

Minutes of the TCRS Board of Trustees meeting on November 30, 2017

The Board of Trustees of the Tennessee Consolidated Retirement System met on Thursday, November 30, 2017 at 2:00 p.m. The meeting was held in the Nashville Room of the Tennessee Tower 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. Justin Wilson, Comptroller to the Treasury Department; Mr. Tre Hargett, Secretary of State; Mr. Jamie Wayman, Director of TCRS; Mr. Michael Barker, Mr. Bill Kemp, Mr. Harold Morrison, Mr. Edward Taylor and Mr. Paul Varble. Members participating via phone conference were Ms. Vicki Burton.

After rollcall Chairman Lillard reviewed the policy for teleconference due to members participating via phone. A physical quorum was present during the entirety of the board meeting. Chairman Lillard read the statement of necessity out of an abundance of caution in the event that members needed to step out, but a physical quorum was indeed present during the entire meeting.

On a motion by Chairman Lillard and seconded by Comptroller Wilson, the Board unanimously approved to adopted the policy for teleconference.

Actuarial Valuation

Chairman Lillard introduced Mr. Justin Thacker from Bryan, Pendleton, Swats, and McAllister to review the actuarial valuation presentation. Mr. Thacker noted the purpose of the actuarial valuation is to determine employer contribution rates and examine the financial health of plan. He noted that there is a separate process and report for GASB 67/68.

As determined by the July 1, 2017 actuarial valuation, the employer contribution rates for employees in the legacy plan will be as follows: the rate for contributory teachers will be 10.46%, the overall rate for state employees will be 19.36%. While the overall employer contribution rates for the consolidated state group is 19.36%, the rate for state judges and attorney generals will be 25.55%. The contribution rates will go into effect July 1, 2018.

On a motion by Mr. Morrison and seconded by Mr. Wormsley, the Board unanimously approved the new contribution rates.

Political Subdivisions Petitioning for Membership in TCRS

Chairman Lillard introduced Ms. MaryBeth Franklyn to review political subdivisions seeking participation in TCRS. Ms. Franklyn reviewed the requests for participation in TCRS for the Henderson County Emergency Communications District and Tullahoma City Board of Education. The Henderson County Emergency Communications District selected the legacy pension plan. The Tullahoma City Board of Education selected the hybrid plan with cost controls.

On a motion by Mr. Wormsley and seconded by Comptroller Wilson, the Board unanimously approved the requests for participation in TCRS for the Henderson County Emergency Communications District and Tullahoma City Board of Education.

Approval of the September 29, 2017 Minutes of the Board of Trustees

On a motion by Comptroller Wilson and seconded by Mr. Morrison, the minutes of the September 29, 2017 TCRS Board of Trustees meeting were unanimously approved.

Board of Trustees Committee Reports

Chairman Lillard mentioned the administrative committee did not meet prior to the Board meeting.

Chairman Lillard recognized Mr. Barker to review the audit committee report. Mr. Barker mentioned the audit committee approved minutes from the previous meeting and reviewed various audit results and tracking programs. The committee reviewed GASB 68 audit opinion letters and reviewed the private equity disclosure list. Mr. Barker mentioned one item on the Comptroller Hotline has been resolved by staff. Mr. Earle Pierce presented an article to the committee concerning audit tracking process and internal audit results.

Chairman Lillard mentioned the investment committee did not meet. Chairman Lillard noted the committee held a meeting via phone since the last Board meeting to approve investments transactions and review other aspects and portfolios.

Investment Report

Chairman Lillard introduced Mr. Michael Brakebill to review the investment portfolio. Mr. Brakebill reviewed the total market value ending November 30, 2017 for \$49.5 billion compared to the prior quarter of \$48.3 billion ending on September 30, 2017. The fiscal year ending performance for TCRS is 6.11%. The total U.S. Equity portfolios gained 4.8% for the first fiscal quarter and 19.0% for the one year trailing. Mr. Brakebill mentioned all the equity portfolios had similar good performance. The Canada Index Fund was up 8.0% and 16.6% for the trailing year. The International Developed Markets was up 6.2% for the quarter. The International Emerging Market was up 4.6% and 17.4% for the trailing year.

Next, Mr. Brakebill reviewed the Total U.S. Fixed Income portfolios and Inflation Hedged Bond portfolios which were down for the past year. Real estate is up 2.5% for the quarter and 9.0% for the year. Private Equity is up 17.0% for the trailing year and Strategic Lending is up 8.8% for the trailing year.

Mr. Brakebill reviewed personnel changes. He mentioned staff is interviewing for summer interns and he also discussed operational changes to the investment division.

Other Business

Chairman Lillard thanked Mr. Jamie Wayman, Ms. Jill Bachus, and Mr. Justin Thacker for their work on the actuarial valuation presentation. Chairman Lillard mentioned there was not going to be an educational session after the meeting. He announced future meetings.

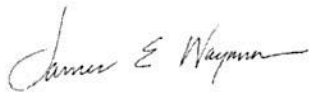
Adjournment

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 Mr. Kemp and seconded by Mr. Varble, the Board unanimously approved the TCRS Board of Trustees meeting be adjourned.

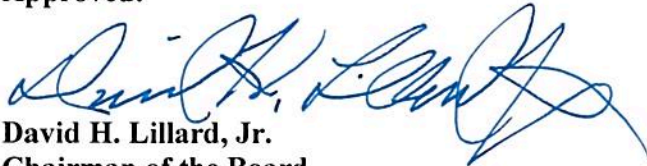
With no other business, the Board of Trustees adjourned at 2:50 p.m. on November 30, 2017.

Respectfully Submitted,



**Jamie Wayman
Director, TCRS**

Approved:



**David H. Lillard, Jr.
Chairman of the Board**

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