

STATE OF TENNESSEE



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT

615.741.2956
David.Lillard@tn.gov

STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

Sender's telephone: 615.253.6150
Sender's email: Alison.Cleaves@tn.gov

MEMORANDUM

TO: Fiscal Review Committee

FROM: Alison Cleaves,
Legal Services Director

DATE: August 30, 2017

SUBJECT: Amendment Requests for International Manager Contracts

Attached please find for your consideration nine (9) amendment requests relative to the Tennessee Consolidated Retirement System's ("TCRS") contracts with international equity managers. Eight (8) of the nine contracts will require either an increase or decrease in the contract maximum liability; the contractors are as follows: Walter Scott and Partners Limited; FIAM, LLC; American Century Global Investment Management, Inc.; TT International; State Street Global Advisors Trust Company; PanAgora Asset Management, Inc.; Marathon Asset Management, LLP; and Baring International Investment Limited. One (1) of the contracts requires a reduction in the contractor's fees, and that contractor is Mondrian Investment Partners. The TCRS is managed and administered by the Department of Treasury staff. This management and administration includes the investment of TCRS assets on behalf of plan participants. All of TCRS plan assets are managed internally by Department of Treasury investment division employees, with the exception of international equities that are managed by contractors at the direction of the investments division employees. Because some of the contractors have outperformed expectations, the Department of Treasury is seeking to amend those contracts to increase maximum liability. For those contracts in which it is anticipated that the maximum liability will not be met or exceeded prior to the conclusion of the contracts, the Department is seeking to reduce the maximum liability so it is more accurately reflected in the contract.

The following international equity manager contracts need to be amended to adjust maximum liability:

Walter Scott and Partners Limited – decrease maximum liability by \$1,746,275.48;
FIAM, LLC- increase maximum liability by \$1,820,000.00;
American Century Global Investment Management, Inc.- decrease maximum liability by \$737,814.38;

TT International- increase maximum liability by \$300,000.00;
State Street Global Advisors Trust Company – decrease maximum liability by \$2,000,000.00;
PanAgora Asset Management, Inc. – increase maximum liability by \$2,200,000.00;
Marathon Asset Management, LLP- increase maximum liability by \$6,300,000.00; and
Baring International Investment Limited- decrease maximum liability by \$3,460,000.00.

Additionally, TCRS's contract with Mondrian Investment Partners will need to be amended to adjust its fees under its contract. Amendment A to Mondrian's contract, which contains its fees, is being amended to include a basis point fee for assets managed by Mondrian over \$500 million, which will reduce the fee charge for assets of this size. The tiered fee approach contained in Mondrian's original Attachment A did not contemplate managing assets over \$500 million.

Supplemental Documentation Required for
Fiscal Review Committee

*Contact Name:	Alison Cleaves	*Contact Phone:	(615) 253-6150		
*Presenter's name(s):	David, H. Lillard, Jr.				
Edison Contract Number: <i>(if applicable)</i>	FA-09-26514	RFS Number: <i>(if applicable)</i>			
*Original or Proposed Contract Begin Date:	October 15, 2008	*Current or Proposed End Date:	September 30, 2018		
Current Request Amendment Number: <i>(if applicable)</i>	4				
Proposed Amendment Effective Date: <i>(if applicable)</i>	October 15, 2017				
*Department Submitting:	Department of Treasury				
*Division:	Investments				
*Date Submitted:	August 15, 2017				
*Submitted Within Sixty (60) days:	Yes				
<i>If not, explain:</i>	N/A				
*Contract Vendor Name:	Marathon Asset Management LLP				
*Current or Proposed Maximum Liability:	\$28,000,000.00 (current); \$34,300,000.00 (proposed)				
*Estimated Total Spend for Commodities:	See Excel Spreadsheet				
*Current or Proposed Contract Allocation by Fiscal Year: (as Shown on Most Current Fully Executed Contract Summary Sheet)					
FY:2009	FY:2010	FY:2011	FY:2012	FY:2013	FY: 2014
\$1,524,638.38	\$2,658,077.42	\$3,068,423.18	\$2,984,303.75	\$3,265,744.52	\$3,265,000.00
FY:2015	FY:2016	FY:2017	FY:2018	FY:2019	
\$3,265,000.00	\$3,265,000.00	\$3,265,000.00	\$1,151,050.20	\$287,762.55	
*Current Total Expenditures by Fiscal Year of Contract: (attach backup documentation from Edison)					
FY:2009	FY:2010	FY:2011	FY:2012	FY:2013	FY:2014
\$3,130,602.85	\$2,528,025.02	\$2,917,106.33	\$3,063,856.88	\$3,164,313.33	\$3,527,730.27
FY:2015	FY:2016	FY:2017			
\$3,769,847.00	\$3,817,607.89	\$3,541,552.73			
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus			There is no surplus.		

Supplemental Documentation Required for
Fiscal Review Committee

funds were spent:			
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:		N/A.	
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding was acquired to pay the overage:		Contract expenditures are anticipated to exceed contract allocation and this is the reason for the amendment request to increase the contract's maximum liability.	
*Contract Funding Source/Amount:			
State:		Federal:	
<i>Interdepartmental:</i>		<i>Other:</i>	\$28,000,000.00
If "other" please define:		Tennessee Consolidated Retirement System participant earnings	
If "interdepartmental" please define:			
Dates of All Previous Amendments or Revisions: <i>(if applicable)</i>		Brief Description of Actions in Previous Amendments or Revisions: <i>(if applicable)</i>	
Amendment 1 dated September 30, 2013		Extended the term and added a regulatory provision.	
Method of Original Award: <i>(if applicable)</i>		Alternative Competitive Procurement Method	
*What were the projected costs of the service for the entire term of the contract prior to contract award? How was this cost determined?			
*List number of other potential vendors who could provide this good or service; efforts to identify other competitive procurement alternatives; and the reason(s) a sole-source contract is in the best interest of the State.			

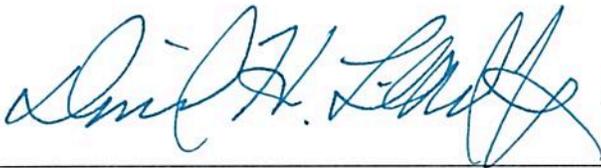
cy17-9361

Amendment Request

This request form is not required for amendments to grant contracts. Route a completed request, as one file in PDF format, via e-mail attachment sent to: Agsprs.Agsprs@tn.gov

APPROVED	
CHIEF PROCUREMENT OFFICER	DATE

Agency request tracking #	309.01-126-09	
1. Procuring Agency	Tennessee Consolidated Retirement System	
2. Contractor	Marathon Asset Management LLP	
3. Edison contract ID #	FA-09-26514	
4. Proposed amendment #	2	
5. Contract's Original Effective Date	October 15, 2008	
6. Current end date	September 30, 2018	
7. Proposed end date	September 30, 2018	
8. Current Maximum Liability or Estimated Liability	\$ 28,000,000.00	
9. Proposed Maximum Liability or Estimated Liability	\$ 34,300,000.00	
10. Strategic Technology Solutions Pre-Approval Endorsement Request <i>– information technology service (N/A to THDA)</i>	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
11. eHealth Pre-Approval Endorsement Request <i>– health-related professional, pharmaceutical, laboratory, or imaging</i>	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
12. Human Resources Pre-Approval Endorsement Request <i>– state employee training service</i>	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
13. Explain why the proposed amendment is needed	<p>The Tennessee Consolidated Retirement System ("TCRS") is seeking approval to amend its contract with Marathon Asset Management LLP ("Marathon") to increase the contract's maximum liability by \$6,300,000. Marathon is one (1) of thirteen (13) international equity managers utilized by TCRS to trade its international equities for the retirement system trust fund. Over the term of the contract, the manager's assets have grown at a higher rate than expected due to: (1) total plan asset growing at a higher than expected rate combined with a strategic increase in the allocation to international equities, and (2) this specific international equity manager has exceeded performance expectations and was allocated additional assets away from an underperforming manager. TCRS will need to increase the maximum liability for</p>	

Agency request tracking #	309.01-126-09
this contractor so that TCRS will be able to compensate the contractor under the terms of the contract for its services rendered.	
14. If the amendment involves a change in Scope, describe efforts to identify reasonable, competitive, procurement alternatives to amending the contract. The amendment does not involve a change in the scope of services.	
Signature of Agency head or authorized designee, title of signatory, and date (the authorized designee may sign his or her own name if indicated on the Signature Certification and Authorization document)  August 10, 2017	

Approved for signature by ac 8/9/17

**AMENDMENT 2
OF CONTRACT FA-09-26514**

This Amendment is made and entered by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "State" and Marathon Asset Management LLP, hereinafter referred to as the "Contractor." For good and valuable consideration, the sufficiency of which is hereby acknowledged, it is mutually understood and agreed by and between said, undersigned contracting parties that the subject contract is hereby amended as follows:

Section C.1. in the Contract is amended by deleting the language and numbers "twenty-eight million dollars (\$28,000,000.00)" and replacing it with the language and numbers "thirty-four million three hundred thousand dollars (\$34,300,000.00)".

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective October 15, 2017. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

MARATHON ASSET MANAGEMENT LLP:

SIGNATURE

DATE

PRINTED NAME AND TITLE OF SIGNATORY (above)

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

DAVID H. LILLARD, JR., STATE TREASURER

DATE



CONTRACT AMENDMENT

Agency Tracking # 309.01-126-09	Edison ID 3978	Contract # FA-09-26514	Amendment # 01		
Contractor Legal Entity Name Marathon Asset Management LLP			Edison Vendor ID 104346		
Amendment Purpose & Effect(s) Extends the term of the contract for an additional five years as permitted in Section B.2 of the base contract.					
Amendment Changes Contract End Date: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		End Date: September 30, 2018			
TOTAL Contract Amount INCREASE or DECREASE <u>per this Amendment</u> (zero if N/A):			\$zero		
Funding —					
FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2009				\$1,524,638.38	\$1,524,638.38
2010				\$2,658,077.42	\$2,658,077.42
2011				\$3,068,423.18	\$3,068,423.18
2012				\$2,984,303.75	\$2,984,303.75
2013				\$3,265,744.52	\$3,265,744.52
2014				\$3,265,000.00	\$3,265,000.00
2015				\$3,265,000.00	\$3,265,000.00
2016				\$3,265,000.00	\$3,265,000.00
2017				\$3,265,000.00	\$3,265,000.00
2018				\$1,151,050.20	\$1,151,050.20
2019				\$287,762.55	\$287,762.55
TOTAL:				\$28,000,000	\$28,000,000
American Recovery and Reinvestment Act (ARRA) Funding: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO					
Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations. <div style="text-align: center; font-family: cursive; font-size: 1.2em; color: blue;">Kerry Hanley</div>				OCR USE	
Speed Chart (optional)		Account Code (optional)			

Contract Approval – Agency Legal Certification

A completed contract routed for Central Procurement Office (CPO) approval via Edison must be accompanied by this Agency Legal Certification template that has been signed and attached in PDF format.

1. Edison Contract ID #	3978
2. Contracting Agency Name	Tennessee Treasury Department
3. Contractor Name	Marathon Asset Management LLP
4. Service Caption	This is an amendment that extends the term of the contract for an additional five years as permitted in Section B.2 of the base contract. The contract and this amendment are for management of the Tennessee Consolidated Retirement System's international equity investment portfolio.
5. Agency Contact (name, phone, e-mail)	Mary Roberts-Krause, General Counsel Phone: (615) 253-3855 E-mail: mary.roberts-krause@tn.gov
6. Legal Certification <i>By signing below, the department's legal staff certifies that:</i> <ol style="list-style-type: none"> 1) the contract as submitted includes only CPO template language (unless the agency has obtained an approved rule exception request); 2) the contract is legally sufficient both in form and substance to protect the best interests of the State; and 3) the contract does not contravene applicable law.  <hr/> Agency Attorney Signature & Date	
7. (Optional) Alternative to Legal Certification Request Note: If there are extenuating circumstances and a department's legal staff is unable to certify to a contract in the above manner, you must provide a written explanation with Agency Head signature, in the space provided below. Once the explanation is received by the CPO, instructions will be provided to the department as to what will be needed in order to gain approval of the contract, e.g., providing a Microsoft Word version of the contract, etc. <u>Please keep in mind that this alternative will slow down the approval process and should be the exception, not the rule.</u>	

1. Edison Contract ID #	3978
Justification	
<hr/> Agency Head Signature & Date – <i>contracting agency head or authorized signatory</i>	

**AMENDMENT ONE
OF CONTRACT NUMBER FA-09-26514
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
AND
MARATHON ASSET MANAGEMENT LLP**

This Amendment is made and entered by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and Marathon Asset Management LLP, hereinafter referred to as the "Contractor". It is mutually understood and agreed by and between said, undersigned contracting parties that the subject contract is hereby amended as follows:

1. Contract Section B is deleted in its entirety and replaced with the following:

B. CONTRACT PERIOD:

This Contract shall be effective for the period beginning October 15, 2008, and ending on September 30, 2018. The Contractor hereby acknowledges and affirms that the Retirement System shall have no obligation for services rendered by the Contractor which were not performed within this specified contract period.

2. Contract Section C.6.a is deleted in its entirety and replaced with the following:

- a. The Contractor shall submit invoices no more often than quarterly, with all necessary supporting documentation, to:

Tennessee Treasury Department
Division of Accounting
14th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243

3. Contract Section E.2 is deleted in its entirety and replaced with the following:

- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The Retirement System:

Michael Brakebill, Chief Investment Officer
Tennessee Consolidated Retirement System
13th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243
michael.brakebill@tn.gov
Telephone # (615) 532-1157
FAX # (615) 253-4969

The Contractor:

Wilson Phillips, Client Director
Marathon Asset Management LLP

Orion House, 5 Upper St. Martin's Lane
London, England, WC2H 9EA
wphillips@marathon.co.uk
Telephone # + 44-207-497-2211
FAX # + 44-207-497-2399

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

4. The following is added as Contract Section E.10:

E.10. Regulatory Matters. The Contractor and the Retirement System agree as follows:

- a. With reference to Rule 206(4)-5 promulgated under the Advisers Act, neither the Contractor nor any affiliate has within the last five years: (1) contributed to an official of a Tennessee government entity; (2) provided or agreed to provide, directly or indirectly, payment to any person to solicit, on behalf of the Contractor, a Tennessee government entity for investment advisory services; (3) coordinated, or solicited any person or political action committee to make, any contribution to an official of a Tennessee government entity to which the Contractor is providing or seeking to provide investment advisory services; or (4) coordinated, or solicited any person or political action committee to make, any payment to a political party operating in Tennessee or a Tennessee county or incorporated municipality where the Contractor is providing or seeking to provide investment advisory services to Tennessee government.
- b. With reference to Municipal Securities Rulemaking Board Rule G-37, neither the Contractor nor any affiliate has within the last five years engaged or sought to engage an issuer located in Tennessee in municipal securities business.
- c. Neither the Contractor nor any affiliate is a "swap dealer," as such term is defined in Section 1a(49) of the Commodity Exchange Act and CFTC Regulations thereunder.
- d. With reference to Tennessee Code Annotated, Section 3-6-305, neither the Contractor nor any affiliate has, within the last five years, engaged in lobbying for compensation in the State of Tennessee, or otherwise been involved with: (1) any firm, corporation, partnership or other business entity that regularly supplies lobbying services to others for compensation in the State of Tennessee; (2) any individual not employed by the Contractor or its affiliates, partnership, committee, association, corporation, labor organization, or any other organization or group of persons who engages in lobbying for compensation in the State of Tennessee; or (3) a person or entity that employs, retains or otherwise arranges for a lobbyist to engage in lobbying on behalf of the person or entity for compensation in the State of Tennessee.
- e. The Contractor has not provided any compensation to any individual not employed by the Contractor or its affiliates or entity for assisting in the solicitation of the State of Tennessee, Department of Treasury or any of its plans or programs.
- f. The Contractor has such policies and procedures in effect as are reasonably designed to monitor and report the activities described in Section E.10.a through Section E.10.e. above.

No more than once per calendar year (commencing in 2014), the Contractor shall either (i) affirm that the representations set forth in this Section E.10 are true and correct or (ii) disclose the circumstances preventing such affirmation.

5. Contract Attachment A is deleted in its entirety and replaced with the new attachment A attached hereto.

6. Contract Attachment B is deleted in its entirety and replaced with the new attachment B attached hereto.
7. Contract Attachment C is deleted in its entirety and replaced with the new attachment C attached hereto.
8. Contract Attachment D is deleted in its entirety and replaced with the new attachment D attached hereto.
9. Contract Attachment E is deleted in its entirety and replaced with the new attachment E attached hereto.
10. Contract Attachment G is deleted in its entirety and replaced with the new attachment G attached hereto.

Required Approvals. The State is not bound by this Amendment until it is signed by the contract parties and approved by appropriate officials in accordance with applicable Tennessee laws and regulations (depending upon the specifics of this contract, said officials may include, but are not limited to, the Commissioner of Finance and Administration, the Commissioner of Human Resources, and the Comptroller of the Treasury).

Amendment Effective Date. The revisions set forth herein shall be effective October 1, 2013. All other terms and conditions of this Contract not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF,

MARATHON ASSET MANAGEMENT LLP:



SIGNATURE

DATE 26 SEPTEMBER 2013

PRINTED NAME AND TITLE OF SIGNATORY (above) NEIL OSTRER, MEMBER, MARATHON ASSET MANAGEMENT LLP

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:



DAVID H. LILLARD, JR., STATE TREASURER & CHAIR OF THE BOARD OF TRUSTEES OF THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

DATE

Sept. 30, 2013

Approved for signature by MLK 9/27/13

**ATTACHMENT A
ACCOUNT CONTENT**

Pursuant to Section A.2 of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and Marathon Asset Management LLP, hereinafter referred to as the "Contractor", the Retirement System appointed the Contractor to supervise and manage its international equity investment portfolio, designated as the Account. For purposes of the Contract, "international" shall mean those countries defined by the MSCI EAFE Standard Index, plus Canada.

The Retirement System shall allocate such cash and securities as shall be determined at the sole discretion of the Retirement System for investment and reinvestment by the Contractor in the above described countries and in accordance with the above-referenced Contract. In addition to such allocation, the Account shall consist of all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. The Retirement System may, at its sole discretion and upon notification to the Contractor, add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account. The investment performance of the Account shall be measured against the MSCI EAFE Standard Net Index as published by MSCI Barra.

The Contractor may only invest assets of the Account in common stock, preferred stock, convertible bonds, equity exchange traded funds, and depository receipts. The Contractor may write covered call options on stock positions and engage in forward contracts to hedge the foreign currency exposure of the Account. Said investment vehicles are the only vehicles the Contractor may employ and the same must be done under the terms and conditions contained in Attachment B "Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1.

This Attachment A supersedes any prior Attachment A relative to the subject matter contained herein and will be valid until further written notice of the Retirement System.


Michael Brakebill, Chief Investment Officer

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Sworn and subscribed to me on this the 26th day of September, 2013.

My Commission Expires: 3-7-17
Notary Public



RECEIPT AND ACCEPTANCE
Marathon Asset Management LLP

By: 
(Signature)

Date: 26 SEPTEMBER 2013

NEIL OSTLER, MEMBER, MARATHON ASSET MANAGEMENT LLP
(Typed or Printed Name and Title)

ATTACHMENT B

**THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
ORGANIZATIONAL STRUCTURE AND GENERAL OVERVIEW - INVESTMENT POLICY,
OBJECTIVES AND CRITERIA**

THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM INVESTMENT POLICY

ORGANIZATIONAL STRUCTURE AND GENERAL OVERVIEW

The Tennessee Consolidated Retirement System (TCRS) represents the pension plan for state employees, teachers, higher education employees, local government employees, and employees of other entities authorized to participate in TCRS. TCRS was established by state statute in 1972. The governing statute is found in Tennessee Code Annotated Section 8-34-101, et seq.

Final authority for investing and reinvesting the assets of the Tennessee Consolidated Retirement System (System) is subject to approval of the System's Board of Trustees (Board). T.C.A. Section 8-37-104(a). Implementation of investment policy established by the Board is hereby delegated to the State Treasurer (Treasurer) who shall put such policy into effect. T.C.A., Section 8-37-110. Assets shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the laws of the State of Tennessee upon domestic life insurance companies in the making and disposing of their investments or as otherwise provided by state law. T.C.A. Section 8-37-104(a). If the Board has issued other directions further limiting such investments, the assets shall be invested according to the criteria established by the Board.

Treasurer

The Treasurer shall implement this Investment Policy established by the Board and shall have the full power to invest and reinvest TCRS funds on behalf of the Board. T.C.A. Section 8-37-110(b). In implementing this Investment Policy, the Treasurer may delegate certain responsibilities to the Chief Investment Officer and Investment Staff.

Legal Counsel

The State Attorney General or an assistant designated by him shall represent the Board in all matters. In all cases where the interests of the System require additional counsel to the Attorney General, the Chairman of the Board, with approval of the Attorney General, is authorized to employ such additional counsel. T.C.A. Section 8-34-308. With respect to investment matters requiring legal counsel, the Treasurer may approve the assignment of legal counsel upon the recommendation of the Assistant Treasurer for Legal, Compliance and Internal Audit.

Investment Committee

The Board of Trustees shall create an Investment Committee consisting of five members. Three of the members shall be the Treasurer, the Secretary of State and the Commissioner of Finance and Administration. The two remaining members shall be members of the Board of Trustees, who have demonstrable investment experience, business experience, educational background, or investment oversight experience, and will be elected by the Board of Trustees.

Investment Advisory Council

The Treasurer shall nominate, with the advice and consent of the Board, an Investment Advisory Council (IAC), consisting of up to seven persons who have experience as investment portfolio managers, economists, or investment advisors to work with the Treasurer's investment staff, T.C.A. Section 8-37-108, to advise the Board on investment policy, T.C.A. Section 8-37-109.

In so advising the Board, the Council will assist the Treasurer, Chief Investment Officer and Investment Staff by providing advice and recommendations on the most appropriate short, intermediate and long-term investment strategy. At each meeting of the Council, the previous meetings' recommendations will be reviewed and reinforced or changed as agreed upon by the Council Members.

Chief Investment Officer (CIO)

The Chief Investment Officer for the System's assets will assume the necessary authority to effectively manage the Investment Staff. The CIO shall report to and consult with the Council on investment matters in formal, scheduled meetings and informally as needed.

The Chief Investment Officer shall:

1. Have executive responsibility and authority, as delegated by the Treasurer, for the management of the assets of the System in keeping with such guidelines and policies as approved by the Board and such applicable laws of the State of Tennessee.
2. Prepare and submit reports, as required, to the Treasurer, the Council, and the Board to document investment activities.
3. Report to and consult with the Treasurer on administrative, organizational and investment activities.
4. Work with the Council on development and implementation of an appropriate investment strategy.
5. Work jointly with the Council to develop long-term economic and investment projections.
6. File with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Investment Staff

The CIO, subject to approval of the Treasurer, shall maintain an Investment Staff to effectively manage all assets of the System. The Treasurer may delegate to the Chief Investment Officer and staff the power to invest and reinvest the System's assets within criteria established by the Board. T.C.A. Section 8-37-105. Investment Staff will perform their duties in compliance with the Chartered Financial Analyst Institute's, Code of Ethics and Standards of Professional Conduct. Each member of the Investment Staff shall file with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Each member of the investment staff shall act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

Reporting

Investment Staff shall provide a detailed written review of investment activity at Board and Council meetings. This shall include a review of the purchases and sales over the period under review, a portfolio summary, a review of current investment policy, and other reports as requested.

The Treasurer shall prepare an annual report of investment activity to the Council on Pensions and Insurance, with such reports to commence no later than as of the calendar year ending December 31, 2012. The Treasurer shall report to the members of the Council on Pensions and Insurance the investments in emerging market countries, with such report to commence no later than as of the quarter ending December 31, 2012, and continue quarterly thereafter. Such annual report to the Council will consist of the general investment consultant's report as of December 31. Such report on investments in emerging market countries shall consist of a summary of closing balances as provided by the general investment consultant.

Pursuant to T.C.A. Section 8-37-104(d)(1), the Treasurer shall submit a quarterly report to the members of the Council on Pensions and Insurance about any System holdings in public securities issued by companies that have substantial current operations in nations determined by the United States Department of State to be state-sponsors of terrorism.

Internal Controls

The CIO shall maintain a system of internal controls to safeguard the assets of the System. Such controls shall include, but not limited to, assisting the Treasury Department's Internal Audit Department in its performance of periodic audits and other projects to ensure compliance with applicable laws, rules, policies and appropriate practices; assisting the Audit Committee of the Board in its review of the Audit Division's findings and recommendations; ensuring that financial assets are held in trust at a third party custodial financial institution; and ensuring that an independent consultant or master custodial financial institution calculate investment performance independent from the internal records of TCRS.

The Treasury department's accounting, internal audit, and legal and compliance divisions shall report to an executive management employee other than the CIO.

Brokerage Firms

All brokerage firms (for stock and all other securities) shall be selected for use according to their financial standing, execution capabilities, underwriting capabilities, research capabilities, price and other services provided to the System.

Consultants

The Treasurer, in consultation with the CIO may engage the services of investment consultants as necessary to assist the Staff in managing TCRS assets and overseeing the External Managers

and Advisors. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of the consultant with such enumerated in a contractual agreement.

External Managers and Advisors

The Treasurer, in conjunction with the CIO, may engage the services of investment advisors to manage the portfolio after consultation with and authorization by the TCRS Board of Trustees. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of investment advisors with such enumerated in a contractual agreement. The TCRS Board, Treasurer, and Staff will have specific responsibilities as stated below:

Roles of the Board

Reviews and, if appropriate, authorizes requests by the Treasurer to engage investment services. Delegates to the Treasurer the authority to retain qualified external investment managers, advisors, and consultants.

Reviews and approves the processes employed by Staff in the selection and engagement of investment managers, advisors, and consultants.

Reviews and monitors the investment performance of the investment advisors selected by Staff.

Roles of the Treasurer, CIO and Staff

Evaluates the needs of the Division to achieve its risk-adjusted return objectives and, if appropriate, presents recommendations to obtain authorization to the TCRS Board of Trustees to engage investment management services in order to achieve these objectives.

Develops the processes for engaging investment management services. Upon approval by the Treasurer of consultants and managers, manages investment consulting and advisory relationships.

Master Custodian Financial Institution

The Treasurer may engage the services of a master custodian financial institution to hold in trust the financial assets of TCRS and to process trade transactions. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of the master custodian financial institution with such enumerated in contractual agreement. Engagement of the Custodian shall be subject to the Tennessee State procurement process which includes competitive and non-competitive procurement processes.

Proxy Voting

It is the general policy to vote proxies in a manner which will provide the best ultimate value to the shareholders of that entity. The Chief Investment Officer will develop and maintain a proxy voting policy, and review such policy annually with the Council. In voting all proxies, the investment staff will:

1. Analyze the economic consequences of the options presented to them as shareholders, and select the option most likely to protect and enhance the value of the System's assets.
2. Document the votes (and other actions and decisions) along with the reasons for taking the action chosen. This includes maintaining a record of all attempts to solicit proxies, from outside or inside the organization.
3. The Chief Investment Officer should consult with the Treasurer on any particularly difficult proxy questions.

Commission Dollar Arrangements

The CIO is hereby given approval and is authorized to obtain investment research services permitted by Section 28(e) which amends the Securities and Exchange Laws of 1934 through use of commission dollars; provided, however, that best execution of all trades shall continue to be the overriding principle in determining the broker to be used in executing any transaction. The CIO shall annually disclose to the Board significant provisions of each commission dollar arrangement existing on June 30 of each year. The CIO shall, within a reasonable period of time, disclose to the Board any new commission dollar arrangement entered into as well as other information requested. Only those research goods and services which directly enhance the investment decision-making process or investment returns, and which do not have a non-investment capability shall be eligible for procurement through commission dollar arrangements. Goods and services specifically permitted include performance evaluation services, securities pricing services, quotation and trading information services and analytical databases as well as technical publications which directly enhance the investment decision-making process.

No good or service may be procured through commission dollar arrangements if such good or service benefits an employee in an individual capacity. Goods and services specifically prohibited from procurement through use of commission dollar arrangements include direct telephone lines to brokerage firms, personal computers or other office equipment, payment of travel related expenses and payment of cost of attending seminars, classes or other investment training activities. The CIO shall develop and implement a structured review and approval process to ensure that commission dollar arrangements entered into pursuant to this policy comply with the provisions stated herein. Any commission dollar arrangement in which commission commitment is made by the System shall be evidenced by a written agreement which specifies the nature and extent of the commission commitment as well as other significant provisions of the arrangement.

INVESTMENT POLICY AND OBJECTIVES

Key Objective

Achieving superior risk adjusted returns is the primary objective for the Fund. Achieving the primary goal will provide the liquidity needed by the System to pay beneficiaries, preserve principal value over a long-term basis, and insure the actuarial soundness of the plan.

- Control risk by proper diversification of asset classes
- Exceed the actuarial assumption on a long-term basis
- Exceed the return of the composite benchmark of the target weighting of the asset classes

Investment Return

The System's assets should be managed actively to attain, within acceptable risk limitations, a return on assets that will meet beneficiary payments as required. Return shall include both current income and capital appreciation. The investments of the System shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. The total return objective of the system shall be to exceed the returns as set out under the "Performance Measurement" section of this policy.

Liquidity for System Beneficiary Payment

Contributions and Investment income appear sufficient to meet beneficiary payments for the foreseeable future. Continual review of the System should be conducted to assure that investments providing income for liquidity needs are purchased as the System matures.

Asset Allocation

Allocation Range

The chief investment officer is permitted to make investments within the following ranges:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Stocks	25%	50%
Domestic Bonds	20%	60%
Inflation Indexed Bonds	0%	15%
Short-term Securities	0%	10%
International Bonds	0%	10%
International Stocks	5%	25%
Emerging Markets Stocks*	0%	10%
Private Equity & Strategic Lending	0%	10%
Real Estate	0%	10%

*Emerging Market Stocks are a subset of International Stocks; Maximum International Stocks and Emerging Market Stocks may not exceed 25%.

Performance Measurement

To provide the Investment Staff and the Board with guidance as to investment performance expectations, the following performance measurement standards are established. These standards are to act as guides in determining whether the Fund and individual asset classes are achieving their long term goals, both in relationship to the System's peer group of other public funds and the marketplace in general. In recognition of the System's long-term perspective, these standards are to be measured through use of a five-year rolling average. This serves to reinforce the System's bias against investment decisions designed to show short-term gain at the expense of long term performance.

Total Fund Performance Measurement Standards

This set of standards is designed to measure the performance of the Fund in total, including the impact that state law, investment policy restrictions and asset allocation decisions may have on the performance of the Fund. Given the current state law, investment policy and asset allocation parameters, the following standards are considered reasonable expectations for the total Fund:

The Fund's overall annualized total return should exceed the return available from a policy of investing in an index fund of the following:

<u>Asset Class</u>	<u>Index</u>	<u>Weight ***</u>
Domestic Stocks	S&P 1500	33%
Canadian Stocks	S&P/TSX 60 Index	4%
International Stocks	MSCI EAFE Investable Market Index (IMI)	13%
Emerging Market Stocks	MSCI EM Adjusted*	5%
Domestic Bonds	Citigroup Large Pension Fund Index	25%
Inflation Indexed Bonds	Citigroup TIPS Index	4%
International Bonds	Citigroup Non-U.S. G-5 Govt. Bond Index	0%
Traditional Private Equity	S&P 500 + 3%	3%
Strategic Lending	Strategic Lending Benchmark**	5%
Real Estate	NCREIF Property Index	7%
Short-term Securities	91-Day U.S. Treasury Bills	1%
	TOTAL	100%

* To facilitate proper evaluation of the Emerging Market Stocks portfolio, the MSCI Emerging Markets Index returns will be adjusted to exclude countries based on the country screening methodology developed.

**Benchmark will be 50% Barclay's High Yield 2% Constrained Index and 50% Credit Suisse Leveraged Loan Index.

*** Effective as of December 31, 2012

To accurately compare portfolio performance when significant changes in allocations occur in illiquid asset classes, the total fund performance will be calculated on an "as-allocated" basis. The "as-allocated" calculation will use the actual percentages invested in the illiquid asset classes of real estate and private equity instead of the long-term target weights.

Rebalancing

Should an asset class fall below the minimum percentage or exceed the maximum percentage, the CIO is expected to rebalance the portfolio to bring the asset class within the minimum / maximum range within 90 days.

The CIO will review market movements and the investment strategy employed and make specific portfolio re-balance recommendations to the Treasurer if an asset class moves more than 5% from its target weight within a 90 day period. During transition periods, this variation will be evaluated versus the "as-allocated" target percentages. To facilitate temporary strategic actions not to exceed 12 months, the TCRS Investment Committee may authorize bundling of all equity portfolios and permit a total additional underweight or overweight position not to exceed 5% of total system assets in aggregate of the combined equity portfolios. During these temporary actions, the equity portfolios will be evaluated on a combined basis and individual minimum and maximum ranges will apply to the bundling of all equity portfolios and the individual portfolio restrictions will not apply.

Asset Class Performance Measurement Standards

Each asset class is currently actively managed by the System. Since an alternative to active management exists in the form of index funds, it is proper to measure the System's performance against the most appropriate index for each asset class to determine the "value added" over time by active management. As asset classes change, indices should be reviewed to ensure that proper comparisons are being made. The above indices provide for appropriate comparison to the System's current asset classes.

INVESTMENT CRITERIA

Both the Board and the Investment Staff are aware of the desirability of investing within the State of Tennessee whenever quality, risk, diversification and potential return are equal to or greater than that available on like investments outside the state. The Investment Staff should encourage and be receptive to Tennessee financial proposals. However, both the Board and the Investment Staff are aware of the fiduciary responsibility of investing pension assets and should not make any investment based solely on its location in Tennessee when quality, risk, diversification, or potential return are sacrificed. See T.C.A. Section 35-3-117(b). Further, the Board will not approve, and staff is not authorized to engage in, investment proposals designed to benefit special political, social, or economic subgroups within or external to the System's beneficiaries unless they clearly meet all fiduciary standards of investing.

In determining compliance with the percentage limitations of this policy, the assets of the System shall be valued at their market value. Accordingly, an investment may be made on any given day provided such investment does not cause any applicable limitation prescribed in this policy to be exceeded on such day. T.C.A. Section 8-37-104(b).

Common, Preferred Stock and Convertible Bonds

Growth is important to the System to attain a return that will allow for greater participant benefits and/or lower employer funding requirements. Equity investments will be used to seek this growth through potential dividend and capital appreciation. The System will limit its investment in common and preferred stock to 75% of the System's total assets. T.C.A. Section 8-37-104(a)(1). Convertible bonds, equity exchange traded funds, stock options, and stock index futures will also be counted as an equity investment and included in this limitation. The System's stock portfolio shall be managed by the Investment Staff to obtain a superior return. The stock of smaller, emerging companies, including new issues, should be an integral part of the total portfolio. Not more than 4.99% of the outstanding shares of any one issuer shall be purchased. Any stock purchase which does not meet the statutory definition for domestic life insurance companies shall be considered purchased under the basket clause as permitted by statute.

Notes, Bonds, and Mortgages

Public issues of notes and bonds shall make up the majority of fixed income investments. It will be necessary to actively manage this sector of the portfolio in times of volatile interest rate swings to either shorten the average maturity to protect principal value or lengthen maturities to lock up a long-term stream of income. The only issues subject for purchase are investment grade bonds (four highest ratings) as rated by one of the recognized rating agencies. Issues of any agency of the federal government or any entity with the express or implied backing of the U. S. Treasury shall be considered as holding the highest possible rating. The total sum invested in notes and bonds and other fixed income securities exceeding one (1) year shall not exceed 75% of the total funds of the System. Government Bond futures, Federal Funds futures, Eurodollar futures, interest rate swaps, credit default and credit default index swaps will also be counted as a Fixed Income investment and included in this limitation. T.C.A. Section 8-37-104(a)(2).

Private Placements

Any debt issues purchased which do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be determined by the Investment Staff as having credit quality that conforms to the limits placed on public issues. Not more than 15% of the total fixed income portfolio shall be placed in private placements. Private placements may be considered for purchase when they yield a return over equivalent quality public issues that are sufficient to compensate for their lack of marketability. Except in the case of notes purchased by the System pursuant to standby note purchase agreements wherein the System receives a market rate of return, tax exempt securities of any state are not considered a prudent investment for the System.

Exchange Traded Funds (ETFs)

Equity ETFs may be included in the equity portfolio and bond ETFs in the bond portfolio and shall be subject to the limitations of those portfolios.

Stock Options

Call options may be written on stock positions owned by the System. Options should not be written on more than 10% of the total stock portfolio. Options may not be purchased but positions can be closed out. Rules and Regulations of the State of Tennessee, Chapter 0780-1-32.

Fixed Income Financial Instruments

Investment Staff may purchase or sell Government Bond futures, Federal Funds futures, Eurodollar futures, interest rate swaps, credit default and credit default index swaps for the purpose of making asset allocation changes, modifying credit risk, adjusting interest rate risk, and improving liquidity. In addition, options on those instruments may be employed. Activity in interest rates futures, swaps, and their respective options will be subject to the following terms and conditions:

1. Gross exposure to approved fixed income financial instruments will be limited to 10% of the market value of the System's total assets for risk mitigating positions and 10% for risk positions. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.
2. The sum total of the fixed income portfolios, together with the value of any fixed income index futures contract obligations should be within the asset allocation range for the fixed income portfolio. While fixed income index futures contracts are outstanding, the Investment Staff shall maintain a comparison of the System's fixed income asset allocation against its invested position including futures contracts.
3. The System may use cash and obligations of the U.S. government or any of its agencies to meet the variation margin requirement.
4. Investment Staff may purchase or sell Government Bond futures, Federal Funds Futures, Eurodollar futures, interest rate swaps, credit default and credit default index swaps.

5. Transactions will be conducted through only a few of the highest quality domestic money center banks and domestic brokerage firms. The criteria to be used in selecting such banks and brokerage firms should include, but should not be limited to, their experience and expertise in the financial futures market.
6. A transaction record shall be maintained which contains the following:
 - a) The amount of contracts purchased and the reason therefor.
 - b) The amount of contracts sold and the reason therefor.
7. Investment Staff shall submit a quarterly report to the Board specifying the transactions during the previous quarter. The report shall summarize the strategies employed, the investment performance of those strategies, and potential strategies for the present quarter. Each report shall list the banks and brokerage firms authorized to conduct financial futures transactions with the System. T.C.A. Section 8-37-104(a)(7).

Equity Futures

Investment Staff may purchase or sell stock index futures contracts for the purpose of making asset allocation changes in a more efficient and cost effective manner, and to improve liquidity. In addition, options on those instruments may be employed to achieve risk management objectives.

Such futures contracts shall be subject to the following terms and conditions:

1. The Investment Staff will not enter into equity futures transactions for the purpose of speculative leveraging as defined in T.C.A. Section 8-37-104(a)(7)
2. The total notional amount of the System's equity financial futures contract obligations should not exceed 10% of the market value of the System's total assets. Position sizes will be measured by notional amounts. Options will be measured in their notional equivalents.
3. The sum total of the domestic and international equity portfolios, together with the value of any stock index futures contract obligations should be within the asset allocation range for each of domestic and international equity securities, respectively. While stock index futures contracts are outstanding, the Investment Staff shall maintain a comparison of the System's equity asset allocation against its invested position including futures contracts.
4. The System may use cash and obligations of the U.S. government or any of its agencies to meet the variation margin requirement.
5. Financial futures contracts may be utilized given the contracts are appropriate for the required portfolio management result. Indications of appropriateness include correlation with the underlying market, similar market coverage and similar sector coverage.
6. Transactions will be conducted through only a few of the highest quality domestic money center banks and domestic brokerage firms. The criteria to be used in selecting such banks and brokerage firms should include, but should not be limited to, their experience and expertise in the financial futures market.

7. A transaction record shall be maintained which contains the following:
 - a) The amount of stock index futures contracts purchased and the reason therefor.
 - b) The amount of stock index futures contracts sold and the reason therefor.
8. Investment Staff shall submit a quarterly report to the Board specifying the transactions during the previous quarter. The report shall summarize the strategies employed, the investment performance of those strategies, and potential strategies for the present quarter. Each report shall list the banks and brokerage firms authorized to conduct financial futures transactions with the System. T.C.A. Section 8-37-104(a)(7).

Short-term Investments

All monies waiting to be placed in a more permanent investment should be actively managed to obtain the best return available. These investments can include both publicly and privately negotiated short-term borrowing agreements. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper. Rating modifiers (+, -) should not be considered when determining the highest rated tier. A minimum of two ratings is required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. Commercial paper cannot have a remaining maturity of more than 180 days from the date of purchase. The maximum amount of a specific corporation's commercial paper that can be purchased is \$100 million, but commercial paper maturing on the next business day shall not apply to this limit. A credit analysis report shall be prepared on a corporation before the corporation's commercial paper can be acquired. A credit analysis report should include a company profile, business description, financial profile, rating information, strengths and opportunities, weaknesses and threats, and an outlook and recommendation.

Securities Lending

Both debt and equity securities may be loaned for a fee to a select few of the highest quality securities firms and banks as recommended by the CIO and approved by the Treasurer. Loans shall be limited so that the total amount of the securities lent does not exceed 30% of the market value of the total assets in the System's portfolio. Eligible collateral shall be required for each loan. For purposes of this provision, eligible collateral means:

1. Bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
2. Obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association and other United States government sponsored corporations or enterprises; and
3. Cash.

Securities received as collateral shall have a market value of at least 102% of the market value of the security loaned. Cash received as collateral shall have a value of at least 100% of the market value of the security loaned. Collateral should be closely monitored. Securities collateral should be marked to market each business day so that the aggregate market value of the

collateral allocated to all then outstanding loans to a single security firm or bank equals 102% of the market value of such loans and the interest accrued thereon. If at any time the aggregate market value of the securities collateral allocated to all then outstanding loans to a single security firm or bank is less than 100% of the market value of such loans, more collateral should be requested. Cash received as collateral may be invested by or on behalf of the System in any investment instrument in which the System's assets may be directly invested. Such cash may also be invested in short-term investment funds provided the portfolio of such funds contains only those investment instruments in which the System's assets may be directly invested. The Treasurer, through securities lending agreements, may further restrict the collateral requirement outlined in this policy. T.C.A. Section 8-37-104(a)(6).

Securities lending agreements entered into shall be reviewed, commented upon, and approved as to form and legality by the Attorney General and Reporter.

Standby Note Purchase Agreement

The System may enter into contracts to serve as a standby note purchaser for the Tennessee State School Bond Authority, the Tennessee State Funding Board and the Tennessee Local Development Authority provided said contracts contain the following provisions:

1. The System receives an annual commission, representing a fair market value fee, for serving as the standby note purchaser.
2. Fees established for providing the standby note purchasing service will be reviewed annually and adjusted as appropriate.
3. If called upon to purchase such notes, the System receives a market rate of return exceeding the prime rate.

T.C.A. Section 8-37-104(a)(8).

International Investments

An amount not to exceed 25% of the System's total assets may be invested in the international markets. of those countries included in the Morgan Stanley Capital International (MSCI) EAFE IMI index for developed markets excluding any emerging market countries, except that of such 25%, an amount not to exceed 10% of the system's assets may be invested in those emerging market countries in the MSCI Emerging Markets Index determined to be suitable for investment pursuant to a methodology reviewed by the system's investment consultant, recommended by the Chief Investment Officer and approved by the Treasurer. The target allocation for such Emerging Markets investments shall be 5% of the system's assets. This International Investments policy may be amended only with the approval of the Council on Pensions and Insurance. Such securities must be actively traded in a public market and be of the same kinds, classes and investment grades otherwise eligible for investment. T.C.A. Section 8-37-104(a)(3).

Foreign Currency Hedging

The System may engage in forward contracts to hedge the foreign currency exposure of the fund under the following guidelines:

1. The overall strategy will be a tactical defense designed to reduce risk and protect the System's international portfolio from an appreciating dollar relative to other currency exposures.
2. The foreign currency exposure will be hedged by selling and purchasing currency using only forward contracts.
3. The allowable currencies for hedging purposes are limited to the currencies of those countries authorized pursuant to this policy.
4. Portfolio currencies may be hedged no more than 80% of international portfolio exposure for any given currency based on market value.
5. Portfolio currencies may be sold for U.S. dollars only and not for another portfolio currency.
6. Hedging will be conducted through the System's custodial bank and a few of the highest quality money center banks and brokerage firms. T.C.A. Section 8-37-104(a)(5).

Canadian Investments

The System may purchase Canadian securities which are actively traded in a public market provided they are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment. Such investments shall not be subject to the restriction imposed on international investments.

Real Estate

An amount not to exceed 10% of the market value of the total TCRS portfolio may be invested in real estate. The real estate investment portfolio of TCRS may include investments in direct real estate investments, commingled funds, group trusts, real estate operating companies ("REOCs"), partnerships, corporations, limited liability companies ("LLCs") or other collective investment vehicles or pooled investments as well as REITs (private or public). At the time of acquisition, the minimum investment size for an individual property is \$5.0 million, unless the investment is part of an accumulation strategy of multiple properties in a given market or sub-market. The maximum investment size in any one property shall be limited to one-half of one percent (0.5%) of the market value of TCRS's total assets.

TCRS shall invest primarily in substantially leased (i.e., 80% or greater leased at time of acquisition) institutional quality, well-located assets in the traditional property types: office, apartment, retail, and industrial. To avoid concentrations within certain property types and to ensure prudent diversification over the longer time periods, no investment may be made which would cause, at the time of acquisition, the market value of TCRS holdings in any single traditional property type to exceed 40% of the market value of the greater of TCRS's real estate target allocation or the total value of real estate invested.

TCRS shall limit real estate investments such that at the time of acquisition, no more than 2% of the market value of TCRS's total assets shall be invested in any single Standard Metropolitan Statistical Area ("SMSA"). All investments shall be limited to properties located in the United States excluding de minimis positions held within commingled funds. In any event, TCRS cannot acquire real estate located in the State of Tennessee unless such acquisition is in the shares or interests of a regulated investment company, mutual fund, common trust fund, real estate investment trust, or similar organizations or vehicles which are commingled and investment determinations as to which real estate assets to purchase or acquire are made by the investment sponsor or investment manager, or persons other than TCRS.

Real estate investment advisors are to be utilized by TCRS to locate, evaluate, acquire, manage and dispose of separate account direct real estate investments. TCRS shall limit its exposure to any single Advisor to mitigate potential advisor or firm specific risk. No Advisor, at the time of an acquisition, shall be permitted to manage more than 40% of the market value of the greater of TCRS's real estate target allocation or the total value of real estate invested.

TCRS may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity or from a title holding entity to direct ownership, during the course of the holding period of the investment.

The Director of Real Estate shall develop comprehensive real estate investment guidelines (Real Estate Guidelines) that shall be reviewed by the Chief Investment Officer and approved by the Treasurer.

Transactions to acquire and dispose of direct real estate properties are subject to approval of the Investment Committee of the Board of Trustees. Transactions involving a market value of less than \$30 million may be recommended by the CIO and approved by the Treasurer after notification of the Investment Committee. T.C.A Section 8-37-104(a)(9).

Private Equity

No investment may be acquired that would, at the time of the acquisition, cause the aggregate book value of all of the retirement system's holdings and investments in private equity to exceed more than ten percent (10%) of the market value of the total assets of the retirement system. This limitation is intended to limit the actual value of assets invested and is not intended to limit commitments which will typically be larger than the actual invested value, particularly during the initial development stages of the private equity investment program.

The Private Equity portfolio shall consist of two segments, Traditional Private Equity and Strategic Lending.

I. Policies Common to Traditional Private Equity and Strategic Lending

1. Roles and Responsibilities

a. Roles of the Board and Investment Committee

Approve Private Equity investment policy.

Monitor private equity asset allocation and portfolio construction by reviewing the investment performance.

b. Roles of the Treasurer, CIO and Staff

(i) Treasurer

Approves private equity policy and guidelines as recommended by the CIO.

Engages investment managers as recommended by the CIO.

(ii) Chief Investment Officer and Staff

Develop Private Equity investment policy and guidelines, with approval of the policy by the Council on Pensions and Insurance, Board, and Investment Committee Treasurer, with the approval of the guidelines by the Treasurer upon the recommendation of the CIO.

Recommends for approval by the Treasurer, and monitors, investment management and advisory relationships so approved in the manner approved by the Board.

Evaluate prospective investments and their prepared offering materials on an as-needed basis.

Coordinate the investment approval process.

Conduct due diligence on individual investment opportunities and negotiates terms and conditions.

Report the status of all investment activities to the Investment Advisory Council and the Investment Committee.

c. Roles of the Consultant(s)

The Consultant(s) provides a key oversight and monitoring role.

In conjunction with Staff, reviews the process for the selection and engagement of Managers for approval by the Board.

Assist Staff with developing the investment strategy, policies, and procedures to implement the private equity investment program.

Prepare investment performance reports.

Provide the Board and Staff with relevant, reliable, and timely research and information.

Provide objective advice to Staff, the Investment Committee, and the Board.

Provide non-exclusive investment sourcing and servicing role for individual investments.

Source and evaluate prospective investments and their prepared offering materials on an as-needed basis.

Assist the Staff in conducting due diligence on prospective investments and in negotiating terms and conditions.

d. Roles of the Investment Advisory Committee

Advises the Board on investment policy as it relates to private equity.

2. Disclosure process: A disclosure process will document and disclose to the audit committee of the Board on a quarterly basis the names of any persons or entities who bring specific private equity investment proposals to any Retirement System employee or Board member who has a role in determining whether Retirement System assets should be invested in the private equity investment. For the purposes of this investment policy, "...bringing a specific private equity investment proposal..." does not include casual meetings or telephone calls of a general nature. "Bringing a specific private equity proposal..." for the purposes of this disclosure process means direct personal contact by someone intending to solicit funding for a specific private equity investment fund or transaction. This direct contact will typically include a discussion about a particular investment, the merits of that investment, and will include specific documentation supporting the investment case of the particular investment.

3. Records: Records of the Retirement System relating to the identity of the name of the private equity investment vehicle used, such as the name of any limited partnership, the name of the funds-of-funds manager and title of the fund, the amount invested in the vehicle, or the present

value of such investment shall be open to public inspection pursuant to T.C.A Section 8-37-104(a)(10)(C), provided, however, that records relating to the retirement system's review of any private equity investment shall not be public to the extent that:(i) The records contain confidential information provided to the retirement system or analysis or evaluation by the retirement system; or(ii) Disclosure of the records would have a potentially adverse effect on the retirement system's private equity program, the value of an investment, or the provider of the information.

II. Policies Specific to Traditional Private Equity

1. Risk Control: The private equity investment program will be structured to avoid concentration risk. The portfolio will tend to be less diversified during the growth phase than would be the case for a seasoned portfolio and the risk control measures noted below apply to a fully seasoned portfolio.

- a. Vintage Year Risk: Limited partnership returns in a given year tend to be more highly correlated than across a full economic cycle. Vintage year risks will be mitigated by controlling the annual deployment of funds. Another method that may be employed is the use of private equity secondary issues that would give the fund access to multiple vintage years. Vintage year concentration will be avoided by seeking to have less than 25% of the fund's private equity program fair market value in a given vintage year.
- c. General Partner/Manager Concentration Risk: General Partner/Manager concentration risk is the risk of being over-exposed to a single General Partner/Manager which might incur operational, business, or investment issues. General Partner/Manager concentration risk will be controlled by having less than 20% of the private equity program allocation invested with a given General Partner/Manager.
- d. Stage, Style, and Strategy Concentration Risk: Strategy concentration risk is the risk of being over-exposed to a particular private equity stage, style, or strategy such as buy-out funds or venture capital funds. Stage, style, and strategy concentration risk will be controlled by closely monitoring the range of investment strategies available in the private equity universe. The distribution of the stages, styles, and strategies employed by the fund will be monitored and reported.
- e. Industry Concentration Risk: The risk of having investments concentrated in a given industry. For example, this could mean having a large exposure to personal computer software companies across multiple partnerships. This risk will be mitigated by monitoring the underlying portfolio investments by industry.
- f. Geographic Concentration Risk: The risk of having investments concentrated in a given geography (individual states, countries or regions). For example, this could mean having a large exposure to funds seeking investment opportunities in the eastern United States. This risk will be mitigated by monitoring the underlying portfolio investments by geography. It is anticipated that TCRS will employ a global approach to private equity investing, with a substantial portion of investments domiciled or operating outside the US.

2. Process for Selecting, Managing and Disposing of Investments:

- a. Staff will utilize the Consultants(s) to develop strategy, calculate investment performance, assist with legal review, determine that a proposed investment complies with TCRS standards, and prepare quarterly investment reports.
- b. The Consultants(s) will also assist in the sourcing and selection of funds and negotiation of terms and conditions. Investments will only be made after recommendations of Consultant(s) and Staff, and will be consistent with the policies of the Board.
- c. Types of private equity investments: Private Equity investments may include domestic and international venture capital, corporate buyouts, mezzanine and distressed debt, special situations and secondary funds. Private equity investment vehicles may include limited partnerships, private placements, co-investments, funds-of-funds and commingled funds. The foregoing investments and investment vehicles are listed as examples only and not for the purpose of limitation.
- d. Length of contractual obligations: traditional private equity investments may involve periods of time of up to ten years or more from initial commitment to final liquidation. The investment horizon of the underlying investments and market trends are among the factors to be considered when considering the length of the contract.
- e. The Director of Private Equity shall develop comprehensive Private Equity investment policies, procedures, and guidelines that shall be recommended by the Chief Investment Officer and approved by the Treasurer.
- f. Commitments and transactions to acquire and dispose of private equity are subject to approval of the Investment Committee of the Board. Commitments and transactions involving a market value of less than \$30 million may be recommended by the CIO and approved by the Treasurer after notification of the Investment Committee. Manager terminations, mandate reductions, or sales of fund interests may be completed after a review and recommendation by the CIO and approval by the Treasurer. Any such terminations, mandate reductions or sales of fund interests will subsequently be reported to the Investment Committee during the next scheduled meeting.

III. Policies Specific to Strategic Lending

The objective of the portfolio is to be opportunistic and to focus on non-investment grade fixed income strategies. The size, strategies and implementation vehicles utilized will change in response to market opportunities. The fund will primarily utilize the skills and experience of external parties, however, staff may also implement internal strategies.

1. Risk control: Risk control for the strategic lending portfolio will be accomplished by the utilization of various strategies and implementation vehicles. The portfolio may be somewhat under-diversified on a stand-alone basis due to the opportunistic nature of the portfolio since diversification for TCRS is obtained at the overall TCRS fund level. Risk controls for less liquid products may utilize diversification by style, industry, geography, manager and vintage year. Risk control for more liquid products may involve periodic review of expected risk and return and manager effectiveness. Operational risk will be controlled by the utilization of multiple managers and/or strategies depending upon investment opportunities.

2. Process for Selecting, Managing and Disposing of Investments:

- a. Staff will utilize the Consultants(s) to develop strategy, calculate investment performance, assist with legal review, determine that a proposed investment complies with TCRS standards, and prepare quarterly investment reports.
- b. The Consultants(s) will also assist in the sourcing and selection of funds and/or managers and negotiation of terms and conditions. Investments will only be made after recommendations of Consultant(s) and Staff, and approval by the Treasurer, and will be consistent with the policies of the Board.
- c. Types of investments may include domestic and international senior loans; high yield bonds; direct lending; whole loans; real estate lending; mezzanine; distressed debt; special situations; and secondary opportunities. Investment vehicles may include limited partnerships, private placements, co-investments, funds-of-funds, separate accounts and commingled funds. The foregoing investments and investment vehicles are listed as examples only and not for the purpose of limitation.
- e. Length of contractual obligations: Strategic lending investments may involve contracts of various time periods, ranging from, for example, the contract period similar to that of traditional private equity, to contracts with a manager to invest funds in for a specific time period, to investments in more liquid assets for even shorter periods. The investment horizon of the underlying investments and market trends are among the factors to be considered when considering the lengths of contracts.
- e. Staff shall develop comprehensive Strategic Lending investment guidelines that shall be recommended by the Chief Investment Officer and approved by the Treasurer.
- f. Commitments and transactions are subject to approval of the Investment Committee of the Board except that:
 - (i) Commitments and transactions involving a value of less than \$30 million may be recommended by the CIO and approved by the Treasurer after notification to the Investment Committee;
 - (ii) Staff may utilize internal strategies and tactics to obtain exposures and to provide liquidity and flexibility. Internally managed strategies may be implemented upon written recommendation of the CIO and approval of the Treasurer. An example of such as strategies would be the purchase of ETFs with an appropriate objective to obtain tactical exposure. Any such transactions will subsequently be reported to the Investment Committee during the next scheduled meeting; and
 - (iii) Subject to the written approval of the Treasurer in each instance, Staff has the discretion to raise, lower, or terminate investments or commitments with existing relationships, subject to the terms of the investment contract. Any such transactions described in (i) or (ii) above will subsequently be reported to the Investment Committee during the next scheduled meeting.

3. Limitation of Authority. The authority to enter into commitments to make strategic lending investments shall expire on December 31, 2017; however, such expiration shall not affect commitments to invest in strategic lending entered into prior to December 31, 2017, nor shall it affect investments made subsequent to December 31, 2017, pursuant to those commitments.

THE BOARD OF TRUSTEES OF THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM ADOPTED THIS REVISED POLICY AT ITS BOARD MEETING ON September 28, 2012.

THE COUNCIL ON PENSIONS AND INSURANCE APPROVED THIS REVISED POLICY ON October 31, 2012.



**DAVID H. LILLARD, JR, CHAIRMAN
BOARD OF TRUSTEES
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

November 1, 2012

ATTACHMENT C

INVESTMENT DIVISION CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

INTRODUCTION

The mission of the Treasury Department, as developed by department employees in 1991, is to provide superior service to constituents in a cost effective manner through qualified personnel **while maintaining the highest ethical standards**. Recognizing that investment division employees are fiduciaries for system members and state taxpayers, the Treasury Department adopts the Investment Division Code of Ethics and Standards of Professional Conduct for the benefit of system members and state taxpayers. This document is produced to emphasize the high ethical standards expected of Treasury Department employees as described in our mission statement. Every Investment Division employee is obligated to conduct themselves with utmost integrity, professionalism and ethical behavior.

In any cases of doubt as to whether an action may be in violation of Investment Division policy of ethics and standards of professional conduct, an investment division employee should seek the advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer for guidance. Such guidance should be sought prior to the action in question.

If any situation or action occurs which an employee is in doubt as to whether the situation or action should be disclosed, then the Investment Division employee should seek advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer as to whether disclosure is required.

GIFTS

No investment division employee shall accept any lodging, airfare, membership, service, loan, promise of future benefits, or payment of any kind from any firm the Treasury Department does business with or may potentially do business with. An Investment Division employee may not accept any gift or entertainment from firms which do business or may potentially do business on behalf of the Treasury Department which might adversely affect or influence his or her judgment in the performance of official duties. Gifts are prohibited except for diminutive gifts such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$50 with minimum resale value. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that an investment employee is using his office for personal gain. Under no circumstance shall an employee seek, request or ask for any gift, entertainment, lodging, airfare, membership, service, loan, promise of future benefit or payment of any kind from any firm the Treasury Department does business with or may potentially do business with.

Meals and Modest Entertainment

The Treasury Department recognizes that networking and information gathering in the investment industry may occur at meal meetings and entertainment settings. Business meetings in the investment industry are routinely conducted on a meal time schedule, mostly for the convenience of a broker/analyst/vendor, allowing them to gather several clients together for one meeting in each city, rather than conducting numerous small meetings. Also, travel itineraries tend to produce meetings at the mealtime hours. Reasonable breakfast, lunch and dinner meetings and modest entertainment are permitted, provided such meetings are working meetings where information, research, projections, analysis or opinions are provided on economic, business, governmental and investment data which directly relates to the investment industry.

All breakfast, lunch, and dinner meetings and modest entertainment must be disclosed on the Treasury Department DAYPLAN program prior to such meetings, if possible. Any items not disclosed prior to such meetings should be recorded immediately upon returning to the office. Moreover, all conferences, conventions, and travel must be disclosed on the DAYPLAN program. Extravagant entertainment events

such as post season playoffs, major sporting events, Olympic events, or events of a significant nature are prohibited.

Meals and modest entertainment should not be accepted on so frequent a basis as to lead a reasonable person to believe that an employee is using his office for personal gain. Under no circumstance shall an employee seek, request, or ask for any meal or modest entertainment permitted under this section from any firm which does business or may potentially do business with the Treasury Department.

PERSONAL TRADING

Investment Division employees are obligated to conduct their personal securities transactions in a manner that does not conflict with the Investment Division's business and fiduciary responsibilities. The primary responsibility of Investment Division employees is to place the interests of the Investment Division above their own and to conduct their personal securities transactions in a manner which does not interfere with the Investment Division's portfolio transactions or create an actual or potential conflict of interest with the retirement system.

The purchase of an initial public offering of equity securities for which no public market in the same or similar securities of that issuer has previously existed is prohibited. An exception is permitted where an employee has an existing right to purchase a security based on his or her status, for a significant period of time, as a depositor or policy holder. Whenever such a transaction is executed, it should be disclosed on the monthly personal trading report.

All personal trades must be cleared in advance by the appropriate portfolio managers. On the day an Investment Division employee wishes to trade a security, he or she must first contact the appropriate portfolio managers for clearance. The portfolio manager shall not provide clearance for such trades if the security is being acquired or sold by the Investment Division. The Investment Division must have completed its acquisition or disposition of a security before any personal trades can be made. In all cases, the Investment Division's execution of trades must take priority over personal trades.

Disclosure of Personal Trades and Holdings

Each month, Investment Division employees shall disclose in writing on the prescribed form the previous month's personal securities trades. Such disclosure shall be made directly to the director of TCRS or if the director is unavailable, to the executive assistant to the Treasurer. It is the intent that these monthly reports remain confidential. However, since this is a public document subject to the Open Records Act, the Treasury Department will honor any request by Tennessee citizens to review such documents. Investment staff will be advised of any request for the documents prior to releasing the document. Prior to hiring an Investment Division employee, such employee should disclose all brokers/brokerage relationships. The annual statement of investment disclosure should include a list of all broker/brokerage relationships and security holdings during the year being reported. Disclosure is not required for mutual funds accounts, the state's 401(k) plan, the state's 457 plan, real estate holdings, partnership interest or any type securities in which the state is prohibited from owning.

Disclosure Requirement of Securities Held by Family Members

An Investment Division employee is required to disclose trades and holdings of family members where a pecuniary interest exists or where the Investment Division employee has control over the trading activities in a security account. Pecuniary interest means the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction in a security.

Family members regarded as having pecuniary interest in, and therefore as the beneficial owner of, securities held are any child, step-child, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same household. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.

PROFESSIONAL ETHICS AND CONDUCT

Chartered Financial Analysts (CFAs) shall adhere to the Code of Ethics and the Standards of Professional Conduct as published by the Association of Investment Management and Research (AIMR). Investment employees not participating in the AIMR program shall take the self-administered ethics exam annually or when renewed, whichever occurs first.

Every Investment Division employee shall be provided with a copy of the following:

- Investment Division Code of Ethics and Standards of Professional Conduct,
- Tennessee Treasury Department Standards of Professional Conduct, and
- Investment Policy as adopted by the Board of Trustees.
-

Communication of Policy

Prior to the annual statement of investment disclosure filing each year, the Treasurer, Chief Investment Officer, or the Director of Retirement shall meet with Investment Division employees to review and discuss the above referenced documents.

Sanctions

Investment division employees serve at the direction and pleasure of the State Treasurer. Any employee who violates this policy shall be subject to disciplinary action by the State Treasurer which may range from verbal reprimand to dismissal.

ATTACHMENT D

TENNESSEE TREASURY DEPARTMENT STANDARDS OF PROFESSIONAL CONDUCT

The mission of the Treasury Department, as developed by department employees in 2004, is to be a leader by providing exceptional service to our customers honestly, efficiently, and effectively. It is the obligation of every employee of the department to conduct themselves with the utmost integrity, professionalism and ethical behavior in relations with all clients of the department, be they members of the public, fellow employees, or vendors providing services for the department.

In any cases of doubt as to whether an action may be in violation of these standards of professional conduct, an employee should seek the advice of their supervisor, director, the personnel director, or the Treasurer. Such advice should be sought prior to the action in question.

Treasury employees should strive to abide by the following core values:

- **Impeccable Honesty** - We will develop relationships and interact with one another and with our customers in a manner that fosters and encourages trust. We will maintain the highest ethical and professional standards in everything that we do.
- **Mutual Respect** – We will treat everyone equitably and with honor. We will communicate in a manner, which promotes open dialogue with our customers, within the department, and with our peers in state government.
- **Continuous Improvement** – We will continually challenge ourselves to improve the level of service that we provide by being innovative, collaborative, creative, and efficient. We will work to be the best at what we do.
- **Shared Accountability** – We will work as a team and will purposely strive to leverage the strengths and overcome the weaknesses of each team member. We will accept responsibility individually and collectively for the service that we provide to our customers.
- **Exceptional Service** – We will be innovative in how we provide service to our customers and in how we do our work. We will be relentless in our pursuit of quality and excellence in everything that we do. We will focus not only on solving customers' problems but also anticipating their needs.
- **Exemplary Leadership** – We will be visionary leaders and positive role models for our peers. We strive to be highly respected both inside and outside state government.

Each employee, in performing his or her duties and responsibilities, should apply the following standards of conduct:

A Treasury Department Employee Should

- conduct all state business responsibilities in a fair manner and be honest in all business negotiations;
- strive to provide the highest quality of performance and counsel;
- attempt to avoid any activity which may be interpreted as a **conflict of interest** * by others and, if the activity is not reasonably avoidable, disclose the activity to their supervisor;
- be responsible for maintaining their competence to fulfill the responsibilities of their position;
- maintain confidentiality of information so designated which is received or maintained by the department;
- comply with standards of conduct for professions, as applicable (i.e., CPA, CFA, Attorneys);
- exercise prudence and integrity in the management of resources in their custody;
- consult with their supervisor or director if they have questions about these standards of conduct;
- communicate to appropriate members of management, any actions that may be violations of the law, this Standards of Conduct, or actions which may be conflicts of interest; and

- *review the Treasury policies and procedures at a minimum annually and immediately notify their supervisor any time a potential **conflict of interest** * arises.*

No Treasury Department Employee Should

- utilize any property or resources of the department for personal gain;
- falsify or fail to record proper entries on any books or records of the department;
- knowingly be a party to, or condone, any illegal activity;
- make potential business referrals of department customers (such as retirees, claimants, etc.) to relatives or close business associates;
- authorize payment on behalf of the department of any amount, or for any purpose, other than that specifically disclosed in the original request for payment and owed by the department;
- directly or indirectly seek or accept gifts (as defined below), money, travel, lodging, association memberships or property that would influence or appear to influence the conduct of their duties;
- engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of departmental business activities;
- sell or provide goods or services to the department;
- utilize the services of relatives or close personal associates for departmental business without disclosing such relationships to management prior to such services being rendered;
- engage in activities involving dishonesty, fraud, deceit or misrepresentation;
- engage in outside employment with any providers of supplies or services to the department; or
- engage in outside employment that would interfere with or hamper expected performance with the department.

Members of Management of the Department Are Responsible for

- communicating these standards of conduct to their coworkers;
- monitoring and encouraging compliance with these standards; and
- *providing written documentation of any reported potential **conflict of interest** * to Internal Audit.*

Employees of the Investment Division Must Also

- adhere to the Investment Division Code of Ethics and Standards of Professional Conduct;
- file a Statement of Disclosure of Personal Securities Trades monthly;
- file a Statement of Interest Disclosure annually; and
- file a Statement of Brokerage Relationships and Personal Security Holdings annually.

* A **conflict of interest** is a situation where an employee, family member, or close personal friend or associate is in a position to derive a benefit, directly or indirectly, from an action which conflicts substantially, or appears to conflict substantially, with the employee's duties or responsibilities.

Family member is defined as spouse, children, stepchildren, siblings, parents, grandparents, grandchildren, stepparents, foster parents and parents-in-law.

Gifts

No employee shall solicit or accept, directly or indirectly, any gift including but not limited to any gratuity, service, favor, entertainment, lodging, transportation, loan, loan guarantee or any other thing of monetary value, from any person or entity that:

- Has, or is seeking to obtain, contractual or other business or financial relations with the Treasury Department; or
- Conducts operations or activities that are regulated by the Treasury Department; or
- Has interests that may be substantially affected by the performance or nonperformance of the employee's official duties.

Unsolicited meals of reasonable value and modest entertainment accepted on an infrequent basis are excluded from the prohibition of accepting gifts. Employees must disclose any gifts, meals and entertainment to their division director.* Disclosure of unsolicited diminutive gifts, activities offered in connection with a conference or seminar, or perishable food items made available to all department employees is not required.

Unsolicited diminutive gifts, such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$50 with minimum resale value, are acceptable. Activities (meals, refreshments, modest entertainment) offered in connection with a conference or seminar are also excluded from the prohibition of gifts. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that a Treasury employee is using his office for personal gain. ***Employees charged with procurement responsibilities should review statutes and rules related to purchasing before accepting any gift.***

Notwithstanding any of the above, acceptance or solicitation of gifts from a lobbyist or a person employing a lobbyist in the State of Tennessee is prohibited. An employee is responsible for asking whether the person offering the gift is or employs a lobbyist in the State of Tennessee. The exceptions to gifts by lobbyists provided by Tennessee Code Annotated 3-6-114 apply to this policy. An employee should contact the Treasury Department General Counsel if there are any questions about a specific situation. Treasury employees are to disclose any gifts, meals or entertainment received on their division's spreadsheet located at F:/shared/public/disclosure. The director has the responsibility for reviewing these disclosures on a monthly basis. The division of internal audit shall periodically review the disclosures to determine compliance with the Standards of Professional Conduct.

Disciplinary action for violation of this policy may involve immediate termination of employment or may include counseling, changes in work assignments, a written warning, reprimand or suspension. The degree and kind of action is at the discretion of the Treasurer.

*This disclosure is applicable to employees outside of the Investment Division. Investment Division employees should continue to disclose their meals and entertainment as required by the Investment Division Code of Ethics and Standards of Professional Conduct.

ATTACHMENT E
PROXY VOTING GUIDELINES

Tennessee Consolidated Retirement Domestic Equities Proxy Policy

This policy provides Tennessee Consolidated Retirement System staff with guidelines in voting proxies of companies in which the TCRS retains an equity position.

PREAMBLE

The basic fiduciary requirements under common law are the duty of loyalty and the duty of care. The prudent person rule, as applied to proxy voting, means that a fiduciary must carefully analyze the implications of proxy proposals. These duties are (1) the fiduciary actually votes the proxies the plan is entitled to vote; (2) that the votes are made after careful study of the issues; and (3) that reasons can be shown why the votes cast were in the best interest of the plan beneficiaries.

The Tennessee Consolidated Retirement System Domestic Equity Department votes all proposals submitted to stockholders in the best interest of the beneficiaries of the trust to which it has a fiduciary duty. In exercising its judgment with respect to voting stock, the TCRS is governed by its primary duty to advance the economic value of the companies whose securities are held within the boundaries of prudent and responsible corporate behavior. If after careful and thoughtful consideration the TCRS believes that the position of corporate management could adversely affect the long-term value of the company, the stock will be voted against management consistent with the statements of principle adopted by the Tennessee Consolidated Retirement System.

TCRS believes its best interests are served voting proxies in a way that maximizes long-term shareholder value. Therefore, the investment professionals responsible for voting proxies have the discretion to make the best decision given the facts and circumstances of each issue. Proxy issues are evaluated on their merits and considered in the context of the investment professional's knowledge of a company, its industry, its current management, management's past record, and the TCRS general guidelines on the issue.

TCRS has developed proxy-voting guidelines that reflect its general position and practice on various issues. To preserve the ability of decision makers to make the best decision in each case, these guidelines are intended only to provide context and are not intended to dictate how the issue must be voted. The guidelines are reviewed and updated as necessary, but at least annually, by the Chief Investment Officer and the Investment Advisory Council.

General Guidelines

1) Capital Structure

a) Common Stock Authorization

- i) Review proposals to increase the number of shares of common stock authorized for issue on a CASE-BY-CASE basis.
- ii) Vote AGAINST proposals to authorize or to increase the number of authorized shares of the class of stock that has superior voting rights in companies that have dual-class capitalization structures.

b) Preferred Stock

- i) Vote AGAINST proposals authorizing the creation of new classes or increasing authorized shares of preferred stock with unspecified voting, conversion, dividend distribution, and other rights ("blank check" preferred stock).
- ii) Vote FOR proposals to authorize preferred stock in cases where the company specifies the voting, dividend, conversion, and other rights of such stock and the terms of the preferred stock appear reasonable.

c) Reverse Stock Splits

- i) Vote FOR management proposals to implement a reverse stock split when the number of shares will be proportionately reduced to avoid de-listing.

d) Share Repurchase Programs

- i) Vote FOR management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms.

e) Stock Distributions: Splits and Dividends

- i) Vote FOR management proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance given a company's industry and performance in terms of shareholder returns.

2) Corporate Governance

a) Age Limits

- i) Vote AGAINST shareholder proposals to impose a mandatory retirement age for outside directors.

b) Auditors

- i) An issue of concern is when there is frequent turnover of auditors or where the audit firm also performs consulting services. This may not be possible to determine within the disclosure provided by the firm but should be noted where possible. Generally considered on a CASE-BY-CASE basis. However, consideration should be given to voting FOR shareholder proposals to adopt a policy prohibiting the outside auditors

from providing non-audit services. Attention should be given to the breakdown of audit vs. non-audit fees. Also, consideration should be given to voting FOR shareholder proposals calling for the rotation of outside auditors (usually after five years).

- c) **Director Nominees**
 - i) Votes on director nominees should be made on a CASE-BY-CASE basis. Corporate Boards should act in the best interests of shareholders and act to protect and enhance shareholder rights. In deciding whether to withhold votes from directors and/or certain committee members, consideration should be given to any historical failure to adopt actions recommended by a majority-vote winning shareholder resolution, excessive executive compensation, or lack of sufficient board/committee independence.
 - ii) Contested elections of directors, which can be proposed in control change situations, should be voted on a CASE-BY-CASE basis.
- d) **Executive and Director Pay**
 - i) Vote FOR shareholder proposals that seek additional disclosure of executive and director pay information.
 - ii) Generally, vote FOR shareholder proposals recommending expensing stock options.
 - iii) Vote FOR shareholder proposals that seek approval of executive pay policies.
 - iv) Vote FOR shareholder proposals that require holding periods for shares received via options or grants.
- e) **Golden Parachutes**
 - i) Vote FOR shareholder proposals to have golden and tin parachutes submitted for shareholder ratification.
 - ii) Review on a CASE-BY-CASE basis all proposals to ratify or cancel golden parachutes.
- f) **Independent Director Majority**
 - i) Shareholder proposals asking that a majority of directors be independent should be evaluated on a CASE-BY-CASE basis, but generally approved.
 - ii) Vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees are composed exclusively of independent directors.
 - iii) Generally, vote FOR shareholder proposals calling for an independent Chairman.
- g) **Options Repricing**
 - i) Vote on management proposals seeking approval to reprice options on a CASE-BY-CASE basis.
 - ii) Vote FOR shareholder proposals calling for shareholder votes on repricing programs.
- h) **Reincorporating Proposals**
 - i) Proposals to change a company's state of incorporation should be examined on a CASE-BY-CASE basis.
 - ii) Vote AGAINST proposals to reincorporate in non-U.S. territory (i.e. Bermuda, etc.).

i) Stock Plans

- i) Votes on stock-based plans for directors are made on a CASE-BY-CASE basis.
- ii) Votes on employee stock purchase plans should be made on a CASE-BY-CASE basis.
- iii) Vote FOR proposals that request shareholder approval in order to implement an ESOP or to increase authorized shares for existing ESOPs, except in cases when the number of shares allocated to the ESOP is “excessive” (i.e., generally greater than five percent of outstanding shares)
- iv) Consideration should be given to the level of dilution shareholders have experienced in the past due to these kinds of plans. Generally vote AGAINST plans that cause excessive dilution, and vote FOR shareholder proposals that require shareholder approval of these plans.

j) Supermajority Shareholder Vote Requirement to Amend the Charter or Bylaws

- i) Vote AGAINST management proposals to require a supermajority shareholder vote to approve charter and bylaw amendments.
- ii) Vote FOR shareholder proposals to lower supermajority shareholder vote requirements for charter and bylaw amendments.

k) Term of Office

- i) Vote AGAINST shareholder proposals to limit the tenure of outside directors.

3) Shareholder Rights

a) Board Structure: Staggered vs. Annual Elections

- i) Vote AGAINST proposals to classify the board. Vote FOR proposals to repeal classified boards and to elect all directors annually.

b) Confidential Voting

- i) Vote FOR shareholder proposals that request companies to adopt confidential voting, use independent tabulators, and use independent inspectors of election as long as the proposals include clauses for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents do not agree, the confidential voting policy is waived.
- ii) Vote FOR management proposals to adopt confidential voting.

c) Cumulative Voting

- i) Vote AGAINST proposals to eliminate cumulative voting.
- ii) Vote FOR proposals to restore or permit cumulative voting on a CASE-BY-CASE basis relative to the company’s other governance provisions.

d) Director Replacement

- i) Vote AGAINST proposals that provide that only continuing directors may elect replacements to fill board vacancies.
- ii) Vote FOR proposals that permit shareholders to elect directors to fill board vacancies.

e) Poison Pills

- i) Vote FOR shareholder proposals that ask a company to submit its poison pill for shareholder ratification.
 - ii) Review on a CASE-BY-CASE basis shareholder proposals to redeem a company's poison pill.
 - iii) Review on a CASE-BY-CASE basis management proposals to ratify a poison pill.
- f) Shareholder Ability to Remove Directors**
 - i) Vote AGAINST proposals that provide that directors may be removed only for cause.
 - ii) Vote FOR proposals to restore shareholder ability to remove directors with or without cause.
- g) Shareholder Ability to Call Special Meetings**
 - i) Vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings.
 - ii) Vote FOR proposals that remove restrictions on the right of shareholders to act independently of management.
- h) Shareholder Ability to Alter the Size of the Board**
 - i) Vote FOR proposals that seek to fix the size of the board.
 - ii) Vote AGAINST proposals that give management the ability to alter the size of the board without shareholder approval.
- i) Unequal Voting Rights**
 - i) Vote AGAINST dual-class exchange offers.
 - ii) Vote AGAINST dual-class recapitalizations.

4) Social and Environmental Issues

Unless the long-term economic impact on shareholder value can be demonstrated to the satisfaction of the TCRS, vote against those resolutions that propose to impose sanctions on the products or behavior of the corporations, as long as such products, behavior or policies are not in conflict with other TCRS statements of principle.

5) Tender Offers, Mergers, Acquisitions

- a) Asset Sales**
 - i) Votes on asset sales should be made on a CASE-BY-CASE basis after considering the impact on the balance sheet/working capital, value received for the asset, and potential elimination of diseconomies.
- b) Corporate Restructuring**
 - i) Votes on corporate restructuring proposals, including minority squeeze outs, leveraged buyouts, spin-offs, liquidations, and asset sales should be considered on a CASE-BY-CASE basis.
- c) Greenmail**
 - i) Vote FOR proposals to adopt anti-greenmail charter of bylaw amendments or otherwise restrict a company's ability to make greenmail payments.

- ii) Review on a CASE-BY-CASE basis anti-greenmail proposals when they are bundled with other charter or bylaw amendments.

d) Liquidations

- i) Votes on liquidations should be made on a CASE-BY-CASE basis after reviewing management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation.

e) Mergers and Acquisitions

- i) Votes on mergers and acquisitions should be considered on a CASE-BY-CASE basis, taking into account at least the following: anticipated financial and operating benefits; offer price (cost vs. premium); prospects of the combined companies; how the deal was negotiated; and changes in corporate governance and their impact on shareholder rights.

f) Spin-offs

- i) Votes on spin-offs should be considered on a CASE-BY-CASE basis depending on the strategic and regulatory advantages, planned use of sale proceeds, market focus, and managerial incentives.

g) Supermajority Shareholder Vote Requirement to Approve Mergers

- i) Vote AGAINST management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.
- ii) Vote FOR shareholder proposals to lower supermajority shareholder vote requirements for mergers and other significant business combinations.


Chief Investment Officer

12/5/03
Date

ATTACHMENT G

Pursuant to Section E.7 of the Contract between the Retirement System and the Contractor, each party has outlined below the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given under the Contract. This Attachment G shall be valid until revoked or amended by further written notice. The parties shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

AUTHORIZED INDIVIDUALS OF RETIREMENT SYSTEM

<u>Authorized Individual</u>	<u>Position</u>
Roy Wellington	Senior Portfolio Manager
Michael Keeler	Director of Equities
Michael Brakebill	Chief Investment Officer
Jenny King	Operations Supervisor
Diane Willocks	Equity Trader
Bill Perez	Investment Assistant
Carrie Green	Portfolio Manager
Bill Abney	Assistant Treasurer

The individuals listed above, auditors employed by the state of Tennessee, and the following individuals are authorized to make inquiries concerning the Retirement System's Account. Inquiries include requests for Account balances, inquiries concerning Account transactions, and requests for information concerning statements and confirmations. Such requests may be written or verbal.

<u>Authorized Individual</u>	<u>Position</u>
Kim Morrow	Director of Accounting
Brian Derrick	Deputy Director of Accounting
Kevin Bradley	Assistant Director of Accounting
Cassandra Esaka	Manager of Investment Accounting
Victoria Nguyen	Investment Accountant

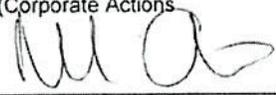
Sept. 30, 2013
Date Effective


David H. Lillard, Jr., State Treasurer & Chair of the Board of Trustees

AUTHORIZED INDIVIDUALS OF CONTRACTOR

<u>Authorized Individual</u>	<u>Position</u>
William Arah	Member
Neil Ostrer	Member
Wilson Phillips	Head of Client Services
Nick Hughes	Chief Operating Officer (Operational matters only)
Simon Davies	Head of Compliance (Compliance matters only)
Kim Lau	Head of Finance (Financial matters only)
Kevin Bence	Trader (Trading only)
Ben Sunderland	Trader (Trading only)
Paul Dean	Head of Settlements (Settlement / Corporate Action matters only)
Paul Gorman	Corporate Actions (Corporate Actions only)

26 SEPTEMBER 2013
Date Effective


(Signature of Authorized Officer)

NEIL OSTRER, MEMBER MARATHON ASSET MANAGEMENT LLP
(Printed Name and Titled)

CONTRACT SUMMARY SHEET

021908

RFS # 309.01—126—09	Contract # FA-09-26514-00
State Agency Tennessee Treasury Department	State Agency Division Tennessee Consolidated Retirement System
Contractor Name Marathon Asset Management LLP	Contractor ID # (FEIN or SSN) <input type="checkbox"/> C- or <input checked="" type="checkbox"/> V- N/A does not have a taxable presence in the U.S.

Service Description
The Contractor will supervise and manage the Tennessee Consolidated Retirement System's international equity investment portfolio. The money for these services comes from the investment earnings of the Tennessee Consolidated Retirement System.

Contract Begin Date October 15, 2008	Contract End Date September 30, 2013	SUBRECIPIENT or VENDOR? Vendor	CFDA #
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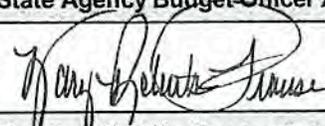
Mark Each TRUE Statement

Contractor is on STARS Contractor's Form W-9 is on file in Accounts

Allotment Code	Cost Center	Object Code	Fund	Funding Grant Code	Funding Subgrant Code
309.01	88	829	50		

FY	State	Federal	Interdepartmental	Other	TOTAL Contract Amount
2009				\$3,733,333	\$3,733,333
2010				\$5,600,000	\$5,600,000
2011				\$5,600,000	\$5,600,000
2012				\$5,600,000	\$5,600,000
2013				\$5,600,000	\$5,600,000
2014				\$1,866,667	\$1,866,667
TOTAL:				\$28,000,000	\$28,000,000

OCR RELEASED
NOV 19 2008
TO ACCOUNTS

— COMPLETE FOR AMENDMENTS ONLY —			State Agency Fiscal Contact & Telephone # Mary Roberts-Krause, General Counsel 10 th Floor, Andrew Jackson Building 253-3855
FY	Base Contract & Prior Amendments	THIS Amendment ONLY	State Agency Budget-Officer Approval 
			Funding Certification (certification, required by T.C.A., § 9-4-5113, that there is a balance in the appropriation from which the obligated expenditure is required to be paid that is not otherwise encumbered to pay obligations previously incurred)
TOTAL:			
End Date:			

Contractor Ownership (complete for ALL base contracts— N/A to amendments or delegated authorities)

African American Person w/ Disability Hispanic Small Business Government
 Asian Female Native American NOT Minority/Disadvantaged Other

Contractor Selection Method (complete for ALL base contracts— N/A to amendments or delegated authorities)

RFP Competitive Negotiation * Alternative Competitive Method *
 Non-Competitive Negotiation * Negotiation w/ Government (ID, GG, GU) Other *

* Procurement Process Summary (complete for selection by Non-Competitive Negotiation, Competitive Negotiation, OR Alternative Method)

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

**AND
MARATHON ASSET MANAGEMENT LLP**

This Contract, by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System" and Marathon Asset Management LLP, hereinafter referred to as the "Contractor," is for the provision of international equity investment management services to the Retirement System, as further defined in the "SCOPE OF SERVICES."

The Contractor is a limited liability partnership.

Contractor Federal Employer Identification or Social Security Number: N/A does not have a taxable presence in the U.S.

Contractor Place of Incorporation or Organization: United Kingdom

WITNESSETH:

WHEREAS, the Tennessee General Assembly enacted Chapter 814, Public Acts of 1972 which created the Retirement System and placed the same under the management of a Board of Trustees; and

WHEREAS, the power of investing assets of the Retirement System is subject to the provisions of Tennessee Code Annotated, Title 8, Chapter 37, Part 1, and to the approval by the Board of Trustees which has full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities or investments in which the Retirement System's funds have been invested as well as of the proceeds of such investments and any moneys belonging to the Retirement System; and

WHEREAS, the Tennessee General Assembly enacted Chapter 164, Public Acts of 1995 which authorizes the Board of Trustees to contract for investment management services for the Retirement System's international equity portfolios and to provide for the powers, duties, functions and compensation of any investment managers so engaged; and

WHEREAS, the Board of Trustees is desirous of engaging investment managers pursuant to said Chapter; and

WHEREAS, the Contractor is an investment manager and desires to provide investment management services on behalf of the Retirement System in accordance with this Contract and the law.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the provisions set out herein:

A. SCOPE OF SERVICES:

- A.1. The Contractor shall provide all service and deliverables as required, described, and detailed by this Scope of Services and shall meet all service and delivery timelines specified in the Scope of Services section or elsewhere in this Contract.
- A.2. Appointment. The Retirement System appoints the Contractor to supervise and manage its international equity investment portfolio, designated as the Account and described in Attachment A hereto. The Contractor accepts the appointment and agrees to invest and reinvest the Account under the terms and conditions of this Contract. The investment performance of the Account shall be measured against the Index described in Attachment A hereto.
- A.3. Account Content. The Account shall include such cash and securities as shall be allocated to the Contractor by the Retirement System, all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. The Retirement System may, at its sole discretion and upon

notification to the Contractor, add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account.

- A.4. Incorporation of Documents. In addition to Attachment A as described in Paragraph A. 3 above, the following Attachments are hereby incorporated into this Contract as though fully set forth herein:
- a. Attachment B - The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria;
 - b. Attachment C - Investment Division Code of Ethics and Standards of Professional Conduct;
 - c. Attachment D - Tennessee Treasury Department Standards of Professional Conduct; and
 - d. Attachment E - Proxy Voting Guidelines.

The Retirement System may, at its sole discretion, revise said Attachments from time to time by providing the Contractor a written copy of such revisions.

- A.5. General Responsibility of Contractor. The Contractor acknowledges receipt of Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", Attachment C "Investment Division Code of Ethics and Standards of Professional Conduct", Attachment D "Tennessee Treasury Department Standards of Professional Conduct", and Attachment E "Proxy Voting Guidelines" from the Retirement System. The Contractor agrees to manage the Retirement System's Account in conformity and in compliance with the criteria, guidelines and procedures set forth in said Attachments as in effect from time to time and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1. The Contractor agrees to perform its duties under this Contract in a prompt, professional and prudent manner and in accordance with the standard of care described in Section A.7 of this Contract. Unless otherwise expressly provided in this Contract, the authority granted the Contractor under this Contract may be exercised by it without further notice, consent or approval by the Retirement System. Except as is expressly provided in this Contract, the Contractor may not delegate to any party its authority to manage the Account.

A.6. Account Asset Procedures.

- a. Custodian. Neither the Contractor nor any parent, subsidiary or related firm of the Contractor shall take possession of or handle any cash, securities or other indicia of ownership of the assets in the Account. It is the intention of the parties that the sole responsibility for safekeeping of the assets in the Account and the consummation of all purchases, sales and deliveries of investments made pursuant to the Contractor's direction shall rest with a Custodian designated by the Retirement System. Title to all assets in the Account shall be held in the name of the "Tennessee Consolidated Retirement System" except that, for convenience in buying, selling and exchanging the assets, title may be in the name of a nominee designated by the Custodian. All indicia of ownership of the assets shall be held by the Custodian.
- b. Procedures. Notwithstanding any provision of this Contract to the contrary, all instructions for the sale, purchase or deposit in connection with any plan of reorganization, recapitalization or other like plan, or exchange, of stocks or bonds, or other securities or investment for the Account shall be given to the Custodian by the Contractor. The Contractor shall apprise the Custodian and the Retirement System of all sales and purchases of securities no later than the next business day following trade date. Except upon the prior written approval of the Retirement System, the Contractor shall have no authority to instruct the Custodian to perform any additional functions which would impose an administrative cost upon the Retirement System. Attached hereto as Appendix 1 is the name of the Custodian currently designated by the Retirement System. Said Appendix shall be valid until revoked or amended by further written notice from the Retirement System.

- c. Allocation of Brokerage. When the Contractor places orders for the purchase or sale of securities for the Account, the Contractor may allocate such transactions to such brokers and dealers for execution on such markets at such prices and at such commission rates as in the good faith judgment of the Contractor will be in the best interest of the Account; provided, however, the Contractor shall select brokers in accordance with Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria", and shall not select brokers which are related to the Contractor through shared ownership or control. The Contractor is authorized to engage in soft dollars activities falling within Section 28(e) of the Securities Exchange Act of 1934 provided such activities are in accordance with Attachment B "The Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in accordance with pages 38 and 39 of the Contractor's Proposal, which pages are incorporated herein by reference as though fully set forth herein. The Retirement System reserves the right to enter into agreements with brokers/dealers to recapture commissions or to direct brokerage commissions, in which case any research products and services generated by such commissions are the property of the Retirement System and its members.
- d. Proxies. The Retirement System delegates the right and authority to the Contractor to vote and act upon all proxies with respect to securities in which the Account may be invested. In voting and acting upon such proxies, the Contractor shall comply with the Proxy Voting Guidelines, which are attached hereto as Attachment E and which may be amended from time to time pursuant to Section A.4 of this Contract. Notwithstanding the foregoing, the Retirement System reserves the right to instruct the Contractor on a case-by-case basis on how to vote a particular proxy. The Contractor shall keep accurate records of all proxies voted by the Contractor in sufficient detail to enable the Retirement System to review the Contractor's voting procedures and the votes cast by the Contractor in specific cases.
- e. Securities Lending. The Contractor acknowledges that the Retirement System may operate, at its option, a securities lending program whereby the Retirement System, on its behalf or through another entity, will lend its securities to borrowers selected by the Retirement System in exchange for collateral approved by the System. In the event the Retirement System elects to operate a securities lending program, the Contractor agrees to notify the Custodian of trades by trade date, and to comply with such other written procedures as may be mutually agreed to by the parties concerning the recall of any loan of securities.
- f. Approval of Certain Purchases. The Retirement System is precluded by its Investment Policy from purchasing more than 4.99 % of the outstanding shares of any one issuer. To ensure compliance with this provision, the Contractor agrees to obtain the approval of the Retirement System prior to purchasing 2% or more of the outstanding shares of any one issuer.

A.7. Warranties and Acknowledgments.

- a. Registration of Contractor. The Contractor warrants that it is registered under the Investment Advisers Act of 1940, or is exempt from such registration, and that it will notify the Retirement System in writing within ten (10) calendar days of the occurrence of any event that has caused or may cause this representation to be untrue or the occurrence of any other adverse action by the Securities and Exchange Commission affecting the Contractor or any person associated with the Contractor.
- b. Fiduciary Status. The Contractor holds itself out as an expert in the handling of investments of large trust funds. The Contractor further acknowledges that it has a fiduciary relationship to the Retirement System and has fiduciary duties with regard to the services it will provide under this Contract, including the services it will provide with respect to the Account. The Contractor accepts its appointment as such fiduciary, and specifically agrees that in performing its duties hereunder that it shall act not in regard to speculation but with the care, skill, prudence and diligence under the circumstances then prevailing, specifically including, but not by way of limitation, the general economic conditions, and the anticipated needs of the Account and its beneficiaries, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like

aims to attain the goals of the Retirement System as determined from Attachment B attached hereto. The Contractor agrees to discharge its duties with respect to the Account solely in the interest of the beneficiaries and members of the Retirement System.

- c. Compliance with Laws. The Contractor hereby represents and warrants to the Retirement System that it shall comply with all State, local, foreign, and federal laws and regulations applicable to its activities and obligations under this Contract and that it shall obtain, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under this Contract.

A.8. Insurance.

- a. Type Insurance. The Contractor shall maintain in full force and effect the insurance coverage described in page 41 of the Contractor's Proposal, which page is incorporated herein by reference as though fully set forth herein. Said levels of coverage shall not be less than the amount stated on said page. All costs of premiums and payment of deductibles for such insurance will be paid by the Contractor and not the Retirement System. The Contractor shall notify the Retirement System of any claim received from its issuer pertaining to the Retirement System. The maintenance of such insurance shall in no way be construed to otherwise limit the liability of the Contractor hereunder.
- b. Notification of Change. The Contractor shall notify the Retirement System of any material change in, or cancellation of, the policies. For purposes of this Paragraph, a "material change" shall include, but shall not be limited to, a reduction in the levels of coverage, the elimination of a type of coverage, or the transition to another insurance carrier. If at any time during the period of this Contract insurance as required is not in effect, the Retirement System shall have the following options: (1) obtain insurance providing coverage equal to that required above, the cost of such insurance shall be payable by the Contractor immediately; or (2) terminate this Contract in accordance with Section D.4 below.

A.9. Reports and Meetings.

a. Reports.

- (1) The Retirement System shall furnish monthly asset statements to the Contractor depicting the current market value, the number of units being held and the description of each asset being held in the Account. The Contractor shall reconcile the asset statement and provide the Retirement System with a list of discrepancies within ten (10) business days from the date of receipt of such listing.
- (2) The Contractor shall promptly notify the Retirement System in writing (i) if any of the representations in Section A.7 and Section E.5 hereof shall cease to be true at any time during the term of this Contract, (ii) of any change in the Contractor's directors, senior officers, or other employees who exercise investment discretion with respect to the Account, (iii) of any other material change in the Contractor's business or corporate organization or ability or potential ability to perform hereunder, (iv) of any lawsuit threatened or filed against the Contractor in which investments in the Account are at issue, in which charges of fiduciary misconduct are alleged or which may, if proven, materially impair the ability of the Contractor to perform under this Contract, or (v) of any material adverse change or threatened change in the Contractor's financial condition.
- (3) Upon the Retirement System's request, the Contractor shall provide reports containing such information as the Retirement System may reasonably request.

- b. Meetings. Upon the Retirement System's request, the Contractor agrees to have a representative familiar with the Account attend periodic meetings of the Board of Trustees of the Retirement System and such other appropriate boards, committees, and commissions at the Retirement System's facilities, or at some other agreed upon location at such times as directed by the Retirement System. The Retirement System may call upon the Contractor to report to any such board, committee or commission on matters which represent significant

changes in economic forecasts, investment outlook, industry emphasis and any other matters of a general or specific nature as the Retirement System may reasonably request.

B. CONTRACT TERM:

- B.1. Term. This Contract shall be effective for the period commencing on October 15, 2008 and ending on September 30, 2013. The Retirement System shall have no obligation for services rendered by the Contractor which are not performed within the specified period.
- B.2. Term Extension. The Retirement System reserves the right to extend this Contract for an additional five (5) years period, provided that such an extension of the contract term is effected prior to the current, contract expiration date by means of an amendment to the Contract. If the extension of the Contract necessitates additional funding beyond that which was included in the original Contract, the increase in the Retirement System's maximum liability will also be effected through an amendment to the Contract, and shall be based upon payment rates provided for in the original Contract.

C. PAYMENT TERMS AND CONDITIONS:

- C.1. Maximum Liability. In no event shall the maximum liability of the Retirement System under this Contract exceed twenty-eight million dollars (\$28,000,000). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the Retirement System. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the Retirement System requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The Retirement System is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

- C.2. Compensation Firm. The payment rates and the maximum liability of the Retirement System under this Contract are firm for the duration of the Contract and are not subject to escalation for any reason unless amended.
- C.3. Payment Methodology. The Contractor shall be compensated based on the payment rates herein for units of service authorized by the Retirement System in a total amount not to exceed the Contract Maximum Liability established in Section C.1.
- a. The Contractor's compensation shall be contingent upon the satisfactory completion of units, milestones, or increments of service defined in Section A.
 - b. The Contractor shall be compensated on a quarterly basis, in arrears, based on the net asset value of the Account. The fee shall be calculated on a monthly basis equal to one-twelfth (1/12) of the annual basis point fee multiplied by the net asset value of the Account at month end including a pro rata adjustment for capital injections and withdrawals. The annual basis point fee shall be:
 - (i) 80 for the first fifty million dollars (\$50,000,000.00);
 - (ii) 60 for the next fifty million dollars (\$50,000,000.00); then
 - (iii) 40 for any amounts over one hundred million dollars (\$100,000,000.00).

The net asset value of the securities held in the Account shall be determined solely by the Retirement System. Fees shall not be paid on those assets invested in cash or cash equivalents when such represents more than fifteen percent (15%) of the net asset value of the Account at each month's end.

C.4. Reduction in Compensation. The Contractor represents and warrants that the fees set forth in Section C.3 above are no greater than the fees charged by the Contractor for its other ERISA or other U.S. public retirement fund clients where: (i) assets under management are substantially identical in investment style and investment program to the Retirement System; (ii) total assets under management are comparable to the market value of the assets in the Account; and (iii) the fee arrangement in question was not agreed with the other ERISA or U.S. public retirement fund client prior to the date on which the Contractor and the Retirement System entered into this Contract. If, during the term of this Contract, the Contractor enters into a fee schedule that is lower than the fee hereunder for its other ERISA or U.S. public retirement fund clients for a class of assets and with an investment program substantially identical to that hereunder, and with a market value comparable to that of the Account, Section C.3 shall be deemed automatically amended to substitute said reduced fees in place of the fees provided in Section C.3 for the remainder of this Contract.

C.5. Travel Compensation. The Contractor shall not be compensated or reimbursed for travel, meals, or lodging.

C.6. Invoice Requirements. The Contractor shall invoice the Retirement System only for completed increments of service and for the amount stipulated in Section C.3, above, and as required below prior to any payment.

a. The Contractor shall submit invoices no more often than quarterly, with all necessary supporting documentation, to:

Tennessee Treasury Department
Division of Accounting
9th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243-0206

b. The Contractor agrees that each invoice submitted shall clearly and accurately (all calculations must be extended and totaled correctly) detail the following required information.

- (1) Invoice/Reference Number (assigned by the Contractor);
- (2) Invoice Date;
- (3) Invoice Period (period to which all invoiced charges are applicable);
- (4) Contract Number (assigned by the State to this Contract);
- (5) Account Name: Tennessee Consolidated Retirement System;
- (6) Account/Customer Number (uniquely assigned by the Contractor to the above-referenced Account Name);
- (7) Contractor Name;
- (8) Contractor Federal Employer Identification Number or Social Security Number (as referenced in this Contract);
- (9) Contractor Contact (name, phone, and/or fax for the individual to contact with billing questions);
- (10) Contractor Remittance Address;
- (11) Complete Itemization of Charges, which shall detail the following:
 - i. Service or Milestone Description (including name /title as applicable) of each service invoiced;
 - ii. Number of Completed Units, Increments, Hours, or Days as applicable, of each service invoiced;
 - iii. Applicable Payment Rate (as stipulated in Section C.3.) of each service invoiced;
 - iv. Amount Due by Service; and
 - v. Total Amount Due for the invoice period.

- c. The Contractor understands and agrees that an invoice to the State under this Contract shall:
 - (1) include only charges for service described in Contract Section A and in accordance with payment terms and conditions set forth in Contract Section C;
 - (2) not include any future work but will only be submitted for completed service; and
 - (3) not include sales tax or shipping charges.
 - d. The Contractor agrees that timeframe for payment (and any discounts) begins when the Retirement System is in receipt of each invoice meeting the minimum requirements above.
 - e. The Contractor shall complete and sign a "Substitute W-9 Form" provided to the Contractor by the Retirement System. The taxpayer identification number contained in the Substitute W-9 submitted to the Retirement System shall agree to the Federal Employer Identification Number or Social Security Number referenced in this Contract for the Contractor. The Contractor shall not invoice the Retirement System for services until the Retirement System has received this completed form.
- C.7. Payment of Invoice. The payment of the invoice by the Retirement System shall not prejudice the Retirement System's right to object to or question any invoice or matter in relation thereto. Such payment by the Retirement System shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the amounts invoiced therein.
- C.8. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by the Retirement System, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute proper remuneration for compensable services.
- C.9. Deductions. The Retirement System reserves the right to deduct from amounts which are or shall become due and payable to the Contractor under this or any Contract between the Contractor and the State of Tennessee any amounts which are or shall become due and payable to the State of Tennessee by the Contractor.
- C.10. Wire Transfer. The payment of compensation to the Contractor hereunder shall be made via wire transfer in immediately available funds pursuant to federal wire transfer instructions given to the Retirement System by the Contractor.
- D. STANDARD TERMS AND CONDITIONS:**
- D.1. Required Approvals. The Retirement System is not bound by this Contract until it is approved by the appropriate State officials in accordance with applicable Tennessee State laws and regulations.
- D.2. Modification and Amendment. This Contract may be modified only by a written amendment executed by all parties hereto and approved by the appropriate Tennessee State officials in accordance with applicable Tennessee State laws and regulations.
- D.3. Termination for Convenience. The Retirement System may terminate this Contract without cause for any reason. Said termination shall not be deemed a Breach of Contract by the Retirement System. The Retirement System shall give the Contractor at least thirty (30) days written notice before the effective termination date. The Contractor shall be entitled to receive compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the Retirement System be liable to the Contractor for compensation for any service which has not been rendered. Upon such termination, the Contractor shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- D.4. Termination for Cause. If the Contractor fails to properly perform its obligations under this Contract in a timely or proper manner, or if the Contractor violates any terms of this Contract, the

Retirement System shall have the right to terminate the Contract and withhold payments in excess of fair compensation for completed services.

- a. The Retirement System will provide notification of termination for cause in writing. This notice will: (1) specify in reasonable detail the nature of the breach; (2) provide the Contractor with an opportunity to cure, which must be requested in writing no less than 10 days from the date of the Termination Notice; and (3) shall specify the effective date of termination in the event the Contractor fails to correct the breach. The Contractor must present the Retirement System with a written request detailing the efforts it will take to resolve the problem and the time period for such resolution. This opportunity to "cure" shall not apply to circumstances in which the Contractor intentionally withholds its services or otherwise refuses to perform. The Retirement System will not consider a request to cure contract performance where there have been repeated problems with respect to identical or similar issues, or if a cure period would cause a delay that would impair the effectiveness of Retirement System operations. In circumstances where an opportunity to cure is not available, termination will be effective immediately.
- b. Notwithstanding the foregoing, the Contractor shall not be relieved of liability to the Retirement System for damages sustained by virtue of any breach of this Contract by the Contractor.

D.5. Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the services performed under this Contract without obtaining the prior written approval of the Retirement System. If such subcontracts are approved by the Retirement System, they shall contain, at a minimum, sections of this Contract below pertaining to "Conflicts of Interest," "Nondiscrimination," and "Records" (as identified by the section headings). Notwithstanding any use of approved subcontractors, the Contractor shall be the prime contractor and shall be responsible for all work performed.

D.6. Conflicts of Interest. The Contractor warrants that no part of the total Contract Amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

D.7. Nondiscrimination. The Contractor hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract or in the employment practices of the Contractor on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification protected by Federal, Tennessee State constitutional, or statutory law. The Contractor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.8. Prohibition of Illegal Immigrants. The requirements of Public Acts of 2006, Chapter Number 878, of the state of Tennessee, addressing the use of illegal immigrants in the performance of any Contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.

- a. The Contractor hereby attests, certifies, warrants, and assures that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the Retirement System a completed and signed copy of the document at Attachment F, hereto, semi-annually during the period of this Contract. Such attestations shall be maintained by the Contractor and made available to state officials upon request.
- b. Prior to the use of any subcontractor in the performance of this Contract, and semi-annually thereafter, during the period of this Contract, the Contractor shall obtain and

retain a current, written attestation that the subcontractor shall not knowingly utilize the services of an illegal immigrant to perform work relative to this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work relative to this Contract. Attestations obtained from such subcontractors shall be maintained by the Contractor and made available to state officials upon request.

- c. The Contractor shall maintain records for all personnel used in the performance of this Contract. Said records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the Retirement System.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Public Chapter 878 of 2006 for acts or omissions occurring after its effective date. This law requires the Commissioner of Finance and Administration to prohibit a contractor from contracting with, or submitting an offer, proposal, or bid to contract with the State of Tennessee to supply goods or services for a period of one year after a contractor is discovered to have knowingly used the services of illegal immigrants during the performance of this Contract.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not either a United States citizen, a Lawful Permanent Resident, or a person whose physical presence in the United States is authorized or allowed by the federal Department of Homeland Security and who, under federal immigration laws and/or regulations, is authorized to be employed in the U.S. or is otherwise authorized to provide services under the Contract.

- D.9. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from the date of the final payment and shall be subject to audit at any reasonable time and upon reasonable notice by the Retirement System, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.10. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the Retirement System, the Comptroller of the Treasury, or their duly appointed representatives.
- D.11. Progress Reports. The Contractor shall submit brief, periodic, progress reports to the Retirement System as requested.
- D.12. Strict Performance. Failure by any party to this Contract to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the parties hereto.
- D.13. Independent Contractor. The parties hereto, in the performance of this Contract, shall not act as employees, partners, joint venturers, or associates of one another. It is expressly acknowledged by the parties hereto that such parties are independent contracting entities and that nothing in this Contract shall be construed to create an employer/employee relationship or to allow either to exercise control or direction over the manner or method by which the other transacts its business affairs or provides its usual services. The employees or agents of one party shall not be deemed or construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor, being an independent contractor and not an employee of the Retirement System, agrees to carry adequate public liability and other appropriate forms of insurance, including adequate public liability and other appropriate forms of insurance on the Contractor's employees, and to pay all applicable taxes incident to this Contract.

- D.14. Retirement System Liability. The Retirement System shall have no liability except as specifically provided in this Contract.
- D.15. Force Majeure. The obligations of the parties to this Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, natural disasters, riots, wars, epidemics or any other similar cause.
- D.16. State and Federal Compliance. The Contractor shall comply with all applicable State and Federal laws and regulations in the performance of this Contract.
- D.17. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Contractor agrees that it will be subject to the exclusive jurisdiction of the courts of the State of Tennessee in actions that may arise under this Contract. The Contractor acknowledges and agrees that any rights or claims against the State of Tennessee or its employees hereunder, and any remedies arising therefrom, shall be subject to and limited to those rights and remedies, if any, available under *Tennessee Code Annotated*, Sections 9-8-101 through 9-8-407.
- D.18. Completeness. This Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the parties relating hereto, whether written or oral.
- D.19. Severability. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions hereof shall not be affected thereby and shall remain in full force and effect. To this end, the terms and conditions of this Contract are declared severable.
- D.20. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.

E. SPECIAL TERMS AND CONDITIONS:

- E.1. Conflicting Terms and Conditions. Should any of these special terms and conditions conflict with any other terms and conditions of this Contract, these special terms and conditions shall control.
- E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The Retirement System:

Michael Brakebill, Chief Investment Officer
Tennessee Consolidated Retirement System
11th Floor, Andrew Jackson State Office Building
502 Deaderick Street
Nashville, Tennessee 37243-0209
michael.brakebill@state.tn.us
Telephone # (615) 532-1157
FAX # (615) 770-7423

The Contractor:

Wilson Phillips, Client Director

Marathon Asset Management LLP
Orion House, 5 Upper St. Martin's Lane
London, England, WC2H 9EA
wphillips@marathon.co.uk
Telephone # + 44-207-497-2211
FAX # + 44-207-497-2399

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

- E.3. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate the Contract upon written notice to the Contractor. Said termination shall not be deemed a breach of Contract by the Retirement System. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. Should such an event occur, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Upon such termination, the Contractor shall have no right to recover from the Retirement System any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.
- E.4. Tennessee Consolidated Retirement System. The Contractor acknowledges and understands that, subject to statutory exceptions contained in *Tennessee Code Annotated*, Section 8-36-801, *et. seq.*, the law governing the Tennessee Consolidated Retirement System (TCRS), provides that if a retired member of TCRS, or of any superseded system administered by TCRS, or of any local retirement fund established pursuant to *Tennessee Code Annotated*, Title 8, Chapter 35, Part 3 accepts state employment, the member's retirement allowance is suspended during the period of the employment. Accordingly and notwithstanding any provision of this Contract to the contrary, the Contractor agrees that if it is later determined that the true nature of the working relationship between the Contractor and the State under this Contract is that of "employee/employer" and not that of an independent contractor, the Contractor may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the period of this Contract.
- E.5. Representations and Covenants of the Contractor. The Contractor represents and warrants that (1) it has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services under this Contract; (2) with respect to the Account, it shall not engage in transactions with either itself, including any affiliates or parent companies, except upon the prior written approval of the Retirement System; (3) it is duly authorized to execute and deliver this Contract, and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance; (4) the person signing this Contract on its behalf is duly authorized to do so on its behalf; (5) it has obtained all authorizations of any governmental body required in connection with this Contract and the transactions hereunder and such authorizations are in full force and effect; and (6) the execution, delivery and performance of this Contract will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. The Contractor shall promptly notify the Retirement System in writing if any of the above representations change or cease to be true and correct in all respects.
- E.6. Confidentiality and Publicity. The Contractor shall treat as confidential all proprietary information and materials affecting the Account. Except as otherwise required by law, the Contractor further undertakes not to release any materials to third parties without the Retirement System's prior written permission. The Contractor agrees that all reports, studies, analyses, specifications, recommendations and all other materials of whatsoever nature, prepared by the Contractor specifically for use under this Contract or furnished to the Contractor by the Retirement System for use under this Contract, are to be considered confidential, and that the Contractor will neither publish, circulate nor use any of the foregoing, except in the performance of its work under this Contract or except as otherwise required by law. The Contractor agrees that it will not issue any news releases to the public press or any publication wholly or partly related to its work under this Contract without first obtaining the prior written consent of the Retirement System. The

Contractor further agrees that it will not make speeches, engage in public appearances, publish articles or otherwise publicize its work under this Contact without prior written approval of the Retirement System. This Paragraph is not intended to prevent the Contractor from advertising the fact that the Contractor performed or performs the services hereunder on behalf of the Retirement System.

- E.7. Authorized Individuals. Each party hereto has provided the other party hereto with a list identifying the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given hereunder by the party providing such list. Said lists, which are attached hereto as Attachment G, shall be valid until revoked or amended by further written notice. The parties hereto shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.
- E.8. On-Site Visits. At any reasonable time and upon reasonable notice by the Retirement System, the Retirement System or its duly appointed representatives shall be entitled to visit the Contractor's operational headquarters or other offices where the Account is serviced and to examine all records pertaining to the Account, and to make reasonable requests for copies of such records. The travel expenses associated with any such visit shall be borne by the Retirement System or its duly appointed representatives.
- E.9. Transition of Services Upon Termination. Upon the natural expiration of this Contract or in the event of its termination for any reason, the Contractor shall transfer in accordance with the Retirement System's instructions all records and other property of the Retirement System to whomever the Retirement System may designate in writing to the Contractor. The Contractor agrees to cooperate with the Retirement System, and any subsequent contractor selected by the Retirement System to perform the services hereunder, in the transition and conversion of such services. The Contractor shall remain liable to the Retirement System under this Contract for any acts or omissions occurring on or prior to the date on which all property of the Retirement System and all services hereunder have been successfully transferred or converted in accordance with this Paragraph.

IN WITNESS WHEREOF:

MARATHON ASSET MANAGEMENT LLP:



October 23, 2008

CONTRACTOR SIGNATURE

DATE

WILLIAM ARAH, MEMBER

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:



10/28/08

DALE SIMS, STATE TREASURER & CHAIR OF THE BOARD OF TRUSTEES OF THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

DATE

APPROVED:

M. D. Goetz, Jr./SC

11/7/08

M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION

DATE

John G. Morgan

11/14/08

JOHN G. MORGAN, COMPTROLLER OF THE
TREASURY

DATE

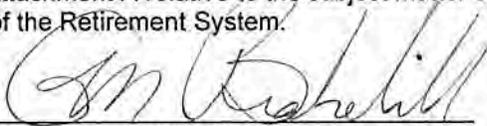
**ATTACHMENT A
ACCOUNT CONTENT**

Pursuant to Section A.2 of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and Marathon Asset Management LLP, hereinafter referred to as the "Contractor", the Retirement System appointed the Contractor to supervise and manage its international equity investment portfolio, designated as the Account. For purposes of the Contract, "international" shall mean those countries defined by the MSCI EAFE Standard Index, plus Canada.

The Retirement System shall allocate such cash and securities as shall be determined at the sole discretion of the Retirement System for investment and reinvestment by the Contractor in the above described countries and in accordance with the above-referenced Contract. In addition to such allocation, the Account shall consist of all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. The Retirement System may, at its sole discretion and upon notification to the Contractor, add, transfer or remove assets from the Account. Following such transfer or removal, the Contractor shall have no authority to act with respect to assets transferred or removed. The Contractor shall have no investment or other responsibility or authority with respect to those assets owned by the Retirement System which are not part of the Account. The investment performance of the Account shall be measured against the MSCI EAFE Standard Net Index as published by MSCI Barra.

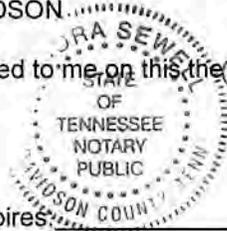
The Contractor may only invest assets of the Account in common stock, preferred stock, convertible bonds, and depository receipts. The Contractor may write covered call options on stock positions and engage in forward contracts to hedge the foreign currency exposure of the Account. Said investment vehicles are the only vehicles the Contractor may employ and the same must be done under the terms and conditions contained in Attachment B "Tennessee Consolidated Retirement System Organizational Structure and General Overview - Investment Policy, Objectives and Criteria" and in compliance with Tennessee Code Annotated, Title 8, Chapter 37, Part 1.

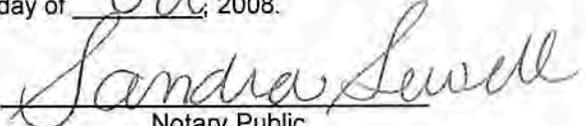
This Attachment A supersedes any prior Attachment A relative to the subject matter contained herein and will be valid until further written notice of the Retirement System.


Michael Brakebill, Chief Investment Officer

STATE OF TENNESSEE
COUNTY OF DAVIDSON

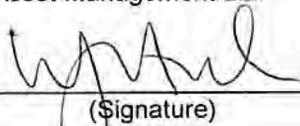
Sworn and subscribed to me on this the 24th day of Oct., 2008.




Notary Public

My Commission Expires _____
My Commission Expires JULY 5, 2011

RECEIPT AND ACCEPTANCE
Marathon Asset Management LLP

By: 
(Signature)

Date: October 23, 2008

WILLIAM ARAH, MEMBER
(Typed or Printed Name and Title)

ATTACHMENT B

THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM INVESTMENT POLICY ORGANIZATIONAL STRUCTURE AND GENERAL OVERVIEW

The Tennessee Consolidated Retirement System (TCRS) represents the pension plan for state employees, teachers, higher education employees, local government employees, and employees of other entities authorized to participate in TCRS. TCRS was established by state statute in 1972. The governing statute is found in Tennessee Code Annotated 8-34-101, et seq.

Final authority for investing and reinvesting the assets of the Tennessee Consolidated Retirement System (System) is vested in the System's Board of Trustees (Board). T.C.A., Section 8-37-104(a). Implementation of investment policy established by the Board is hereby delegated to the State Treasurer (Treasurer) who shall put such policy into effect. T.C.A., Section 8-37-110. Assets shall be invested subject to all the terms, conditions, limitations, and restrictions imposed by the laws of the State of Tennessee upon domestic life insurance companies in the making and disposing of their investments or as otherwise provided by state law. T.C.A., Section 8-37-104(a). If the Board has issued other directions further limiting such investments, the assets shall be invested according to the criteria established by the Board.

Mission Statement

The mission of the Tennessee Consolidated Retirement System is to provide superior services to constituents in a cost-effective manner through qualified personnel while maintaining the highest ethical standards. The assets of TCRS are invested solely in the interest of plan participants and beneficiaries for the exclusive purpose of providing the statutory retirement and other benefits to plan participants and beneficiaries.

Legal Counsel

The State Attorney General or an assistant designated by him shall be the legal advisor to the Board in all matters. In all cases where the interests of the System require additional counsel to the Attorney General, the Chairman of the Board, with approval of the Attorney General, is authorized to employ such additional counsel. T.C.A., Section 8-34-308.

Investment Advisory Council

The Treasurer shall nominate, with the advice and consent of the Board, an Investment Advisory Council (IAC), consisting of up to seven persons who have experience as investment portfolio managers, economists, or investment advisors to work with the Treasurer's investment staff, T.C.A., Section 8-37-108, to advise the Board on investment policy, T.C.A., Section 8-37-109.

The Council will assist the Treasurer, Chief Investment Officer and Investment Staff by providing advice and recommendations on the most appropriate short, intermediate and long-term investment strategy. At each meeting of the Council, the previous meetings' recommendations will be reviewed and reinforced or changed as agreed upon by the Council Members.

Chief Investment Officer (CIO)

The Chief Investment Officer for the System's assets will assume the necessary authority, as granted by the Treasurer, to effectively manage the Investment Staff. He shall report to and consult with the Council in formal, scheduled meetings and informally as needed.

The Chief Investment Officer shall:

1. Have executive responsibility and authority, as delegated by the Treasurer, for the management of the assets of the System in keeping with such guidelines and policies as approved by the Board and such applicable laws of the State of Tennessee.
2. Prepare and submit reports, as required, to the Treasurer, the Council, and the Board to document investment activities.

3. Report to and consult with the Treasurer on administrative, organizational and investment activities.
4. Work with the Council on development and implementation of an appropriate investment strategy.
5. Work jointly with the Council to develop long-term economic and investment projections.
6. File with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Investment Staff

The Treasurer, in consultation with the Chief Investment Officer, shall maintain an Investment Staff to effectively manage all assets of the System. The Treasurer may delegate to the Chief Investment Officer and such staff the power to invest and reinvest the System's assets within criteria established by the Board. T.C.A., Section 8-37-105. Investment Staff will perform their duties in compliance with the Chartered Financial Analyst Institute's Code of Ethics and Standards of Professional Conduct. Each member of the Investment Staff shall file with the Treasurer a disclosure statement as prescribed by the Treasurer each year in December.

Each member of the investment staff shall act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

Reporting

The Investment Staff shall provide a detailed written review of investment activity at Board and Council meetings. This shall include a review of the purchases and sales over the period under review, a portfolio summary, a review of current investment policy, and other reports as requested.

Internal Controls

The CIO shall maintain a system of internal controls to safeguard the assets of the System. Such controls shall include, but not limited to, assurance that financial assets are held in trust at a third party custodial financial institution, and that an independent consultant or master custodial financial institution calculate investment performance independent from the internal records of TCRS.

The Treasury department's accounting division and internal audit division shall report to an executive management employee other than the CIO.

Brokerage Firms

All brokerage firms (for stock and all other securities) shall be selected for use according to their financial standing, execution capabilities, underwriting capabilities, research capabilities, price and other services provided to the System.

Consultants

The Treasurer in conjunction with the CIO may engage the services of investment consultants as necessary to manage the assets of TCRS. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of the consultant with such enumerated in a contractual agreement.

External Managers and Advisors

The Treasurer in conjunction with the CIO may engage the services of investment professionals to actively manage the international stock portfolio and the real estate portfolio. The Board delegates to the Treasurer the responsibility to determine the duties and responsibilities of investment professionals with such enumerated in a contractual agreement.

Master Custodian Financial Institution

The Treasurer in conjunction with the CIO may engage the services of a master custodian financial institution to hold in trust the financial assets of TCRS and to process trade transactions. The Board

delegates to the Treasurer the responsibility to determine the duties and responsibilities of the master custodian financial institution with such enumerated in contractual agreement.

Proxy Voting

It is the general policy to vote proxies in a manner which will provide the best ultimate value to the shareholders of that entity. The Chief Investment Officer will develop and maintain a proxy voting policy, and review such policy annually with the Council. In voting all proxies, the investment staff will:

1. Analyze the economic consequences of the options presented to them as shareholders, and select the option most likely to protect and enhance the value of the System's assets.
2. Document the votes (and other actions and decisions) along with the reasons for taking the action chosen. This includes maintaining a record of all attempts to solicit proxies, from outside or inside the organization.
3. The Chief Investment Officer should consult with the Council on any particularly difficult proxy questions.

Commission Dollar Arrangements

The Treasurer is hereby given approval and is authorized to obtain investment research services permitted by Section 28(e) which amends the Securities and Exchange Laws of 1934 through use of commission dollars; provided, however, that best execution of all trades shall continue to be the overriding principle in determining the broker to be used in executing any transaction. The Treasurer shall annually disclose to the Board significant provisions of each commission dollar arrangement existing on June 30 of each year. The Treasurer shall, within a reasonable period of time, disclose to the Board any new commission dollar arrangement entered into as well as other information requested. Only those research goods and services which directly enhance the investment decision-making process and which do not have a non-investment capability shall be eligible for procurement through commission dollar arrangements. Goods and services specifically permitted include performance evaluation services, securities pricing services, quotation and trading information services and analytical databases as well as technical publications which directly enhance the investment decision-making process.

No good or service may be procured through commission dollar arrangements if such good or service benefits an employee in an individual capacity. Goods and services specifically prohibited from procurement through use of commission dollar arrangements include direct telephone lines to brokerage firms, personal computers or other office equipment, payment of travel related expenses and payment of cost of attending seminars, classes or other investment training activities. The Treasurer shall develop and implement a structured review and approval process to ensure that commission dollar arrangements entered into pursuant to this policy comply with the provisions stated herein. Any commission dollar arrangement in which commission commitment is made by the System shall be evidenced by a written agreement which specifies the nature and extent of the commission commitment as well as other significant provisions of the arrangement.

INVESTMENT POLICY AND OBJECTIVES

Preservation of principal value is the primary objective in managing the System's assets. Within acceptable risk levels, achieving a superior return (both income and appreciation) is the second objective for the Fund. A third objective is to provide the liquidity needed by the System to pay beneficiaries in a timely manner. These objectives are adopted to seek actuarial soundness of the plan in order to meet benefit obligations.

Preservation of Principal Value

Recognizing that potential investment return is proportionate to the amount of risk taken, investment in high quality assets shall be favored over those more risky investments that, if successful, can pay a higher return. In addition to limiting investments to higher quality financial assets, a diversified portfolio shall be maintained to further reduce exposure to loss. Although the risk parameters imposed by state law

shall be followed, the Investment Staff may choose to further restrict the financial criteria, depending on the overall state of the economy and upon advice of the Council.

Investment Return

The System's assets should be managed actively to attain, within acceptable risk limitations, a return on assets that will meet beneficiary payments as required. Return shall include both current income and capital appreciation. The investments of the System shall be diversified so as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to do so. The total return objective of the system shall be to exceed the returns as set out under the "Performance Measurement" section of this policy.

Liquidity for System Beneficiary Payment

It appears that contributions to the Fund will be sufficient to meet beneficiary payments for some time. Continual review of the System should be conducted to assure that investments providing income for liquidity needs are purchased as the System matures.

Asset Allocation

Allocation Range

The chief investment officer is permitted to make investments within the following ranges:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Domestic Stocks	20%	50%
Domestic Bonds	20%	60%
Inflation Indexed Bonds	0%	15%
Short-term Securities	0%	10%
International Bonds	0%	10%
International Stocks	5%	25%
Real Estate	0%	5%

Rebalancing

Should an asset class fall below the minimum percentage or exceed the maximum percentage, the chief investment officer is expected to rebalance the portfolio to bring the asset class within the minimum / maximum range within 90 days.

Performance Measurement

To provide the Investment Staff and the Board with guidance as to investment performance expectations, the following performance measurement standards are established. These standards are to act as guides in determining whether the Fund and individual asset classes are achieving their long term goals, both in relationship to the System's peer group of other public funds and the marketplace in general. In recognition of the System's long-term perspective, these standards are to be measured through use of a five-year rolling average. This serves to reinforce the System's bias against investment decisions designed to show short-term gain at the expense of long term performance.

Total Fund Performance Measurement Standards

This set of standards is designed to measure the performance of the Fund in total, including the impact that state law, investment policy restrictions and asset allocation decisions may have on the performance of the Fund. Given the current state law, investment policy and asset allocation parameters, the following standards are considered reasonable expectations for the total Fund:

The Fund's overall annualized total return should exceed the return available from a policy of investing in an index fund of the following:

<u>Asset Class</u>	<u>Index</u>	<u>Weight</u>
Domestic Stocks	S&P 1500	35%
Domestic Bonds	Citigroup Broad Investment Grade Index	35%
Inflation Indexed Bonds	Citigroup TIPS Index	5%
Short-term Securities	91-Day U.S. Treasury Bills	3%
International Bonds	Citigroup Non-U.S. G-5 Govt. Bond Index	3%
International Stocks	MSCI EAFE	15%
Real Estate	NCREIF Property Index	4%
TOTAL		100%

The Total Fund should rank in the upper 50 percentile compared to the results of other similarly managed public fund portfolios measured over rolling five-year periods.

Asset Class Performance Measurement Standards

Each asset class is currently actively managed by the System. Since an alternative to active management exists in the form of index funds, it is proper to measure the System's performance against the most appropriate index for each asset class to determine the "value added" over time by active management. As asset classes change, indices should be reviewed to ensure that proper comparisons are being made. The above indices provide for appropriate comparison to the System's current asset classes.

INVESTMENT CRITERIA

Both the Board and the Investment Staff are aware of the desirability of investing within the State of Tennessee whenever quality, risk, diversification and potential return are equal to or greater than that available on like investments outside the state. The Investment Staff should encourage and be receptive to Tennessee financial proposals. However, both the Board and the Investment Staff are aware of the fiduciary responsibility of investing pension assets and should not make any investment based solely on its location in Tennessee when quality, risk, diversification, or potential return are sacrificed. T.C.A., Section 35-3-117(b). Further, the Board will not approve investment proposals designed to benefit special political, social, or economic subgroups within or external to the System's beneficiaries unless they clearly meet all fiduciary standards of investing.

In determining compliance with the percentage limitations of this policy, the assets of the System shall be valued at their market value. Accordingly, an investment may be made on any given day provided such investment does not cause any applicable limitation prescribed in this policy to be exceeded on such day. T.C.A., Section 8-37-104(b).

Common, Preferred Stock and Convertible Bonds

Growth is important to the System to attain a return that will allow for greater participant benefits and/or lower state funding requirements. Equity investments will be used to seek this growth through potential dividend increases and capital appreciation. The System will limit its investment in common and preferred stock to 75% of the System's total assets. T.C.A., Section 8-37-104(a)(1). Convertible bonds also will be counted as an equity investment and included in this limitation. The System's stock portfolio shall be actively managed by the Investment Staff to obtain a superior return. The stock of smaller, emerging companies, including new issues, should be an integral part of the total portfolio. Not more than 4.99% of the outstanding shares of any one issuer shall be purchased. Any stock purchase which does not meet the statutory definition for domestic life insurance companies shall be considered purchased under the basket clause as permitted by statute.

Notes, Bonds, and Mortgages

Public issues of notes and bonds shall make up the majority of fixed income investments. It will be necessary to actively manage this sector of the portfolio in times of volatile interest rate swings to either shorten the average maturity to protect principal value or lengthen maturities to lock up a long-term stream of income. The only issues subject for purchase are investment grade bonds (four highest ratings)

as rated by one of the recognized rating agencies. Issues of any agency of the federal government or any entity with the express or implied backing of the U. S. Treasury shall be considered as holding the highest possible rating. The total sum invested in notes and bonds and other fixed income securities exceeding one (1) year shall not exceed seventy-five percent (75%) of the total funds of the System. T.C.A., Section 8-37-104(a)(2).

Private Placements

Any debt issues purchased which do not have an active secondary market shall be thoroughly researched from a credit standpoint and shall be viewed by the Investment Staff as having the credit quality equivalent of an AA rating on a publicly traded issue. Not more than 15% of the total fixed income portfolio shall be placed in private placements. Private placements may be considered for purchase when they yield a return over equivalent quality public issues that are sufficient to compensate for their lack of marketability. Except in the case of notes purchased by the System pursuant to standby note purchase agreements wherein the System receives a market rate of return, tax exempt securities of any state are not considered a prudent investment for the System.

Stock Options

Call options may be written on stock positions owned by the System. Options should not be written on more than 10% of the total stock portfolio. Options may not be purchased but positions can be closed out. Rules and Regulations of the State of Tennessee, Chapter 0780-1-32.

Bond Futures

The Investment Staff may write call options on U.S. Treasury bond futures, provided such options are not written on more than 10% of the total assets in the System's portfolio. T.C.A., Section 56-3-303(a)(15).

Domestic Stock Index Futures

The System may purchase or sell domestic stock index futures contracts for the purpose of making asset allocation changes in a more efficient and cost effective manner, and to improve liquidity. Such futures contracts shall be subject to the following terms and conditions:

1. The Investment Staff will not enter into futures transactions for the purpose of speculative leveraging. Speculative leveraging is defined as buying financial futures where the amount of the contract obligation is an amount greater than the market value of the System's cash and short-term securities.
2. The total amount of the System's financial futures contract obligation should not exceed five percent (5%) of the market value of the System's total assets.
3. The sum total of the domestic equity portfolio together with the value of the stock index futures contract obligation should be within the asset allocation range for domestic equity securities. While stock index futures contracts are outstanding, the Investment Staff shall maintain a comparison of the System's equity asset allocation against its invested position including futures contracts.
4. The System may use cash and obligations of the U.S. government or any of its agencies to meet the variation margin requirement.
5. The only stock indexes upon which financial futures contracts may be written are as follows: S&P 600 Index, S&P 500 Index, S&P Midcap 400, and Russell 2000 Index.
6. Futures transactions will be conducted with only a few of the highest quality domestic money center banks and domestic brokerage firms. The criteria to be used in selecting such banks and brokerage firms should include, but should not be limited to, their experience and expertise in the financial futures market.
7. A transaction record shall be maintained which contains the following:
 - a) The amount of stock index futures contracts purchased and the reason therefor.
 - b) The amount of stock index futures contracts sold and the reason therefor.

8. The Investment Staff shall submit a quarterly financial futures report to the Board. This report will describe with specificity the financial futures transactions during the previous quarter. The report shall summarize the investment strategies employed during the period reviewed and the proposed strategy for the present quarter. Each report shall list the banks and brokerage firms authorized to conduct financial futures transactions with the System. T.C.A., Section 8-37-104(a)(7).

Short-term Investments

All monies waiting to be placed in a more permanent investment should be actively managed to obtain the best return available. Yield should be sacrificed for safety in short-term investments, and thus only the highest quality short-term debt issues should be purchased. These investments can include both publicly and privately negotiated short-term borrowing agreements. Commercial paper should be rated in the highest tier by all rating agencies which rate the paper. Rating modifiers (+, -) should not be considered when determining the highest rated tier. A minimum of two ratings is required. Commercial paper cannot be purchased if a rating agency has the commercial paper on a negative credit watch. Commercial paper cannot have a remaining maturity of more than 180 days from the date of purchase. The maximum amount of a specific corporation's commercial paper that can be purchased is \$100 million, but commercial paper maturing on the next business day shall not apply to this limit. A credit analysis report shall be prepared on a corporation before the corporation's commercial paper can be acquired. A credit analysis report should include a company profile, business description, financial profile, rating information, strengths and opportunities, weaknesses and threats, and an outlook and recommendation.

Securities Lending

Both debt and equity securities may be loaned for a fee to a select few of the highest quality securities firms and banks. Loans shall be limited so that the total amount of the securities lent does not exceed 30% of the market value of the total assets in the System's portfolio. Eligible collateral shall be required for each loan. For purposes of this provision, eligible collateral means:

1. Bonds, notes, and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
2. Obligations guaranteed as to principal and interest by the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association and other United States government sponsored corporations or enterprises; and
3. Cash.

Securities received as collateral shall have a market value of at least 102% of the market value of the security loaned. Cash received as collateral shall have a value of at least 100% of the market value of the security loaned. Collateral should be closely monitored. Securities collateral should be marked to market each business day so that the aggregate market value of the collateral allocated to all then outstanding loans to a single security firm or bank equals 102% of the market value of such loans and the interest accrued thereon. If at any time the aggregate market value of the securities collateral allocated to all then outstanding loans to a single security firm or bank is less than 100% of the market value of such loans, more collateral should be requested. Cash received as collateral may be invested by or on behalf of the System in any investment instrument in which the System's assets may be directly invested. Such cash may also be invested in short-term investment funds provided the portfolio of such funds contains only those investment instruments in which the System's assets may be directly invested. The Treasurer, through securities lending agreements, may further restrict the collateral requirement outlined in this policy. Securities lending agreements entered into shall be reviewed, commented upon, and approved as to form and legality by the Attorney General and Reporter. T.C.A., Section 8-37-104(a)(6).

Standby Note Purchase Agreement

The System may enter into contracts to serve as a standby note purchaser for the Tennessee State School Bond Authority, the Tennessee State Funding Board and the Tennessee Local Development Authority provided said contracts contain the following provisions:

1. The System receives an annual commission representing a fair market value fee, adjusted for any additional cost incurred by the state agency due to the System serving as the standby note purchaser.

2. If called upon to purchase such notes, the System receives a market rate of return exceeding the prime rate.

T.C.A., Section 8-37-104(a)(8).

International Investments

An amount not to exceed 25% of the System's total assets may be invested in the international markets of those countries included in the Morgan Stanley Capital International (MSCI) EAFE index for developed markets excluding any emerging market countries. Such securities must be actively traded in a public market and be of the same kinds, classes and investment grades otherwise eligible for investment. T.C.A., Section 8-37-104(a)(3).

Foreign Currency Hedging

The System may engage in forward contracts to hedge the foreign currency exposure of the fund under the following guidelines:

1. The overall strategy will be a tactical defense designed to reduce risk and protect the System's international portfolio from a strong dollar.
2. The foreign currency exposure will be hedged by selling and purchasing currency using only forward contracts.
3. The allowable currencies for hedging purposes are limited to the currencies of those countries authorized pursuant to this policy.
4. Portfolio currencies may be hedged no more than 80% of international portfolio exposure for any given currency based on market value.
5. Portfolio currencies may be sold for U.S. dollars only and not for another portfolio currency.
6. Hedging will be conducted through the System's custodial bank and a few of the highest quality money center banks and brokerage firms. T.C.A., Section 8-37-104(a)(5).

Canadian Investments

The System may purchase Canadian securities which are actively traded in a public market provided they are substantially of the same kinds, classes and investment grades as those otherwise eligible for investment. Such investments shall not be subject to the restriction imposed on international investments.

Real Estate

An amount not to exceed 5% of the market value of the total TCRS portfolio may be invested in real estate. The real estate investment portfolio of TCRS may include investments in direct real estate investments, commingled funds, group trusts, real estate operating companies ("REOCs"), partnerships, corporations, limited liability companies ("LLCs") or other collective investment vehicles or pooled investments as well as REIT's (private or public). At the time of acquisition, the minimum investment size for an individual property is \$5.0 million, unless the investment is part of an accumulation strategy of multiple properties in a given market or sub-market. The maximum investment size in any one property shall be limited to one-half of one percent (0.5%) of the market value of TCRS' total assets.

TCRS shall invest primarily in substantially leased (i.e., 80% or greater leased at time of acquisition) institutional quality, well-located assets in the traditional property types: office, apartment, retail, and industrial. To avoid concentrations within certain property types and to ensure prudent diversification over the longer time periods, no investment may be made which would cause, at the time of acquisition, the market value of TCRS holdings in any single traditional property type to exceed 2.0% of the market value of TCRS' total assets.

TCRS shall limit real estate investments such that at the time of acquisition, no more than 1.0% of the market value of TCRS' total assets shall be invested in any single Standard Metropolitan Statistical Area ("SMSA"). All investments shall be limited to properties located in the United States. In any event, TCRS cannot acquire real estate located in the State of Tennessee unless such acquisition is in the shares or interests of a regulated investment company, mutual fund, common trust fund, investment partnership, real estate investment trust, or similar organizations or vehicles which are commingled and investment determinations as to which real estate assets to purchase or acquire are made by the investment sponsor or investment manager, or persons other than TCRS.

Real estate investment advisors (Advisor) are to be utilized by TCRS to locate, evaluate, acquire, manage and dispose of separate account direct real estate investments. TCRS shall limit its exposure to any single Advisor to mitigate potential advisor or firm specific risk. No Advisor, at the time of an acquisition, shall be permitted to asset manage more than 2.0% of the market value of TCRS' total assets.

TCRS may own such investments in its own name or, to the extent permitted by law, through title holding entities, and may transfer real estate properties from direct ownership to a title holding entity, or from a title holding entity to direct ownership, during the course of the holding period of the investment.

The Director of Real Estate shall develop comprehensive real estate investment guidelines (Real Estate Guidelines) that shall be approved by the Chief Investment Officer and the Treasurer.

Transactions to acquire and dispose of direct real estate properties are subject to approval of the investment committee of the Board of Trustees. The investment committee will not consider any acquisitions or dispositions until the Investment Advisory Council has reviewed the transaction and submitted its advice.

T.C.A, Section 8-37-104(a)(9).

**THE BOARD OF TRUSTEES OF THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
ADOPTED THIS REVISED POLICY AT ITS BOARD MEETING ON JUNE 30, 2006.**

**DALE SIMS, CHAIRMAN
BOARD OF TRUSTEES
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

ATTACHMENT C

INVESTMENT DIVISION CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

INTRODUCTION

The mission of the Treasury Department, as developed by department employees in 1991, is to provide superior service to constituents in a cost effective manner through qualified personnel **while maintaining the highest ethical standards**. Recognizing that investment division employees are fiduciaries for system members and state taxpayers, the Treasury Department adopts the Investment Division Code of Ethics and Standards of Professional Conduct for the benefit of system members and state taxpayers. This document is produced to emphasize the high ethical standards expected of Treasury Department employees as described in our mission statement. Every Investment Division employee is obligated to conduct themselves with utmost integrity, professionalism and ethical behavior.

In any cases of doubt as to whether an action may be in violation of Investment Division policy of ethics and standards of professional conduct, an investment division employee should seek the advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer for guidance. Such guidance should be sought prior to the action in question.

If any situation or action occurs which an employee is in doubt as to whether the situation or action should be disclosed, then the Investment Division employee should seek advice of the State Treasurer, the Chief Investment Officer, the Director of Retirement, or the Executive Assistant to the State Treasurer as to whether disclosure is required.

GIFTS

No investment division employee shall accept any lodging, airfare, membership, service, loan, promise of future benefits, or payment of any kind from any firm the Treasury Department does business with or may potentially do business with. An Investment Division employee may not accept any gift or entertainment from firms which do business or may potentially do business on behalf of the Treasury Department which might adversely affect or influence his or her judgment in the performance of official duties. Gifts are prohibited except for diminutive gifts such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$20 with minimum resale value. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that an investment employee is using his office for personal gain. Under no circumstance shall an employee seek, request or ask for any gift, entertainment, lodging, airfare, membership, service, loan, promise of future benefit or payment of any kind from any firm the Treasury Department does business with or may potentially do business with.

Meals and Modest Entertainment

The Treasury Department recognizes that networking and information gathering in the investment industry may occur at meal meetings and entertainment settings. Business meetings in the investment industry are routinely conducted on a meal time schedule, mostly for the convenience of a broker/analyst/vendor, allowing them to gather several clients together for one meeting in each city, rather than conducting numerous small meetings. Also, travel itineraries tend to produce meetings at the mealtime hours. Reasonable breakfast, lunch and dinner meetings and modest entertainment are permitted, provided such meetings are working meetings where information, research, projections, analysis or opinions are provided on economic, business, governmental and

investment data which directly relates to the investment industry.

All breakfast, lunch, and dinner meetings and modest entertainment must be disclosed on the Treasury Department DAYPLAN program prior to such meetings, if possible. Any items not disclosed prior to such meetings should be recorded immediately upon returning to the office. Moreover, all conferences, conventions, and travel must be disclosed on the DAYPLAN program.

Extravagant entertainment events such as post season playoffs, major sporting events, Olympic events, or events of a significant nature are prohibited.

Meals and modest entertainment should not be accepted on so frequent a basis as to lead a reasonable person to believe that an employee is using his office for personal gain. Under no circumstance shall an employee seek, request, or ask for any meal or modest entertainment permitted under this section from any firm which does business or may potentially do business with the Treasury Department.

PERSONAL TRADING

Investment Division employees are obligated to conduct their personal securities transactions in a manner that does not conflict with the Investment Division's business and fiduciary responsibilities. The primary responsibility of Investment Division employees is to place the interests of the Investment Division above their own and to conduct their personal securities transactions in a manner which does not interfere with the Investment Division's portfolio transactions or create an actual or potential conflict of interest with the retirement system.

The purchase of an initial public offering of equity securities for which no public market in the same or similar securities of that issuer has previously existed is prohibited. An exception is permitted where an employee has an existing right to purchase a security based on his or her status, for a significant period of time, as a depositor or policy holder. Whenever such a transaction is executed, it should be disclosed on the monthly personal trading report.

All personal trades must be cleared in advance by the appropriate portfolio managers. On the day an Investment Division employee wishes to trade a security, he or she must first contact the appropriate portfolio managers for clearance. The portfolio manager shall not provide clearance for such trades if the security is being acquired or sold by the Investment Division. The Investment Division must have completed its acquisition or disposition of a security before any personal trades can be made. In all cases, the Investment Division's execution of trades must take priority over personal trades.

Disclosure of Personal Trades and Holdings

Each month, Investment Division employees shall disclose in writing on the prescribed form the previous month's personal securities trades. Such disclosure shall be made directly to the director of TCRS or if the director is unavailable, to the executive assistant to the Treasurer. It is the intent that these monthly reports remain confidential. However, since this is a public document subject to the Open Records Act, the Treasury Department will honor any request by Tennessee citizens to review such documents. Investment staff will be advised of any request for the documents prior to releasing the document. Prior to hiring an Investment Division employee, such employee should disclose all brokers/brokerage relationships. The annual statement of investment disclosure should include a list of all broker/brokerage relationships and security holdings during the year being reported. Disclosure is not required for mutual funds accounts, the state's 401(k) plan, the state's 457 plan, real estate holdings, partnership interest or any type securities in which the state is prohibited from owning.

Disclosure Requirement of Securities Held by Family Members

An Investment Division employee is required to disclose trades and holdings of family members where a pecuniary interest exists or where the Investment Division employee has control over the trading activities in a security account. Pecuniary interest means the opportunity, directly or

indirectly, to profit or share in any profit derived from a transaction in a security.

Family members regarded as having pecuniary interest in, and therefore as the beneficial owner of, securities held are any child, step-child, grandchild, parent, step-parent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law sharing the same household. Adoptive relationships are included for purposes of determining whether securities are held by a member of a person's immediate family.

PROFESSIONAL ETHICS AND CONDUCT

Chartered Financial Analysts (CFAs) shall adhere to the Code of Ethics and the Standards of Professional Conduct as published by the Association of Investment Management and Research (AIMR). Investment employees not participating in the AIMR program shall take the self-administered ethics exam annually or when renewed, whichever occurs first.

Every Investment Division employee shall be provided with a copy of the following:

- (1) Investment Division Code of Ethics and Standards of Professional Conduct,
- (2) Tennessee Treasury Department Standards of Professional Conduct, and
- (3) Investment Policy as adopted by the Board of Trustees.

Communication of Policy

Prior to the annual statement of investment disclosure filing each year, the Treasurer, Chief Investment Officer, or the Director of Retirement shall meet with Investment Division employees to review and discuss the above referenced documents.

Sanctions

Investment division employees serve at the direction and pleasure of the State Treasurer. Any employee who violates this policy shall be subject to disciplinary action by the State Treasurer which may range from verbal reprimand to dismissal.

Effective Date

This policy shall become effective January 1, 1995 and shall remain in effect until amended.

Dale Sims, State Treasurer

ATTACHMENT D
TENNESSEE TREASURY DEPARTMENT
STANDARDS OF PROFESSIONAL CONDUCT

The mission of the Treasury Department, as developed by department employees in 2004, is to be a leader by providing exceptional service to our customers honestly, efficiently, and effectively. It is the obligation of every employee of the department to conduct themselves with the utmost integrity, professionalism and ethical behavior in relations with all clients of the department, be they members of the public, fellow employees, or vendors providing services for the department.

In any cases of doubt as to whether an action may be in violation of these standards of professional conduct, an employee should seek the advice of their supervisor, director, the personnel director, or the Treasurer. Such advice should be sought prior to the action in question.

Treasury employees should strive to abide by the following core values:

- **Impeccable Honesty** - We will develop relationships and interact with one another and with our customers in a manner that fosters and encourages trust. We will maintain the highest ethical and professional standards in everything that we do.
- **Mutual Respect** – We will treat everyone equitably and with honor. We will communicate in a manner, which promotes open dialogue with our customers, within the department, and with our peers in state government.
- **Continuous Improvement** – We will continually challenge ourselves to improve the level of service that we provide by being innovative, collaborative, creative, and efficient. We will work to be the best at what we do.
- **Shared Accountability** – We will work as a team and will purposely strive to leverage the strengths and overcome the weaknesses of each team member. We will accept responsibility individually and collectively for the service that we provide to our customers.
- **Exceptional Service** – We will be innovative in how we provide service to our customers and in how we do our work. We will be relentless in our pursuit of quality and excellence in everything that we do. We will focus not only on solving customers' problems but also anticipating their needs.
- **Exemplary Leadership** – We will be visionary leaders and positive role models for our peers. We strive to be highly respected both inside and outside state government.

Each employee, in performing his or her duties and responsibilities, should apply the following standards of conduct:

A Treasury Department Employee Should

- conduct all state business responsibilities in a fair manner and be honest in all business negotiations;
- strive to provide the highest quality of performance and counsel;
- attempt to avoid any activity which may be interpreted as a **conflict of interest** * by others and, if the activity is not reasonably avoidable, disclose the activity to their supervisor;
- be responsible for maintaining their competence to fulfill the responsibilities of their position;
- maintain confidentiality of information so designated which is received or maintained by the department;
- comply with standards of conduct for professions, as applicable (i.e., CPA, CFA, Attorneys);
- exercise prudence and integrity in the management of resources in their custody;
- consult with their supervisor or director if they have questions about these standards of conduct;
- communicate to appropriate members of management, any actions that may be violations of the law, this Standards of Conduct, or actions which may be conflicts of interest; and
- *review the Treasury policies and procedures at a minimum annually and immediately notify their supervisor any time a potential **conflict of interest** * arises.*

No Treasury Department Employee Should

- utilize any property or resources of the department for personal gain;
- falsify or fail to record proper entries on any books or records of the department;
- knowingly be a party to, or condone, any illegal activity;

- make potential business referrals of department customers (such as retirees, claimants, etc.) to relatives or close business associates;
- authorize payment on behalf of the department of any amount, or for any purpose, other than that specifically disclosed in the original request for payment and owed by the department;
- directly or indirectly seek or accept gifts (as defined below), money, travel, lodging, association memberships or property that would influence or appear to influence the conduct of their duties;
- engage in or conduct outside activities of financial or personal interest that may conflict with the impartial and objective execution of departmental business activities;
- sell or provide goods or services to the department;
- utilize the services of relatives or close personal associates for departmental business without disclosing such relationships to management prior to such services being rendered;
- engage in activities involving dishonesty, fraud, deceit or misrepresentation;
- engage in outside employment with any providers of supplies or services to the department; or
- engage in outside employment that would interfere with or hamper expected performance with the department.

Members of Management of the Department Are Responsible for

- communicating these standards of conduct to their coworkers;
- monitoring and encouraging compliance with these standards; and
- *providing written documentation of any reported potential **conflict of interest** * to Internal Audit.*

Employees of the Investment Division Must Also

- adhere to the Investment Division Code of Ethics and Standards of Professional Conduct;
- file a Statement of Disclosure of Personal Securities Trades monthly;
- file a Statement of Interest Disclosure annually; and
- file a Statement of Brokerage Relationships and Personal Security Holdings annually.

• A **conflict of interest** is a situation where an employee, family member, or close personal friend or associate is in a position to derive a benefit, directly or indirectly, from an action which conflicts substantially, or appears to conflict substantially, with the employee's duties or responsibilities.

Family member is defined as spouse, children, stepchildren, siblings, parents, grandparents, grandchildren, stepparents, foster parents and parents-in-law.

Gifts

No employee shall solicit or accept, directly or indirectly, any gift including but not limited to any gratuity, service, favor, entertainment, lodging, transportation, loan, loan guarantee or any other thing of monetary value, from any person or entity that:

- Has, or is seeking to obtain, contractual or other business or financial relations with the Treasury Department; or
- Conducts operations or activities that are regulated by the Treasury Department; or
- Has interests that may be substantially affected by the performance or nonperformance of the employee's official duties.

Unsolicited meals of reasonable value and modest entertainment accepted on an infrequent basis are excluded from the prohibition of accepting gifts. Employees must disclose any gifts, meals and entertainment to their division director.* Disclosure of unsolicited diminutive gifts, activities offered in connection with a conference or seminar, or perishable food items made available to all department employees is not required.

Unsolicited diminutive gifts, such as coffee mugs, envelope openers, calendars, etc. which are defined as items estimated to cost less than \$20 with minimum resale value, are acceptable. Activities (meals, refreshments, modest entertainment) offered in connection with a conference or seminar are also excluded from the prohibition of gifts. Perishable food items may be accepted if made available in the office to all employees in the department and consumed in the office. Diminutive gifts and perishable food items should not be received on so frequent a basis as to lead a reasonable person to believe that a Treasury employee is using his office for personal gain. **Employees**

charged with procurement responsibilities should review statutes and rules related to purchasing before accepting any gift.

Notwithstanding any of the above, acceptance or solicitation of gifts from a lobbyist or a person employing a lobbyist in the State of Tennessee is prohibited. An employee is responsible for asking whether the person offering the gift is or employs a lobbyist in the State of Tennessee. The exceptions to gifts by lobbyists provided by Tennessee Code Annotated 3-6-114 apply to this policy. An employee should contact the Treasury Department General Counsel if there are any questions about a specific situation.

Treasury employees are to disclose any gifts, meals or entertainment received on their division's spreadsheet located at F:/shared/public/disclosure. The director has the responsibility for reviewing these disclosures on a monthly basis. The division of internal audit shall periodically review the disclosures to determine compliance with the Standards of Professional Conduct.

Disciplinary action for violation of this policy may involve immediate termination of employment or may include counseling, changes in work assignments, a written warning, reprimand or suspension. The degree and kind of action is at the discretion of the Treasurer.

*This disclosure is applicable to employees outside of the Investment Division. Investment Division employees should continue to disclose their meals and entertainment as required by the Investment Division Code of Ethics and Standards of Professional Conduct.

ATTACHMENT E

PROXY VOTING GUIDELINES

		<u>DESCRIPTION</u>	<u>POSITION</u>
1.1	Appointment of Auditors	Appointment of auditors recommended by management or outside directors. An issue of concern exists where the same firm has audited the company for excessively long periods. Another issue of concern is when there is frequent turnover of auditors.	Generally support.
1.2	Election of Directors	Management proposals which provide for the annual election of directors or establishment of staggered terms and "classified boards." A "classified board" is one in which directors are divided into separate classes, with directors in each class elected to overlapping terms. In a typical classified board, a third of the directors are elected annually and, therefore, each director serves a three year term.	Support annual election of directors.
1.21	Cumulative Voting	Cumulative voting is a method of stockholder voting which gives minority stockholders a voice on the Board of Directors. Each stockholder has the number of votes that equals the number of shares that he owns multiplied by the number of directors to be elected.	Evaluate on a case-by-case basis; generally support.
		<u>DESCRIPTION</u>	<u>POSITION</u>
1.3	Executive and Director Compensation	Compensation plans must contain adequate disclosure pertaining to a) compensation and b) correlation of compensation and performance. This information will aid in evaluating the earnings of directors and management, and to provide for a measure of accountability of those who make company decisions.	Evaluate on a case-by-case basis; generally support.
1.31	Golden Parachute	A Golden Parachute is a contract between a top executive and his firm which provides lucrative benefits in case the company is taken over.	Evaluate on a case-by-case basis; generally opposed.

1.4 Confidential Ballot

Confidential balloting requires all proxies, ballots and voting tabulations that identify shareholders to be kept confidential.

Support.

Anti-Takeover Proposals

Anti-takeover charters and bylaw amendments have been proposed by the management of large companies in an effort to thwart corporate raiders. These proposals must be approved by shareholders. Once approved, they make it more difficult to oust incumbent management through either a proxy fight or a tender offer. The most popular type of anti-takeover proposals include:

Evaluate on a case-by-case basis; generally oppose.

1.51

DESCRIPTION

Anti-Greenmail provision seeks to prevent the payment of "greenmail" to an unsolicited purchaser of the company. "Greenmail" is the payment of a premium price for the stock of selected shareholders without the opportunity for all shareholders to participate in the repurchase program.

POSITION

Support.

1.52

Re-incorporation proposals to another state are most frequently motivated by considerations of anti-takeover protection or cost savings where cost savings are the sole issue.

Evaluate on a case-by-case basis.

1.53

Blank Check Preferred proposals are for authorization of a class of preferred stock for which voting rights are not established in advance, but are left to the discretion of the board of directors on a when issued basis. This type of proposal transfers authority from shareholders to the board and creates a possible entrenchment device.

Evaluate on a case-by-case basis; generally oppose.

2.0 NON-ECONOMIC ISSUES

DESCRIPTION

Unless the long-term economic impact on shareholder value can be demonstrated to the satisfaction of the TCRS, the Board will most likely oppose those resolutions that propose to impose sanctions on the products or behavior of the corporations, as long as such products, behavior or policies are not in conflict with other TCRS statements of principle.

POSITION

Evaluate on a case-by-case basis; generally oppose.

APPENDIX 1

Pursuant to Section A.6.b. of the Contract between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "Retirement System", and Marathon Asset Management LLP, hereinafter referred to as the "Contractor", the Retirement System has designated the following entity as its Custodian:

The Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60603

This designation shall be valid until revoked or amended by further written notice from the Retirement System.

10/28/08
Date Effective

Dale Sims
Dale Sims, State Treasurer &
Chair of the Board of Trustees

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	Marathon Asset Management LLP
FEDERAL EMPLOYER IDENTIFICATION NUMBER: (or Social Security Number)	N/A does not have a taxable presence in the U.S.

The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.



CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. If said individual is not the chief executive or president, this document shall attach evidence showing the individual's authority to contractually bind the Contractor.

WILLIAM ARAM, MEMBER

PRINTED NAME AND TITLE OF SIGNATORY

23 October 2008

DATE OF ATTESTATION

ATTACHMENT G

Pursuant to Section E.7 of the Contract between the Retirement System and the Contractor, each party has outlined below the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given under the Contract. This Attachment G shall be valid until revoked or amended by further written notice. The parties shall only be entitled to rely on notices, requests, demands, or other advice given by such individuals.

AUTHORIZED INDIVIDUALS OF RETIREMENT SYSTEM

<u>Authorized Individual</u>	<u>Position</u>
Roy Wellington	Portfolio Manager
Michael Keeler	Director of Equities
Michael Brakebill	Chief Investment Officer
Jenny King	Operations Supervisor
Diane Willocks	Equity Trader
JamieLynn Thompson	Investment Assistant
Ed Hennessee	Assistant Treasurer

The individuals listed above, auditors employed by the state of Tennessee, and the following individuals are authorized to make inquires concerning the Retirement System's Account. Inquiries include requests for Account balances, inquiries concerning Account transactions, and requests for information concerning statements and confirmations. Such requests may be written or verbal.

<u>Authorized Individual</u>	<u>Position</u>
Kim Morrow	Director of Accounting
Connie Gibson	Assistant Director of Accounting
Karen Baumgartel	Accounting Manager
Kim Otts	Accounting Technician
Cassandra Esaka	Accountant

10/28/08
Date Effective

Dale Sims
Dale Sims, State Treasurer & Chair of the Board of Trustees

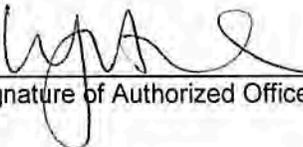
ATTACHMENT G

AUTHORIZED INDIVIDUALS OF CONTRACTOR

The following are the individual's authorised to sign on behalf of the Contractor with the limitations on their authority indicated where applicable:

<u>Authorized Individual</u>	<u>Position</u>
William Arah	Member
Jeremy Hosking	Member
Neil Ostrer	Member
David Brown	Chief Operating Officer (Operational matters only)
Nick Hughes	Deputy Chief Operating Officer (Operational matters only)
Simon Davies	Head of Compliance (Compliance matters only)
Kim Lau	Head of Finance (Financial matters only)
Kevin Bence	Trader (Trading only)
Ben Sunderland	Trader (Trading only)
Paul Dean	Head of Settlements (Settlement/Corporate Action matters only)
Paul Gorman	Corporate Actions (Corporate Actions only)

23 October 2008
Date Effective



(Signature of Authorized Officer)

WILLIAM ARAH, MEMBER

(Printed Name and Titled)