

STATE OF TENNESSEE



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT

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STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

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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>	53496	RFS Number: <i>(if applicable)</i>			
*Original or Proposed Contract Begin Date:	September 30, 2016	*Current or Proposed End Date:	September 29, 2021		
Current Request Amendment Number: <i>(if applicable)</i>	1				
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:	Mondrian Investment Partners				
*Current or Proposed Maximum Liability:	\$16,015,820.62 (current and 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:2017	FY:2018	FY:2019	FY:2020	FY:2021	FY: 2022
\$2,402,373.09	\$3,203,164.12	\$3,203,164.12	\$3,203,164.12	\$3,203,164.12	\$800,791.05
*Current Total Expenditures by Fiscal Year of Contract: (attach backup documentation from Edison)					
FY:2017	FY:2018	FY:2019	FY:2020	FY:2021	FY:2022
\$1,005,910.03	\$	\$	\$	\$	\$
IF Contract Allocation has been greater than Contract Expenditures, please give the reasons and explain where surplus funds were spent:			The amendment request neither increases nor decreases the contract maximum liability. The Contractor has performed for only one (1) year of the five (5) year contract term.		
IF surplus funds have been carried forward, please give the reasons and provide the authority for the carry forward provision:			See answer above.		
IF Contract Expenditures exceeded Contract Allocation, please give the reasons and explain how funding			N/A.		

Supplemental Documentation Required for
Fiscal Review Committee

was acquired to pay the overage:			
*Contract Funding Source/Amount:			
State:		Federal:	
<i>Interdepartmental:</i>		<i>Other:</i>	\$16,015,820.62
If “ <i>other</i> ” please define:		Tennessee Consolidated Retirement System participant earnings	
If “ <i>interdepartmental</i> ” 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>	
No previous amendments.			
Method of Original Award: <i>(if applicable)</i>		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.			

cy17-9360

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 #	309.01-34617	
1. Procuring Agency	Tennessee Consolidated Retirement System	
2. Contractor	Mondrian Investment Partners	
3. Edison contract ID #	FA-09-26992	
4. Proposed amendment #	1	
5. Contract's Original Effective Date	September 30, 2016	
6. Current end date	September 29, 2021	
7. Proposed end date	September 29, 2021	
8. Current Maximum Liability or Estimated Liability	\$ 16,015,820.62	
9. Proposed Maximum Liability or Estimated Liability	\$ 16,015,820.62	
10. Strategic Technology Solutions Pre-Approval Endorsement Request – information technology service (N/A to THDA)	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
11. eHealth Pre-Approval Endorsement Request – health-related professional, pharmaceutical, laboratory, or imaging	<input checked="" type="checkbox"/> Not Applicable <input type="checkbox"/> Attached	
12. Human Resources Pre-Approval Endorsement Request – state employee training service	<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 Mondrian Investment Partners (“Mondrian”) to adjust the fee structure contain in Attachment A of this Contract which will decrease the fees charged to TCRS. Mondrian is one (1) of thirteen (13) international equity managers utilized by TCRS to trade its international equities for the retirement system trust fund.</p>	
14. If the amendment involves a change in Scope, describe efforts to identify reasonable, competitive, procurement alternatives to amending the contract.		

Agency request tracking #	309.01-34617
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	

**AMENDMENT 1
OF CONTRACT 53496**

This Amendment is made and entered by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "State" and Mondrian Investment Partners, 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 A.4. is amended by deleting the language "Attachment A – Staff's Mandate and the Index" and replacing it with the language "Attachment A – Staff's Mandate and the Index Amended and Restated".

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,

MONDRIAN INVESTMENT PARTNERS:

SIGNATURE

DATE

PRINTED NAME AND TITLE OF SIGNATORY (above)

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

DAVID H. LILLARD, JR., STATE TREASURER

DATE

**Attachment A
Mandate and Index
Amended and Restated
Effective as of September 29, 2016**

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 Mondrian Investment Partners hereinafter referred to as the "Contractor", the State 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 Investable Market Index, plus Canada.

The State shall allocate such cash and securities as shall be determined at the sole discretion of the Staff 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 State 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 State 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.

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 State.

The Staff has agreed to the following fee structure, which is based on the State having at least one hundred million (\$100,000,000.00) in the Contractor's Account:

For the first \$50 million of the Account's net asset value, the annual basis point fee shall be 65 basis points or 0.65% as set forth in Section C.3. of the Contract;

For the next \$50 million of the Account's net asset value, the annual basis point fee shall be 45 basis points or 0.45% as set forth in Section C.3. of the Contract;

For the Account's net asset value exceeding the first \$100 million to \$500 million, the annual basis point fee shall be 35 basis points or 0.35% as set forth in Section C.3. of the Contract.

If the Account's total net asset value is over \$500 million, the annual basis point fee shall be 35 basis points or 0.35% on the total net asset value as set forth in Section C.3. of the Contract.

The State and Contractor agree that this fee shall be applied retroactively from the inception of the Account.

Michael Brakebill, Chief Investment Officer

RECEIPT AND ACCEPTANCE

Contractor

By: _____
(Signature)

Date: _____

(Typed or Printed Name and Title)

**AMENDMENT 1
OF CONTRACT 53496**

This Amendment is made and entered by and between the State of Tennessee, Tennessee Consolidated Retirement System, hereinafter referred to as the "State" and Mondrian Investment Partners, 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 A.4. is amended by deleting the language "Attachment A – Staff's Mandate and the Index" and replacing it with the language "Attachment A – Staff's Mandate and the Index Amended and Restated".

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,

MONDRIAN INVESTMENT PARTNERS:

SIGNATURE

DATE

PRINTED NAME AND TITLE OF SIGNATORY (above)

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

DAVID H. LILLARD, JR., STATE TREASURER

DATE

**CONTRACT
BETWEEN THE STATE OF TENNESSEE,
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
AND
MONDRIAN INVESTMENT PARTNERS**

This Contract, by and between the State of Tennessee, Tennessee Consolidated Retirement System ("State") and Mondrian Investment Partners ("Contractor"), is for the provision of international equity investment management services, as further defined in the "SCOPE." State and Contractor may be referred to individually as a "Party" or collectively as the "Parties" to this Contract.

The Contractor is For-Profit Corporation.
Contractor Place of Incorporation or Organization:
Contractor Edison Registration ID #

A. SCOPE:

- A.1. The Contractor shall provide all goods or services and deliverables as required, described, and detailed below and shall meet all service and delivery timelines as specified by this Contract.
- A.2. Appointment. The Contractor shall supervise and manage the State's international equity investment portfolio for the State, designated as the Account and described in the Staff's mandate attached to this Contract; the State as defined in this Contract is the Tennessee Consolidated Retirement System ("TCRS"). The Contractor shall invest and reinvest the Account under the terms and conditions contained in this Contract, including the Attachments to the Contract, and in consultation with the State, through the Tennessee Department of Treasury Investment Division Staff ("Staff"). The investment performance of the Account shall be measured against the Index attached to this Contract.
- A.3. Account Content. The Account shall include such cash and securities as shall be allocated to the Contractor by Staff, all assets acquired as earnings thereon, proceeds therefrom or in substitution therefor. Staff 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 State which are not part of the Account.
- A.4. Incorporation of Documents. The following Attachments are hereby incorporated into this Contract as though fully set forth herein, which may be amended by the State from time to time:
- **Attachment A** - Staff's Mandate and the Index;
 - **Attachment B** - The Tennessee Consolidated Retirement System Investment Policy;
 - **Attachment C** - Proxy Voting Guidelines;
 - **Attachment D** - The Tennessee Consolidated Retirement System Derivatives Guidelines;
 - **Attachment E** - The Tennessee Department of Treasury Gifts and Solicitations Policy;
 - **Attachment F** - Name of the State's Custodian;
 - **Attachment G.1** - List of the State's Authorized Individuals;
 - **Attachment G.2.** – List of Contractor's Authorized Individuals; and

- **Attachment H - Attestation RE Personnel Used in Contract Performance.**

In its or their sole discretion, the appropriate individuals or entities may revise the Attachments from time to time and provide a copy of the revisions to the Contractor, incorporating the revised attachments into this Contract and requiring the Contractor to adhere to the revised attachments.

A.5. General Responsibility of Contractor. The Contractor acknowledges receipt of the above-referenced Attachments which are attached to this Contract. The Contractor agrees to manage the Account in conformity and in compliance with the criteria, guidelines, policies and procedures set forth in said Attachments as in effect from time to time and in compliance with applicable laws and rules. 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.10 of this Contract. Unless otherwise expressly provided in this Contract, the authority granted to the Contractor under this Contract may be exercised by it without further notice, consent or approval by the State. 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 State ("Custodian"). 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 State's 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 Staff 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 Staff, the Contractor shall have no authority to instruct the Custodian to perform any additional functions which would impose an administrative cost upon the State. Attached hereto as **Attachment F** is the name of the Custodian currently designated by the State. Said **Attachment F** shall be valid until revoked or amended by further written notice from the State.
- 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**, 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 State 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 State and its members.
- d. Proxies. The State 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 C** and which may be amended from time to time pursuant to Section A.4 of this Contract.

Notwithstanding the foregoing, the State 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 State 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 State may operate, at its option, a securities lending program whereby the State, on its behalf or through another entity, will lend its securities to borrowers selected by the Staff in exchange for collateral approved by the Staff. Relative to the State's 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 State 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 State prior to purchasing 2% or more of the outstanding shares of any one issuer.
- A.7. Performance Errors. To the extent that the Contractor makes a trade that does not conform to the Attachments, the Contractor shall correct the error at the direction of the Staff and shall not charge the State for any costs, expenses or fees directly or indirectly associated with the correction of the error. To the extent that the error results in any losses or diminution of value to the Account as a result of the Contractor's error for terminating the erroneous trades and entering into replacement transactions, the Contractor shall reimburse the State for the loss or diminution of value.
- A.8. Disclosures of Indirect and Direct Interests. The Contractor shall promptly advise the State of any direct or indirect interest it may have in any product the Program may invest in pursuant to this Contract. "Direct interest" means any contract with the Contractor itself or with any business in which the Contractor is the sole proprietor, as partner, or the entity having the controlling interest, i.e., largest number of outstanding shares owned by any single individual or corporation. "Indirect interest" means any contract in which the Contractor is interested by not directly so.
- A.9. Back-Up Procedures and Disaster Recovery. The Contractor shall maintain business interruption plans in the event of a loss of the Contractor's principal place of business due to natural or manmade causes, including back-up systems for data and other records, office space and other technology needed to perform the services hereunder. The Contractor shall resume services hereunder within seventy-two (72) hours after the disaster or malfunction. The Contractor shall provide notification of an incident to the State within two (2) hours after the beginning of operation of the Contractor's Emergency Operations Command Post.
- A.10. Representations and Warranties.
- a. Registration of Contractor. The Contractor warrants that it is appropriately registered as an investment advisor under the Investment Advisers Act of 1940, or is exempt from such registration, and that it will notify the Staff 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 or other regulatory agency 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 State 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 State 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 State.

- c. Compliance with Laws. The Contractor hereby represents and warrants to the State 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.11. Reports and Meetings.

a. Reports.

- (1) The Staff 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 Staff 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 Staff in writing (i) if any of the representations in Section A.8. 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 Staff's request, the Contractor shall provide reports containing such information as the Staff may reasonably request.

- b. Meetings. Upon the Staff's request, the Contractor agrees to have a representative familiar with the Account attend periodic meetings with Staff and such other appropriate individuals or entities at the request of Staff and at the State's facilities, or at some other agreed upon location at such times as directed by the Staff. The Staff 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 Staff may reasonably request.

B. TERM OF CONTRACT:

- B.1. Term. This Contract shall be effective on September 30, 2016 ("Effective Date") and extend for a period of sixty (60) months after the Effective Date ("Term"). The State shall have no obligation for goods or services provided by the Contractor prior to the Effective Date.
- B.2. Term Extension. The State reserves the right to extend this Contract for an additional five (5) years period, provided that such an extension of the 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 State'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 State under this Contract exceed sixteen million fifteen thousand eight hundred twenty dollars and sixty-two cents (\$16,015,820.62) ("Maximum Liability"). This Contract does not grant the Contractor any exclusive rights. The State does not guarantee that it will buy any minimum quantity of goods or services under this Contract. Subject to the terms and conditions of this Contract, the Contractor will only be paid for goods or services provided under this Contract after a purchase order is issued to Contractor by the State or as otherwise specified by this Contract.
- C.2. Compensation Firm. The payment methodology in Section C.3. of this Contract shall constitute the entire compensation due the Contractor for all goods or services provided under this Contract regardless of the difficulty, materials or equipment required. The payment methodology includes all applicable taxes, fees, overhead, and all other direct and indirect costs incurred or to be incurred by the Contractor.
- C.3. Payment Methodology. The Contractor shall be compensated based on the payment methodology for goods or services authorized by the State in a total amount as set forth in Section C.1.
- a. The Contractor's compensation shall be contingent upon the satisfactory provision of goods or services as set forth 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 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 determined by the Staff in accordance with the fee schedule contained in Attachment A and communicated by Staff to the Contractor.
- The net asset value of the securities held in the Account shall be determined solely by the State. 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 State; (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 Staff 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 time, travel expenses, meals, or lodging.
- C.6. Invoice Requirements. The Contractor shall invoice the State only for goods delivered and accepted by the State or services satisfactorily provided at the amounts stipulated in Section C.3., above. Contractor shall submit invoices and necessary supporting documentation, no more frequently than once a month, and no later than thirty (30) days after goods or services have been provided to the following address:

Tennessee Department of Treasury
Division of Accounting

Andrew Jackson State Office Building, 14th Floor
502 Deaderick Street
Nashville, Tennessee 37243-0206

a. Each invoice, on Contractor's letterhead, shall clearly and accurately detail all of the following information (calculations must be extended and totaled correctly):

- (1) Invoice number (assigned by the Contractor);
- (2) Invoice date;
- (3) Contract number (assigned by the State);
- (4) Customer account name: Department of Treasury & Investments Division for TCRS;
- (5) Customer account number (assigned by the Contractor to the above-referenced Customer);
- (6) Contractor name;
- (7) Contractor Tennessee Edison registration ID number;
- (8) Contractor contact for invoice questions (name, phone, or email);
- (9) Contractor remittance address;
- (10) Description of delivered goods or services provided and invoiced, including identifying information as applicable;
- (11) Applicable payment methodology (as stipulated in Section C.3.) of each good or service invoiced;
- (12) Amount due for each compensable unit of good or service; and
- (13) Total amount due for the invoice period.

b. Contractor's invoices shall:

- (1) Only include charges for goods delivered or services provided as described in Section A and in accordance with payment terms and conditions set forth in Section C;
- (2) Only be submitted for goods delivered or services completed and shall not include any charge for future goods to be delivered or services to be performed;
- (3) Not include Contractor's taxes, which includes without limitation Contractor's sales and use tax, excise taxes, franchise taxes, real or personal property taxes, or income taxes; and
- (4) Include shipping or delivery charges only as authorized in this Contract.

c. The timeframe for payment (or any discounts) begins only when the State is in receipt of an invoice that meets the minimum requirements of this Section C.5.

C.7. Payment of Invoice. A payment by the State shall not prejudice the State's right to object to or question any payment, invoice, or other matter. A payment by the State shall not be construed as acceptance of any part of the services provided, or as approval of any amount invoiced.

C.8. Invoice Reductions. The Contractor's invoice shall be subject to reduction for amounts included in any invoice or payment that is determined by the State, on the basis of audits conducted in accordance with the terms of this Contract, to not constitute proper compensation for goods delivered or services provided.

C.9. Deductions. The State 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 that are or shall become due and payable to the State of Tennessee by the Contractor.

C.10. Prerequisite Documentation. The Contractor shall not invoice the State under this Contract until the State has received the following, properly completed documentation.

- a. The Contractor shall complete, sign, and present to the State the "Authorization Agreement for Automatic Deposit Form" provided by the State. By doing so, the Contractor acknowledges and agrees that, once this form is received by the State, payments to the Contractor, under this or any other contract the Contractor has with the State of Tennessee, may be made by ACH; and

b. The Contractor shall complete, sign, and return to the State the appropriate tax documentation.

D. MANDATORY TERMS AND CONDITIONS:

D.1. Required Approvals. The State is not bound by this Contract until it is duly approved by the Parties and all appropriate State officials in accordance with applicable Tennessee laws and regulations. Approvals shall be evidenced by a signature or electronic approval.

D.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. All communications, regardless of method of transmission, shall be addressed to the respective Party at the appropriate mailing address, facsimile number, or email address as stated below or any other address provided in writing by a Party.

The State:

Michael Brakebill, Chief Investment Officer
Tennessee Department of Treasury
Andrew Jackson State Office Building, 13th Floor
502 Deaderick Street
Nashville, Tennessee 37243
Michael.Brakebill@tn.gov
Telephone # (615) 532-1157

The Contractor:

Todd Rittenhouse
Mondrian Investment Partners
2001 Market Street, Suite 3810
Philadelphia, Pennsylvania 19103
Todd.Rittenhouse@mondrian.com
Telephone # (212) 825-4500

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

D.3. Modification and Amendment. This Contract may be modified only by a written amendment signed by all Parties and approved by all applicable State officials.

D.4. Subject to Funds Availability. The Contract is subject to the appropriation and availability of State or federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate this Contract upon written notice to the Contractor. The State's exercise of its right to terminate this Contract shall not constitute a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the Contract. If the State terminates this Contract due to lack of funds availability, the Contractor shall be entitled to compensation for all conforming goods requested and accepted by the State and for all satisfactory and authorized services completed as of the termination date. Should the State exercise its right to terminate this Contract due to unavailability of funds, the Contractor shall have no right to recover from the State any actual, general, special, incidental, consequential, or any other damages of any description or amount.

D.5. Termination for Convenience. The State may terminate this Contract for convenience without cause and for any reason. The State shall give the Contractor at least thirty (30) days written notice before the termination date. The Contractor shall be entitled to compensation for all conforming goods delivered and accepted by the State or for satisfactory, authorized services completed as of the termination date. In no event shall the State be liable to the Contractor for compensation for any goods neither requested nor

accepted by the State or for any services neither requested by the State nor satisfactorily performed by the Contractor. In no event shall the State's exercise of its right to terminate this Contract for convenience relieve the Contractor of any liability to the State for any damages or claims arising under this Contract.

- D.6. 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 materially violates any terms of this Contract ("Breach Condition"), the State shall have the right to immediately terminate the Contract and withhold payments in excess of compensation for completed services or provided goods. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any Breach Condition and the State may seek other remedies allowed at law or in equity for breach of this Contract.
- D.7. Assignment and Subcontracting. The Contractor shall not assign this Contract or enter into a subcontract for any of the goods or services provided under this Contract without the prior written approval of the State. Notwithstanding any use of the approved subcontractors, the Contractor shall be the prime contractor and responsible for compliance with all terms and conditions of this Contract. The State reserves the right to request additional information or impose additional terms and conditions before approving an assignment of this Contract in whole or in part or the use of subcontractors in fulfilling the Contractor's obligations under this Contract.
- D.8. Conflicts of Interest. The Contractor warrants that no part of the Contractor's compensation 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 under this Contract.

The Contractor acknowledges, understands, and agrees that this Contract shall be null and void if the Contractor is, or within the past six (6) months has been, an employee of the State of Tennessee or if the Contractor is an entity in which a controlling interest is held by an individual who is, or within the past six (6) months has been, an employee of the State of Tennessee.

- D.9. 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 handicap or disability, age, race, creed, color, religion, sex, national origin, or any other classification protected by federal or state law. The Contractor shall, upon request, show proof of nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.
- D.10. Prohibition of Illegal Immigrants. The requirements of Tenn. Code Ann. § 12-3-309 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 agrees 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 State a completed and signed copy of the document at **Attachment H**, semi-annually during the Term. If the Contractor is a party to more than one contract with the State, the Contractor may submit one attestation that applies to all contracts with the State. All Contractor 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 Term, 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 under this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant to perform work under this Contract. Attestations

obtained from 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. Contractor's records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
- d. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Tenn. Code Ann. § 12-3-309 for acts or omissions occurring after its effective date.
- e. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is working in the United States, but is not: (i) a United States citizen; (ii) a Lawful Permanent Resident; (iii) a person whose physical presence in the United States is authorized; (iv) allowed by the federal Department of Homeland Security and who, under federal immigration laws or regulations, is authorized to be employed in the U.S.; or (v) is otherwise authorized to provide services under the Contract.

- D.11. Records. The Contractor shall maintain documentation for all charges under this Contract. The books, records, and documents of the Contractor, for work performed or money received under this Contract, shall be maintained for a period of five (5) 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 State, the Comptroller of the Treasury, or their duly appointed representatives. The financial statements shall be prepared in accordance with generally accepted accounting principles.
- D.12. Monitoring. The Contractor's activities conducted and records maintained pursuant to this Contract shall be subject to monitoring and evaluation by the State, the Comptroller of the Treasury, or their duly appointed representatives.
- D.13. Strict Performance. Failure by any Party to this Contract to require, in any one or more cases, 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 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.
- D.14. Independent Contractor. The Parties shall not act as employees, partners, joint venturers, or associates of one another. The Parties are independent contracting entities. Nothing in this Contract shall be construed to create an employer/employee relationship or to allow either Party 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 are not employees or agents of the other Party.
- D.15. Patient Protection and Affordable Care Act. To the extent that it is applicable to the Contractor, the Contractor agrees that it will be responsible for compliance with the Patient Protection and Affordable Care Act ("PPACA") with respect to itself and its employees, including any obligation to report health insurance coverage, provide health insurance coverage, or pay any financial assessment, tax, or penalty for not providing health insurance. The Contractor shall indemnify the State and hold it harmless for any costs to the State arising from Contractor's failure to fulfill its PPACA responsibilities for itself or its employees.
- D.16. Limitation of State's Liability. The State shall have no liability except as specifically provided in this Contract. In no event will the State be liable to the Contractor or any other party for any lost revenues, lost profits, loss of business, decrease in the value of any securities or cash position, time, money, goodwill, or any indirect, special, incidental, punitive, exemplary or consequential damages of any nature, whether based on warranty, contract, statute, regulation, tort (including but not limited to negligence), or any other legal theory that may arise under this Contract or otherwise. The State's total liability under this Contract (including any exhibits, schedules, amendments or other attachments to the Contract) or

otherwise shall under no circumstances exceed the Maximum Liability. This limitation of liability is cumulative and not per incident.

- D.17. Limitation of Contractor's Liability. In accordance with Tenn. Code Ann. § 12-3-701, the Contractor's liability for all claims arising under this Contract shall be limited to an amount equal to two (2) times the Maximum Liability amount detailed in Section C.1. and as may be amended, PROVIDED THAT in no event shall this Section limit the liability of the Contractor for: (i) intellectual property or any Contractor indemnity obligations for infringement for third-party intellectual property rights; (ii) any claims covered by any specific provision in the Contract providing for liquidated damages; or (iii) any claims for intentional torts, criminal acts, fraudulent conduct, or acts or omissions that result in personal injuries or death.
- D.18. Hold Harmless. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of acts, omissions, or negligence on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State to enforce the terms of this Contract.

In the event of any suit or claim, the Parties shall give each other immediate notice and provide all necessary assistance to respond. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.

- D.19. HIPAA Compliance. The State and Contractor shall comply with obligations under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), Health Information Technology for Economic and Clinical Health ("HITECH") Act and any other relevant laws and regulations regarding privacy (collectively the "Privacy Rules"). The obligations set forth in this Section shall survive the termination of this Contract.
- a. Contractor warrants to the State that it is familiar with the requirements of the Privacy Rules, and will comply with all applicable requirements in the course of this Contract.
 - b. Contractor warrants that it will cooperate with the State, including cooperation and coordination with State privacy officials and other compliance officers required by the Privacy Rules, in the course of performance of the Contract so that both parties will be in compliance with the Privacy Rules.
 - c. The State and the Contractor will sign documents, including but not limited to business associate agreements, as required by the Privacy Rules and that are reasonably necessary to keep the State and Contractor in compliance with the Privacy Rules. This provision shall not apply if information received or delivered by the parties under this Contract is NOT "protected health information" as defined by the Privacy Rules, or if the Privacy Rules permit the parties to receive or deliver the information without entering into a business associate agreement or signing another document.
 - d. The Contractor will indemnify the State and hold it harmless for any violation by the Contractor or its subcontractors of the Privacy Rules. This includes the costs of responding to a breach of protected health information, the costs of responding to a government enforcement action related to the breach, and any fines, penalties, or damages paid by the State because of the violation.

D.20. Insurance.

- a. Type Insurance. The Contractor shall maintain in full force and effect the insurance coverage described in the Contractor's Response to the Questionnaire, 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 State. The Contractor shall notify the State of any claim received from its issuer pertaining to the State. 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 State 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 State 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 Sections D.5. or D.6.

D.21. Tennessee Consolidated Retirement System. Subject to statutory exceptions contained in Tenn. Code Ann. §§ 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 under Tenn. Code Ann. §§ 8-35-101, *et seq.*, 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, if a retired member of TCRS, may be required to repay to TCRS the amount of retirement benefits the Contractor received from TCRS during the Term.

D.22. Tennessee Department of Revenue Registration. The Contractor shall comply with all applicable registration requirements contained in Tenn. Code Ann. §§ 67-6-601 – 608. Compliance with applicable registration requirements is a material requirement of this Contract.

D.23. Debarment and Suspension. The Contractor certifies, to the best of its knowledge and belief, that it, its current and future principals, its current and future subcontractors and their principals:

- a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;
- b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
- c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
- d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontractors are excluded or disqualified.

D.24. Force Majeure. "Force Majeure Event" means fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism or any other similar cause beyond

the reasonable control of the Party except to the extent that the non-performing Party is at fault in failing to prevent or causing the default or delay, and provided that the default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means. A strike, lockout or labor dispute shall not excuse either Party from its obligations under this Contract. Except as set forth in this Section, any failure or delay by a Party in the performance of its obligations under this Contract arising from a Force Majeure Event is not a default under this Contract or grounds for termination. The non-performing Party will be excused from performing those obligations directly affected by the Force Majeure Event, and only for as long as the Force Majeure Event continues, provided that the Party continues to use diligent, good faith efforts to resume performance without delay. The occurrence of a Force Majeure Event affecting Contractor's representatives, suppliers, subcontractors, customers or business apart from this Contract is not a Force Majeure Event under this Contract. Contractor will promptly notify the State of any delay caused by a Force Majeure Event (to be confirmed in a written notice to the State within one (1) day of the inception of the delay) that a Force Majeure Event has occurred, and will describe in reasonable detail the nature of the Force Majeure Event. If any Force Majeure Event results in a delay in Contractor's performance longer than forty-eight (48) hours, the State may, upon notice to Contractor: (a) cease payment of the fees until Contractor resumes performance of the affected obligations; or (b) immediately terminate this Contract or any purchase order, in whole or in part, without further payment except for fees then due and payable. Contractor will not increase its charges under this Contract or charge the State any fees other than those provided for in this Contract as the result of a Force Majeure Event.

- D.25. State and Federal Compliance. The Contractor shall comply with all applicable state and federal laws and regulations in the performance of this Contract.
- D.26. Governing Law. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Tennessee Claims Commission or the state or federal courts in Tennessee shall be the venue for all claims, disputes, or disagreements arising under this Contract. The Contractor acknowledges and agrees that any rights, claims, or remedies against the State of Tennessee or its employees arising under this Contract shall be subject to and limited to those rights and remedies available under Tenn. Code Ann. §§ 9-8-101 - 407.
- D.27. Entire Agreement. This Contract is complete and contains the entire understanding between the Parties relating to its subject matter, 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, whether written or oral.
- D.28. 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 of this Contract shall not be affected and shall remain in full force and effect. The terms and conditions of this Contract are severable.
- D.29. Headings. Section headings of this Contract are for reference purposes only and shall not be construed as part of this Contract.
- D.30. Incorporation of Additional Documents. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below:
- a. any amendment to this Contract, with the latter in time controlling over any earlier amendments;
 - b. this Contract with any attachments or exhibits (excluding the items listed at subsections c. through f., below), which includes **Attachments A through H**;
 - c. any clarifications of or addenda to the Contractor's proposal seeking this Contract;
 - d. the State solicitation, as may be amended, requesting responses in competition for this Contract;
 - e. any technical specifications provided to proposers during the procurement process to award this Contract; and
 - f. the Contractor's response seeking 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, the special terms and conditions shall be subordinate to the Contract's other terms and conditions.
- E.2. Work Papers Subject to Review. Upon request, the Contractor shall make all audit, accounting, or financial analysis work papers, notes, and other documentation available for review by the Comptroller of the Treasury or his representatives, or the Staff during normal working hours either while the analysis is in progress or subsequent to the completion of this Contract.
- E.3. Confidentiality of Records. Strict standards of confidentiality of records and information shall be maintained in accordance with applicable state and federal law. All material and information, regardless of form, medium or method of communication, provided to the Contractor by the State or acquired by the Contractor on behalf of the State that is regarded as confidential under state or federal law shall be regarded as "Confidential Information." Nothing in this Section shall permit Contractor to disclose any Confidential Information, regardless of whether it has been disclosed or made available to the Contractor due to intentional or negligent actions or inactions of agents of the State or third parties. Confidential Information shall not be disclosed except as required or permitted under state or federal law. Contractor shall take all necessary steps to safeguard the confidentiality of such material or information in conformance with applicable state and federal law.

The obligations set forth in this Section shall survive the termination of this Contract.

- E.4. Lobbying. The Contractor certifies, to the best of its knowledge and belief, that:
- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the Contractor, to any person for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
 - b. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with any contract, grant, loan, or cooperative agreement, the Contractor shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
 - c. The Contractor shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into and is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. § 1352.

- E.5. Regulatory Matters. The Contractor and the State 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 this Section.

No more than once per calendar year (commencing in 2016), 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.

- E.6. 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 State; (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 Staff in writing if any of the above representations change or cease to be true and correct in all respects.
- 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 Staff, the State 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 State or its duly appointed representatives.

E.9. Transfer of Contractor's Obligations.

a. The Contractor shall immediately notify the State in writing of a proposed merger, acquisition or sale of its business operation, or the part of its business operation that provides services under this Contract, or that this Contract will be sold to or assumed by another entity. The entity that is proposed to assume the Contractor's duties under this Contract, whether through merger, acquisition, sale or other transaction, will be hereinafter described as the "New Entity."

b. The Contractor (or, if the Contractor no longer exists as a legal entity, the New Entity) will provide to the State within a reasonable time, information that the State may require about the merger, acquisition or sale, which may include, but not be limited to the following:

i. the date and terms of the merger, acquisition or sale, including specifically, but not limited to, adequate documentation of the financial solvency and adequate capitalization of the proposed New Entity

ii. evidence of financial solvency and adequate capitalization of the proposed New Entity which may include, but not be limited to the following:

- (1) Debt;
- (2) Assets;
- (3) Liabilities;
- (4) Cash flow
- (5) Percentage of the total revenues of the company that are represented by this Contract;
- (6) The most recent annual financial reports; or
- (7) The most recent annual financial reports filed with government agencies, if applicable; or

iii. a complete description of the relationship of any New Entity to any parent company or subsidiary or division resulting from the merger, acquisition or sale of the original Contractor's business or the part of the original Contractor's business that provides services under this Contract or from assumption by, or sale to, another entity of the contract itself, including, but not limited to:

- (1) the names and positions of corporate or company officers, project managers, other Contractor management staff with responsibilities under the Contract, and numbers and the type of technical or other personnel who will be responsible for fulfilling the obligations of the Contract, and any subcontracts that will be used to provide any personal or other services under the Contract by the New Entity and,
- (2) an organizational chart clearly describing the organizational structure of the New Entity, parent company, subsidiary, division or other unit of the entity or parent company with which it has merged or by which it, or the Contract, has been acquired.

iv. such additional evidence of financial solvency, adequate capitalization and information regarding corporate organizational and personnel assigned to the Contract as the State

determines is necessary to evaluate the status of the proposed or consummated merger, acquisition or sale.

- c. The original Contractor shall immediately notify the State in writing in the event of a change in its legal name and/or Federal Employer Identification Number (FEIN). The Contractor shall comply with State requests for copies of any documents that have been filed with state corporate records officials or other officials in the state of its incorporation that verify the name change and a narrative description of the reasons for the name change. If a New Entity has succeeded to the interest of the original Contractor, it shall immediately provide the State written notification of its Federal Employer Identification Number (FEIN), its complete corporate name, State of incorporation, and other documentation required to effectuate the transfer.
- d. Notwithstanding any other provisions of this Contract to the contrary, the State may immediately terminate this Contract in whole or in stages in the event that it determines that the New Entity
 - i. has been debarred from State or Federal contracting in the past five years; or
 - ii. has had a contract terminated for cause by the State of Tennessee within the past five years.

The Contractor shall be entitled to compensation for satisfactory, authorized service completed as of the termination date, but in no event shall the State be liable to the Contractor or New Entity for compensation for any service which has not been rendered. Upon such termination, the Contractor or New Entity shall have no right to any actual general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

- e. The New Entity shall provide to the State within ten (10) business days of the State's request, a notarized statement signed by an individual authorized to bind the New Entity certifying that all liabilities and obligations incurred by the former Contractor are assumed by the New Entity.
- f. If the New Entity owes money to the State of Tennessee, it acknowledges that Tennessee Code Annotated Section 9-4-604 requires repayment of these funds and will enter into a legally binding agreement for repayment.

- E.10. 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 Staff's instructions all records and other property of the State to whomever the Staff may designate in writing to the Contractor. The Contractor agrees to cooperate with the State and the Staff, and any subsequent contractor selected by the State to perform the services hereunder, in the transition and conversion of such services. The Contractor shall remain liable to the State under this Contract for any acts or omissions occurring on or prior to the date on which all property of the State and all services hereunder have been successfully transferred or converted in accordance with this Paragraph.
- E.11. Applicable Gifts and Solicitations Policy. The Contractor shall not offer to give, or give any gift to any employee of the Tennessee Department of Treasury or to any member of a Board, Commission or Committee administratively attached to the Tennessee Department of Treasury that would violate the Tennessee Department of Treasury's Gifts and Solicitations Policy attached hereto **Attachment E**.
- E.12. Survival. The terms, provisions, representations, and warranties contained in this Contract which by their sense and context are intended to survive the performance and termination of this Contract, shall so survive the completion of performance and termination of this Contract.

IN WITNESS WHEREOF,

MONDRIAN INVESTMENT PARTNERS:

Clive Gillmore

29 Sept 2016

CONTRACTOR SIGNATURE

DATE

CLIVE GILLMORE - CHIEF EXECUTIVE OFFICER AND GROUP CIO

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY (above)

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM:

David H. Lillard, Jr.

Sept. 30, 2016

DAVID H. LILLARD, JR., STATE TREASURER AND
CHAIRMAN OF THE TENNESSEE CONSOLIDATED
RETIREMENT SYSTEM

DATE

Approved for signature by *CA# 7130114*

**Attachment A
Mandate and Index**

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 Mondrian Investment Partners hereinafter referred to as the "Contractor", the State 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 Investable Market Index, plus Canada.

The State shall allocate such cash and securities as shall be determined at the sole discretion of the Staff 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 State 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 State 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.

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 State.

The Staff has agreed to the following fee structure, which is based on the State having at least one hundred million (\$100,000,000.00) in the Contractor's Account:

For the first \$50 million of the Account's net asset value, the annual basis point fee shall be 65 basis points or 0.65% as set forth in Section C.3. of the Contract;

For the next \$50 million of the Account's net asset value, the annual basis point fee shall be 45 basis points or 0.45% as set forth in Section C.3. of the Contract;

For the Account's net asset value exceeding the first \$100 million, the annual basis point fee shall be 35 basis points or 0.35% as set forth in Section C.3. of the Contract.

Michael Brakebill, Chief Investment Officer

RECEIPT AND ACCEPTANCE

Contractor

By: _____

Clive Gillmore
(Signature)

Date: 29 sept 2016

CLIVE GILLMORE - CHIEF EXECUTIVE OFFICER
(Typed or Printed Name and Title) AND GROUP CIO

Attachment B
The Tennessee Consolidated Retirement System Investment Policy

THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

INVESTMENT POLICY

REVISED AND RESTATED

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I. Definitions

The following definitions are used hereafter with respect to this Investment Policy:

Aggregate Book Value – *see Market Value.*

Board – The Board of Trustees of the TCRS.

Book Value – *see Market Value.*

Buyout – Generally a type of traditional private equity investment that invests in the purchase of all or part of the stock or assets of a privately or publicly owned company through the use of debt and equity.

Cash Equivalents – Debt investments representing highly rated, highly liquid and readily marketable securities with a remaining term to maturity (at the time of purchase) of ninety days or less (≤ 90 days), including, but not limited to, commercial paper and discount notes. Debt securities issued by the United States, any agency of the United States federal government or any entity with the express or implied backing of the United States with a remaining term to maturity of three hundred ninety-seven days or less (≤ 397 days) may also be considered Cash Equivalents for purposes of this Investment Policy.

Chief Investment Officer (“CIO”) – The Department of Treasury employee responsible for the investment and oversight of the TCRS assets in accordance with statutory guidelines and the investment policies and strategies established by the Board.

Commingled Investment – A pooled investment vehicle that is overseen by an External Investment Manager. The following types of pooled investment vehicles used for real estate investments may include, but are not limited to: open and closed end funds; private limited partnerships; private limited liability companies; private and public Real Estate Investment Trusts (“REITs”); and group trusts. The TCRS may also participate in secondary offerings or purchase fund interests from other investors in the secondary market.

Core Investments – An industry term that generally means a Traditional Property Type that is well-located, of institutional quality and leased, at the time of acquisition, at a rate of eighty percent or greater ($\geq 80\%$). “Core plus,” as defined by the general real estate industry, may also be considered a Core Investment for purposes of this Investment Policy.

Derivative Instruments – Any agreement, option or instrument, or any series or combinations of an agreement, option or instrument: (i) to make or take delivery of, or assume or relinquish, a specified amount of one (1) or more underlying interests, or to make a cash settlement in lieu thereof; or (ii) that has a price, performance, value or cash flow based primarily upon the actual or expected price, yield, level, performance, value or cash flow of one (1) or more underlying interests. Derivative Instruments include, but are not limited to, options, warrants (not attached to another investment), caps, floors, collars, swaps, security-based swaps, security-based swap agreements, mixed swaps, swaptions, forwards, futures and any other agreements, options or instruments substantially similar thereto, or any series or combinations thereof. Derivative Instruments do not include Collateralized Mortgage Obligations (“CMOs”), Treasury Inflation-

Protected Securities (“TIPS”), other asset-backed securities, principal-protected structured securities or floating rate securities.

Direct Investment – A direct ownership or co-ownership in Core Investments or Non-Core Investments (real estate).

Direct Lending – The transfer of funds from the ultimate lender to the ultimate borrower, most often through a third (administrative) party.

Distressed – Generally a type of traditional private equity investment that invests in the debt obligations of under-performing companies in need of operating or financial restructuring and that are typically involved in a turnaround, restructuring, deleveraging or bankruptcy situation.

Distressed Debt – A debt instrument issued by a company that is typically involved in a turnaround, restructuring, deleveraging or bankruptcy situation.

Emerging Market Debt – A debt instrument issued by nations or companies that are in the process of rapid growth and industrialization. Emerging Market Debt is subject to the same screening methodology discussed within this Investment Policy (Section VI.G).

Equity(ies) – Investments representing an equity, ownership interest to include, but not limited to, publicly traded common and preferred stock, Initial Public Offerings (“IPOs”), bonds or any security convertible to stock, equity Exchange Traded Funds (“equity ETFs”), publicly traded Real Estate Investment Trusts (“REITs”) and equity Restricted Securities.

External Investment Adviser – An individual or entity duly selected and contractually bound, who/that typically provides asset management services on a non-discretionary basis to the TCRS. Such External Investment Adviser will be appropriately registered, or exempt from registration, under the applicable state and federal securities laws, rules and regulations.

External Investment Manager – An individual or entity, duly selected and contractually bound, who/that typically assumes discretion over a specified portion of the TCRS’s assets. Such External Investment Manager will be appropriately registered, or exempt from registration, under the applicable state and federal securities laws, rules and regulations.

Fixed Income Security(ies) – Investments representing an instrument under which the issuer owes the holder (debt) to include, but not limited to, notes, bonds or other fixed income securities exceeding one year (> 1) in maturity, Mortgage-Backed Securities (“MBS”), Asset-Backed Securities (“ABS”), Collateralized Mortgage Obligations (“CMO”), Commercial Mortgage Backed Securities (“CMBS”), Medium Term Notes (“MTN”), municipal securities, corporate securities, bond Exchange Traded Funds (“bond ETFs”) and debt Restricted Securities.

General Consultant – An entity or individual, duly selected and contractually bound, with substantial experience in providing advice on and/or consulting services related to the Total Assets based upon its/his/her expertise and analysis of the issues and/or assets under consideration.

Growth Equity – Generally a type of traditional private equity investment that invests in an established company for the purpose of growing its business.

Hedging Transaction – A derivative transaction that is entered into and maintained to manage: (i) the risk of a change in the value, yield, price, cash flow or quantity of assets or liabilities, or a portfolio of assets and/or liabilities; or (ii) the currency exchange rate risk related to assets or liabilities, or a portfolio of assets and/or liabilities.

High Yield Bonds – A debt instrument with a credit rating below Investment Grade.

Income Generation Transaction – A derivative transaction, excluding Hedging Transactions and Replication Transactions, which is entered into to generate income.

Internal Legal Counsel – The Assistant Treasurer for Legal, Compliance and Audit or his/her authorized designee(s) who represent the Department of Treasury.

Investment Advisory Council (“IAC”) – A council consisting of at least five (5) persons, duly qualified and selected, which will review information furnished to it and provide such investment advice to the State Treasurer and Chief Investment Officer as the Investment Advisory Council deems appropriate.

Investment Committee – A committee of the Board comprised of Board members that will assist the Board in fulfilling its responsibilities with respect to the investments of the TCRS.

Investment Grade – Rating description given to debt securities. For purposes of this Investment Policy, Investment Grade for long-term debt securities must be within the four (4) highest tiers (e.g., AAA, AA, A, or BBB) and short-term debt securities must be within the three (3) highest tiers (e.g., A-1, A-2 or A-3); rating modifiers (+, -) should not be considered when determining the tiers. Debt securities issued by the United States, any agency of the United States federal government or any entity with the express or implied backing of the United States shall be considered as holding the highest possible rating.

Investment Guidelines – Policies and procedures that provide operational framework for implementing and monitoring various investment strategies and activities. Investment Guidelines are often drafted by Investment Staff and must be recommended by the Chief Investment Officer and approved by the State Treasurer before becoming effective.

Investment Staff – Each Department of Treasury, Investment Division employee involved in the investment management of the Total Assets.

Legal Advisor – The Attorney General and Reporter or his/her authorized designee(s) who represent the Board in all matters.

Levered and Unlevered Loans – A debt instrument from companies with below Investment Grade credit ratings. Leveraged loans are typically secured with a lien on the company's assets and are generally senior to the company's other debt.

Market Value – Aggregate Book Value, Book Value and Market Value are determined in accordance with applicable financial reporting requirements. For additional guidance, refer to the TCRS's Comprehensive Annual Financial Report.

Master Custodian – A bank, savings and loan association or trust company, duly selected and contractually bound, that, at a minimum, holds the assets of and processes securities transactions for the State of Tennessee, Department of Treasury on behalf of the TCRS.

Mezzanine Debt – Placed between debt and equity in a company's capital structure, mezzanine debt is typically a subordinated debt instrument for late-stage venture and mature companies and offers income through a current coupon and equity participation through a warrant.

Non-Core Investments – Broadly defined as all other real estate assets that are not Core Investments. Non-Core Investments include “value-added,” “opportunistic,” “build to core” or “lease to core” investments, as defined by the general real estate industry.

Outside Legal Counsel – Attorney(s) or law firm(s), duly selected and contractually bound, who/that provide legal advice to the TCRS or the Department of Treasury for or on behalf of the TCRS.

Other Opportunities – Generally a type of private equity investment that is designed to capture innovative investment opportunities created by the marketplace that do not fit an existing category.

Real Estate Debt – A debt instrument that is secured by the collateral of specified real estate property.

Replication Transaction – A derivative transaction or combination of derivative transactions, excluding Hedging Transactions, affected either separately or in conjunction with cash market investments included in a portfolio in order to replicate the risks and returns of another authorized transaction, investment or instrument and/or operate as a substitute for cash market transactions.

Resource – Generally a type of traditional private equity investment that invests in commodities or natural resources.

Restricted Securities – Has the same meaning as set forth in Rule 144(a)(3) promulgated under the Securities Act of 1933.

Service Providers – Any external party who/that performs investment-related services for or on behalf of the TCRS, including, but not limited to, the General Consultant, External Investment Advisers, External Investment Managers, Outside Legal Counsel, investment consultants, data providers, data aggregators, securities litigation monitors, etc.

Short-Term Security(ies) – Debt investments representing highly rated, highly liquid and readily marketable securities with a remaining term to maturity (at the time of purchase) of three hundred sixty days or less (≤ 360 days), including, but not limited to, commercial paper, discount notes and short-term United States agency debt.

Structured Credit – Products comprised of tranches of portfolios of credit instruments or exposures, including credit derivatives, usually securitized by various financial assets.

T.C.A. – Tennessee Code Annotated.

TCRS – Tennessee Consolidated Retirement System, which may also be referred to under state law as “retirement system.”

Total Assets – The total plan assets or overall investment portfolio of the TCRS.

Traditional Property Type – Real estate that consists of only office, multifamily (apartment), retail and/or industrial assets.

Venture Capital – Generally a type of traditional private equity investment that invests in the financing of rapidly-growing companies that do not have access to public equity or debt financing.

II. Overview and Authority

A. Introduction

The Tennessee Consolidated Retirement System was established by the General Assembly as of July 1, 1972 for the purpose of providing retirement and other benefits for state employees, teachers, higher education employees, local government employees and employees of other entities authorized to participate.

B. Investment Authority

General administration and responsibility for the proper operation of the TCRS are vested with the TCRS Board of Trustees (“Board”), including the authority for investing and reinvesting the assets of the TCRS. The State Treasurer, a constitutional officer, is the custodian of the funds of the TCRS. The day-to-day administration and operation of the TCRS are primarily delegated to the State Treasurer.

Implementation of the TCRS Investment Policy established by the Board is hereby delegated to the State Treasurer, who shall put such policy into effect. In implementing this Investment Policy, the State Treasurer hereby delegates certain responsibilities to the Chief Investment Officer and Investment Staff, including the power to invest and reinvest the TCRS’s assets in accordance with the criteria established by this Investment Policy.

The Chief Investment Officer with the approval of the State Treasurer may, through written Investment Guidelines, provide additional investment criteria or guidance.

C. Fiduciary Standard

All assets of the TCRS shall be invested and managed solely in the interest of the TCRS’s beneficiaries and in a manner consistent with T.C.A. §35-14-107, the prudent investor rule pursuant to T.C.A. §35-14-103 and the standard of care pursuant to T.C.A. §35-14-104. Furthermore, the delegation of investment and management functions shall be carried out in accordance with T.C.A. §35-14-111. Notwithstanding the foregoing, and in accordance with T.C.A. §8-37-104, the assets of the TCRS shall be invested subject to the criteria further established by the Board through this Investment Policy, as may be amended from time to time.

D. Scope

The Investment Policy is binding on all persons and entities with authority over the TCRS's assets, including, but not limited to, the Board, Investment Staff, External Investment Managers, External Investment Advisers, General Consultant, Service Providers, Master Custodian and any other person who or entity that may have a fiduciary relationship with the TCRS.

III. Objective

The purpose of this Investment Policy is to support the TCRS's primary investment objective by:

- Outlining the distinct roles and responsibilities of the Board, Investment Staff and Service Providers;
- Establishing formalized benchmarks to measure and evaluate the performance results of the Total Assets;
- Setting forth the additional investment criteria, which the Board determines to be prudent in consideration of the purposes, terms, distribution requirements and other circumstances of the TCRS and in the best interest of the beneficiaries;
- Communicating the Investment Policy, as approved by the Board, to the Investment Staff, External Investment Managers, External Investment Advisers, General Consultant, Service Providers, Master Custodian and any other person who or entity that may have a fiduciary relationship with the TCRS; and
- Functioning as a supervisory tool, guiding the ongoing oversight of the Total Assets.

IV. Roles and Responsibilities

In addition to the responsibilities described below and throughout this Investment Policy, Service Providers, as well as any other person who or entity that may have a fiduciary relationship with the TCRS, may have additional duties and responsibilities outlined within federal and state laws, rules and regulations; executed contracts or agreements; or as dictated by standard business or industry practices.

A. Board of Trustees

- 1) Adopt an Investment Policy that establishes the additional investment criteria, which the Board determines to be prudent in consideration of the purposes, terms, distribution requirements and other circumstances of the TCRS;
- 2) Delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 3) Review and, if applicable, authorize the use of Service Providers or the processes employed by Investment Staff;
- 4) Evaluate the investment performance of the Total Assets through reports supplied by the State Treasurer, Chief Investment Officer, Investment Staff and Service Providers; and
- 5) Periodically review the actions taken by delegates in order to monitor performance and compliance with the terms of the delegation.

B. Investment Advisory Council

- 1) Review information furnished to the Investment Advisory Council; and
- 2) Provide such investment advice to the State Treasurer and Chief Investment Officer as the Investment Advisory Council deems appropriate.

C. Investment Committee

- 1) Evaluate the investment performance of the traditional private equity, strategic lending and real estate portfolios, through reports supplied by the State Treasurer, Chief Investment Officer, Investment Staff and Service Providers;
- 2) Approve private equity, strategic lending and real estate commitments or transactions that equal or exceed seventy-five million dollars (\geq \$75,000,000); and
- 3) Review other information that may be furnished to the Investment Committee and, as applicable, provide assistance to the Board, State Treasurer and Chief Investment Officer.

D. State Treasurer

- 1) Implement the Investment Policy, as approved by the Board;
- 2) Operate with a duty of undivided loyalty, investing and managing the TCRS's assets solely in the interest of the beneficiaries;
- 3) Delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 4) Review and, as applicable, authorize the use of Service Providers and the employment of Investment Staff;
- 5) Evaluate and, as applicable, approve the processes employed and procedures established by Investment Staff;
- 6) Evaluate the investment performance of the Total Assets through reports supplied by the Chief Investment Officer, Investment Staff and Service Providers;
- 7) Negotiate and execute, with the advice and counsel of the Legal Advisor, Internal Legal Counsel and/or Outside Legal Counsel, as applicable, all contracts, agreements, forms and memoranda of understanding deemed necessary or desirable for the efficient administration of the TCRS's assets;
- 8) Monitor the Total Assets' compliance with this Investment Policy and applicable federal and state laws, rules and regulations; and
- 9) Take actions that are deemed essential to protect the assets of the TCRS with any emergency actions being promptly reported to the Board.

E. Chief Investment Officer

- 1) Assume executive responsibility and authority, as delegated by the State Treasurer, for the ongoing evaluation and management of the Total Assets, ensuring compliance with the Investment Policy and such other Investment Guidelines, policies, procedures, internal controls, laws, rules and regulations that may apply;

- 2) Operate with a duty of undivided loyalty, investing and managing the TCRS's assets solely in the interest of the beneficiaries;
- 3) Undertake the necessary authority to effectively manage and supervise the Investment Staff;
- 4) Delegate investment and management functions to Investment Staff that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 5) Review and, as applicable, recommend the use of Service Providers, General Consultant, External Investment Managers and External Investment Advisers and the employment of Investment Staff;
- 6) Report to and consult with the State Treasurer and/or his designee on administrative, organizational and investment activities;
- 7) Collaborate, as applicable, with the Investment Committee, Investment Advisory Council, Investment Staff and Service Providers on development and implementation of appropriate investment strategies, policies, procedures and Investment Guidelines;
- 8) Prepare and submit reports, as required, to document investment activities; and
- 9) Notify the State Treasurer of situations that merit the Board's attention.

F. Investment Staff

- 1) Assume fiduciary responsibility and authority, as delegated by the State Treasurer and Chief Investment Officer, for the Investment Staff member's role in the ongoing evaluation and management of the Total Assets;
- 2) Utilize special skills and expertise in an effort to accomplish the primary objective of the Total Assets, as stated in the Investment Policy;
- 3) Operate with a duty of undivided loyalty, investing and managing the TCRS's assets solely in the interest of the beneficiaries;
- 4) Source and evaluate prospective investments on an as-needed basis;
- 5) Ensure compliance with the Investment Policy and such other Investment Guidelines, policies, procedures, internal controls, laws, rules and regulations that may apply;
- 6) Assist the State Treasurer, or his designee, and Chief Investment Officer with respect to any matters related to the TCRS's assets;
- 7) Prepare and submit reports, as required, to document investment activities; and
- 8) Notify the State Treasurer of situations that merit his attention.

G. General Consultant

- 1) Provide a third-party perspective and oversight to applicable portfolios;
- 2) Assess the TCRS's Investment Policy and applicable Investment Guidelines, policies and procedures;
- 3) Assist with developing and implementing Investment Guidelines, policies, procedures and investment strategies;
- 4) Prepare and submit relevant, reliable and timely research, performance reports and objective advice as required or as needed by the Board, State Treasurer, Chief Investment Officer or Investment Staff;

- 5) Source and evaluate prospective investments on an as-needed basis; and
- 6) Support the Investment Staff with respect to any matters related to applicable portfolios.

V. Governing Principles

The Board has adopted a set of governing principles for the oversight of the Total Assets. Those principles are as follows:

A. Primary Investment Objective

The primary investment objective of the Total Assets is to establish a stable, diversified investment portfolio that, in the long-term, will meet or exceed the assumed actuarial rate of return, as adopted by the Board, in order to provide sufficient liquidity to pay beneficiaries in a timely manner.

B. Authorized Asset Classes and Investment Activities

The Board, in accordance with T.C.A. §8-37-101 et. seq., hereby empowers the State Treasurer and Investment Staff to invest and reinvest the TCRS's assets in the following asset-classes and investment activities, subject to all the terms, conditions, limitations and restrictions imposed, as applicable, by this Investment Policy and other Investment Guidelines, policies, procedures, internal controls, laws, rules and regulations that may apply:

- Equities;
- Fixed Income Securities
- Short-Term Securities;
- Private equity;
- Real estate;
- Cash and Cash Equivalents;
- Canadian securities;
- International securities;
- Canadian and international currency;
- Derivative Instruments;
- Securities lending; and
- Standby note purchaser.

C. General Asset Allocation

Based on input from the Chief Investment Officer, Investment Staff and General Consultant, the Board hereby establishes the following strategic asset allocation ranges:

<u>Asset Classes</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Statutory Limit</u>
Domestic Equity	25%	50%	75%
International Equity	5%	25%	
Emerging Markets Equity	0%	10%	
Domestic Fixed Income Securities	20%	60%	75%
Short-Term Securities	0%	10%	
Inflation Indexed Bonds	0%	15%	
International Fixed Income Securities	0%	10%	
Private Equity	0%	10%	10%
Real Estate	0%	10%	10%
Cash and Cash Equivalents	0%	10%	10%

For purposes of the above table: domestic includes United States and Canada; emerging market is a subset of international; and private equity includes traditional and strategic lending. Additional statutory and Investment Policy limitations may apply.

D. Benchmarks

Based on input from the Chief Investment Officer, Investment Staff and General Consultant, the Board has determined that the investment performance for the Total Assets and each component portfolio will be compared with the following respective benchmark indices:

<u>Portfolio</u>	<u>Benchmark Index</u>	<u>Weight</u>
Equity – United States	S&P 1500	33%
Equity – Canadian	S&P / TSX 60 Index	4%
Equity – International Developed Markets	MSCI EAFE Investable Market Index (IMI)	13%
Equity – Emerging Markets	MSCI Emerging Markets Index	5%
Domestic Fixed Income and Short-Term Securities	Citigroup Large Pension Fund Index	25%
Inflation Indexed Bonds	Citigroup TIPS Index	4%
International Fixed Income and Short-Term Securities	Citigroup Non-U.S. G-5 Government Bond Index	0%
Private Equity – Traditional	S&P 500 + 3%	3%
Private Equity – Strategic Lending	Custom Index: 50% Barclay's High Yield 2% Issuer Capped Index + 50% Credit Suisse Leveraged Loan Index	5%
Real Estate	NCREIF Property Index	7%
Cash and Cash Equivalents	91-Day United States Treasury Bills	1%
	TOTAL	100%

To facilitate proper evaluation of the emerging markets equity portfolio, the benchmark index returns will be adjusted to exclude countries based on the country screening methodology developed by Investment Staff and approved by the Chief Investment Officer and State Treasurer. Additionally, the Board recognizes that the performance for some investments, such as private equity and real estate, will lag by a quarter due to the reporting schedules of the underlying holdings.

In recognition of the TCRS's long-term perspective, these performance benchmarks are to be measured through the use of a five-year (5) rolling average. The Total Assets' overall annualized total return should exceed the return available if the TCRS were to invest in an index fund comprised of the above-referenced benchmark indices, weighted as referenced above.

Furthermore, the Total Assets' performance will be calculated on an as-allocated basis, using the actual percentages invested versus the target weight.

VI. Additional Investment Criteria

The Board, in accordance with T.C.A. §8-37-104(a) and (b), hereby imposes the following, terms, conditions, limitations and restrictions, which supersede, as applicable, those terms, conditions, limitations and restrictions contained in T.C.A. §56-3-303 through 306. The disqualification of an investment under one (1) section of this Investment Policy does not prevent its qualification in whole or in part under another section.

A. Equity

No Equity will be purchased with the purpose or with the effect of changing or influencing the control of the issuer. Additionally, no more than four and ninety-nine one hundredths percent ($\leq 4.99\%$) of a voting class of a company's equity securities registered under Section 12 of the Securities Exchange Act of 1934 (i.e., outstanding shares) shall be, directly or indirectly, acquired.

B. Fixed Income Securities and Short-Term Securities

Only Fixed Income Securities and Short-Term Securities rated Investment Grade by one of the designated Nationally Recognized Statistical Rating Organizations ("NRSROs") shall be purchased. This rating restriction does not apply to bond ETFs or debt Restricted Securities. Additionally, there is no requirement to divest of an asset if it is downgraded below Investment Grade.

The TCRS may transact in when-issued, To Be Announced ("TBA"), dollar roll and other transactions that result or may result in delayed delivery for the purchase or sale of Fixed Income Securities. Cash and obligations of the United States government or any of its agencies may be used to meet variation margin or collateral requirements.

C. Private Equity

The private equity asset class is categorized into two component portfolios: traditional and strategic lending.

1. Disclosure Process

Any TCRS employee or Board member who has a role in determining whether the TCRS assets should be invested in a private equity investment and who is directly solicited by any person or entity on a specific private equity investment proposal must disclose such to the Investment Staff.

For purposes of this disclosure process, "directly solicited" means direct personal contact by person(s) or entity(ies) intending to solicit funding for a specific private equity fund or transaction. This direct contact will typically include a discussion on a particular investment, the merits of that investment and detailed documentation supporting the investment. Casual meetings and telephone calls of a general nature are not deemed to be a direct solicitation for purpose of this disclosure process.

The names of any person(s) or entity(ies) disclosed to Investment Staff pursuant to this disclosure process will be recorded by the Investment Staff and reported to the audit committee of the Board on a quarterly basis.

2. Contractual Obligations

Traditional private equity and strategic lending investments may involve various contracts and legal agreements. Any contractual terms, including those related to fees, will be consistent with the then-current market for comparable investments.

3. Process for and Factors Used in Selection

The process for selecting and approving traditional private equity and strategic lending investments will be outlined within the Traditional Private Equity and Strategic Lending Investment Guidelines. At a minimum, such Investment Guidelines must detail the introduction, due diligence, recommendation, approval, legal review and closing processes.

The following factors and standards are to be used, at a minimum, by Investment Staff in the selection of traditional private equity and strategic lending investments:

- Key Personnel – Key personnel should possess specialized skills and expertise; reputable professional background; and be appropriately registered, or exempt from registration, under the applicable state and federal securities laws, rules and regulations;
- Strategy and Strategic Fit – A private equity investment should be selected based, in part, on its ability to improve the overall risk and return profile of the Total Assets and its contribution to portfolio diversification;
- Legal and Economic Terms – Investment terms and/or contracts should be actively negotiated to ensure that the interest of the partners and/or investment managers align with the interests of the TCRS and that the TCRS is adequately compensated based, in part, on the level of investment risk.

The Board recognizes that other factors and standards should be used in evaluating and selecting traditional private equity and strategic lending investments and relies on Investment Staff and the respective investment consultant to use reasonable judgment in proactively investigating proposed traditional private equity and strategic lending investments. Prior to consideration of a traditional private equity or strategic lending investment, an independent third-party advisor selected by the TCRS (i.e., External Investment Advisor, External Investment Manager, General Consultant, investment consultant, etc.) must determine that the proposed investment complies with the factors and standards as established within this Investment Policy and any applicable Investment Guidelines.

4. Open Records Exception

Traditional private equity or strategic lending investment records shall be open to public inspection in accordance with and pursuant to T.C.A. §8-37-104(a)(10)(C).

5. Holding Entities

The Board authorizes the State Treasurer and Investment Staff to create holding entities, to the extent permitted by law, on behalf of the TCRS for the purpose of acquiring, holding title to and collecting income from traditional private equity or strategic lending investments. The Board also authorizes the transfer of a traditional private equity or strategic lending investment from direct ownership to a title holding entity on behalf of the TCRS (or the converse) during the course of a holding period of the traditional private equity or strategic lending investment, if deemed prudent.

6. Investment Types and Risk Control Measures – Traditional Private Equity

Traditional private equity investments may include, but shall not be limited to, the following types of investments: Venture Capital; Buyout; Distressed; Growth Equity; Resource; and Other Opportunities.

The following risk control measures will be implemented in the oversight of the traditional private equity portfolio:

- Financing Stage – The traditional private equity portfolio will mitigate company and financing life-cycle risk through diversification in investment types.
- Investment Timing – Vintage year risk will be monitored during the initial funding phase of the traditional private equity portfolio;
- Industry Concentration – No more than forty percent ($\leq 40\%$) of the traditional private equity portfolio commitments will be made to a single industry within a particular sector;
- General Partner Concentration – No more than twenty percent ($\leq 20\%$) of the traditional private equity portfolio target shall be committed to a single External Investment Manager;
- Investment Size – The TCRS will represent no more than fifteen percent ($\leq 15\%$) of the targeted size of a limited partnership without the written approval of the State Treasurer; and
- Operational Matters – The traditional private equity portfolio will mitigate operational risk through the use of multiple managers, strategies and investment types.

7. Investment Types and Risk Control Measures – Strategic Lending

Strategic lending investments may include, but shall not be limited to, the following types of investments: High Yield Bonds; Levered and Unlevered Loans; Emerging Market Debt; Distressed Debt; Mezzanine Debt; Direct Lending; Structured Credit; Real Estate Debt; and Other Opportunities.

The following risk control measures will be implemented in the oversight of the strategic lending portfolio:

- Financing Stage and Industry Concentration – The strategic lending portfolio may be somewhat under-diversified on a standalone basis due to the opportunistic nature of the portfolio and such risks are mitigated at the Total Assets level;
- Investment Timing – Generally, vintage year risk does not pose a concern for the strategic lending portfolio;
- General Partner Concentration – No more than fifty percent ($\leq 50\%$) of the strategic lending portfolio target shall be committed to a single External Investment Manager;
- Investment Size – The TCRS will represent no more than fifteen percent ($\leq 15\%$) of the targeted size of a commingled investment vehicle without the written approval of the State Treasurer; and
- Operational Matters – The strategic lending portfolio will mitigate operational risk through the use of multiple managers, strategies and investment types.

D. Real Estate

Acquisitions of real estate may be made in Direct Investments or Commingled Investments provided that:

- No Direct Investment may be located in the state of Tennessee; and
- No Direct Investment shall exceed one-half of one percent ($< 0.5\%$) of the Market Value of the Total Assets.

Furthermore, of the greater of the real estate portfolio's target allocation or the total value invested:

- No more than forty percent ($\leq 40\%$) shall be committed to a single External Investment Manager or External Investment Adviser; and
- Seventy percent or more ($\geq 70\%$) will be comprised of Core Investments.

The process for selecting and approving real estate investments will be outlined within the Real Estate Investment Guidelines. At a minimum, such Investment Guidelines must detail the introduction, due diligence, recommendation, approval, legal review and closing processes.

The Board authorizes the State Treasurer and Investment Staff to create entities, to the extent permitted by law, on behalf of the TCRS for the purpose of acquiring, holding title to, and collecting income from real property. The Board also authorizes the transfer of real estate property from direct ownership to a title holding entity on behalf of the TCRS (or the converse) during the course of a holding period of the real estate investment.

E. Cash and Cash Equivalents

Cash that cannot be invested immediately, or that is needed for operations, should be actively managed through the use of cash and Cash Equivalents to obtain the best return available. Cash may also be invested in short-term, open-end mutual funds under the contractual arrangement with the Master Custodian or invested in the State Pooled Investment Fund.

Cash Equivalents must be rated within the highest tier (e.g., A-1) by at least two (≥ 2) of the designated NRSROs; rating modifiers (+, -) should not be considered when determining the tiers.

The TCRS shall invest not more than one hundred million dollars ($\leq \$100,000,000$) in Cash Equivalents issued by any one issuer, excluding Cash Equivalents

- Issued by the United States, any agency of the United States federal government or any entity with the express or implied backing of the United States; or
- That matures on the next business day.

For purposes of this section, “business day” shall mean any day on which (i) the United States securities exchanges, (ii) the Master Custodian and (iii) the State of Tennessee, Department of Treasury are open for regular business activity.

F. Canadian Securities

The TCRS may invest in publicly traded, Canadian securities that are otherwise of the same kinds, classes and investment grades otherwise eligible for investment.

G. International Securities

The TCRS may invest in publicly traded, international securities that are otherwise of the same kinds, classes and investment grades otherwise eligible for investment.

The Board hereby authorizes up to twenty-five percent ($\leq 25\%$) of the Total Assets may be invested in international securities, up to ten percent ($\leq 10\%$) of which may be invested in emerging markets.

The Board hereby determines that the following international countries are permissible:

- International countries included in the Morgan Stanley Capital International (“MSCI”) EAFE Investable Market Index (“IMI”), as amended from time to time (i.e., international developed markets); and
- International countries included in the MSCI Emerging Markets (“EM”) Index, as amended from time to time (i.e., emerging markets).

Suitability of investing in such emerging markets countries shall be further subject to a screening methodology reviewed by the TCRS’s General Consultant, recommended by the Chief Investment Officer and approved by the State Treasurer.

For purposes of the TCRS’s international securities investments, a security’s country classification will be determined, at the time of acquisition, using the following criteria:

- Market in which the issuer conducts its primary business (“Country Classification”);
- Issuer’s management location, country of primary listing, country of revenue and reporting currency (“Country of Risk”); and
- Country in which the issuer is legally established (“Country of Incorporation”).

The issuer’s parent and ultimate parent entity(ies) and the security’s geographical focus, if applicable, may also be evaluated in order to determine a security’s country classification.

H. Canadian and International Currency

Canadian and international currency transactions are permitted as necessary to facilitate the settlement of Canadian and international securities transactions and to mitigate currency risk. The TCRS may engage in “bona fide spot foreign exchange transactions,” as defined by the United States Commodities Futures Trading Commission (“CFTC”), Hedging Transactions, Income Generation Transactions or Replication Transactions involving currencies of Canada and those international countries authorized pursuant to this Investment Policy. Cash and obligations of the United States government or any of its agencies may be used to meet variation margin or collateral requirements related to currency transactions.

Hedging Transactions, Income Generation Transactions and Replication Transactions will be executed only with registered swap dealers.

I. Derivative Instruments

The TCRS may purchase or sell stock index futures. Stock index futures contracts shall

- Not be utilized for purposes of “speculative leveraging” as defined in T.C.A. §8-37-104(a)(7);
- Be classified by and included in the asset allocation ranges of the domestic and international equity portfolios;
- Be measured in their notional principal or notional equivalent amount; and
- Not exceed ten percent ($\leq 10\%$) of the Market Value of the Total Assets.

Cash and obligations of the United States government or any of its agencies may be used to meet variation margin or collateral requirements related to stock index futures.

Additionally, the TCRS may engage in Hedging Transactions, Income Generation Transactions or Replication Transactions involving Derivative Instruments under the following conditions:

- Derivative Instruments will be measured in their notional principal or notional equivalent amount;
- Derivative Instruments, excluding currency Derivative Instruments, shall not exceed twenty percent ($\leq 20\%$) of the Market Value of the Total Assets; and
- Cash and obligations of the United States government or any of its agencies may be used to meet variation margin or collateral requirements.

Hedging Transactions, Income Generation Transactions and Replication Transactions shall be executed only with registered swap dealers.

J. Securities Lending

The TCRS may loan its securities for a fee, provided that:

- The total market value of securities on loan does not exceed thirty percent ($< 30\%$) of the Market Value of the Total Assets; and
- Each loan is collateralized in accordance with this Investment Policy.

Only the following types of financial instruments will be acceptable collateral for purposes of securities lending:

- Bonds, notes and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States government or any of its agencies;
- Obligations guaranteed as to principal and interest by the United States government or United States sponsored corporations or enterprises; and
- Cash.

Collateral will be marked-to-market, each business day, to ensure that on any business day the market value, plus accrued but unpaid rebates and, in the case of debt securities, accrued but unpaid interest, of the collateral held in respect to a securities lending transaction is not less than:

- 102% ($\geq 102\%$) of the aggregate market value of the loaned securities for domestic securities and international securities that are denominated in the same currency as the collateral provided by the borrower;
- 105% ($\geq 105\%$) of the aggregate market value of the loaned securities for international securities that are not denominated in the same currency as the collateral provided by the borrower; or
- 100% ($\geq 100\%$) for cash collateral.

Cash received as collateral may be invested by or on behalf of the TCRS in any investment instrument in which the TCRS'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 TCRS's assets may be directly invested.

K. Standby Note Purchaser

The TCRS 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:

- The TCRS receives an annual commission, representing a fair market value fee for serving as the standby note purchaser; such fee shall be reviewed annually and, as appropriate, adjusted; and
- If called upon to purchase such notes, the TCRS shall receive a market rate of return exceeding the market rate for short-term investments.

VII. Risk Management

A. Rebalancing and Transitioning

The Total Assets should be actively managed in an effort to attain, within acceptable risk limitations, the TCRS's primary investment objective. As such, the Chief Investment Officer and Investment Staff shall have the ability to make tactical shifts in asset allocations as deemed appropriate to increase risk-adjusted returns, so long as such changes are within the approved asset allocation ranges as stated within this Investment Policy.

Additionally, the Board recognizes that one or more component portfolio may experience a period of transition due to, for example, an initial funding phase, rebalancing or strategy shift. The Board acknowledges that during a transition period it may be necessary to analyze assets based upon terminal value and not relative to a benchmark.

B. Percentage Limitations

In determining compliance with the percentage limitations stated within this Investment Policy, the Total Assets will be valued at Market Value. Accordingly, an investment may be made on any given day provided that such investment does not cause any applicable limitation prescribed in this Investment Policy to be exceeded on such day.

C. Designated Nationally Recognized Statistical Rating Organizations (“NRSROs”)

The credit ratings of any credit rating agency that is registered with the Securities and Exchange Commission (“SEC”) as a NRSRO will be deemed sufficiently reliable for use to determine a security’s investment grade and eligibility under this Investment Policy.

D. Trading, Brokerage and Research

Best execution, cost and benefits that serve the exclusive interest of the beneficiaries are the overriding principles in determining the trading and brokerage counterparty to be used in any transaction.

The State Treasurer and Investment Staff are hereby authorized to transact with duly selected trading and brokerage counterparties. Selection of trading and brokerage counterparties shall be subject to the qualifications and processes established by the Investment Staff and approved by the State Treasurer.

The State Treasurer and Investment Staff are hereby authorized to enter into client commission agreements or commission sharing or rebate arrangements in order to obtain research services permitted under the safe harbor protections of Section 28(e) of the Securities and Exchange Act of 1934.

E. Service Providers

The State Treasurer, in consultation with the Chief Investment Officer and Internal Legal Counsel, is authorized to contract for investment management services, personal services, professional services and consultant services as necessary and in the best interest of the TCRS. Such services include, but are not limited to, those provided by a General Consultant, External Investment Advisers, External Investment Managers, Outside Legal Counsel, investment consultants, data providers, data aggregators, securities litigation monitors, proxy advisors, investment and performance analytics, trading and execution platforms, research providers, etc. The Board delegates to the State Treasurer, in consultation with the Chief Investment Officer and Internal Legal Counsel, the responsibility to determine the procurement method for and duties and responsibilities of such Service Providers.

Pursuant to, and as defined in, T.C.A. §8-37-113 the State Treasurer shall endeavor to use “emerging investment managers” to the greatest extent feasible within the bounds of financial and fiduciary prudence. Use of “emerging investment managers” shall be subject to the qualifications established by the Investment Staff and approved by the State Treasurer.

F. Legal, Compliance and Audit

The State Treasurer, in consultation with Internal Legal Counsel and with the approval of the Legal Advisor, has primary responsibility for the retention of Outside Legal Counsel. The State Treasurer and Internal Legal Counsel shall consult, as needed and applicable, with the Legal Advisor and/or Outside Legal Counsel. The State Treasurer, or his designee(s), has the authority to negotiate and execute, with the advice and counsel of the Legal Advisor, Internal Legal Counsel and/or Outside Legal Counsel, as applicable, all contracts, agreements, forms and memoranda of understanding deemed necessary or desirable for the efficient administration of the TCRS's assets.

The Chief Investment Officer and Investment Staff will collaborate with the Department of Treasury compliance staff to ensure efficient and effective development and administration of a compliance program that is reasonably designed to prevent, detect and, if necessary, remedy violations of the laws, rules, regulations and policies applicable to the Department of Treasury Investment Division's investment and securities activities.

To aid in the safeguarding of the TCRS's assets, the Department of Treasury internal audit staff will periodically evaluate risk control areas as to their adequacy, efficiency and effectiveness. Additionally, the State Treasurer shall ensure that critical investment, accounting and legal, compliance and audit functions are segregated within the Department of Treasury.

G. Investment Guidelines, Policies and Procedures

The Investment Policy includes references to Investment Guidelines, policies and procedures established and implemented by the State Treasurer and Investment Staff. The Board deems these Investment Guidelines, policies and procedures as integral components to the implementation and oversight of the TCRS's Investment Policy. At a minimum, the State Treasurer shall implement detailed Investment Guidelines for Derivative Instruments, traditional private equity, strategic lending, real estate and securities lending. Additionally, the State Treasurer shall implement written policies and procedures related to proxy voting, trade management and supervision, evaluation of research services, the use of placement agents and conflicts of interest.

VIII. Monitoring and Reporting

A. Quarterly

The State Treasurer shall report quarterly to the Council on Pensions and Insurance any holdings in 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.

The State Treasurer shall also report quarterly to the Council on Pensions and Insurance the investments in emerging market countries.

The Chief Investment Officer shall provide a detailed, written review of the investment activity at the quarterly Board meetings. Pursuant to the private equity

disclosure process (Section VI.C.1), the Investment Staff will report the required information to the audit committee of the Board on a quarterly basis.

B. Periodically

The Chief Investment Officer shall provide a detailed, written report of the investment activity, including, but not limited to, presenting all receipts, disbursements and changes in the assets and liabilities, at all Investment Advisory Council meetings.

The State Treasurer, Chief Investment Officer, Investment Staff and Service Providers, shall provide other reports as requested or as needed by the Board or State Treasurer.

C. Annually

The Board shall publish an annual report. The Chief Investment Officer, Investment Staff and, as needed, Service Providers shall assist in preparing the investment-related portions of the annual report.

The State Treasurer shall prepare an annual report of investment activity to the Council on Pensions and Insurance. Such report will consist of the General Consultant's report and a summary of the closing balances of investments in emerging market countries.

The State Treasurer, in accordance with T.C.A. §8-37-113(b) shall submit an annual statement to the general assembly regarding the use of emerging investment managers.

At least annually, the General Consultant shall review the TCRS's Investment Policy and applicable Investment Guidelines, policies and procedures and provide its recommendations to the State Treasurer and Chief Investment Officer for consideration.

IX. Policy Interpretation

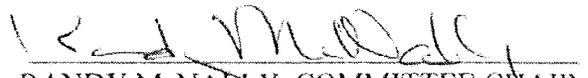
The Board, State Treasurer, Investment Staff and Service Providers are required to comply with all applicable federal and state laws, rules and regulations. The Investment Policy may reference or restate applicable laws, rules and regulations, or portions thereof, for convenience; however, in the event of any conflict between the law and this Investment Policy, the law prevails. Each fiduciary to the TCRS is ultimately responsible for compliance with applicable laws, rules and regulations.

The Board hereby authorizes the State Treasurer to take, for and on behalf of the TCRS, all actions necessary to comply with applicable federal and state securities laws, rules and regulations. In implementing such, the State Treasurer may delegate certain responsibilities to the Investment Staff, Department of Treasury staff or Service Providers.

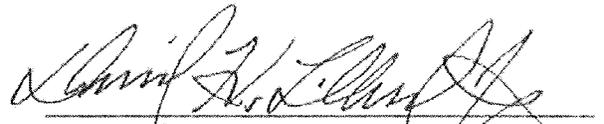
In cases of uncertainty, the State Treasurer is authorized to provide written interpretive guidance and approve in writing, from time to time, variances from the requirements contained within the Investment Policy in furtherance of compliance or as deemed in the best interest of the TCRS's beneficiaries, consistent with both fiduciary standards and the scope of the Investment Policy. Such interpretive guidance or variance shall be reported in writing to the Board at its next meeting and to the Council of Pensions and Insurance within a reasonable time.

X. Approval and Adoption

The Council on Pensions and Insurance hereby approved, as required, the applicable provisions within this revised and restated Investment Policy of the Tennessee Consolidated Retirement System at its meeting held on the 30th day of March, 2015.


RANDY McNALLY, COMMITTEE CHAIR
Council on Pensions and Insurance

The Board of Trustees of the Tennessee Consolidated Retirement System hereby approved and adopted this revised and restated Investment Policy of the Tennessee Consolidated Retirement System at its meeting on the 27th day of March, 2015.


DAVID H. LILLARD, JR., CHAIRMAN
BOARD OF TRUSTEES
Tennessee Consolidated Retirement System

Attachment C
Proxy Voting Guidelines

Tennessee Consolidated Retirement System 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.

e) 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 or 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 D
The Tennessee Consolidated Retirement System Derivative Guidelines

Tennessee Consolidated Retirement System

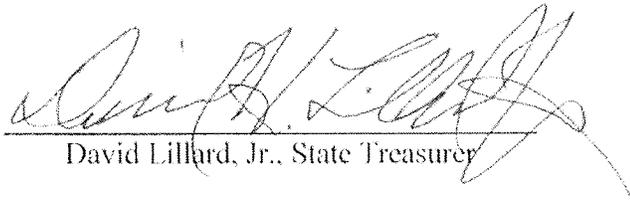
Derivative Instruments Investment Guidelines

Recommended by:



Michael Brakebill, Chief Investment Officer

Approved by:



David Lillard, Jr., State Treasurer

Effective: June 1, 2016

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I. Definitions

Capitalized terms not defined below shall have the same meaning as stated within the Tennessee Consolidated Retirement System's ("TCRS") Investment Policy. The following definitions are used hereafter with respect to these Derivative Instruments Investment Guidelines ("Guidelines"):

Compliance Officer – The Department of Treasury employee designated by the State Treasurer to fulfill, in part, the duties of the Compliance Officer outlined within these Guidelines.

Currency Future – Has the same meaning as in Section 1a(47)(B)(i) of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)(B)(i)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act.

Derivative Instruments – For the avoidance of doubt and for purposes of these Guidelines, Derivative Instruments include Title VII Instruments, Excluded Instruments and Exempt Foreign Exchange Instruments.

Excluded Instrument – Any Derivative Instrument that is not a Title VII Instrument. An Excluded Instrument includes, but is not limited to:

- listed Currency Futures,
- listed Security Futures,
- Options on listed Currency Futures and listed Security Futures,
- Security Forwards,
- listed and unlisted Security Options,
- NSE FX Options,
- listed and unlisted Options on broad-based security index,
- listed and unlisted Options on Narrow-Based Security Index,
- securities repurchase agreements,
- TBA MBS, and
- depository instruments.

Exempt Foreign Exchange Instrument – A FX Forward or a FX Swap.

Foreign Exchange Forward ("FX Forward") – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(24)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. FX Forward is not regulated as a Swap under CEA pursuant to an exemption determination, effective November 20, 2012, issued by the Secretary of the United States Department of Treasury.

Foreign Exchange Swap ("FX Swap") – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(25)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. FX Swap is not regulated as a Swap under CEA pursuant to an exemption determination, effective November 20, 2012, issued by the Secretary of the United States Department of Treasury.

Mixed Swap – Has the same meaning as in Section 3(a) of the Securities Exchange Act of 1934 (i.e. 15 U.S.C. 78c(68)(D)), as may be amended from time to time and as may be modified by

rules and regulations promulgated under the Securities Exchange Act of 1934. Mixed Swap is a subset of a Security-based Swap. The CFTC and SEC have joint regulatory authority of Mixed Swaps.

Narrow-Based Security Index – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(35)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act.

National Securities Exchange Foreign Currency Option (“NSE FX Option”) – Has the same meaning as in Section 1a(47)(B)(iv) of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)(B)(iv)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. NSE FX Option is excluded from the definition of Swap.

Option – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(36)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. An Option includes, but is not limited to, puts, calls, floors, caps, collars, straddle or privilege on any security, certificate of deposit or group or index of securities.

Qualified Independent Representative (“QIR”) – Has the same meaning as within Rule §23.450 as promulgated under the Commodity Exchange Act.

Security-Based Swap – Has the same meaning as in Section 3(a) of the Securities Exchange Act of 1934 (i.e. 15 U.S.C. 78c(a)(68)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Securities Exchange Act of 1934. The SEC is the regulatory authority of Security-Based Swaps. Generally, a Security-Based Swap is any Swap that is based on:

- A Narrow-Based Security Index;
- A single security or loan; or
- A financial event relating to a single issuer of a security or the issuers of securities in a Narrow-Based Security Index.

Security-Based Swap Agreements – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. The CFTC is the regulatory authority of Security-Based Swap Agreements.

Security Forward (i.e. TBAs) – Has the same meaning as in Section 1a(47)(B)(v) or 1a(47)(B)(vi) of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)(B)(v) or (vi)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. Security Forward includes, but is not limited to To-Be-Announced Mortgage-Backed Securities.

Security Future – Has the same meaning as in Section 3(a) of the Securities Exchange Act of 1934 (i.e. 15 U.S.C. 78c(a)(55)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Securities Exchange Act of 1934. A Security Future includes both futures on a single security (“single stock futures”) and futures on a narrow-based security index. *See also Security Future Product.*

Security Future Product (“SFP”) – Has the same meaning as in Section 3(a) of the Securities Exchange Act of 1934 (i.e. 15 U.S.C. 78c(a)(56)) , as may be amended from time to time and as may be modified by rules and regulations promulgated under the Securities Exchange Act of 1934. SFP includes Security Futures and Options on Security Futures. The CFTC and SEC have joint regulatory authority of SFPs. *See also Security Future.*

Security Option – Has the same meaning as in Section 1a(47)(B)(iii) of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)(B)(iii)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act.

Swap – Has the same meaning as in Section 1a of the Commodity Exchange Act (i.e. 7 U.S.C. 1a(47)), as may be amended from time to time and as may be modified by rules and regulations promulgated under the Commodity Exchange Act. The CFTC is the regulatory authority over Swaps. A Swap includes, but it not limited to a swaptions (option to enter into a swap or a swap that is an option), currency swap, cross-currency swap, foreign currency option (also known as a currency option, foreign exchange option, or foreign exchange rate option) *other than a NSE FX Option*, forward rate agreement, and non-deliverable forward involving foreign exchange.

Title VII Instrument – Any agreement, contract, or transaction that is included in the definition of the term Swap, which in some cases may include a Security-Based Swap Agreement, or the definition of the term Security-Based Swap, which in some cases may include a Mixed Swap. The underlying asset class for a Title VII Instrument is limited to equity, interest rate, credit (including credit default) and foreign exchange and related indices of such. Broadly and generally speaking, a Title VII Instrument that is based on (or underlying references are linked to):

- interest or other monetary rates, broad-based securities indices, foreign exchange (except Exempt Foreign Exchange Instruments), or a futures contract that is not a Security Future would be a Swap;
- the yield or value of a single security (including certain foreign government debt securities), loan, or Narrow-Based Security Index, Security Option, or Security Future would be Security-Based Swap; and
- the value of an oil corporation stock and the price of oil would be a Mixed Swap.

To-Be-Announced Mortgage-Backed Securities (“TBA MBS”) – Forward-traded mortgage-backed securities or forward-settling mortgage pools issued by Fannie Mae, Freddie Mac or Ginnie Mae.

Warrant – Any right or certificate evidencing a right to subscribe to or otherwise acquire another security, issued or unissued.

II. Authority

In accordance with the TCRS’s Investment Policy, and subject to these Guidelines, the State Treasurer hereby authorizes the Investment Staff to engage Hedging Transactions, Income Generation Transactions or Replication Transactions involving Derivative Instruments limited to the following underlying asset classes, including related indices of such: equity, interest rate, credit (including credit default) and foreign exchange.

Such transactions involving Derivative Instruments may be traded on an exchange, electronically or over-the-counter and shall be cleared through a central counterparty.

Investment Staff are required to comply with the applicable federal and state laws, rules and regulations, Investment Policy and these Guidelines. The Guidelines may reference or restate applicable laws, rules and regulations, or portions thereof, for convenience; however, in the event of any conflict, the following, as ordered, shall govern: i) laws, rules and regulations; ii) Investment Policy; and iii) Guidelines.

III. Objectives

As an integral component to the implementation and oversight of the TCRS's Investment Policy, the purpose of the Guidelines is to set forth the additional investment criteria for Derivative Instruments, which the State Treasurer and the Chief Investment Officer determine to be prudent in consideration of the purposes, terms, distribution requirements and other circumstances of the TCRS and in the best interest of the beneficiaries.

Derivative Instruments are be used to efficiently access the markets and to manage portfolio risk.

IV. Qualified Independent Representative(s) (“QIR”)

The TCRS has duly authorized Investment Staff as QIRs to engage in Swaps or a trading strategy involving Swaps for and on behalf of the TCRS. Generally, unless the TCRS or the State of Tennessee Treasury Department have otherwise notified, in writing, a counterparty, the Investment Staff exercise independent judgement and do not rely on a counterparty's advice related to Swaps or trading strategies involving Swaps.

Additionally, Investment Staff may authorize External Investment Managers to engage in Swaps or a trading strategy involving Swaps for and on behalf of the TCRS. Each External Investment Manager must certify in writing, substantially in the form of Exhibit C, that he/she/it meets the criteria for a QIR prior to engaging in such activity.

V. Controlling Investment Risks

A. Strategy

Prior to the implementation of a new Derivative Instrument strategy, the Investment Staff, or External Investment Manager, shall prepare a Strategy Report, substantially in the form of Exhibit A, and submit such to the CIO for review and consideration. A copy of an approved Strategy Report will be provided to the compliance staff, tracked on the Derivative Instruments Strategies Matrix, substantially in the form of Exhibit B (as amended from time to time), and incorporated into these Guidelines.

B. Instrument Type and Classification

Prior to the execution of a transaction, Investment Staff must determine, in consultation with the Compliance Officer, the Derivative Instrument type (i.e. Title VII Instrument, Excluded Instrument or Exempt Foreign Exchange Instrument) and, for Title VII Instruments, class (i.e. Swap, Security-Based Swap, Mixed Swap, or Security-Based Swap Agreement). Such determinations are made based on all the facts and circumstances of a transaction and structuring a transaction to evade regulations is strictly prohibited.

C. Position Limits

Investment Staff shall comply with all derivative position and aggregate limits established by the applicable regulatory and legal organizations and authorities within each jurisdiction.

D. Valuation

All Derivative Instruments, including securities held for variation margin and collateral, must be marked-to-market, each business day.

VI. Controlling Counterparty Risks

A. Approved Counterparty

Investment Staff shall transaction only with duly selected and authorized trading counterparties.

In accordance with the Investment Policy, Hedging Transactions, Income Generation Transactions and Replication Transactions shall be executed only with registered swap dealers.

All execution venues shall be registered in the US or UK and subject to Commodities and Futures Trading Commission (“CTFC”), Securities and Exchange Commission (“SEC”) or Financial Services Authority (“FSA”) regulation.

B. Agreements

Excluded Instrument transactions may be subject to an agreement (e.g. MSFTA, clearing or give-up agreement).

All Title VII Instrument transactions must be subject to an established agreement (e.g. ISDA Master).

The Investment Staff will keep a record of all such agreements, detailing (as applicable) the counterparty name, agreement effective date, transfer and collateral thresholds, eligible collateral and valuation levels (e.g. haircut) and other relevant operational information (e.g. interest calculation, termination event threshold, etc.).

C. Credit Rating

Any counterparty to a Title VII Instrument transaction must have and maintain a senior, unsecured, debt rating at or above Investment Grade by at least two (≥ 2) of the designated NRSROs. More restricted credit ratings may be negotiated and stipulated under an agreement between the TCRS and a counterparty, any such provision would govern.

D. Exposure

The total gross notional exposure of all Derivative Instruments will not exceed thirty-five percent ($\leq 35\%$) of the Market Value of the Total Assets.

The gross notional exposure per issuer, across all asset classes (excluding externally managed accounts will not exceed five percent ($\leq 5\%$) of the Market Value of the Total Assets.

If any exposure limit is exceeded, the Investment Division will inform the CIO and Treasurer and take appropriate corrective action within a 90-day period or develop a corrective action plan, approved by the Treasurer.

VII. Monitoring

A. Regular Reports and Monitoring

The Investment Staff will use, as applicable, custodial and External Investment Manager reports and internal analysis to monitor Derivative Instruments and QIR performance on a regular basis. The Investment Staff shall submit a monthly strategy performance report to the CIO, detailing outstanding and closed positions, performance and counterparty exposure.

B. Annual Evaluation

The Investment Staff will at least annually, in consultation with the Compliance Officer, evaluate the Derivative Instruments Strategies Matrix to confirm that adequate controls are in place for the current strategies. The report will be provided to the CIO and Treasurer.

VIII. Trade Confirmations, Statements and Records

Investment Staff, or if applicable External Investment Manager, will maintain all records relevant to any transaction entered into under these Guidelines and the related or underlying position transaction, including but not limited to order tickets, trade confirmation, statements, records customarily generated in accordance with relevant market practices, records reflecting payments related to the transaction and, as appropriate, transfer of title.

Exhibit A - Strategy Report

1. Strategy Name: _____

2. Description of Strategy and Trading Rationale: _____

3. Authorized Traders / Portfolio Managers: _____

4. Transaction Type(s) to be Used:

Hedging Transactions Income Generation Transactions Replication Transactions

5. Instrument Type(s) to be Used:

Title VII Instruments Excluded Instruments Exempt Foreign Exchange Instruments

5.a. For Title VII Instruments,

5.a.1. the following security classification(s) will be used:

Swaps Security-Based Swaps
 Mixed Swaps Security-Based Swap Agreements

5.a.2. the following asset class(es) will be used:

Equity and related indices
 Interest rate and related indices
 Credit, including credit default, and related indices
 Foreign exchange and related indices

6. Authorized Counterparty(ies):

<input type="checkbox"/> BNY Mellon Capital Markets, Inc.	<input type="checkbox"/> Credit Suisse Securities (USA) LLC	<input type="checkbox"/> J.P. Morgan Securities LLC
<input type="checkbox"/> Barclays Capital, Inc.	<input type="checkbox"/> Deutsche Bank Securities Inc.	<input type="checkbox"/> State Street Global Markets, LLC
<input type="checkbox"/> Citigroup Global Markets Inc.	<input type="checkbox"/> HSBC Securities (USA) Inc.	<input type="checkbox"/> _____
<input type="checkbox"/> _____	<input type="checkbox"/> _____	<input type="checkbox"/> _____

7. Counterparty(ies) Eligibility:

7.a. Counterparty Name: _____

7.a.1. Registered Swap Dealer – CRD#: _____

7.a.2. Agreement effective date: _____

7.a.3. Current (Investment Grade) senior, unsecured, debt rating by two designated NRSROs:

A.M. Best: _____ Moody's: _____

Fitch: _____ S&P: _____

Kroll: _____ _____

7.b. Counterparty Name: _____

7.b.1. Registered Swap Dealer – CRD#: _____

7.b.2. Agreement effective date: _____

7.b.3. Current (Investment Grade) senior, unsecured, debt rating by two designated NRSROs:

A.M. Best: _____ Moody's: _____

Fitch: _____ S&P: _____

Kroll: _____ _____

(Use separate sheet to add additional counterparties.)

8. Limitations

8.a. Counterparty(ies) Limitation(s): No Yes:

8.a.1. Exposure (less collateral): _____

8.a.2. Exposure (with collateral): _____

8.a.3. Exposure (total / issuer basis): _____

8.a.4. Other: _____

8.b. Position Limitation(s) (notional): No Yes:

8.b.1. Regulatory / Exchange: _____

8.b.2. Internal: _____

9. Impact on Portfolio (“ + ” increase; “ - ” decrease)

9.a. Strategy Exposure: _____

9.b. Duration Effect (Net Portfolio): _____

9.c. Tracking Error (Incremental): _____

10. Other: _____

This Strategy Report was reviewed, considered and is <input type="checkbox"/> approved / <input type="checkbox"/> denied for use in account(s) _____, effective _____	
_____ Chief Investment Officer	_____ Date
<input type="checkbox"/> Provided to compliance on _____ by _____	
<input type="checkbox"/> Updated Derivative Instruments Strategies Matrix on _____ by _____	

This Strategy was terminated or is no longer in effect as of _____	
_____ Chief Investment Officer	_____ Date
<input type="checkbox"/> Provided to compliance on _____ by _____	
<input type="checkbox"/> Updated Derivative Instruments Strategies Matrix on _____ by _____	

Exhibit B - Derivative Instruments Strategies Matrix

Strategy Name	Approved Date	Authorized Account(s)	Authorized Trader(s) / Portfolio Manager(s)	Strategy Termination Date

Exhibit C –
External Investment Manager
Qualified Independent Representative Certification

(To be placed on the External Investment Manager's Letterhead)

DATE

ATTN: State Treasurer, as Chair of the Board of Trustees
Tennessee Consolidated Retirement System
c/o Treasury Department, Investment Division
502 Deaderick Street
Andrew Jackson Building, 13th Floor
Nashville, TN 37243

RE: Qualified Independent Representative Certification

Dear Chair of the Board of Trustees,

Pursuant to the Contract dated _____ as amended on _____, _____ (“Contractor”) has a fiduciary relationship to the State of Tennessee, Tennessee Consolidated Retirement System (“Retirement System”) and, as a result of certain rules and regulations adopted pursuant to Section 731 of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Contractor is legally obligated to comply with the representations made below prior to engaging in a swap transaction or transaction involving swaps for on and on behalf of the Retirement System.

In accordance with the Contract, the Retirement System’s Investment Policy and Derivative Instruments Investment Guidelines, and in order that the Tennessee Department of Treasury might comply in good faith with such written policies and procedures reasonably designed to ensure the proper selection and monitoring of the Contractor with respect to swap transactions and transactions involving swaps, the Contractor hereby represents that it:

1. has sufficient knowledge to evaluate swap transactions and transactions involving swaps and related risks;
2. is not subject to a statutory disqualification as set forth in the Commodity Exchange Act;
3. is independent of a swap dealer or major swap participant, in that:
 - (a) it is not and, within one year of representing the Retirement System in connection with a swap or a transaction involving a swap, was not an associated person of a swap dealer or major swap participant within the meaning of Section 1a(4) of the Commodity Exchange Act;
 - (b) there is no principal relationship, as defined within Rule §23.450 as promulgated under the Commodity Exchange Act, between the Contractor and a swap dealer or major swap participant;
 - (c) it provides timely and effective disclosures to the Retirement System, through the designated Tennessee Department of Treasury Investment Staff, of all material conflicts of interest that could reasonably affect the judgment or decision making of the Contractor with respect to its obligations to the Retirement System;

- (d) it complies with policies and procedures reasonably designed to manage and mitigate such material conflicts of interest;
 - (e) it is not directly or indirectly, through one or more persons, controlled by, in control of, or under common control with a swap dealer or major swap participant; and
 - (f) a swap dealer or major swap participant did not refer, recommend, or introduce the Contractor to the Retirement System within one year of the Contractor's representation of the Retirement System in connection with a swap or transaction involving a swap;
4. undertakes a duty to act in the best interests of the Retirement System and its participants and beneficiaries;
 5. makes appropriate and timely disclosure to the Retirement System, through designated Tennessee Department of Treasury Investment Staff;
 6. evaluates, consistent with the Retirement System's Investment Policy and Derivative Instruments Investment Guidelines, fair pricing and the appropriateness of a swap or a transaction involving a swap;
 7. is subject to restrictions on certain political contributions imposed by the Securities and Exchange Commission; and
 8. has policies and procedures reasonable designed to ensure that the Contractor satisfies the representations contained herein.

These representations shall be deemed repeated each time the Contractor enters into a swap transaction or a transaction involving a swap for and on behalf of the Retirement System, unless timely, written notification to the contrary is provided to the Retirement System, through designated Tennessee Department of Treasury Investment Staff, prior to engaging in a swap transaction or transaction involving swaps for on and on behalf of the Retirement System.

IN WITNESS WHEREOF:

Authorized Contractor Signature	Date
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Printed Name and Title of Authorized Contractor Signatory (above)

Attachment E
The Tennessee Department of Treasury Gifts and Solicitations Policy

No employee or any member of a Board, Commission or Committee administratively attached to the Department shall solicit, accept or agree to accept, directly or indirectly, on behalf themselves or their immediate family, any gift in violation of state law including, but not limited to, any gratuity, service, favor, entertainment, lodging, transportation, loan, loan guarantee rebate, money, any promise, obligation or contract for future awards or compensation or any other thing of monetary value, from any **individual** or **entity** that:

- Has, or is seeking to obtain, contractual or other business or financial relations with the Treasury Department or the Tennessee Consolidated Retirement System;
- Conducts operations or activities that are regulated by the Treasury Department;
- May bid on future procurement from the Department or a Board, Commission, or Committee administratively attached to the Department based on the employee's reasonable belief that the person or entity intends to submit a bid; or
- Has an interest that may be substantially affected by the performance or nonperformance of the employee's official duties.

Generally, gifts from a lobbyist or an employer of a lobbyist are prohibited; however, the following are exceptions to the general gift prohibition:

- A gift given for nonbusiness purpose and motivated by a close personal friendship and not by the position of the employee, and specifically authorized and defined by the Ethics Commission;
- Informational materials in the form of books, articles, periodicals, other written materials, audiotapes, videotapes, or other forms of communication;
- Sample merchandise, promotional items, and appreciation tokens if they are routinely given to customers, suppliers or potential customers or suppliers in the ordinary course of business;
- Unsolicited tokens or awards of appreciation, honorary degrees, or bona fide awards in recognition of public service in the form of a plaque, trophy, desk item, wall memento, and similar items, provided that any such item shall not be in a form which can readily be converted to cash;
- Benefits resulting from business, employment, or other outside activities of the employee or the employee's immediate family, if such benefits are customarily provided to others in similar circumstances and are not enhanced due to the status of the employee;
- Opportunities and benefits made available to all members of an appropriate class of the general public, including but not limited to, discounts afforded to the general public or prizes and awards given out in public contests;

- Expenses of out-of-state travel, if such expenses are paid for or reimbursed by a governmental entity or an established and recognized organization of elected or appointed state government officials;
- Food, refreshments, amenities, goody bags, entertainment, or beverages provided as part of a meal, reception or similar event including tradeshow and professional meetings; and
- Food, refreshments, meals, foodstuffs, entertainment, beverages that are provided in connection with the following: an event where the employee is a speaker or part of a panel discussion at a scheduled meeting of an established or recognized membership organization which regularly meets at in-state events in which invitations are extended to legislative or executive branch employees. The value of the items shall not exceed fifty dollars (\$50.00) per person, per day.*

* The amount may be increased to reflect the percentage of change in the average consumer price index. The Ethics Commission publishes the increased amount on its website.

For other gifts offered which are not included in the exceptions above, the employee must obtain the written approval of the Assistant Treasurer for Legal, Compliance, and Audit.

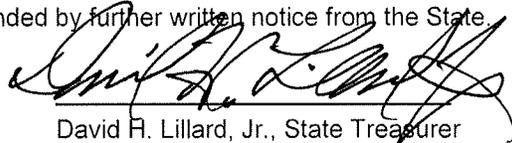
Attachment F
Name of State's Custodian

Pursuant to Section A.6.a. of the Contract, the State has designated the following entity as its Custodian:

State Street Bank and Trust Company
1200 Crown Colony Drive
Quincy, Massachusetts 02169

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

Sept. 30, 2016
Date Effective



David F. Lillard, Jr., State Treasurer
and Chairman of the Tennessee
Consolidated Retirement System

Approved for signature by Oct 9/2016

Attachment G
List of Authorized Individuals

**Attachment G.1
List of the State's Authorized Individuals**

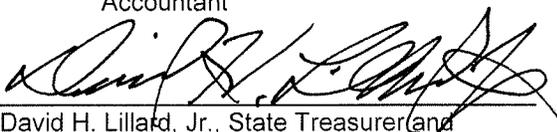
Pursuant to Section E.7 of the Contract between the State and the Contractor, each party has outlined below the individuals from whom the other party is authorized to accept any notices, requests, demands, or other advice which may be given under the Contract. This Attachment G shall be valid until revoked 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.

<u>Authorized Individual</u>	<u>Position</u>
Michael Brakebill	Chief Investment Officer
Derrick Dagnan	Deputy Chief Investment Officer
Michael Keeler	Director of Equities
Roy Wellington	Portfolio Manager
Virginia King	Operations Supervisor
Diane Willocks	Equity Trader

The individuals listed above, auditors employed by the State of Tennessee, and the following individuals are authorized to make inquiries concerning the State'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	Assistant Director of Accounting
Karen Baumgartel	Account Manager
Cassandra Esaka	Accountant

Sept. 30, 2016
Date Effective



David H. Lillard, Jr., State Treasurer (and
Chairman of the Tennessee Consolidated Retirement
System Board of Trustees

Approved for signature by CIA 913416

**Attachment G.2.
List of Contractor's Authorized Individuals**

Authorized Individual _____ Position

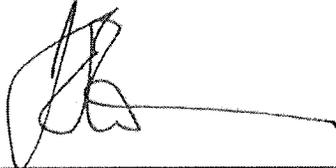
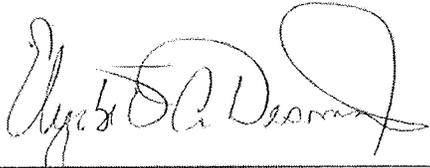
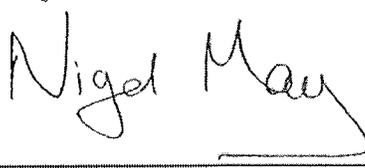
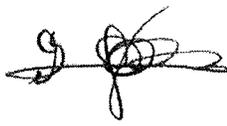
29 sept 2016
Date Effective



(Signature of Authorized Officer)

CLIVE GILLMORE - CHIEF EXECUTIVE OFFICER AND GROUP CIO
(Printed Name and Titled)

**MONDRIAN INVESTMENT PARTNERS LIMITED
AUTHORISED SIGNATORY LIST**

Full Name and Official Position	Instruction Method (Written/ Oral)	Limitation in Authority Value/ Transaction Type	Specimen Signature
DAVID G. TILLES Executive Chairman	Written & Oral	None	
CLIVE A. GILLMORE Chief Executive Officer and Group CIO	Written & Oral	None	
JOHN EMBERSON Director, Chief Operating Officer	Written & Oral	None	
ELIZABETH A. DESMOND Director, Chief Investment Officer - International Equities	Written & Oral	None	
NIGEL G. MAY Deputy Chief Executive Officer	Written & Oral	None	
HAMISH O. PARKER Director	Written & Oral	None	
WARREN D. SHIRVELL Deputy Chief Operating Officer	Written & Oral	None	

ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE

SUBJECT CONTRACT NUMBER:	
CONTRACTOR LEGAL ENTITY NAME:	
EDISON VENDOR IDENTIFICATION NUMBER:	

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.

Clive Gillmore

CONTRACTOR SIGNATURE

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. Attach evidence documenting the individual's authority to contractually bind the Contractor, unless the signatory is the Contractor's chief executive or president.

CLIVE GILLMORE - CHIEF EXECUTIVE OFFICER AND GROUP CIO

PRINTED NAME AND TITLE OF SIGNATORY

29 sept 2016

DATE OF ATTESTATION