

**Minutes of the Meeting of the Investment Committee of the TCRS Board of Trustees
March 30, 2012**

The Investment Committee of the TCRS Board of Trustees ("Investment Committee") met at 9:00 a.m. on March 30, 2012 in Hearing Room 31 of Tennessee Legislative Plaza. Members of the Investment Committee participating were the Honorable David H. Lillard, Jr., State Treasurer; the Honorable Tre Hargett, Secretary of State; Mr. Greg Elliott and Mr. David Seivers. Also in attendance were Mr. Bill Abney, Assistant Treasurer, Mr. Michael Brakebill, Chief Investment Officer, Mr. Andy Palmer, Deputy Chief Investment Officer, Mr. Peter Katseff, Director of Real Estate, Mr. Tim McClure, Director of Cash Management, Mr. Lamar Villere, Director of Private Equity, Mr. Michael Keeler, Director of Equities, and Mr. Matthew Haitas, Real Estate Analyst. Mr. Peter Keliuotis and Mr. Rich Dabrowski of Strategic Investment Solutions, as well as Mr. Matthew Haitas, Real Estate Analyst were also present.

Treasurer Lillard chaired the meeting and called the meeting to order. The minutes of the November 18, 2011 and February 15, 2012 meetings were presented for discussion. Secretary Hargett made a motion for approval of the minutes and Mr. Seivers seconded a motion to approve the minutes. The motion was approved by voice vote.

Mr. Katseff was asked to introduce the proposed investment by TCRS in The Avery on Southwestern, an apartment community in Dallas, Texas. The transaction had been proposed by TA Associates, a Real Estate Investment Advisor engaged by TCRS.

Mr. Katseff stated that the primary attribute of the proposed investment was the high end urban finishes, which will appeal to the primary renter demographic, at a relatively low price per unit. In addition, the property is located in a good location surrounded by some of the most prestigious neighborhoods in Dallas, a city whose economy has performed extremely well since the end of the great recession. Mr. Katseff further noted that the property is situated in close proximity to strong retail centers and many large employers. He also stated that the greatest risk to this investment is the impact of new development. However, this risk is mitigated by the price to be paid by TCRS which is estimated to be below the cost to build a comparable property.

Treasurer Hargett made a motion to approve this investment by TCRS. The motion was seconded by Mr. Elliott and unanimously approved.

Mr. Brakebill provided an update to a previous disclosure he had made to the Investment Committee in the fall of 2010. He stated that he has continued to serve on the Investment Committee of the Tennessee Valley Authority Retirement System (TVAR) as a paid, non-voting member and noted that he had found it to be a valuable experience. He thanked the Investment Committee for their continued support in that endeavor. Treasurer Lillard stated his support for Mr. Brakebill's continued presence on the TVAR Committee, but noted that the continuation in this role was at the will of the Treasurer.

Mr. Villere disclosed to the Investment Committee that he was asked to join the Board of Baron Collier Company, a real estate company located in Florida. He noted that it was a compensated position, but all duties surrounding this position would be fulfilled after normal business hours, on weekends, and during vacation time. Treasurer Lillard stated his support for Mr. Villere's role as a board member, but noted that the continuation in this role was at the will of the Treasurer.

Mr. Brakebill provided a review of the portfolio and financial markets. He stated that staff continues to discuss and plan for the implementation of the Key Initiatives, which includes a strategic lending program, investment in emerging market equities and investment in non-core real estate. He stated that TCRS had returned 5% for the 2011 calendar year. He noted that this return placed TCRS in the 96th percentile of its peers. Further, he noted that most pension funds had seen a return of between 0% and 3% during the same period. Mr. Brakebill stated that the fiscal year to date return is currently slightly above 6% and the current value of the total portfolio is \$35.3 billion.

A question was asked about the feedback from the legislature about the new initiatives. Treasurer Lillard noted that of the three new initiatives, only strategic lending required legislative approval. He stated that the legislation to authorize this initiative was currently being discussed in committees. The Treasurer further noted that the legislature was willing to implement these new initiatives because they had been given assurances that any new initiatives would be closely monitored. It was also noted that the new real estate initiative did not need legislative approval but the international equities strategy required and received approval from the Council on Pensions and Insurance.

Mr. Pete Keliuotis of Strategic Investment Solutions ("SIS") was asked to provide a review of TCRS's recent performance as well as an introduction to the Asset-Liability study that SIS is currently performing for TCRS. Before doing so, Mr. Keliuotis introduced Mr. Rich Dabrowski, who recently joined SIS. Mr. Keliuotis noted that Mr. Dabrowski, who is based in Chicago, would be heavily involved in servicing the TCRS account. Mr. Dabrowski has 25 years of investment management experience and had worked with Mr. Keliuotis for several years before Mr. Keliuotis joined SIS twelve years ago.

Mr. Keliuotis stated that TCRS asset allocation was close to target at the close of the quarter ending December 31, 2011. Fixed income remains slightly above target, but this allocation will decrease with continued investment in Real Estate and Private Equity. Mr. Keliuotis noted that performance had been strong across all asset classes with fixed income producing particularly strong returns.

Mr. Keliuotis moved on to the introduction of the Asset-Liability study being performed by SIS. He noted that it had last been performed in 2007 and the 2007 study resulted in an allocation of 3% to Private Equity, increasing the allocation to Real Estate from 4% to 7%, and decreasing the allocation to Fixed Income from 43% to 34%. Since the last

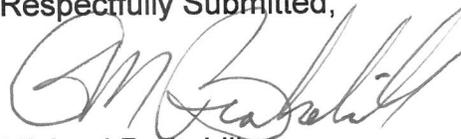
study, expected returns have declined, which is best illustrated by the drop in the core bond yields from 5.3% to 2.2% during this period. Therefore, SIS now has a 7.0% expected return for the TCRS portfolio, a decline of 50 basis points from September 2007.

Mr. Keliotis explained that asset allocation is the single largest driver of long-term performance, highlighting the importance of the asset-liability study. In the study, SIS will attempt to determine the appropriate asset allocation for TCRS that maximizes its returns for a certain level of risk. He noted that the new initiatives discussed by Mr. Brakebill are expected to add an additional 20 basis points to the expected return of the portfolio while adding a small amount of additional risks.

Treasurer Lillard asked Mr. Dabrowski of SIS to introduce himself. Mr. Dabrowski introduced himself and stated that he was excited to work with TCRS.

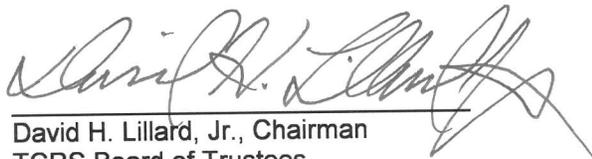
The members of the Investment Committee had no additional questions and the meeting of the Investment Committee was adjourned.

Respectfully Submitted,



Michael Brakebill
Chief Investment Officer

APPROVED:



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