. Third, the current weighting of real estate (at 6% of the portfolio) and the projected growth of real estate within the portfolio were addressed. Fourth, property type weightings were discussed. Fifth, the current weighting to core and non-core assets was addressed, with expectations that the current 5% weighting to non-core assets is likely to increase to the midpoint of the target range by 2019. Sixth, additional detail on the non-core portfolio positioning and goals were highlighted. Notably, the non-core portfolio is enabling exposure to segments of the market that have been difficult to access via core strategies and has provided strong performance relative to core assets over the last several quarters. Finally, a review of

performance noted outperformance of 69% of peers over the past ten years and a trailing one-year return that exceeded the benchmark by 54 basis points.

Mr. Rachmaninoff then proceeded to present the proposed investment in PNC Dupont Circle, a Washington, D.C. urban retail property in the Dupont Circle neighborhood. The strength of the location and proximity to transit, the long-term lease of anchor tenant PNC Bank, the roster of additional tenants, and the proposed debt financing were all addressed. Upon a motion by Mr. Wormsley seconded by Mr. Kemp, the proposed investment was unanimously approved.

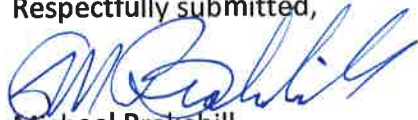
Mr. Rachmaninoff proceeded to address the proposed investment in TIAA-CREF US Super Regional Mall Fund, L.P. Mr. Rachmaninoff noted the absence of exposure to regional malls in the portfolio, largely due to the large purchase price of such assets and the diversification limitations of the portfolio. The fund is an open-ended vehicle likely to comprise a limited number of investors to access high quality regional malls. The fund sponsor's sizable investments in the space as both an equity investor and lender were noted. The rationale for targeting high quality regional malls was also addressed, with the predominant factors as follows: recovery of retail sales, opportunity for significant rent growth, very limited new supply, significant barriers to entry, and the value proposition of a service experience not available via e-commerce. Upon a motion by Chairman Lillard seconded by Mr. Kemp, the proposed investment was unanimously approved.

Mr. Rachmaninoff then introduced Mr. Haitas to discuss the proposed investment in CBRE Strategic Partners US Value Fund 7, LP, a value-added, closed-end real estate commingled fund. The fund will invest predominantly in office (expected to be 60 – 70% of the portfolio) and multifamily (expected to be 30 – 35%) properties with the possibility of investing in retail, industrial, and hotel properties. The fund sponsor's status as a vertically integrated manager was highlighted, as was its affiliation with CBRE, a large services provider that provides selected competitive advantages to the fund sponsor. The strength of the management team, the track record, and terms were all addressed. Upon a motion by Chairman Lillard seconded by Mr. Kemp, the proposed investment was unanimously approved.

Mr. Dagnan then proceeded to address the proposed investment in Orbimed Royalty Opportunities II. First noted was the strength of the sponsor in the healthcare arena, given substantial assets under management in hedge fund, private equity, and royalty investment strategies. Second, Mr. Dagnan provided insight into both the traditional and structured healthcare royalty strategies. Third, the appeal of the proposed royalty investment strategy within the strategic lending portfolio was addressed, most notably the lack of correlation to corporate credit risk. Noteworthy risks related to the strategy were also highlighted, with the duration of the underlying assets and increasing competition in the field addressed. Upon a motion by Chairman Lillard seconded by Mr. Wormsley, the proposed investment was unanimously approved.

Treasurer Lillard subsequently adjourned the meeting at 10:05 a.m.

Respectfully submitted,



Michael Brakebill

Chief Investment Officer

APPROVED:



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